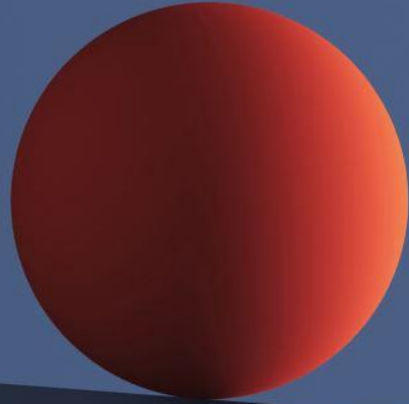


Ohio

Small Business  
Development Centers



# Credit Secrets

TIPS FOR YOU AND YOUR BUSINESS

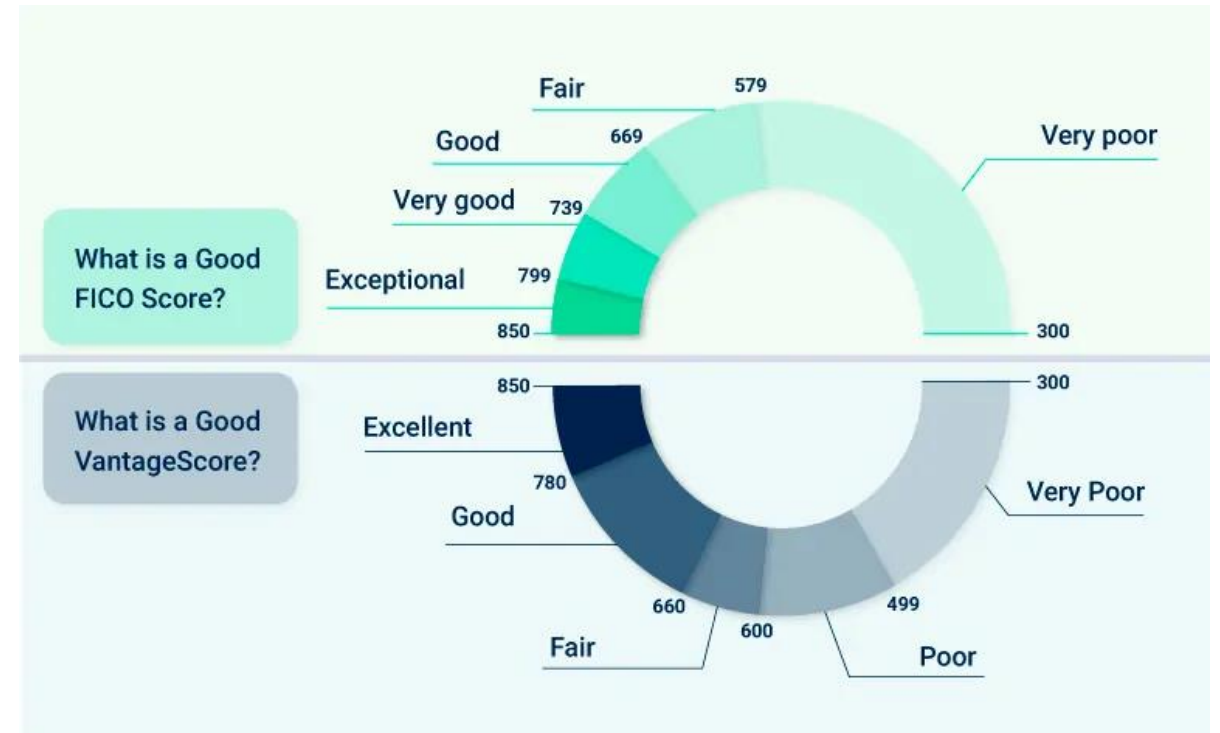
# Personal Credit Score

Good Place to Start

Living with Good or Bad Credit

Necessary Evil

Part of your Financial Health



# Personal Credit

What's it made of?

Different Variations

Equifax, Experian and TransUnion



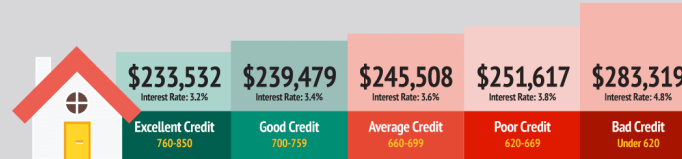


## Good Credit: What It Can Get You



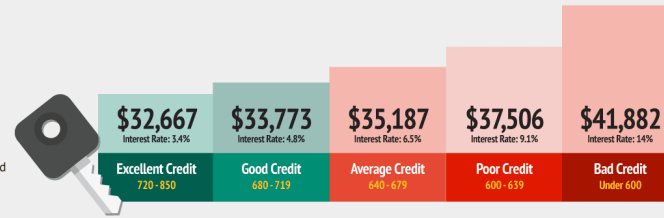
### Mortgage Rates

30-year Mortgage for \$150,000. Amount shown is principal and interest.



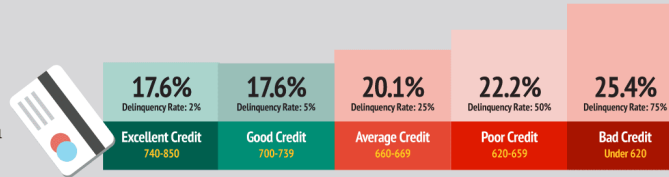
### Auto Loan Rates

60-month Auto Loan for \$30,000. Amount shown is principal and interest.



### Credit Card Rates

Average APR across all credit cards. Credit card rates will vary due to many different factors.



### Insurance Rates

30-year-old driver no tickets, no claims 4-door 2016 sedan driving 12,000 a year in city traffic.



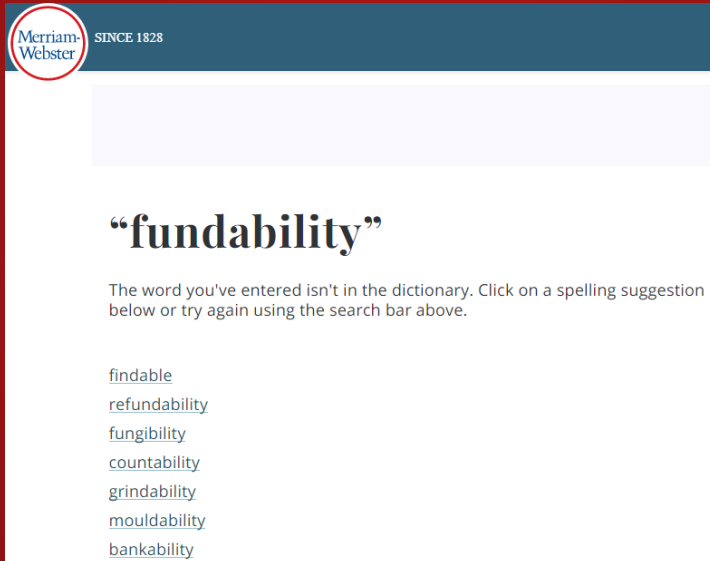
# The Foundation

- ▶ Establish Credibility
  - ▶ Get on the Map
  - ▶ Register & EIN
- ▶ Safe-Risk
  - ▶ Pay on time
  - ▶ Good Relationships
- ▶ Lenders Perspective



# Fundability

- ▶ Business Accounts
  - ▶ Banking
  - ▶ Credit
- ▶ Business Assets
  - ▶ Value
- ▶ Business Revenue
  - ▶ Cash Flow
  - ▶ Profit
- ▶ Owners Credit History



Merriam-Webster SINCE 1828

**“fundability”**

The word you've entered isn't in the dictionary. Click on a spelling suggestion below or try again using the search bar above.

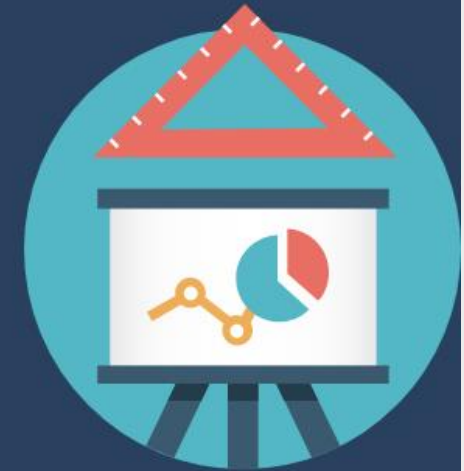
- [findable](#)
- [refundability](#)
- [fungibility](#)
- [countability](#)
- [grindability](#)
- [mouldability](#)
- [bankability](#)

# Be Aware



## Business Credit Scoring Risk Factors

- ▶ Past Payment Behaviour
- ▶ Financial Ratios
- ▶ Business Sector and Industry Conditions
- ▶ Insolvency, Bankruptcy, Judgements, Legal Proceedings
- ▶ Inventory
- ▶ Indebtedness
- ▶ Business Age, Demographics
- ▶ Lines of Credit (used and applied for)
- ▶ Late Payments
- ▶ Collections Rates





# Credit Agencies

## Experian

- ▶ Experian Business Credit Score (0 to 100)
- ▶ Financial Stability Risk Rating (1 to 5)



**Small business credit reports differ from personal credit reports**

[Review your business credit report today >](#)



# Credit Agencies

## Equifax – Small Business Finance Exchange (SBFE)

- ▶ Reports Include
  - ▶ Payment Trend and Payment Index
  - ▶ Equifax Business Credit Risk Score (101 to 992)
  - ▶ Equifax Business Failure Score (1000 to 1610)



THE SMALL BUSINESS FINANCIAL EXCHANGE

Strength in Numbers for  
Small Business Lending



EQUIFAX

Product

### Business Credit Reports

Make sound risk decisions based on comprehensive company profiles and business credit data

# Credit Agencies

## Dun & Bradstreet

PAYDEX Score – 100 points

- ▶ Other Scores
  - ▶ Delinquency Predictor Score
  - ▶ Failure Score
  - ▶ Supplier Evaluation Risk Rating
  - ▶ D&B Rating
  - ▶ Credit Limitation Recommendation


### View Your D&B® Credit Scores

Get details and alerts on inquiries into your file including industry, date, and quantity.

[Learn More](#)

Business Listing

**FREE**

[Get Started](#) 

# When does info drop off?

Trade, Bank, Government and Leasing Data : 36 months

UCC Filing : 5 years

Tax Liens, Collections, Judgments : 6 years 9 months

Bankruptcies : 9 years 9 months

# Vendor Credit







- ▶ Get Products & Services Now – Pay Later (Net 30, 60, 90)
- ▶ Use EIN and verified 411 listing
- ▶ Try not to apply with SSN
- ▶ Set up a few, maybe 5
- ▶ Be patient

# Revolving Credit

- ▶ Has a larger impact compared to vendor credit
  - ▶ Because of how companies report
  - ▶ Always pay “minimum due” or more
  - ▶ Be careful of balance to available limit
  - ▶ Some recommend a few, maybe 3

# LOAN OPTIONS

FOR SMALL BUSINESS OWNERS

	TRADITIONAL & SBA		INVESTMENT LENDERS		SHORT-TERM LENDERS	
	SBA FINANCING	TRADITIONAL BANK LOAN	LINE OF CREDIT	TERM LOANS	FACTORING	MERCHANT CASH ADVANCE
 <b>LOAN AMOUNT</b>	Max: \$5 million Average: \$330k	\$150k and up	Up to \$500k	Up to \$500k	70-90% of Invoices	Up to \$500k
 <b>TIMING, APPLICATION TO FUNDING</b>	3-6 months	2-4 months	1-2 weeks	1-2 weeks	1-2 weeks	Within a week
 <b>USE</b>	Any business use	Any business use	Stabilize irregular cash flows	Inventory, capital, general growth	Cover operating expenses until invoices are paid	Short term needs: cover payroll and/or unexpected costs
 <b>TERM</b>	3-10* years * Terms >5 yrs usually real estate	1-20* years * Terms >5 yrs usually real estate	1 year renewable contracts	1-5 years	Usually 30 days	3-12 months
 <b>PAYMENTS</b>	Monthly Payments	Monthly Payments	Weekly, Bi-Weekly, or Monthly Payments	Weekly, Bi-Weekly, or Monthly Payments	No Payments (Cost is 2-3% of invoices)	Daily payments of a fixed % of sales
 <b>APR RANGE</b>	Term Loan: 5.5%-6%, Line of Credit: 9%-12%	4%-8%	9%-23%	9%-27%	Equivalent APRs are 30%-50%	Equivalent APRs are often 60%-150%

# Last minute tip...

## **Monitor your Business Credit**

- Pay for Reports
- Pay for a Service
- Other Options

## **Monitor your Consumer Credit**

- Free Report from each Agency
- Pay for Service
- Other Options



# Any Questions

- ▶ ▶ Springfield SBDC
- ▶ [myoung@springfieldsbdc.com](mailto:myoung@springfieldsbdc.com)
- ▶ 937-322-7821