Many times you will be confronted with closing opportunities, challenges from potential clients on what business credit is about, or your knowledge of business credit and financing in general.

These 25 closing items are designed to demonstrate your knowledge of the facts surrounding business credit and financing, to start the conversations, take advantage of the closing opportunities, or to quickly turn people who initiate those challenges.

I. Lenders Sell Your Loan In The Secondary Market

When a lender makes a loan to your business they do not hold onto that loan, they sell it in the secondary market. This means that if they make you a $10 loan they sell it in the secondary market for $12, take their $2 profit, and go make another $10 loan. They do that over and over again. However, if your loan does not "conform" then they cannot sell it and therefore you are declined. There are about 20 of these "conforming items" that make up what is called "Lender Compliance". When you run our free business success scan we display with a Red X or Green Check which items of Lender Compliance you have completed and which ones you have not.

II. Lenders Check The Small Business Financial Exchange

Your business does not have the same privacy rights as you do personally. There is something called the "Small Business Financial Exchange" where lenders can access your business banking information. They can see how much money has gone through your business bank account over the last 90 days and how much of that money stuck to you. They cannot see what you spent the money on but they can quickly determine your business's ability to debt service based on what they can see. Inside our system we show you how to know what lenders want to see as a minimum for loan approvals when they look at your business banking information.

III. There Might Be a UCC-1 Filed on Your Business

Before applying for any business financing you should always check to see if there are any UCC-1 filings on your business. UCC stands for Uniform Commercial Code. It is a nationwide filing system to record liens and debt obligations that your business has either entered into willingly or that have been filed against it. If you have any type of SBA loan then what is called a "Blanket Lien" has been filed on you personally and on your business. A Blanket Lien is just like it sounds. It encumbers all past, present, and future assets that both you personally and that your business owns. A Blanket Lien can block many other types of business lending from taking place until that blanket lien is paid off. In our system we will show you if there are any UCC-1 filings currently on your business.

IV. Viewed As 10 to 20 Times More Likely to Default

Business lenders have approval algorithms that their computers run on your business to determine if it is a high or a low risk of defaulting on a loan. There are a series of historical items they are checking from borrowers who have already defaulted to determine common themes about those borrowers. What they have found is that if you operate your business from a cell phone, or from a residence, or from a free email provider, or as a sole proprietor then any one of those items has already shown you to be 10 to 20 times more likely to default on their loan. Inside our system we show you all these High Risk category items and how to position your business to be viewed as a low risk of default and therefore increase your opportunities for more approvals, higher amounts, and better terms.

V. Business Lenders Are Concerned About Loan Stacking

When you take out a personal loan it will show up on your credit reports whether you use it or not. That is not true in business lending. Business loans and business lines of credit will only show up on your business credit reports after you use them. This allows for a practice called loan stacking in which a business will get multiple loans from multiple lenders and not use those loans until they are finished stacking. What this leads to is business lenders being very concerned about your number of recent credit inquiries. If you have more than 3 inquiries in the last 90 days then even lenders who would have otherwise approved you will now decline you for the next 6 months to see what stacked loans may appear.

VI. Business to Business Credit

There are over 500,000 companies in the United States extending business to business net 30 or net 60 day credit payment terms. That equates to over 90% of all business credit extended in this country. This business to business credit vastly exceeds all business loans being made by banks, the SBA, credit cards, leasing companies and all other forms of business credit. Even though there are over 500,000 businesses extending credit to other businesses, there are less than 5,000 of these businesses that currently report payment histories to the business credit reporting agencies. Inside our system we give you access to over 3,000 of them.

VII. Importance of a Bank Rating

Unlike personal credit, your business has a bank rating that lenders will use to determine your ability to debt service. Your bank rating is the average daily balance of your general ledger account over the last 90 days. If your business has a “Low 3” that means there was only $100, $200, or $300 in your business bank account for the last 90 days to service debt at any given time. If you are asking a lender for a loan where the payment is $1,500 a month, what do you think will happen? Lenders see that you do not have the ability to pay, and so you will be declined. A Low 5 rating or above is optimal when trying to acquire business loans or leases.

VIII. Viewed as a High Risk of Default

Just like in personal lending, business lenders develop methods to determine which businesses are a high risk of default. They do this based on defaults from their own portfolios and from the portfolios of other lenders who share data. Businesses that operate as sole proprietors, operate from home, use free email accounts, have a cell phone as their primary business line, do not have a website, or have two or less stars on the most common review platforms all have a higher rate of default in the eyes of the lender. Lenders use whatever trend data is available to try and lower their risk of loan defaults so that their portfolios have a higher value on the secondary market. Our system shows you how to be viewed as a low risk of default.

IX. About Corp Only Financing

When trying to secure corporation only financing, that is not of the business-to-business vendor type, lenders will look at comparable credit, business credit scores, reporting tradelines, bank rating, revenue, time in business, debt to income, balance to limit ratios, industry type, debt acceleration and more. They want to see if anyone has already loaned a comparable amount, business scores of 75 or above, at least 10 reporting tradelines, minimum of a Low 5 bank rating, $35,000 or higher monthly revenue, 3 years in business, less than 45% debt-to-income, and less than 45% balance-to-limit.

X. Business Credit in Contracts

If a business is seeking to do contract work, be it government or commercial, likely their business credit will be checked during the award process. Those contractors with no credit history or poor history will be viewed as not having the ability or resources to complete the job. On the other hand, companies with excellent business credit history will be seen as much more professional, likely to complete the job on time, and be much higher on the award list

XI. Valuable Comparable Credit

If your business has already received a loan in the amount equal to or greater than the amount you are requesting from another lender then you have comparable credit. If you want to borrow $50,000, has your business ever had a $50,000 loan before, and if so how did you pay on it? That is comparable credit. Once your business has a reporting comparable credit tradeline, other lenders will notice and start extending similar amounts. A great way to get your first comparable credit reporting tradeline is to open a CD at a business lending bank and use it to secure a dollar for dollar reporting business line of credit. If it is $10,000 or higher it puts you on other lender's radar and offers will start coming.

XII. Have You Heard That Business Credit is a Myth?

Over 90% of the business lending in the United States is done business-to-business and not bank-to-business. Businesses that extend credit lines for their products and services to other businesses exclusively use business credit scores to determine the approval, amount, and term. For business-to-business, having at least 10 currently reporting business credit tradelines and business credit scores of 75 or above makes the difference of having to personally guarantee each of these credit lines or not. There are over 500,000 companies in the United States extending credit to other businesses.

XIII. Lender Compliance Items

There are 20 items of compliance which lenders use to quickly determine if a business is a high risk of default. This is similar to personal lender redlining practices. Business lenders use known default data analytics to profile groups of businesses with a history of higher default rates. These are sole proprietors, home based businesses, certain industries, businesses operating from cell phones, businesses with only free email accounts, and fifteen more items. Lender compliance is easy to get checked off if you know what to do. If you have these items completed at least your business is not immediately viewed as a high risk of default.

XIV. Owner's Personal Credit

We hear a lot of talk about how business credit can replace personal credit when it comes to business loans. It is true that business credit is required for business-to-business lending and that can be done without the personal credit of the owners. The owner's personal credit is vital for any type of bank business lending such as term loans, credit lines, and credit cards. For bank lending, the owners should maintain 720 or higher fico scores, less than 45% debt-to-income, and less than 45% balance-to-limit on all revolving credit accounts. Personal guarantee does not mean personal reporting when it comes to business loans.

XV. Approvals, Amounts, Rates, & Terms

Most business owners do not realize that when they apply for a business loan, lease, or credit card that many lenders are checking their business credit to help determine their risk of default. This risk analysis can lead to either an approval or decline. In the case of most commercial lending business credit plays a factor in the amount approved, interest rate charged and length of the repayment term offered. Not having excellent business credit profiles can lead to not getting contract awards, having to personally guarantee equipment and office leases, having to personally sign for utilities, security systems, vendor supplies, and more. Having business credit scores of 75 or higher with at least 10 reporting tradelines can eliminate personal guarantees, increase approval amounts, lower interest rates, and provide more favorable repayment terms.

XVI. Importance of Debt to Income

Business lenders will be looking at the businesses debt-to-income to be no more than 45% with verifying primarily being the last three months of bank statements. If the business is a startup then business lenders will be looking at the same 45% debt-to-income for the business owners with a business owner being anyone owning 20% or more of the business.

XVII. Critical Balance to Limit

Business lenders care most about how the owners of a business have been using their personal unsecured revolving debt. These lenders want to see that business owners have had a good history of revolving debt usage of preferably three or more years with account amounts of 5 to 10 thousand dollars or higher and that balance-to-limits have been maintained at 45% or lower. At the time of business loan applications if even one personal revolving account has a higher than 45% balance-to-limit it can get the deal declined or significantly lower the amount of the approval. Lenders will also care about debt acceleration. That is where they see $10,000 in revolving debt a few months ago versus $50,000 in revolving debt now. The fast acceleration of debt will raise a red flag and may signal a much higher risk of new loan default.

XVIII. Credit Cards on Your Own

We often hear, “I can apply for credit cards on my own, I don’t need you to do that for me”. Well of course you can, but let’s look at why you shouldn’t. There are hundreds of personal and business credit cards where applying for the wrong one or applying in the wrong order will get you declined for other cards or get you approved for far less amounts with others. There are different types of business credit card providers. Some are prime providers that offer credit cards as a service for the customers but credit cards are not their main source of income. These prime providers normally have only a few cards to select from. Others are sub-prime providers, which generally means credit cards are their main source of income and they typically have twenty to thirty cards to select from. Applying with subprime card providers before you apply with prime providers will be damaging.

XIX. Importance of Having Personal Cards

Many business owners will say “I don’t want or need any personal credit cards”. What they don’t realize is that most credit card providers want to have a personal relationship with their card holders. This means that while they will approve your business for a credit card, the amount approved may be much lower if there is no personal relationship in place. In some cases applying first for personal credit cards and then business cards, business owners can achieve business credit approval amounts of two to three times higher. It is also true that these card providers may approve two or more personal cards in addition to the singular approval for the business credit card.

XX. 3 New Inquiries in the Last 90 Days and You're Done

Unlike personal credit, applying for business credit on your own can be extremely damaging. The reason is that once you have 3 credit inquiries for business credit, normally other business lenders will then decline you. The reason is that these business lenders will assume that you are credit or loan stacking and they will wait about 6 months to see if these other inquiries were approved. Let's say you are applying for a $50,000 loan and that lender sees 3 other recent inquiries in front of them. They will assume that you applied for $50,000 from those other 3 lenders and that you are stacking your business loans. This means they may be part of a $200,000 loan and not simply a $50,000 loan, making you a much higher risk of default..

XXI. Business Credit Only Reports When You Use It

Most business owners do not realize that business credit only reports when it is used, unlike personal credit where all your trade lines will report each month whether you have used them that month or not. That is why you can get a business line of credit and not use it for 3 or 4 months and it will not show up until a reporting cycle after you have used it, creating gaps in your reporting. When your business receives credit lines from Net 30 account vendors it is very important to use those credit lines every month so that there will be no gaps in your business credit reporting.

XXII. Lenders Computers Are Doing The Checking

Business owners believe that they are qualifying for business loans when that is actually not the case. The business lender's computers are actually checking to see if your "loan paper" will be able to be sold. This means can they get their money back, plus their profit, by selling your loan? Each loan they make must meet a number of preset criteria so that loan can be grouped with other loans and sold as a package. Business owners seeking business loans must know a lender's preset criteria in order to get approved and there are just too many for you to guess and get it wrong. Our system takes the guesswork out of it.

XXIII. Being Found On The Internet

In the age of the internet having your business be found on what is called NAP validation can be critical to getting approved for business loans and lines of credit. NAP validation simply means "Name, Address, Phone" and is the measure of whether or not the lender's computer business validation system can find your business when they look up its Name, Address, and Phone number. If they can't find the business name, or if the address comes back as residential, or the phone comes back as mobile then most likely your business will be declined. Knowing how to check your NAP validation before you apply will be critical for getting approved.

XXIV. Business Credit Is Not Like Personal Credit

With your personal credit you can pay every debt you have 29 days late with absolutely no impact on your credit ratings or scores. Of course you will incur late fees, but no creditor will report you as even being one day late. This is not the case in business credit reporting. Business credit reports to the day. This means if you pay 5 days early or 15 days late that is exactly how it gets reported. This has a huge impact on your business credit scores. Business credit scores of 70 indicate your business pays all its creditors on time as agreed. Paying 10 days early will result in scores in the 80 range while paying an average of 10 days late will land your business scores in the 60 range. To optimize your business loan opportunities you want to be in the 75 or higher range which is equivalent to 750 personal scores.

XXV. What Can Happen If You Trademark Infringe

When you file for a business name with any secretary of state they only do a name availability search in that state alone. This means there may be many other potential businesses nationally with that same name or very similar names that are close enough to cause confusion or even trademark infringement. You could be two or more years into building a successful business with very strong business credit scores only to one day receive a cease and desist letter in the mail for trademark infringement that you had no clue existed. Now all your hard work in building success under that name is for nothing and you are forced to do a name change and start over. All this when a simple business finance pre-qualification audit would have discovered this and much more before you potentially wasted a large amount of time, effort, and money. Business lenders can easily check to see if your business name may be trademark infringing. Your risk of defaulting on their loan would be very high if there was a potential for a cease and desist letter.