

Nav's Build Business Credit Checklist

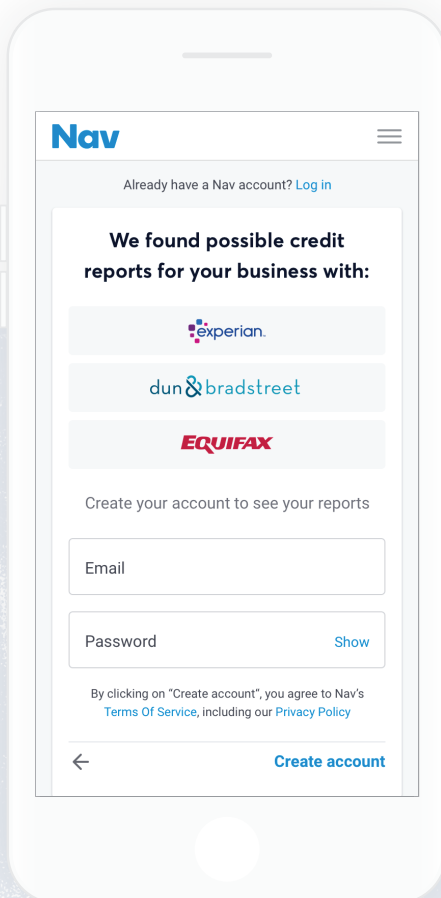


Business Credit

Like your personal credit, your business can have its own separate business credit reports and scores. Lenders, suppliers, insurance companies and future business partners may check these reports when evaluating your business. Building a strong credit profile for your company makes it easier to qualify for affordable funding, get trade credit and lower your costs.

Business owners who understand their business credit are 41% more likely to be approved for a business loan.

- Nav American Dream Gap Survey



How to Build Business Credit

Before you get started, check if your business is already listed with the major business credit reporting agencies: Dun & Bradstreet, Equifax, and Experian. Each one offers an option to search for your business on their website, or you can search all three in one place with a free Nav account.

Step One

Build Your Foundation

Set your business up the right way from the beginning and you won't find yourself trying to fix it later. These tasks can also have an impact on building business credit, as your business can appear less risky. If you're already running your business, double check that you have taken these steps.

- Get and use a consistent business name. If your business is incorporated, you'll use the full legal name on contracts and credit applications, for example. If it's not, consider filing a fictitious name registration with your state for the business name you choose.
- Determine your business address. If your business has a physical location, this one is easy. But if it doesn't, you can use your home address, shared office space, a P.O. Box, or a mailbox with a service such as UPS Stores.
- Determine a start date. Again, if you incorporated this one is easy. But if not, choose a date, such as the date you requested an Employer Identification Number or obtained a business license. Use that date consistently.
- Get a business phone number. There are affordable services that give you a separate number to ring on your cell phone so you can separate business and personal calls. You may also want to list that business phone number with 411 directories via ListYourself.net.

For more tips on setting up your business properly, read Nav's 14-Step Checklist to Make Your Business Legit at Nav.com/14.

Step Two

Register Your Business With Your State

When you create a legal entity for your business (LLC or an S or C Corp, for example), you register it with the Secretary of State (or similar agency.) Commercial credit agencies will often use that filing information to initiate a credit file for your business.

Not incorporating? You can build business credit as a sole proprietor (operating without a formal legal structure), but until you have formed a legal entity you have not truly separated your business and personal credit or finances. If you continue to operate as a sole proprietor, make sure you at least get any necessary business license(s) and/or register a fictitious name (DBA) with your state. This information may be used to create your credit file.

Step Three

Get a D-U-N-S Number

A D-U-N-S number is the identifying number for a business in the Dun & Bradstreet commercial credit database, and your business must be assigned one in order to create a business credit profile in their system. (In addition to building business credit, D-U-N-S numbers may also be required when applying for government contracts or grants or before doing business with other businesses.)

If your business hasn't already been assigned one, you can apply for a free D-U-N-S number, either directly from D&B or through a free Nav account. It can take 4-6 weeks to process.

You do not register your business directly with Equifax or Experian.



Step Four

Open Accounts That Report

Once you have confirmed that your business has a D-U-N-S number, you are ready to get accounts that will show up on your business credit reports. Payment history is the most important factor in business credit scores.

Not all companies you do business with will report to credit reporting agencies, however. So it can be helpful to establish accounts with suppliers or vendors that do report. You can purchase items you need for your business on terms and pay for them later. (For example, net-30 terms require payment in 30 days after the invoice date.) Pay on time and these accounts will demonstrate a positive payment history on your credit report.

For a list of vendor accounts that are easy to get (and don't check personal credit), visit [Nav.com/vendors](https://www.nav.com/vendors).

Need to build credit faster? You may be able get bills you're already paying to appear on your business credit reports. How? Use a service that will, for a nominal fee, verify and report cell phone, utility, cable and other accounts and report them to Experian. Learn more at [Nav.com/add-accounts](https://www.nav.com/add-accounts).

Step Five

Get a Business Credit Card

In addition to being a convenient and safe way to pay for purchases, most major business credit cards report to commercial credit reporting agencies. This can provide another credit reference on business credit reports. A business credit card paid on time can help bolster business credit scores. Keep in mind that some business credit cards are also reported to the owner's personal credit reports; either reporting all activity or negative activity in the event the bill goes unpaid. (See [Nav.com/report](https://www.nav.com/report) for a list of issuers that report to personal credit.)

Most small business credit cards review the owner's personal credit scores when evaluating an application. New businesses often qualify if the owner has good personal credit scores and has sufficient income from all sources.



A list of small business credit cards that report to business credit is available at [Nav.com/business-report](https://www.nav.com/business-report).

Step Six

Pay on Time

Payment history is the single most important factor when business credit scores are calculated. Business credit reports use a term called, “Days Beyond Terms” that describe how many days beyond the due date a payment was made. If your terms with a vendor are “net-30,” for example, and you pay on day 32, the account will be reported as 2 DBT.

At least half of your business credit score is based on your payment history. Paying even one day late will affect your score. In the case of the D&B PAYDEX® score, you can earn an even higher score by paying your bills early!

As a business owner, it’s easy to get busy and miss due dates. Set up reminders, alerts or auto payments so you pay those accounts on time to maintain a positive payment history.

Step Seven

Monitor Your Credit

Business credit fraud and identity theft are growing problems. Monitor your business credit reports for unusual activity such as inquiries or new accounts you don’t recognize.

Unlike personal credit, you cannot freeze your business credit reports. Checking your business credit at least once a month can help you spot suspicious activity. You can monitor your business credit through three major commercial credit reporting agencies, D&B, Equifax, and Experian at [Nav.com](https://www.nav.com).

