

## Build Up Your Business Credit

It is very important to build up your business credit scores to be able to avail of financial loans to fund your small business. In truth, small enterprises are now clamoring about for loans to improve their business by using the money for improvements, or purchasing inventory to meet consumer demands.

Building up your business credit takes a lot time and effort, and requires a paper works by the dozen. Here are some tips on how to get started in giving your business credit rating a healthy boost:

### Set a business identity first

The first step in improving your business credit is to get one in the first place. This can be done by registering your business as an LLC or a corporation. Next you need to provide all the necessary paper works required by lenders such as legal document like business permits and licenses, financial statements, references, contracts, and so on.

You need to keep in mind that when you register your business as an independent entity, you need to have a fixed address of your business, as well as open lines of communication. (Note that P.O. Box is not acceptable as a business address)

You might also need to register your business in a credit agency so they can keep tabs on your credit ratings and scores. These organizations will act as reference when you apply for a financial loan that requires a valid credit report.

Building up your credit status will depend on the financial stability of your business as based on the financial documents during its operation. Also, prompt payments are a major issue when it comes to raising your credit status. Fail to pay on the date agreed; you get a negative score on your credit score if that happens.

You might also need to keep monitor credit card reports when they are delivered to you. Try to check for transactions that you did, or did not, make. If you spot an error, report it immediately to the corresponding agency. This will result to a higher credit rating.

### Get a loan

Before you can actually improve your credit scores, you need to have a credit to work with. Many small businesses are now opting for business credit cards to

improve their ratings. One reason for this is that these plastics have reduced interest rates and APR, which is quite useful for making prompt and affordable payments.

Also, since business credit cards have no principal amounts attached to them, you can easily control the interest expense you make every month. You can do some budget planning to minimize expenses and maximizing profit, without worrying about interests piling up.

Another way to improve your credit status is through credit lines. Many financial institutions, like banks, are now offering short-term lines of credits (LOC) for small businesses, with easy payment terms.

Since interest expense on LOC is dependent on the principal amount, you can easily reduce it by paying the original debt until you reach zero. With this term in mind, you can easily make prompt payments according to the agreement between you and the lender.

The gist to build up your business credit is to make prompt payments on your debts. Whether you have multiple loans or tons of credit cards at your disposal, you need to make sure that you pay each one on its designated date. If done right, you are well on your way to improve your credit scores, which in turn, will improve the financial future of your business.