Credit Building for Small Businesses

Small Business Financial Literacy Guide

Provided by Clarity Impact Finance

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Strong business credit opens doors to financing opportunities and better terms for your business.

How Business Credit Scores Work

Unlike personal credit scores, business credit scores are:

* Typically scored on a scale of 0-100 (not 300-850)
* Publicly available to anyone willing to pay for access
* Generated by multiple bureaus with different methodologies (Dun & Bradstreet, Experian, Equifax, FICO SBSS)
* Based on payment history, credit utilization, company size, industry risk, and public records

Steps to Establish and Improve Business Credit

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| --- | --- | --- |
| **Step** | **Timeline** | **Impact** |
| Incorporate or form an LLC | 1-2 weeks | Creates legal separation between personal and business |
| Get an EIN from the IRS | Immediate (online) | Required for business credit files |
| Open business bank accounts | 1 week | Establishes financial foundation |
| Obtain a D-U-N-S Number | 30 days | Required for D&B credit file |
| Set up vendor credit lines | 1-3 months | Initial trade lines reporting to bureaus |
| Apply for business credit card | 3-6 months after above steps | Revolving credit access |
| Monitor and manage credit | Ongoing | Maintain positive history |

Action Steps

* Check your current business credit reports from all major bureaus
* Create a plan to establish missing elements (EIN, D-U-N-S, etc.)
* Set up accounts with suppliers that report to credit bureaus
* Establish 5-7 trade lines that report to business credit bureaus
* Set calendar reminders to pay all bills before due dates

Warning Signs to Watch For

* Paying business bills late (even a few days)
* High credit utilization (over 30% of available credit)
* Tax liens or judgments against your business
* Too many credit inquiries in a short period

Additional Resources

• Business Credit Building Roadmap

• List of Vendors that Report to Business Credit Bureaus

• Credit Bureau Dispute Letter Templates