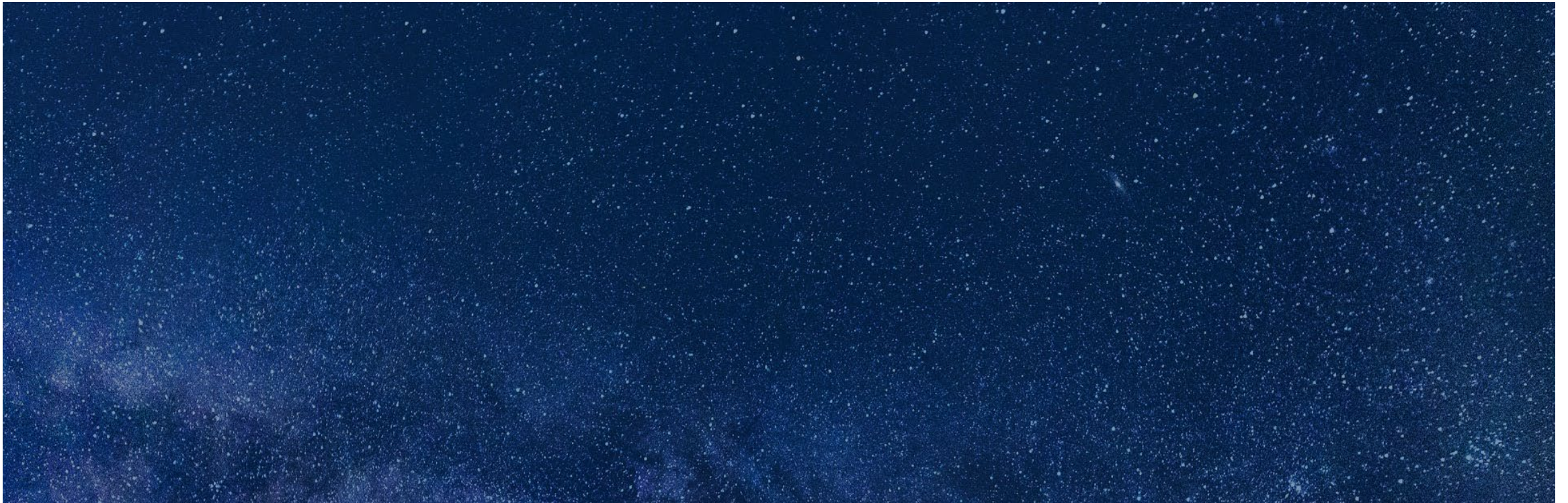




BUSINESS CREDIT- HOW TO BUILD AND MONITOR IT

APRIL 19, 2022



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



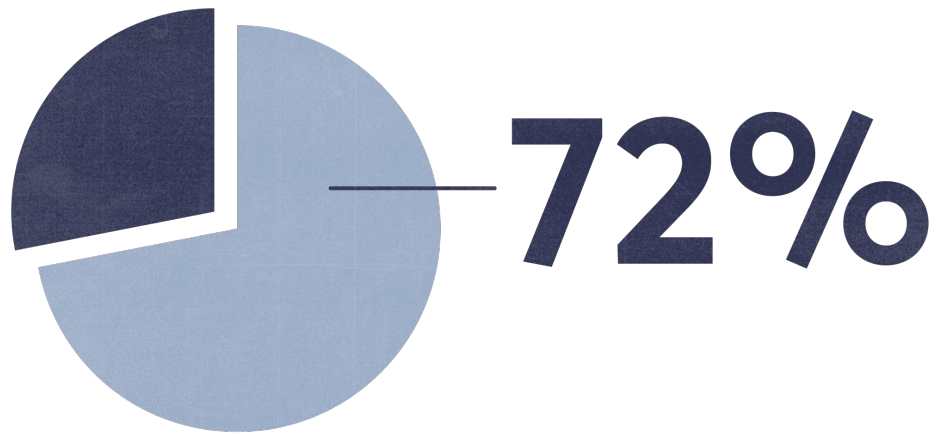
Q: When you applied for credit, did you use personal credit, business credit or both?

Use of Personal and Business Credit Scores¹ (% 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



So What's The Big Deal between Scores????

- Small Businesses with an “OK” score don’t get the best interest rates or terms.
- Small Businesses with “Very Good” scores can get the **BEST** interest rates and terms.

The Interest Rate difference can add up to thousands of \$\$\$ in savings!

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 a an impact.



Nav ID Theft Protection Active

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

H

54/100 **Low to Medium Risk**

Report Date: 4/19/2018

HJ Metalworks Inc

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

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 PlusSM v2 Credit Score*
[Why is my score different?](#)

Excellent

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%
Total Account Payment Totals	4	\$35,500.00	\$21,200.00	91%	0%	0%	9%	0%

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

Trade Account 2

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

Trade Account 3

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

Trade Account 4

Account type: CRED CARD	Payment Status
Date Reported: 11/1/2016	Payments Current: 100%
Date of last Activity: 11/1/2015	1-30 DBT*: 0%
Terms: REVOLVE	31-60 DBT*: 0%
Recent High Credit: \$1100.00	61-90+ DBT*: 0%
Account Balance: \$100.00	* Days Beyond Terms

Trade Account 5

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



WHAT'S IN A
BUSINESS CREDIT
REPORT?

BUSINESS & PERSONAL CREDIT DIFFERENCES



Business Credit

Experian®
Intelliscore PlusSM v2 | **24** >

Dun & Bradstreet®
PAYDEX® | **80** >

Personal Credit

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

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

Active accounts



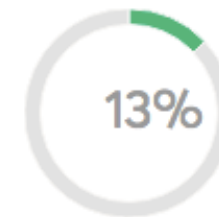
Utility Current Balance \$800 0% Current	Communicatn Current Balance \$500 51% Current
Food distr Current Balance \$100 100% Current	Matrl hndl Current Balance \$0 0% Current

**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

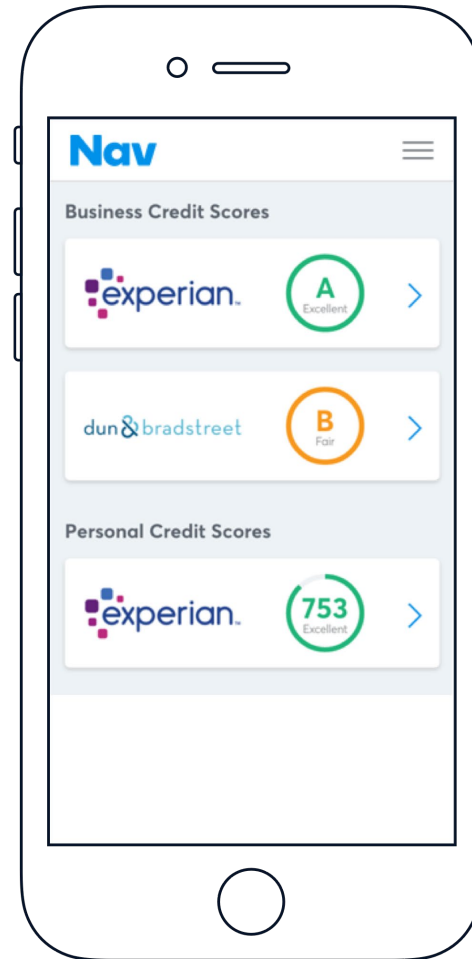
Current: 100%
1-30 DBT: 0%
31-60 DBT: 0%
60-90+ DBT: 0%



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

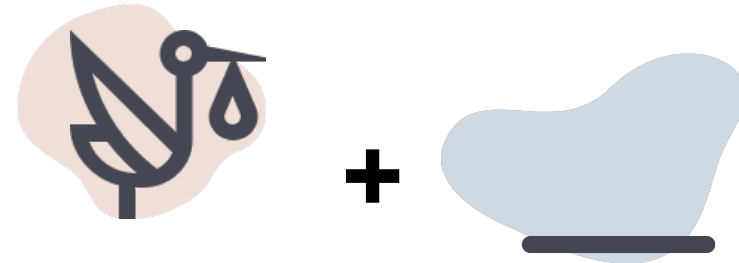


HOW BUSINESS CREDIT REPORTS ARE BORN



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



IntelliscoreSM

0-100

dun & bradstreet

Paydex[®]

0-100

EQUIFAX[®]

**Delinquency
Score**

224-580

FICO® SBSSSM

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® SBSSSM is calculated using a combination of your Experian **personal** and **business** credit reports.

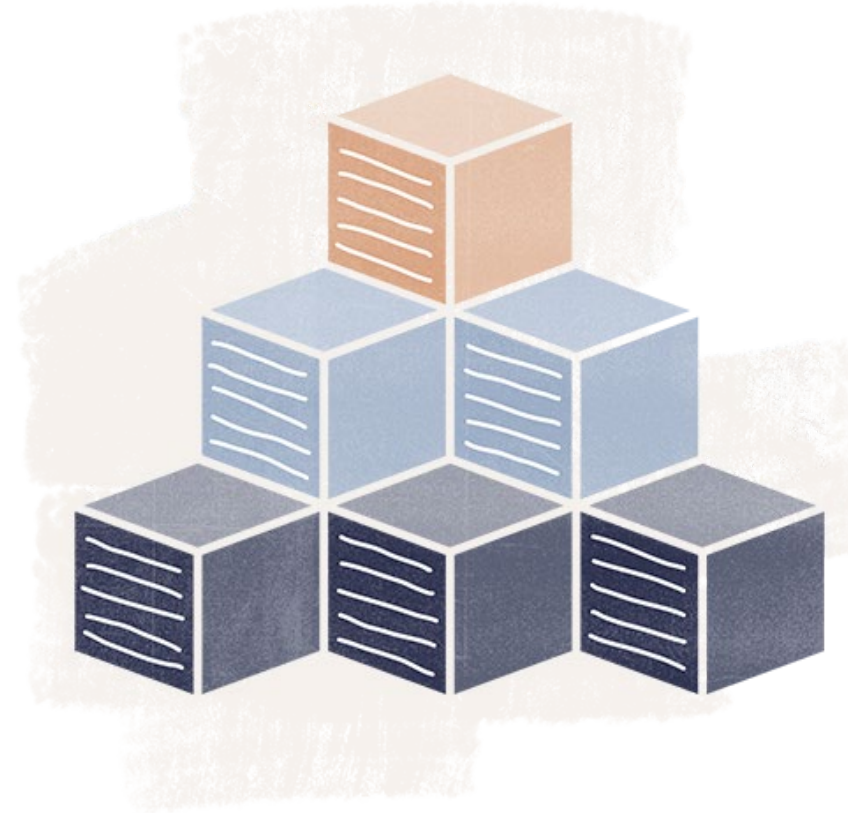
This score is used by the U.S. Small Business Administration (SBA) and many commercial lenders in their loan underwriting process to determine a small business's creditworthiness.

Good News!

Based on your FICO® SBSSSM score, you may qualify for an SBA loan.



HOW TO BUILD BUSINESS CREDIT



Step 1 Create a business entity



Set up a legal entity LLC, S Corp, C Corp, Partnership, whatever is appropriate for your business with the **Arizona Corporation Commission**
<https://www.azcc.gov/>

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

With the Arizona Secretary of State
<https://apps.azsos.gov/apps/tntp/index.html>

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

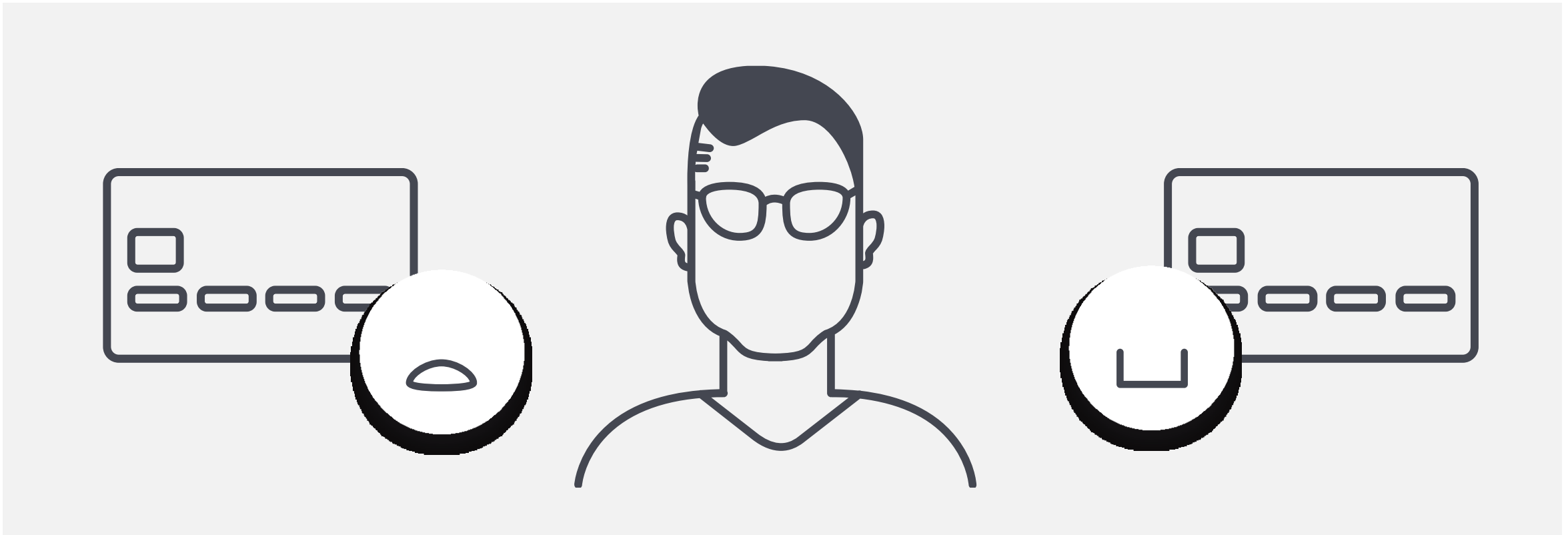


NAICS

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

<https://www.arizonaaero.com/>

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

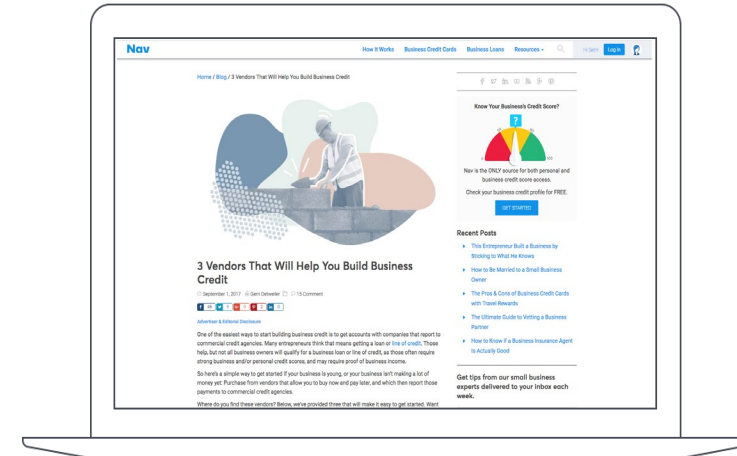
Hi there, thanks for stopping by Dun & Bradstreet! Can I point you in the right direction?

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

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>



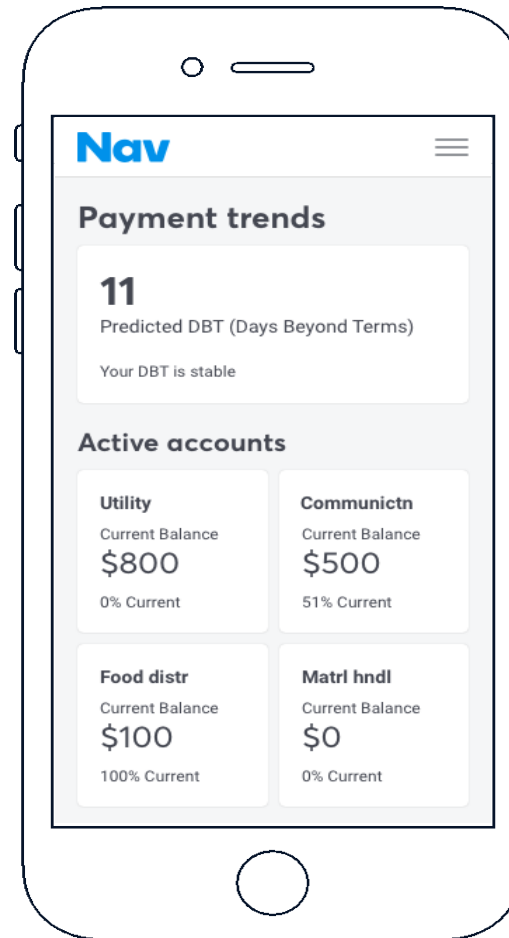
Days Beyond Terms (DBT)



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.



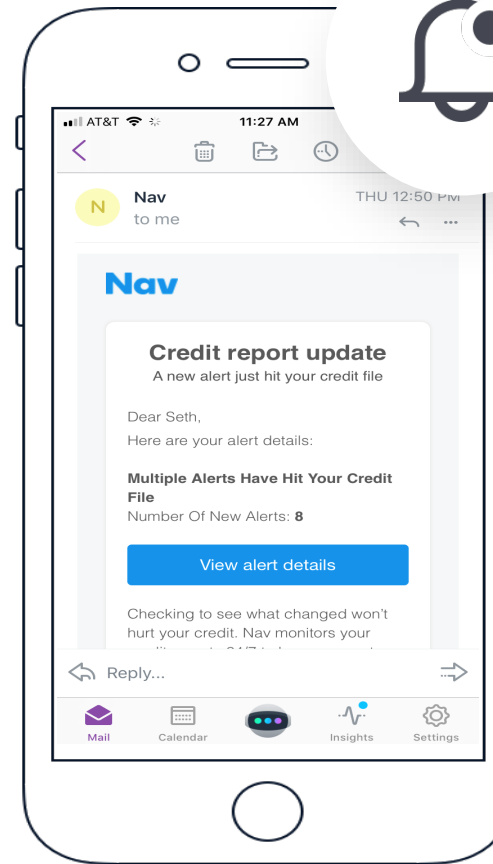
WALL STREET
JOURNAL



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

2 Tax Liens	0 Judgments
Collections	Derogatory Collateral

Tax Liens

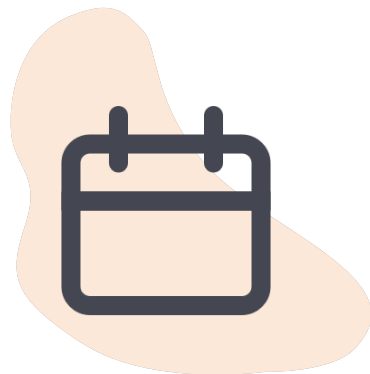
Jurisdiction: THURSTON SUPERIOR CO
File Date: 4/27/2016
Filing Type: STATE TAX
Status: LIEN
Amount: \$860
Filing Number: 1620172834

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)

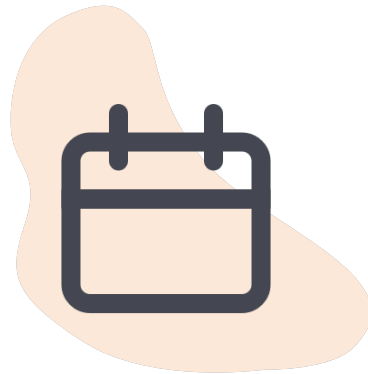


TIME IN BUSINESS



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.

ARIZONA SBDC SERVICES



The AZSBDC is part of America's SBDC Network throughout Arizona.



Counseling
(No Fee)



Training



Resources

10 SBDC Centers in Arizona

All 15 Counties are covered

**If your business is here in
Maricopa County you can
request counseling here:
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: 722311 - 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%	63.18%	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 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

QUESTIONS



THANK YOU



CJ Johnson

Funding Outreach Specialist

AZSBDC

cj.johnson@domail.maricopa.edu

Right click below to open the hyperlink:

[Request SBDC Counseling](#)

