

# Seven ways to keep your business creditworthy



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**If you are thinking about applying for a business loan, ask yourself, "Could I get a business loan or business credit card if I wanted one today?"**

Next, check out these seven tips.

Make sure you are personally creditworthy

Set up a separate business identity

Establish credit in the name of your business

Stay on top of your business credit reports

Follow up with the credit rating agencies

Know your credit-to-debt ratio

Feel better about your credit worthiness and use it!

Talk to Citibank

## Tip #1

### Make sure you are personally creditworthy

Start building your business creditworthiness by maintaining a high personal credit score. If your personal credit score is low, then focus on fixing it. Start by paying all your obligations on time including any past due amounts and/or those in collection. Second, pay down revolving balances on credit cards and try to minimize carrying revolving debt in the future. If that's not possible, try to pay more than the minimum amount due and make sure you make payments on time. Many online banking services can also facilitate timely credit payments while providing great documentation and spending analysis tools.

## Tip #2

### Set up a separate business identity

As your business gets well established and you're looking to secure credit specifically for your business, establish a business entity that is separate from your personal affairs. Speak to your attorney or legal advisor on the most appropriate legal structure for your business. File for an employee identification number (EIN) or federal tax ID in your state. Next, make sure to segregate your business finances from your personal by establishing a business banking relationship.

You should also have your business phone number listed in industry and membership associations (professional associations, the National Association of Women Business Owners, online community bulletin boards, your local chamber of commerce, rotary club, provider directories, etc.).

## Tip #3

### Establish credit in the name of your business

After you've established your business identity and have been in business for a while, you'll want to set up a credit record for your business that is separate and apart from your personal credit record. You can start by applying for a business credit card.

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#### **Tip #4**

### **Stay on top of your business credit reports**

Many business owners say they don't have time to check their business credit reports, but they're actually afraid to check them. Don't be—the faster you check your credit reports, the sooner you can repair them or fix any discrepancy you might find.

Check your business credit reports at least once a year to make sure that there are no errors; if your business situation tends to change frequently, check them quarterly. You'll also want to ask for your most recent credit report if you are applying for a loan. You'll need to look at your reports from all three credit reporting agencies—Experian (<http://www.experian.com/small-business/services.jsp>), Equifax ([http://www.equifax.com/small-business/home/en\\_sb](http://www.equifax.com/small-business/home/en_sb)) and TransUnion (<http://www.transunion.com/>). Why? They often have different information on them.

#### **Tip #5**

### **Follow up with the credit rating agencies**

Report any inaccuracies on your business credit reports to the credit agencies directly and challenge all of them. The agencies are required to contact the creditor with the incorrect information; the creditor in turn has to correct the information at the credit bureau or respond back to you explaining reason why they disagree with you on the disputed payment.

Once the issue is settled, your credit score is bound to go up—but continue to check your credit score until it does.

#### **Tip #6**

### **Know your credit-to-debt ratio**

It's critical to understand the credit-to-debt ratio that banks and other lending agencies use to see if you are in over your head in debt. Credit-to-debt ratio is the outstanding balance on debt you have, divided by the available credit that you've been approved for, which equals your debt load. Debt load includes mortgages, home equity lines and credit cards.

#### **Tip #7**

### **Feel better about your credit worthiness and use it!**

Now that you are confident that you have a healthy credit score, you can consider applying for more credit for your business; however, make sure that you're comfortable with handling loan or line payments.

Consider applying for that business line of credit or loan with the bank where you have your business checking and other deposit accounts. Since you have an established relationship with them, they are likely to take your deposits into account in reviewing your application and setting your interest rate. A line of credit can serve as a safety net, ensuring that your business has the necessary cash to maintain day-to-day operations or to handle an emergency.

### **Talk to Citibank**

For more information on how you can keep your business credit worthy, speak with your Citibank Business Specialist.

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