

How To Build Your Business Credit Score

For a business to be in the favor of different lenders and to obtain the necessary funding for its future capital needs, having a favorable credit score is very vital. But a good credit rating does not come in an instant, and for any business owner, there are certain steps to follow. These steps will help improve a business' credit rating as well as maintain a favorable reputation to lenders and investors.

1. Make sure that your business has a legal entity

Your business will not be able to build business credit if it does not have an entity unto itself. And thus, it is necessary for you to be incorporated or to form an LLC (Limited Liability Company). No lender will be willing to give a business loan to a sole proprietor because this might end up as a personal loan in disguise.

2. Find a Good Address, a Telephone Line, E-mail and Internet Service

Having a good physical location for your company adds credibility for lenders to believe that your company is legitimate when your office address is not your own home address. And having the right means for people to contact you such as owning a telephone line as well as an e-mail address and even a web site, is essential especially for faster communication.

3. Check Your Business Listings

Have your company enlisted under all the necessary agencies and make sure that all your listings are under the same exact legal name as well as with the same exact phone number and address. It is very important for all your personal creditors to have you listed under a uniform identity.

4. Obtain All Necessary Business Licenses, Permits, etc.

Obtain a business license for your company and, if applicable, a license for tax resale in the state, city or county location of your business. Follow all the necessary regulatory guidelines for running your business.

5. Organize Financial Statements and Tax Returns

Be ready to present at least two years of financial statements, with which the help of a CPA is highly recommended. And it is also very important, that your business at this time should already have its own tax ID number. Both federal

and state business tax ID numbers should be enlisted under the same exact legal business name.

6. Secure Bank References

A minimum of one bank reference is necessary for your business to establish its score. And it would be advisable if your bank account were at least active for two years, with a good stable balance of at least \$10,000 for the past three months for it to be in a favorable position for lending. How you manage cash flow in your business will be reflected from your banking.

7. Obtain At Least Five Trade References

Your business will need five trade references that have given you a credit account. This may include your suppliers or any firm in which your company has purchased goods, preferably at a regular basis. Make sure to choose references that will give a favorable credit history to agencies investigating on your financial history.

8. File for Credit Report Agencies

Get three business credit cards that do not have personal links to you and that will give business credit reporting agencies their feedback on your company.

After doing all these, just remember to play your business in a clean and fair game and of course, pay all your bills on time, and you will surely be able to attain an excellent business credit score.