

Building Business Credit Scores

To be able to avail of many financing offers by many lenders, having a good credit score is a must. If you have one handy, this will allow you to get a decent amount with reduced interest rates, with flexible payment terms. But building your business credit score is no easy feat to accomplish.

If you just have started earning your business credit when you set up your business venture, then it's quite easy to get a good rating within 1 to 2 years of its operation.

This is not the case, however, when you have a bad credit rating. You either have to repair your business credit on your own, or hire a credit repair professional to get the job done. Only when you fixed your score can you start to build it up.

But before you can actually start building business credit scores, you need to have a credit identity first. This can be done by putting up your business as a corporation or an LLC. These two are perfect statuses to start your business credit. Since most financial lenders are eyeing clients in corporation or LLC, having your business as one will allow you to get a loan faster than any business enterprise.

You also need to set up a credit record with a credit agency, or Paydex. Credit agencies will keep track of your credit transactions, rate them and give them scores. This will be used to determine how good your credit rating is when a financial institution does a credit check.

Paydex scores by big companies like Dun and Bradstreet will keep records on how well your company is paying your credit bills. The score ranges from 0 to 100 - the higher the score, the bigger the possibility your loan will get approved.

Now that you have established your credit identity, you need to apply for a loan before you can actually start building your business credit scores. First, you can choose either a secured loan, where the lender will ask you to pledge assets or properties as collateral that will serve as security for the loan. Note that this kind of loan will let you borrow a much larger amount (depending on your collateral), and a much reduced interest rate.

Another type of loan is the unsecured loan, which is perfect for those who don't want to put their assets at risk by setting it up as collateral. Since the risk to the lender is higher compared to unsecured loans, the financial institution might be very strict with its application, coupled with a higher interest rate

and payment schemes.

Next is the type of credit you want to be used in your business venture. Below are the most common credits you can bring out in any lender in your area:

1. Business credit card

Quite separate from a personal credit card, this type of credit is more lucrative to be used in business ventures due to its reduced APR, and flexible interest rates (depending on the amount used within the month).

2. Short/Long Term Loans

These kinds of loans allow you to borrow a fixed amount of money from the lender to be used in any way you wish. Attached with fixed interests with payment terms ranging from 5 to 10 years depending on the amount borrowed.

3. Lines of Credit (LOC)

Lines of credits are more for business who are into operation 2 years or more. Credit lines will let you have a fix amount of credit on the bank, which can be used to pay for unexpected expenses that crop up during the operation of your business. The interest expense will depend on the principal amount you have left, and will reduce as you pay your debt until it reaches zero.