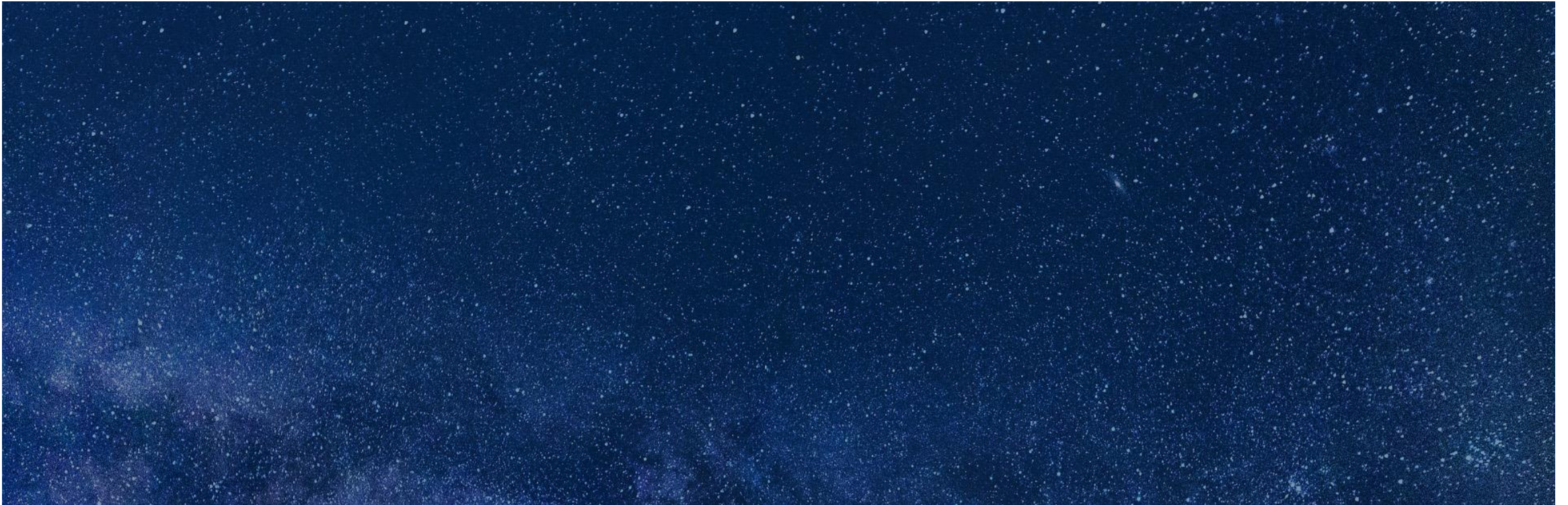




# HOW TO BUILD AND MONITOR YOUR BUSINESS CREDIT

MARCH 16, 2021



# BUILDING YOUR BUSINESS CREDIT INTRODUCTION



Many business owners are not aware of business credit scores.

Knowing and monitoring your business credit score will help you prepare for opportunities during and beyond COVID.

How can it impact your business? | How/where to check it? | How to monitor/fix issues?

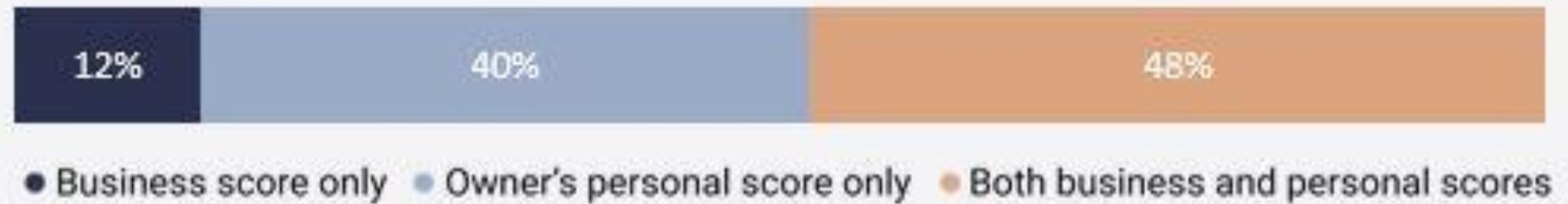
# SURVEY - USE OF CREDIT SCORES



Q: When you applied for credit, did you use personal credit, business credit or both?

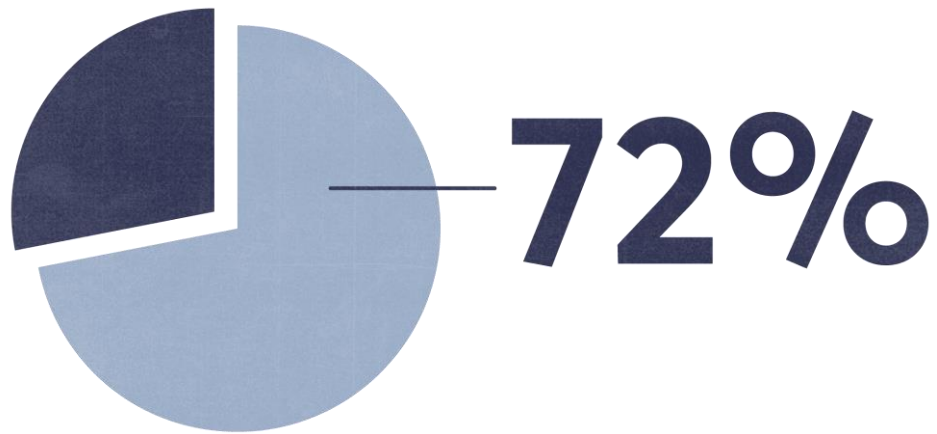
Use of Personal and Business Credit Scores<sup>1</sup> (% of employer firms)

N= 3,696



Source: Federal Reserve Small Business Credit Survey 2020 (Employer Firms)





## Press Release

# Survey Reveals 72% of Small Business Owners Don't Know Their Business Credit Score

Manta and Nav Join Forces to Bridge Knowledge Gap and Give *Users Free Access to Their Business Credit Scores*

# WHY BUSINESS CREDIT MATTERS



01



Insurance/  
Bonding

02



Government  
Contracts

03



Financing

- Vendors
- SBA loans
- Bank loans
- Equipment loans

**Good business credit isn't a guarantee, but  
it can provide more options.**

**41% more likely to be approved for business  
loan**

- Nav American Dream Gap Survey

MAJOR COMMERCIAL CREDIT  
BUREAUS





ADDITIONAL CREDIT  
DATA SOURCES AND  
CREDIT BUREAUS





## ALTERNATIVE DATA SOURCES

Information publicly available could impact your ability to get financing.

It is **IMPORTANT** to stay on top of your reputation. Negative information could have an impact.



# WHAT'S IN A BUSINESS CREDIT REPORT



Nav ID Theft Protection Active Jonathan

Home Tools **Reports** Alerts Financing Credit Cards Business Services Blog

**experian.** HJ Metalworks Inc<sup>x</sup>  
Report Date: 4/19/2018

**54**/100 **Low to Medium Risk**

Poor  
When compared to all businesses, 53% indicate a higher likelihood of severe delinquency than this business. Excellent

**Business Address:** 123 PARK LANE, MADISON, WI 53558  
**Date Founded:** 1994  
**Incorporation Date:** 1993  
**Current Status:** Active  
**Business Type:** Engineering services

**BIN:** 854220678  
**SIC Code:** 8711  
**NAICS Code:** 8748  
**Key Personnel:** JONATHAN DOE - OWNER  
**Contact:** N/A  
**Number of Employees:** 0  
**Sales:** \$1,306,000.00

*\*Intelliscore Plus<sup>SM</sup> v2 Credit Score  
Why is my score different?*

Here are the factors influencing your score:

- Number of commercial accounts with high utilization
- Percent of delinquent commercial accounts
- Number of recently active commercial accounts
- Number of commercial accounts with net 1-30 days term

**Summary**

- Current Days Beyond Terms (DBT): 7
- Monthly Average DBT: 3
- Highest DBT previous 6 months: 7
- Highest DBT previous 5 quarters: 12
- Active Payment Tradelines: 4
- Balance of all Tradelines: \$24,500.00
- Highest 6 Month Balance: \$31,700.00
- Lowest 6 Month Balance: \$21,200.00
- Total Payment Tradelines: 4
- Bankruptcy Filings: 0
- Tax Lien Filings: 0
- Judgment Filings: 0
- Total Collections: 0
- Sum of Legal Filings: \$0.00
- UCC Filings: 2
- Cautionary UCC Filings present?: Yes

**Trade Account Payment Totals**

Type	Liens Reported	Recent High Credit	Balance	Cur	1-30	31-60	61-90	91+
Newly Reported	0	\$0.00	\$0.00	0%	0%	0%	0%	0%
Continuously Reported	4	\$35,500.00	\$21,200.00	91%	0%	0%	9%	0%
<b>Total Account Payment Totals</b>	<b>4</b>	<b>\$35,500.00</b>	<b>\$21,200.00</b>	<b>91%</b>	<b>0%</b>	<b>0%</b>	<b>9%</b>	<b>0%</b>

## UCC Filings & Summary

Date Range	Year	Cautionary UCCs	Total Filed	Released/Terminated	Continuous	Amended/Assigned
01/01/2018 - 07/01/2018	2018	0	1	0	0	0
01/01/2016 - 07/01/2016	2016	1	1	0	1	1
01/01/2016 - 07/01/2016	2016	0	0	0	0	0
07/01/2016 - 01/01/2017	2016	0	0	0	0	0
01/01/2017 - 07/01/2017	2017	0	0	0	0	0
07/01/2017 - 01/01/2018	2017	0	0	0	0	0

## Active Trade Accounts (9)

### Trade Account 1

Account type: PACKAGING Date Reported: 1/1/2016 Date of last Activity: 11/1/2012 Terms: NET 30 Recent High Credit: \$0.00 Account Balance: \$0.00	Payment Status Payments Current: 100% 1-30 DBT*: 0% 31-60 DBT*: 0% 61-90+ DBT*: 0% * Days Beyond Terms
--	---

### Trade Account 2

Account type: PACKAGING Date Reported: 10/1/2017 Date of last Activity: Date not provided Terms: NET 30 Recent High Credit: \$2,400.00 Account Balance: \$2,400.00	Payment Status Payments Current: 100% 1-30 DBT*: 0% 31-60 DBT*: 0% 61-90+ DBT*: 0% * Days Beyond Terms
---	---

### Trade Account 3

Account type: GENERAL Date Reported: 10/1/2017 Date of last Activity: Date not provided Terms: CONTRACT Recent High Credit: \$3,300.00 Account Balance: \$800.00	Payment Status Payments Current: 0% 1-30 DBT*: 100% 31-60 DBT*: 0% 61-90+ DBT*: 0% * Days Beyond Terms
---	---

### Trade Account 4

Account type: CRED CARD Date Reported: 11/1/2016 Date of last Activity: 11/1/2015 Terms: REVOLVE Recent High Credit: \$1,100.00 Account Balance: \$100.00	Payment Status Payments Current: 100% 1-30 DBT*: 0% 31-60 DBT*: 0% 61-90+ DBT*: 0% * Days Beyond Terms
--	---

### Trade Account 5

Account type: COMPUTERS Date Reported: 8/1/2016 Date of last Activity: Date not provided	Payment Status Payments Current: 100% 1-30 DBT*: 0%
--	---

# BUSINESS & PERSONAL CREDIT DIFFERENCES



## Business Credit

Experian®  
Intelliscore Plus<sup>SM</sup> v2 | **24** >

Dun & Bradstreet®  
PAYDEX® | **80** >

## Personal Credit

Experian® Personal  
VantageScore® 3.0 | **786** >

TransUnion® Personal  
VantageScore® 3.0 | **790** >

## Active accounts



### Utility

Current Balance

**\$800**

0% Current

### Communicatn

Current Balance

**\$500**

51% Current

### Food distr

Current Balance

**\$100**

100% Current

### Matrl hndl

Current Balance

**\$0**

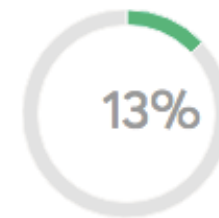
0% Current

**BUSINESS CREDIT  
REPORTS:  
NO CREDITORS NAMED**

# Business credit reports: **No credit limits reported**

## BANK CARD

👍 This account is current



Credit Utilization

**Date Reported:** 11/1/2016

**Date of last Activity:** Date not provided

**Terms:** REVOLVE

**Recent High Credit:** \$2,200

**Account Balance** \$300

Your credit utilization is calculated by dividing your account balance by your recent high credit.



# Business credit reports: Payment history differs

## Payment History

This is the history of how many of your payments on this account were made within terms and how many were not.

Well done! This account's payments are 100% current

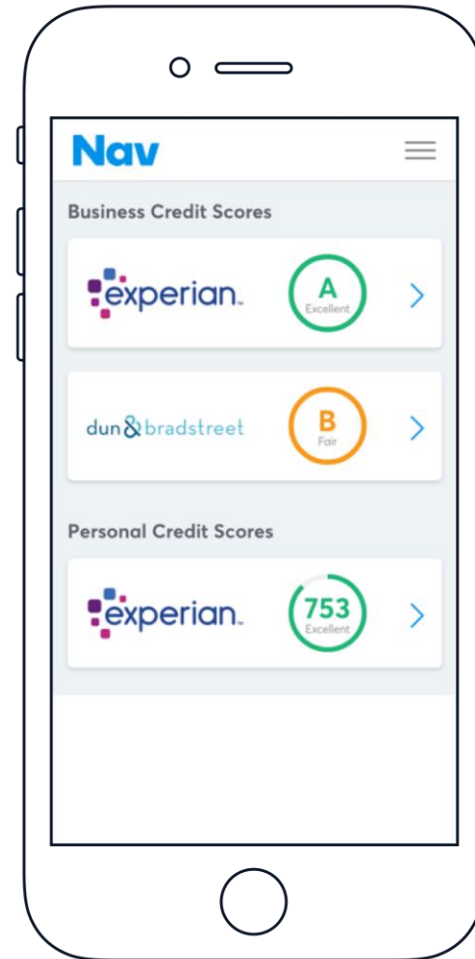
**Current:** 100%  
**1-30 DBT:** 0%  
**31-60 DBT:** 0%  
**60-90+ DBT:** 0%



**Current**

Days Beyond Terms (DBT) describes how long it takes a business to pay its bills, past the due date.

Business credit reports:  
**Free credit reports not required**

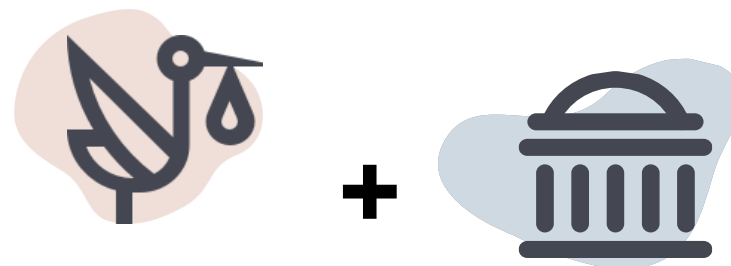


# HOW BUSINESS CREDIT REPORTS ARE BORN



## How business credit might begin:

- Apply for a D-U-N-S account
- Filing with state (new legal entity)
- Credit accounts (open a credit account)



## Identifying Numbers

- D-U-N-S number
- Equifax ID
- Experian - Business Identification Number (BIN)



**Q:** What is a **good** business credit score?

# DIFFERENT SCORES, DIFFERENT SCALES



**Intelliscore<sup>SM</sup>**

0-100

dun & bradstreet

**Paydex<sup>®</sup>**

0-100

**EQUIFAX<sup>®</sup>**

**Delinquency  
Score**

224-580



# FICO® SBSS<sup>SM</sup>

FICO Small Business Scoring Service

Article on FICO SBSS:  
<https://www.nav.com/business-credit-scores/fico-sbss/>

**SBSS**  
by FICO®

**207** /300

Low risk

Poor

Excellent

*Why is my score different?*

FICO® SBSS<sup>SM</sup> is calculated using a combination of your Experian **personal** and **business** credit reports.

This score is used by the U.S. Small Business Administration (SBA) and many commercial lenders in their loan underwriting process to determine a small business's creditworthiness.

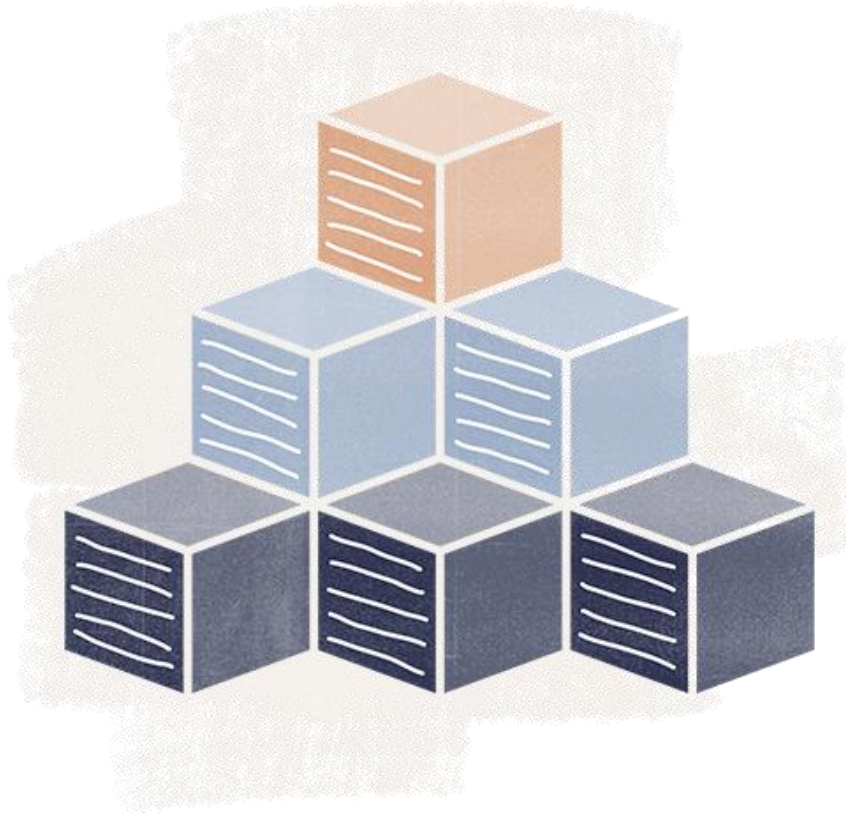
## Good News!

Based on your FICO® SBSS<sup>SM</sup> score, you may qualify for an SBA loan.





# HOW TO BUILD BUSINESS CREDIT



# Step 1 Create a business entity



**Set up a legal entity LLL, S Corp, Corp, Partnership**, whatever is appropriate for your business.

**For sole proprietors**, consider registering your business name known as **fictitious name or doing business as (DBA)**.

**Where: Arizona Corporation Commission** <https://www.azcc.gov/>

**Apply for an Employer Identification Number (EIN)**. This is like your social security number for the business.

**Where: Internal Revenue Service**  
<https://IRS.gov>

**Check for licensing requirements.**

**Where: Arizona Commerce Authority Checklist** <https://www.azcommerce.com/small-business/categories/i-am-ready-to-start-my-business-in-arizona/>

# WHAT IS MY INDUSTRY?



SIC  
Code

Standard Industrial Classification (SIC) Code

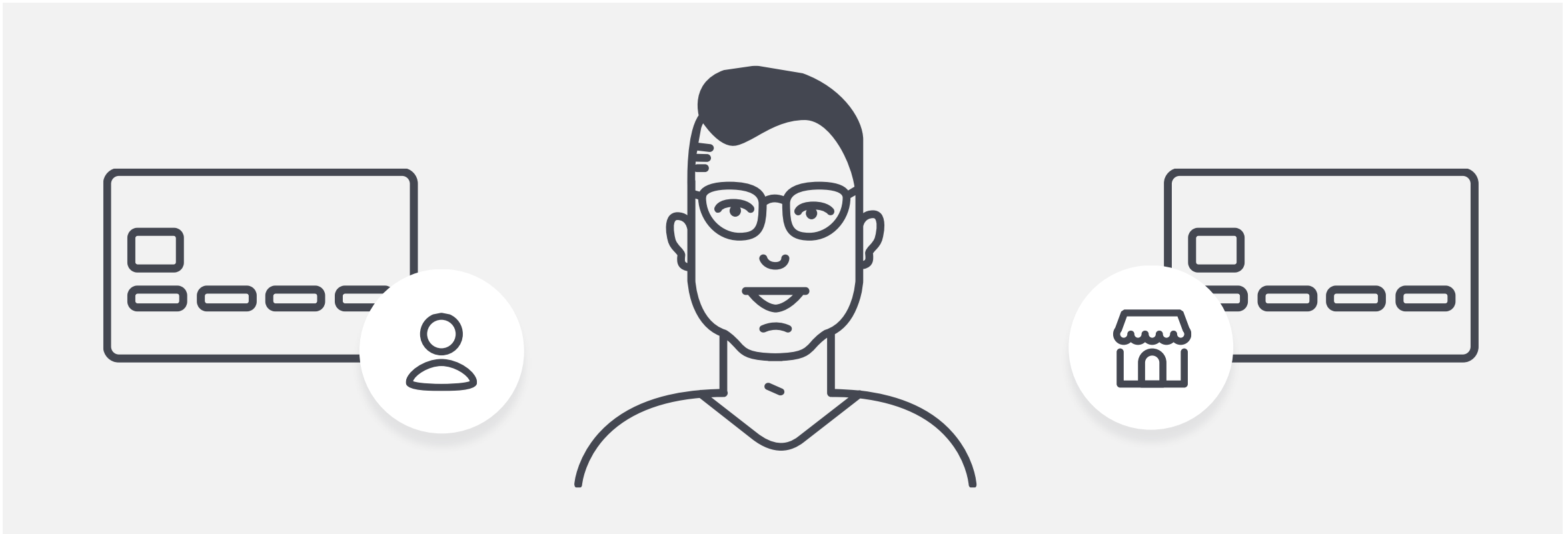


NAICS

North American Industrial Classification System (NAICS)

## Step 2

Separate business & personal finances.  
Set up a business bank account.





# Step 3 Set up a real business.



Address



Phone #



Website & email

# Step 4 Request D-U-N-S® Number



dun & bradstreet

Search Companies, Content, Industries

Business Directory Support Login

Small Business

Finance

Sales & Marketing

Third Party Risk & Compliance

Public Sector

D-U-N-S Number

Our Company

## Business Credit Report

A business credit report can be the key to helping secure the financing and partnerships that small businesses rely on, yet many companies aren't fully aware of what it is, how it works, or how it can be leveraged.

Get Your Free Report

(844) 220-3730



EMAIL



CHAT

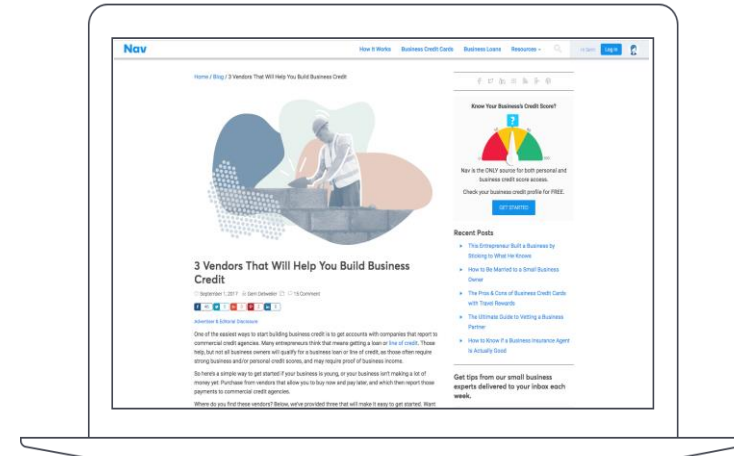
Hi there, thanks for stopping by Dun & Bradstreet! Can I point you in the right direction?

# Step 5 Establish references that report



## Consider:

- Establish trade accounts
- Check with your existing vendors



To read an article that lists vendors and credit card companies that report: [nav.com/vendors](https://nav.com/vendors)

## Step 6 Get a business credit card

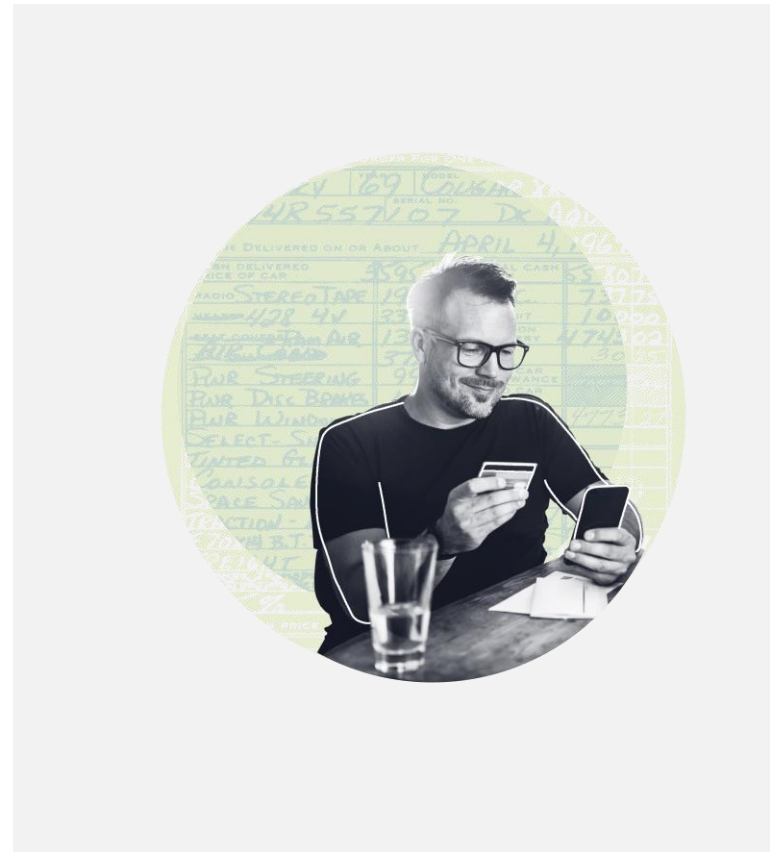


To read an article that shows where some credit card issuers report:

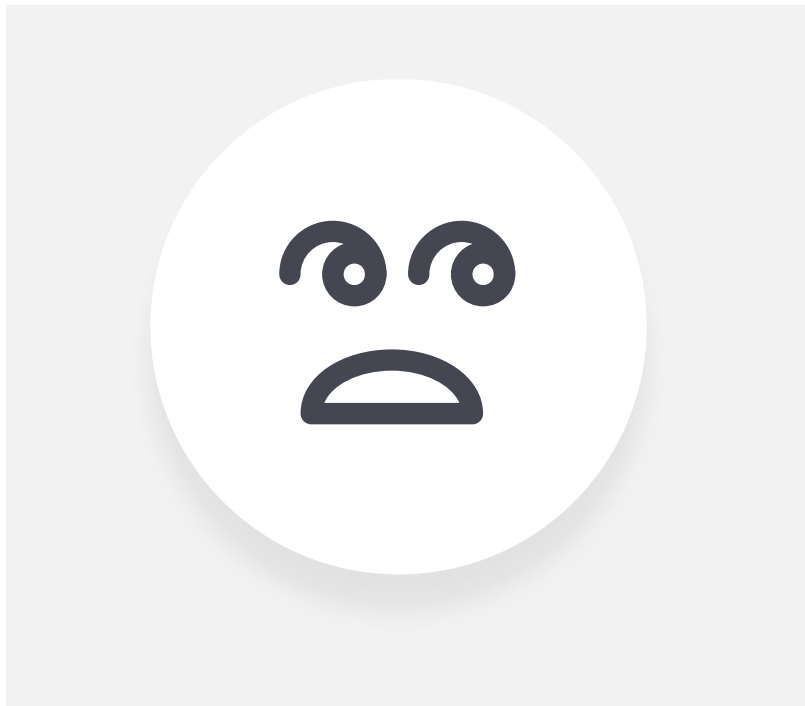
<https://www.nav.com/blog/which-credit-cards-can-help-me-build-business-credit-25633>



# Step 7 Pay on Time



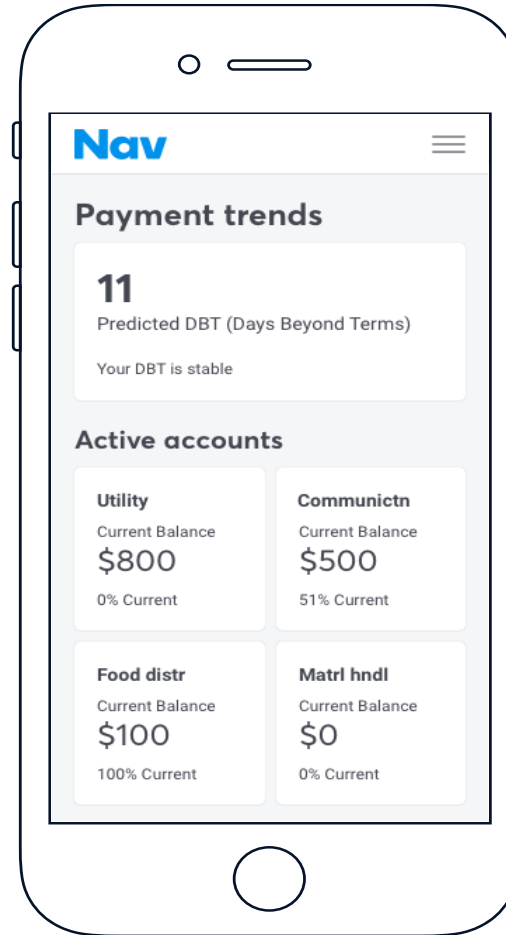
# Days Beyond Terms (DBT)



If you have an account with a vendor that is net 30 terms, which means it is due on day 30 after the invoice date, and you pay on day 32, **you are two DBT.**

If you have net 60 terms and you pay on day 62, you are still two DBT.

**11 DBT  
is the  
national  
average.**



## Step 8 Fix mistakes

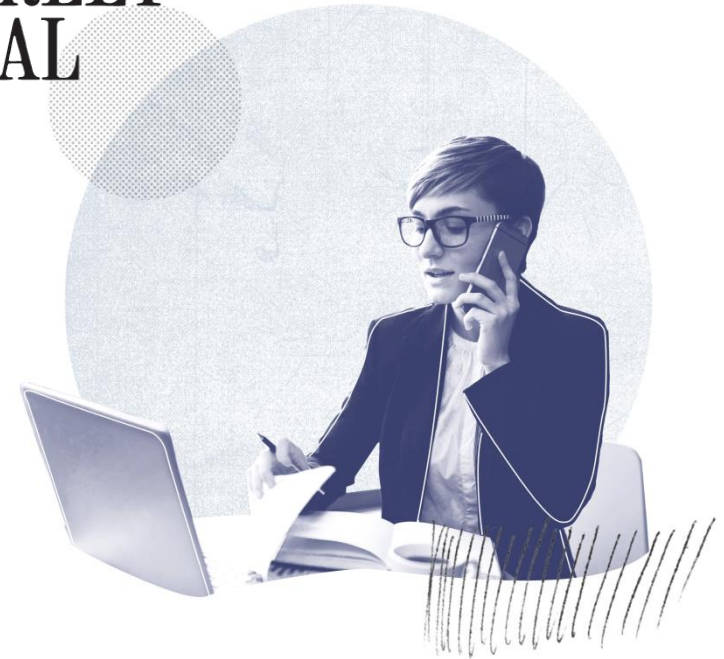
Errors do happen and can impact your ability to get credit that your business needs.

There is no law that governs business credit report disputes.

Contact each credit bureau separately.



WALL STREET  
JOURNAL

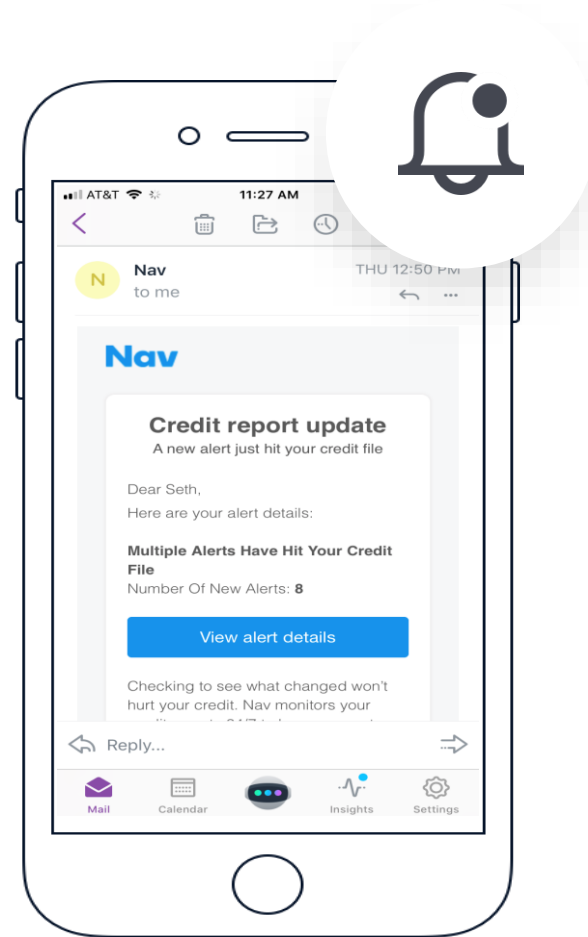




# Step 9 Monitor Credit

Fraud is prevalent.

It is critical that you monitor your credit and fix any discrepancies that you may find.



# TOP 3 BUSINESS CREDIT CHALLENGES



- Lack of Credit Data
- Negative Information
- Wrong Information

# LACK OF DATA



dun & bradstreet

? /100

Not enough data

Poor

Excellent

*PAYDEX® Credit Score*

*Why is my score different?*

This company's payment history is currently too short for Dun & Bradstreet to generate a PAYDEX®. To start building your payment history, open at least 4 lines of business trade credit and make your payments on time. **You can find out more in the [BusinessLauncher](#).**

# COLLECTIONS



## Collections

### ☹ Needs Improvement

Unfortunately, you have 1 or more accounts that have been turned over to a collections agency. Collections will stay on your business credit report for 6 years and 9 months and can have a big impact on your ability to get financing. Contact the corresponding collection agency and take care of your collections accounts as soon as possible.

**Filing Agency:** COMMERCIAL COLLECTION CORP OF NEW Y

**Date Placed for Collection:** Date not provided

**Status:** Paid in Full

**Amount Placed for Collection:**

**Amount Paid:** \$1,034

**Agency Contact:** 7168735211

# UCC FILINGS



## Derogatories ×

3

Sum of Legal Filings:

\$0

## UCC Derogatories

A UCC Filing is a legal document creditors use to secure their rights to collateral specified in a secured financing agreement. This document, which the creditor files with the appropriate state authority (Secretary of State office), gives the creditor a legally recognized interest in the collateral until payment is received in full. It also provides legal title to these assets in the event a debtor suffers financial hardship and is unable to meet its promise to pay.

# BANKRUPTCY



Bankruptcies

6



## Bankruptcies

⊖ Needs Improvement

Unfortunately, your business has a bankruptcy filing reporting on your business report. Although bankruptcies account for between 5-10% of your overall score, they are more damaging to your overall credit profile just by being reported. Your ability to qualify for commercial financing is unlikely and your ability to conduct business with certain suppliers and/or vendors will be limited.

A bankruptcy is a proceeding under the U.S. bankruptcy code in which either a debtor files a bankruptcy petition and voluntarily seeks protection from creditors, or in which creditors files a bankruptcy petition against a business debtor to force the debtor to pay monies owed them. Bankruptcies account for between 5-10% of your overall score.

# TAX LIENS OR JUDGMENTS



### Derogatories

**35**

Sum of Legal Filings:  
**\$2,073**

#### Derogatory Types

<b>2</b> Tax Liens	<b>0</b> Judgments
Collections	Derogatory Collateral

### Tax Liens

**Jurisdiction:** THURSTON SUPERIOR CO  
**File Date:** 4/27/2016  
**Filing Type:** STATE TAX  
**Status:** LIEN  
**Amount:** \$860  
**Filing Number:** 1620172834

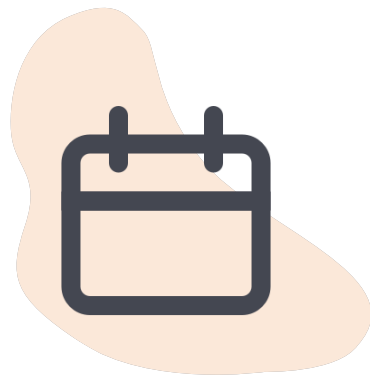
---

**Jurisdiction:** THURSTON SUPERIOR CO  
**File Date:** 4/27/2016  
**Filing Type:** STATE TAX  
**Status:** LIEN  
**Amount:** \$1,213  
**Filing Number:** 1620173934

# HOW LONG DOES NEGATIVE INFO REPORT?



For business credit, there's no requirement in terms of how long credit bureaus can report. It is the credit bureaus' decision.



## Experian

10 years

7 years

6 years, 9 mos.

Bankruptcy

Liens and judgments

Collection

## D&B

11+ years

10+ years

Liens

Judgments



# HOW LONG NEGATIVE INFO REPORTS



## Equifax

10 years

Bankruptcy

7 years

Bankruptcy Ch. 12 & 13

7 years

Liens and judgments

Not reported

Collections (except by creditor)

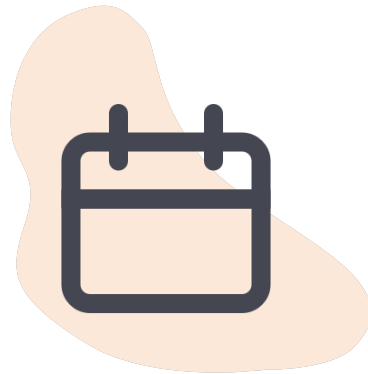


# TIME IN BUSINESS



## Time in Business

## Time in File



### Company Info

**13**  
**YRS IN BUSINESS**

Number of employees: 6

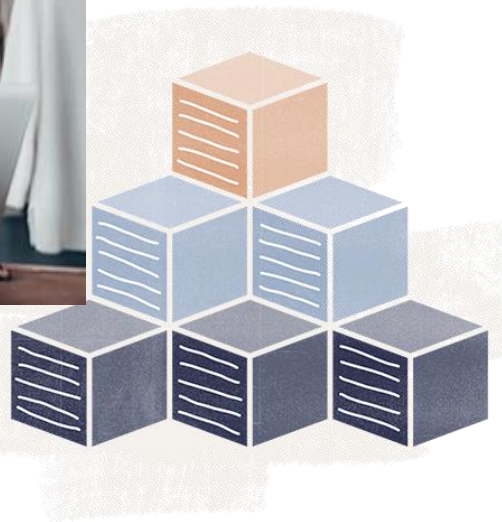
D&B D-U-N-S Number: 363833786

# INQUIRIES



Inquiries are typically not a major factor in business credit scores.





## Build Financial Strength

Take steps to build and monitor your business credit.

Prepare your business for future growth opportunities.

# MARICOPA SBDC SERVICES



**Maricopa SBDC is part of America's SBDC Arizona Network.**



**Counseling**  
(No Fee)



**Training**



**Resources**

**17 Counselors in Maricopa County**

**10 SBDC Centers in Arizona**

[www.Maricopa-SBDC.com](http://www.Maricopa-SBDC.com)

# RESOURCES FOR SBDC CLIENTS



## GrowthWheel



## LivePlan

**Plan, fund, and grow your business.**  
Easily write a business plan, secure funding, and get insights to help you reach your goals.

VIDEO TOUR | START YOUR PLAN

Garrett's Bike Shop

## Profit Cents

**sageworks Industry Data**

Industry: 722511 - Full-Service Restaurants  
Sales Range: Yearly sales \$1 Million to \$10 Million  
Location: US - Arizona  
Prepared On: 1/29/2020

### INDUSTRY FINANCIAL DATA AND RATIOS

Average by Year (Number of Financial Statements)

Financial Metric	Last 12 Months (1)	2019 (1)	2018 (8)	Last 5 Years (40)	All Years (200)
Current Ratio	--	--	2.86	2.60	2.22
Quick Ratio	--	--	1.55	1.52	1.29
Gross Profit Margin	--	--	70.47%	53.18%	60.46%
Net Profit Margin	--	--	7.45%	1.70%	3.27%
Inventory Days	--	--	12.87	12.19	14.69
Accounts Receivable Days	--	--	0.15	0.63	1.16
Accounts Payable Days	--	--	7.47	13.23	17.09
Interest Coverage Ratio	--	--	10.68	21.23	12.94
Debt-to-Equity Ratio	--	--	0.93	1.20	2.21
Debt Service Coverage Ratio	--	--	8.43	10.18	6.06
Return on Equity	--	--	63.92%	52.96%	39.11%
Return on Assets	--	--	41.62%	25.16%	20.83%
Gross Fixed Asset Turnover	--	--	5.05	3.66	3.55
Sales per Employee	--	--	--	--	\$46,973
Profit per Employee	--	--	--	--	(\$159)

Growth Metric	Last 12 Months (0)	2019 (0)	2018 (5)	Last 5 Years (30)	All Years (117)
Sales Growth	--	--	0.47%	2.45%	4.66%
Profit Growth	--	--	99.61%	18.28%	22.99%

## SBDCNet.org

THE SBDC NATIONAL INFORMATION CLEARINGHOUSE SERVING THE SMALL BUSINESS DEVELOPMENT CENTER NETWORK AND AMERICA'S SMALL BUSINESS COMMUNITY.

**SBDCNet**  
National Information Clearinghouse

Advisor Login

HOME | SMALL BUSINESS RESOURCES | SBDC NATIONAL BLOG | FIND YOUR LOCAL SBDC | ABOUT US

## IBIS World

**IBISWorld**  
WHERE KNOWLEDGE IS POWER

Coffee break: Operators will add high-margin items to appeal to health-conscious consumers

October 2016

### IBISWorld Industry Report 72221b Coffee & Snack Shops in the US

Andrew Abronoz

Key External Drivers: Healthy eating index, New coffee shop locations, Consumer confidence index

Products and services segmentation (2016): 9% Other beverages, 36% Food, 51% Coffee



# QUESTIONS



THANK YOU



**Paula Wittekind**

CARES Program Supervisor

[Paula.Wittekind@domail.maricopa.edu](mailto:Paula.Wittekind@domail.maricopa.edu)

To request SBDC counseling,  
complete a Request for Counseling  
form: <https://www.maricopa-sbdc.com/>

