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8 Quick Tips on How to Establish Business Credit and Get Financing ⁰

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Have you ever been denied for business financing? If so, you're not alone. More than 50% of small business owners who apply (<http://www.ny.frb.org/smallbusiness/joint-small-business-credit-survey-2014.html>) for financing get nothing. Personal and business credit scores are the primary cause for denial.

If you haven't taken the time to establish strong business credit, now is the time to start.

I know from experience—in 2005, I received a rejection letter for business financing. My personal credit was spotless, so I figured it had to be a mistake. After some digging, I discovered that it was actually my business credit report that disqualified me for the loan. (It had mismatched business data, which is a red flag to lenders.)

An advertisement for LivePlan software. It features the LivePlan logo at the top left. Below the logo, the text reads: "Create your plan in half the time with twice the impact". To the right of this text is a smartphone displaying a dashboard with various charts and graphs. At the bottom of the advertisement is a blue button with the text "START YOUR PLAN".

(http://www.liveplan.com/?pasc=20140807Sidebar_B-lg&_hstc=246577179.be0fa968464a2b6)

Once I cleared up that error and began to build my business credit profile, I was able to access capital that made running and growing my companies a lot easier. Managing cash flow was no longer a nightmare, and I could actually capitalize on growth opportunities.

SEE ALSO► How to Establish Business Credit (<http://articles.bplans.com/how-to-establish-business-credit/>)

Over the past decade, I've learned the steps needed to establish business credit the right way. You may have already taken care of some of these, but you'll want to make sure each one is checked off.

1. Put your business on the map

If you haven't done so yet, you'll need to establish your business as separate legal entity with your state. That means either incorporating, or setting up an LLC or S-Corp (discuss what's best for your situation with a tax advisor). Next, you'll want to apply for an Employer Identification Number (EIN) through the IRS website.

(<http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Apply-for-an-Employer-Identification-Number-%28EIN%29-Online>)

2. Open a business bank account

This will help you clearly separate your personal and business financials. Use this account to take care of all business expenses (including paying yourself by depositing into a personal account). If you apply for financing, most lenders will want to see your business account bank data to help them make the decision.

3. Get a business phone number

You can use a cell phone, VoIP, or a landline, but you need to have a separate phone number for your business. Make sure the number is listed, so it can be found.

4. Check to see if you have a D-U-N-S number

Once your business is legally established, you should check to see if it's listed with Dun & Bradstreet. They are one of the main credit bureaus, and its PAYDEX score is used in most trade credit applications. If D&B doesn't have a file for you, you can register for a D-U-N-S number for free. (<http://www.creditera.com>)

5. Look up Experian and Equifax credit files

Besides Dun & Bradstreet, Experian and Equifax are the other two major business credit bureaus. Lenders tend use Experian and Equifax data when making decisions. Unlike D&B, you can't manually register with Experian and Equifax to build out your profile. They do it automatically by pulling information from public records and the information sent in by your business creditors and lenders. It's similar to how your personal credit profile gets populated.

6. Get a line of credit with vendors or suppliers

You may already have some these relationships established. Think about the companies you do business with every day, like Home Depot, Staples, Office Depot, UPS, FedEx, and so on. Ask them to extend you a small amount of credit; most will, they want to keep you as a customer. Just be sure you verify that they send your payment history to the business credit bureaus. It's reported voluntarily. Ideally, you'll establish four or five of these types of accounts to help fill in your business credit profile.

SEE ALSO► [Running out of Cash? Get Help With a Business Line of Credit](http://articles.bplans.com/dont-run-cash-get-help-business-line-of-credit/)
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7. Open a business credit card

If you've been using a personal credit card to pay for business expenses, now's the time to stop. You should open a couple business credit cards that are not tied to you personally. You'll need to verify they report to the business bureaus when applying. Most business cards will include travel points or cash back programs—money you can use to reinvest into your business.

8. Pay your bills on time—or early!

Unlike personal credit, where you have 30 days to make a payment before it dings your credit, your business credit scores can take a hit even if you're one day late. In fact, the only way to get a perfect "100" D&B PAYDEX score is by paying your bills before payment is due.

SEE ALSO► [The Complete Guide to Understanding Cash Flow](http://articles.bplans.com/complete-guide-understanding-cash-flow/)
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Do you have questions about establishing business credit? What aspect of business credit would you like more information on? Let us know in the comments.

ABOUT THE AUTHOR Levi King is the Co-Founder and CEO of Creditera, a free site that helps business owners understand and build their business credit so they can access capital and save money. While starting and running many successful businesses, King had to overcome the same issues faced by most small business owners: access to capital and marketplace credibility. His expertise in this area led him to start Creditera. Read more >>
(<http://articles.bplans.com/author/levi-king/>)

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As you'll see in a moment, LivePlan is more than just business plan software, though. It's a knowledgeable guide combined with a professional designer coupled with a financial wizard. It'll help you get over the three most common business hurdles with ease.



Let's take a look at those common hurdles, and see how producing a top-notch business plan sets your business up for success.

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