



# **START UP BUSINESS CREDIT GUIDE**

## INTRODUCTION

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Building business credit is crucial to establishing your business identity and growing your business. Just like you have a personal credit score, your business also has a credit score. Business credit is a track record of a business's financial responsibility that companies, investors, or financial organizations use to determine whether or not that business is a good candidate to lend money to or do business with. Banks, lenders and suppliers rely on business credit reports to assess the creditworthiness of a company.

As a business owner it is imperative to have a foundational understanding of why and how building business credit is important to growing your business.

Net-30 tradelines of credit is one way to help your company in the following ways:

1. Strong business credit can help you grow your business. Many banks, investors, and companies rely on your business creditworthiness when setting loan terms, determining insurance premiums, increasing lines of credit, or considering you as a viable partner.
2. Establish your company with business vendors and credit reporting agencies
3. Increase your chances of being approved for funding with business loans.
4. Build the capital for your company.
5. Having access to business credit is the lifeline for a business. It enables you to obtain the capital you need to expand, cover day to day expenses, purchase inventory, hire additional staff and allows you to conserve the cash on hand to cover your cost of doing business.

# 1. FREQUENTLY ASKED QUESTIONS ABOUT NET-30 TRADELINES OF CREDIT

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## **What is a Net-30 tradeline of credit?**

A Net-30 account is one that extends you 30 days to pay the bill in full after you have purchased products. It's vendor credit that allows you to buy now and pay later. Vendors that report those payments to commercial credit agencies help your company establish business credit.

## **When is your payment due?**

Net-30 payments are due and payable anytime within 30 days after the purchase is made.

## **Do you have to wait 30 days to pay your bill?**

No. You can pay before your bill is due. Your payment activity will be reported according to the reporting schedule of the vendor where you have established this account.

## **I see DBT on my credit report what does this mean?**

Days Beyond Terms is a dollar-weighted average number of days beyond the contractual due date that a business pays its bills.

## **What is revolving credit?**

Revolving credit is a type of credit that can be used repeatedly up to a certain limit as long as the account is open and payments are made on time. With revolving credit, the amount of available credit, the balance, and the minimum payment can go up and down depending on the purchases and payments made to the account and the customer's cash flow needs.

## **What is a non-revolving credit?**

The main difference between revolving and non-revolving credit is that it can't be used again after it's paid off.

### **Can I use a Net-30 tradeline of credit at other places?**

When you get approved for a Net 30 account it can be used to purchase products from that vendor only. A Net-30 account is not like cash or a credit card you can use anywhere that accepts it. If you are interested in opening separate Net-30.

## **2. BENEFITS OF A NET- 30 TRADELINE OF CREDIT**

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Strong business credit can help business owners secure better interest rates on loans, lower circumstances where you need to prepay for a specific product or service, and secure better trade terms.

- Net-30 accounts allow you to start establishing a credit for your business without putting your personal credit at risk, which will lead to greater financing opportunities.
- Net-30 tradeline will help you save money and access the funds or assets you need to help your business grow.
- As you establish more Net-30 accounts reporting on your business credit reports, you establish a credit rating for the business. An established business credit report may help you qualify for other types of credit, for example, store credit, gas cards and other financing opportunities.

## **3. THE TOP BUSINESS CREDIT AGENCIES**

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You want to work with vendors that report to either one or more of the four major business credit agencies:

1. **Dun and Bradstreet** - D&B is the largest business credit reporting agency. The D &B company works by issuing a PADEX score that is based on a DUNS rating which ranges from 1 to 100 and evaluates how well a company paid its bills in the prior year. Higher scores mean better payment history.

2. **Experian Commercial** - Experian provides business credit evaluations as well as credit reports. Their system, known as SmartBusinessReports, is responsible for assigning a business credit score that the company refers to as Intelliscore. Scores range from 0 to 100, with higher scores representing a lower (better) risk.
3. **Equifax Small Business** - It uses this data to assign different scores, like a business credit risk score, which ranges from 101 to 992. It predicts the likelihood a business will become 90 or more days delinquent over the upcoming 12 months. Equifax also generates a business failure score, which ranges from 1,000 to 1,610 and predicts the likelihood of a business going bankrupt within the next 12 months. A lower score indicates higher risk.
4. **Credit Safe**- Creditsafe is one of the most used provider of business credit reports and owner of the world's largest business to business credit rating database. Credit safe measures a business's risk rating by reviewing payment performance in the next 12 months.

## 4. VENDORS THAT OFFER NET-30 TRADLINES OF CREDIT

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The following are examples of general types of business categories that offer Net-30 tradeline of credit (Carbajo, 2019):

- Office supply companies
- Printing companies
- Accountants & bookkeepers
- Creative agencies
- Restaurants
- Manufacturers
- Wholesales
- Retailers
- Construction companies

### **Strategic Network Solutions**

Strategic Network solutions provides computer and information technology products.

How to open a Net-30 account with Strategic:

Go to=> <https://stntsol.com/>

(818) 986-5438

- Requirements: \$60+ Initial purchase
- Receive a \$2,000 Net 30 Account
- Reports to Experian Commercial & Creditsafe

### **Summa Office Supplies**

They provide office related products.

How to open a Net- 30 account with Summa:

Go to=> <https://summaofficesupplies.com>

(800) 918-7220

- Requirements: \$60+ Initial purchase
- Receive a \$2,000 Net 30 Account
- Reports to Experian and Dun & Bradstreet

### **Quill**

Quill offers office supplies, cleaning, paper ink and toner products.

How to open a net 30 account with Quill:

Go to=> <https://www.quill.com/payment-information/cbi/94.cshtml>

(800) 982-3400

- Requirements: Initial purchase may be required
- Receive a \$500- \$1,000 Net 30 Account
- Reports to Dun & Bradstreet

\*Your account's eligibility for a credit limit will be reviewed after your first order is submitted using the Invoice My Account payment option during checkout, which is displayed for initial use upon certain pre-qualifying conditions. They require an initial purchase and once you have an account they report quarterly to Dun & Bradstreet.

### **Newegg Business**

Newegg Business provides consumer electronics with over 10.5 million products.

How to open a net 30 account with Newegg Business:

Go to=> <https://www.neweggbusiness.com/>

(800) 482-6678

- Requirements: DUNS® Number, and Bank reference
- Receive a \$500- \$1,000 Net 30 Account
- Reports to Dun & Bradstreet

\*Select the 'Net Terms' tab under the 'My Account' tab once logged in.

### **Grainger Industrial Supply**

Grainger industrial supply provides hardware, cleaning supplies, power tools and appliances (Carbajo, 2019):

Go to=> <https://www.grainger.com/>

(800) 472-4643

- Requirements: Business license (if required for your business), DUNS® Number, and Bank reference
- Receive a \$500- \$1,000 Net 30 Account
- Reports to Dun & Bradstreet

### **Staples**

Staples, *an office supply retailer*, provides commercial accounts with 30-day payment terms.

Go to=><https://www.staples.com/>

(800) 669-5285

- Requirements: A personal guarantee is required for any startup business. To avoid this requirement, your company must not be more than three years old, have more than 10 employees and bring in more than \$2 million in annual revenue.
- Create an account and click on Credit Center.
- Reports to Dun & Bradstreet

### **HD Supply**

HD Supply is a construction and industrial equipment supplier.

(800) 431-3000

Go to=><https://hdsupplysolutions.com/>

- Requirements: Go under *My Account* and select *Apply for Credit* to submit your application. From there email it to [fmaccountservices@hdsupply.com](mailto:fmaccountservices@hdsupply.com) or fax it to 1-800-283-8883 to submit your application.
- Reports to Dun & Bradstreet

### **Uline**

Uline, *a packaging and shipping company*, provides up to \$1,000 in instant credits to its new business customers.

Go to=> <https://www.uline.com/>

(800) 295-5510

- Requirements: Once you become a customer, you can also select their net 30 billing option. This business is one of few that will accept any applicant, so it's a perfect way for any small business to put new trade lines on their DNB file.
- Reports to Dun & Bradstreet

### **Dell Financial Services DFS**

Dell is an American multinational computer technology company that develops, sales, repairs, and supports computers and related products and service.

Go to=> <https://www.dell.com/en-us/work/lp/sb-payment-solutions>

(866) 413-3355

- Requirements: Registered business name, federal tax ID and EIN number  
WebBank a member of FDIC determines qualifications for and terms of credit.
- Receive Up to \$50,000, depending on creditworthiness.
- Reports to Experian and Equifax business.
- Click on Apply Now

### **Amazon Corporate Credit Application**

Financed by Synchrony Bank, Amazon Corporate Credit. It is ideal for libraries, schools, government institutions, and businesses, Amazon.com Corporate Credit Lines offer expanded user and management options - authorize multiple buyers on a single account, download order history reports, and pay by purchase order.

Go to => <http://www.amazon.com/gp/cobrandcard/marketing.html?pr=ibprox&inc=def&place=url>

(866) 712-3174

- Requirements: Your company should be in business for more than two years. You must be willing to personally guarantee the account. You also need to have an established business credit history and business credit rating. There is an annual membership program with tiered pricing based on the number of users in the business account.
- Reports to Equifax, Experian, & TransUnion
- Click on Apply for a Pay in Full Credit Line or a Revolving Credit Line

### **ePromos**

ePromos, is a promotional products supplier. If you can locate a better deal within 30 days of your order date, they will give you the difference back and 10% off your next order.

Go to => <https://www.epromos.com/>

(844) 567-9886



- Requirements: First-time orders from ePromos require prepayment in full. We recommend the use of a credit card to facilitate rapid fulfillment of your order, but you may also use a company check, money order, or even cash if you choose.
- Reports to Dun & Bradstreet
- Create an account in order to register and apply.

### **What are your next steps after establishing a Net-30 tradeline of Credit?**

Use your Net-30 account regularly so it will show an ongoing payment history. For example, when you receive a Net-30 credit line, you need to make purchases from that vendor each month for at least a period of one year. The length of payment history you have will play a significant role during every credit review process.

Always pay your invoices on or before the due date. Paying your bill early you may help to build your business credits score more quickly.

Create vendors accounts that you can use more consistently and work to increase your credit limits with Net-30. Don't buy products that you cannot use. Do not exceed your credit limits and do not carry excessive debt on your vendor accounts.

When selecting a vendor that offers Net 30 tradeline of credits you want to be sure to select vendors that report to different business credit reporting agencies.

Check your credit reports and scores regularly with more than one major credit reporting agency to find out whether your accounts are helping your scores, and if not, consider adding additional credit references. You should also examine if your credit reporting and activity is accurate.

## **5. ESTABLISHING YOUR BUSINESS IDENTITY**

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You have taken some time to build up your business credit by establishing Net 30 tradeline of credits with several vendors and now you want to apply for business loan. Here is what you need to do next:

- Think of your business identity as a set of fingerprints. No two people have been found to have the same fingerprints -- they are totally unique. Before you contact

vendors for a business loan, you should have the following in place that will help to establish your business identity.

- Choose a target market for your business- What are the needs for your target audience. How will they benefit from purchasing from you? What sets you apart from other similar businesses?
- Complete a business plan. Companies that have a well thought out business plan are more likely to grow their business and more likely to secure a loan and/or investment capital.

**Business plan development:**

When developing a business plan there are seven main components that you need to be sure to include (Morgan, 2019):

1. **Executive summary-** Is the elevator pitch for your business. It contains all of the pertinent information about your business. It should include an overall summary of the other sections of your plan.
2. **Company description-** This section should include when you formed your business, your mission statement, and your values.

Consider answering the following questions in this section:

- What is the business model? (What are your products and revenue sources? Who are your intended customers?)
  - What makes your business/products unique? Where are you located? Who are the founders and owners?
  - What is the legal structure? What is your projected growth?
3. **Market analysis-** In your market analysis you need to be sure to examine your local competition, how your business is superior and what are the trends for your area and industry. Also address who will be your core target market, and profile your ideal customers.
  4. **Organizational management-** In this section you want to highlight the expertise and qualifications of each member of the team in your business plan.

5. **Sale strategies** - In this section you need to describe background on your price points, promotional strategies you are using, and strategies you plan to use. Be ready to have data to support your sales reports and be ready to show how you are using this data to make adjustment to improve.
6. **Funding requirements**-This section should include a low and high range of how much money your small business will need so that the amount request is approved. You should also include a timeline of how you plan to use your money and what you will use it on so investors have an idea of what to expect.
7. **Financial projections**- In this section you want to be able to use information about what's happening, combined with your sales strategies, to create realistic projections that let others know when they can expect to see returns. Include an analysis of your current your financial income and loss statement and current and projected cash flow.

## 6. START UP BUSINESS BUDGET TEMPLATE

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Creating a financial plan is where all of the business planning comes together. Up to this point, the target market, target customers, and pricing have all been identified. These items, along with assumptions, will help estimate the company's sales forecast. The other side of the business will be what expenses are expected. This is important on an ongoing basis to see when the business is profitable. It is also important to know what expenses will need to be funded before customer sales, or the cash they generate, is received. At a minimum, this section should include estimated start-up costs and projected profit and loss, along with a summary of the assumptions being made with these projections. Assumptions should include initial and ongoing sales, along with the timing of these inflows.

- **Projected start-up costs:** The table below shows a sample of ongoing and one-time cost items that the business might need in order to open. Many businesses are paid on credit over time and do not have cash coming in immediately. It is necessary to make assumptions about how many months of recurring items, in addition to one-

time expenses, to estimate when cash will begin to flow into the company. To begin with, the company will have to fund out of savings or an initial investment. There is a blank table in the Appendix to complete potential start-up cost projections.

<b>START-UP COSTS</b>				
Your Office-Based Agency				January 1, 20xx
<b>COST ITEMS</b>	<b>MONTHS</b>	<b>COST/ MONTH</b>	<b>ONE-TIME COST</b>	<b>TOTAL COST</b>
Advertising/Marketing	3	\$300	\$2,000	\$2,900
Employee Salaries*	4	\$500	\$2	\$2,002
Employee Payroll Taxes and Benefits	4	\$100	\$1,500	\$1,600
Rent/Lease Payments/Utilities	4	\$750	\$2,500	\$5,500
Postage/Shipping	1	\$25	\$25	\$50
Communication/Telephone	4	\$70	\$280	\$560
Computer Equipment		\$0	\$1,500	\$1,500
Computer Software		\$0	\$300	\$300
Insurance		\$0	\$60	\$60
Interest Expense		\$0	\$0	\$0
Bank Service Charges		\$0	\$0	\$0
Supplies		\$0	\$0	\$0
Travel & Entertainment		\$0	\$0	\$0
Equipment		\$0	\$2,500	\$2,500
Furniture & Fixtures		\$0	\$0	\$0
Leasehold Improvements		\$0	\$0	\$0
Security Deposit(s)		\$0	\$0	\$0
Business Licenses/Permits/Fees		\$0	\$5,000	\$5,000
Professional Services - Legal, Accounting		\$0	\$1,500	\$1,500
Consultant(s)		\$0	\$0	\$0
Inventory		\$0	\$0	\$0
Cash-On-Hand (Working Capital)		\$0	\$1,000	\$1,000
Miscellaneous		\$0	\$2,000	\$2,000
<b>ESTIMATED START-UP BUDGET</b>				<b>\$26,472</b>

\*Based on part-time employees. This may change once you hit your growth benchmark.

**Projected profit and loss model:** The model below shows a sample of the projections a small business is forecasting for their first 12 months of operations. The top portion of the table shows projected sales and gross profit. This is a good place to begin creating the company’s sales forecast. The next section itemizes the recurring expenses the business is projecting for the same months. These should be consistent with the estimated start-up costs completed in the prior section. At the bottom of this model, it will possible to see when the company is becoming profitable and what expense items are the most impactful to its profitability. There is a blank table in the Appendix to complete the business’ own start-up cost projections.

<b>START-UP COSTS</b>													
Your Office-Based Agency												January 1, 20xx	
<b>REVENUE</b>	<b>JAN</b>	<b>FEB</b>	<b>MAR</b>	<b>APR</b>	<b>MAY</b>	<b>JUN</b>	<b>JUL</b>	<b>AUG</b>	<b>SEP</b>	<b>OCT</b>	<b>NOV</b>	<b>DEC</b>	<b>YTD</b>
Estimated Sales	\$5,000	\$13,000	\$16,000	\$7,000	\$14,500	\$16,400	\$22,500	\$23,125	\$24,549	\$22,000	\$25,000	\$27,349	\$216,423
Less Sales Returns & Discounts	\$0	(\$350)	\$0	(\$206)	(\$234)	\$0	\$0	(\$280)	(\$1,200)	(\$1,600)	\$0	(\$2,400)	(\$6,270)
Service Revenue	\$0	\$0	\$0	\$0	\$0	\$250	\$350	\$100	\$0	\$0	\$1,245	\$1,360	\$3,305
Other Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,500	\$0	\$0	\$0	\$0	\$1,500
Net Sales	\$5,000	\$12,650	\$16,000	\$6,794	\$14,266	\$16,650	\$22,850	\$24,445	\$23,349	\$20,400	\$26,245	\$26,309	\$214,958
Cost of Goods Sold*	\$2,000	\$5,200	\$6,400	\$2,800	\$5,800	\$6,560	\$9,000	\$9,250	\$9,820	\$8,800	\$10,000	\$10,940	\$86,569
Gross Profit	\$3,000	\$7,450	\$9,600	\$3,994	\$8,466	\$10,090	\$13,850	\$15,195	\$13,529	\$11,600	\$16,245	\$15,369	\$128,389
<b>EXPENSES</b>	<b>JAN</b>	<b>FEB</b>	<b>MAR</b>	<b>APR</b>	<b>MAY</b>	<b>JUN</b>	<b>JUL</b>	<b>AUG</b>	<b>SEP</b>	<b>OCT</b>	<b>NOV</b>	<b>DEC</b>	<b>YTD</b>
Salaries & Wages	\$2,500	\$2,500	\$3,500	\$5,000	\$5,000	\$5,000	\$8,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$76,500
Marketing/Advertising	\$400	\$450	\$450	\$450	\$900	\$900	\$900	\$900	\$900	\$900	\$1,200	\$1,200	\$9,550
Sales Commissions	\$250	\$650	\$800	\$350	\$725	\$820	\$1,125	\$1,156	\$1,227	\$1,100	\$1,250	\$1,367	\$10,821
Rent	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$15,000
Utilities	\$250	\$150	\$200	\$200	\$200	\$250	\$250	\$250	\$200	\$200	\$250	\$250	\$2,650
Website Expenses	\$175	\$175	\$175	\$175	\$175	\$175	\$175	\$175	\$175	\$175	\$225	\$225	\$2,200
Internet/Phone	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$1,320
Insurance	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$165	\$1,980
Travel	\$100	\$0	\$0	\$250	\$0	\$0	\$0	\$0	\$675	\$800	\$0	\$0	\$1,825
Legal/Accounting	\$1,200	\$0	\$0	\$450	\$0	\$500	\$0	\$0	\$0	\$0	\$0	\$250	\$2,400
Office Supplies	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$1,500
Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$6,525	\$5,575	\$6,775	\$8,525	\$8,650	\$9,295	\$12,100	\$13,131	\$13,827	\$13,825	\$13,575	\$13,942	\$125,746
Income Before Taxes	(\$3,525)	\$1,875	\$2,825	(\$4,531)	(\$184)	\$795	\$1,750	\$2,064	(\$298)	(\$2,225)	\$2,670	\$1,427	\$2,643
Income Tax Expense	(\$529)	\$281	\$424	(\$680)	(\$28)	\$119	\$263	\$310	(\$45)	(\$334)	\$401	\$214	\$396
<b>NET INCOME</b>	<b>(\$2,996)</b>	<b>\$1,594</b>	<b>\$2,401</b>	<b>(\$3,851)</b>	<b>(\$156)</b>	<b>\$676</b>	<b>\$1,488</b>	<b>\$1,754</b>	<b>(\$253)</b>	<b>(\$1,891)</b>	<b>\$2,270</b>	<b>\$1,213</b>	<b>\$2,246</b>

\*In the service industry, Cost of Goods Sold is the monetized value of the time spent on the client.

## 7. BUSINESS REGISTRATION TIPS

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### Is it best for register my company as an LLC or INC?

Next you need to decide on what type of corporate entity works best for you INC or LLC. Here is an overview on the foundational differences between the corporations according to Legal Zoom (2019):

#### Overview on LLC's:

With an LLC, only the assets owned in the name of the LLC are subject to the claims of business creditors, including lawsuits against the business. The personal assets of the LLC members cannot be claimed to satisfy business debts. For most people, this is the most important reason to form an LLC.

LLC's do not have to file a corporate tax return. Owners report their share of profit and loss on their individual tax returns, this means that you will not have double taxation. LLC's owners also do not need to be U.S. citizens or permanent residents.

#### Overview on C Corporations:

C corps exist as a legal entity. C corps provide limited liability protections for owners cannot be held liable for company debts and liabilities. C Corps can also sell stock in their company. SC and S corps may provide employee benefits that are tax free and deductible.

### Side by Side Comparison of LLC and C Corporation

#### LLC

Shields personal assets from business liability

Requires separation of business and personal finances

Allowable in all 50 states and the District of Columbia

Highly flexible management structure Flexible tax reporting options

#### C Corporation

Shields personal assets from business liability

Requires separation of business and personal finances

Allowable in all 50 states and the District of Columbia

Preferred by outside investors Preferred for IPO

Recognized outside of the United States

### What exactly does an S Corporation mean?

- After you create a corporation or LLC, you will have the opportunity to decide how you'd like your business to be taxed.
- Single owner LLCs can be taxed either as a sole proprietorship or a corporation. LLCs with more than one owner can be taxed either as a partnership or a corporation. Income from LLCs treated as sole proprietorships or partnerships are reported directly on the owner's individual tax returns.
- New corporations, as well as LLC's considering corporate taxation can choose between filing taxes as a C corporation ("C corp") or an S corporation ("S corp"). An S corp is considered a "pass-through entity," which means the business itself isn't taxed. Instead, income is reported on the owners' personal tax returns.
- Businesses taxed as C corporations are not pass through entities. Income is taxed at the corporate level, and if dividends are distributed at the individual level as well.
- You have 75 days after the formation of your business to file with the IRS if you are going to be an S or C Corp designation. If you are not sure what to do, make sure you consult with an Attorney or tax specialist.

### Side by Side Comparison of C Designation and S Designation

#### C Designation

Owners pay personal income tax on profits  
Business must pay corporate income tax

#### S Designation

Owners pay personal income tax on profits  
All business income/loss is passed through to owners each year.  
No more than 100 shareholders  
Shareholders must be U.S. citizens or resident aliens

Strategic Network Solutions (n.d.) recommends you do the following once you decide on what type of corporation your business is registered:

- Establish an EIN (Employee Identification Number) <http://www.irs.gov/>



Note the Online established EIN is available to be used immediately. However, the permanent establishment of your new EIN number may take up to two weeks. This point applies to filing electronic returns, making and electronic payment or passing an IRX Tax Payer Identification Number (TIN) matching program.

- Set up a dedicated business phone number
- Open a business banking account in your business name.
- List your dedicated phone number with directory services, such as 411. (Make sure your phone number and business address match so when creditors look up your business they will see consistent information on your credit application and other public directories).

The following are resources listing your business directory over the phone:

Resources for listing your business directory services over the phone:

- **Frontier Directory Listing** 1-844-423-1697
- **AT & T** 1-800-288-2020

Resources for listing your business directory listing on-line:

<http://www.verizon.com/smallbusiness/products/business-website-builder/smallbusiness-internet-marketing/?pos=2>

<https://www.att.com/gen/general?pid=3912>

<http://www.merchantcircle.com/root>

<https://www.dexmedia.com/tools/>

\*Note\* It is preferred that your directory listing request be made at least 30 days before it is required\*

Here is a sample of the specific information you need to gather to be prepared when calling and making your request:

- Your Business Name Email
- Address Telephone Number Extension
- Fax Number Listing Type (i.e. Business, Foreign or Toll-Free)

It is also important to note that the **Listed** vs the **Service** address will matter.

**Service Address:** The official address for your telephone service is referred to as the Service Address. The Service Address is considered your actual location. This will be verified with Address Validation Process.

**Listed Address:** The address that shows up in a directory listing is referred to as the listing address. You can request that the service address is or is not the listed address.

Directory Listing Descriptions:

**Primary Listing:** A primary listing contains your name or the name of the business as well as your business address and telephone. This listing is provided at no additional charge.

**Foreign Listings:** Where available it is a listing in a telephone directory which is not in your immediate calling area. You will be charged the rates set by the specific local telephone company providing the Foreign Listing service.

## 8. EVERYTHING YOU NEED TO KNOW ABOUT BUSINESS LOANS

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### **What is the difference between a Business Line of Credit and a Business Loan?**

The difference between a business loan and a business line of credit is flexibility. A business loan gives you a set amount of money for a specific purchase, which you pay back according to preset monthly amounts. A business line of credit works more like a credit card: you have a credit limit that you borrow against when you need it.

### **I see there are two types of business loans unsecured and secured. What is the difference?**

Sean Peek (2019) notes the primary differences between secured and unsecured business loans:

A **secured business loan** requires a specific piece of collateral, such as a business vehicle or commercial property, which the lender can claim if you fail to repay your loan. These kinds of loans are easier to obtain and may come with lower interest rates because the lender has a guaranteed way to get their money back. They can recoup their losses by selling your collateral in the event of a default.

**Unsecured loans** are given without any kind of collateral from the buyer. Because these risks are unsecured and there is no collateral, there is a greater risk for the lender. As a result of this, they usually have higher interest rates than secured loans and are harder to obtain.

### **Advantages of Unsecured Loans**

**Faster approval times:** Unsecured business loans usually have faster approval times. Online applications aren't nearly as lengthy as a typical loan application. Some lenders approve unsecured business loan applications in as little as 24 hours.

**Higher Loan Amounts:** Small businesses may be approved for a higher loan amount with an unsecured loan than a secured one. Because there are no collateral requirements limiting the value of the loan, the amounts can potentially be higher.

**Fewer restrictions on use of funds:** Unsecured business loans typically don't have many restrictions, aside from not using the financing for illegal activities, gambling or buying securities.

**Lenders can't take your business property:** While a lender can seize collateral if your business defaults on a secured loan, a lender can't take your business or personal property if you default on an unsecured business loan without a court order.

**Unsecured loans may be discharged in bankruptcy:** If your business files for bankruptcy, the court may discharge unsecured loans (McMullen, n.d.).

## **Disadvantages of Unsecured Loans**

**Personal guarantees are required:** With an unsecured business loan, the borrower typically signs a personal guarantee. A lender has a greater ability to pursue any assets you personally own – now or in the future.

**Higher interest rates:** Unsecured business loans are riskier for lenders, so interest rates on unsecured business loans are often higher than on secured business loans. You will probably pay more over the life of the loan than a secured loan.

**Shorter repayment terms:** Unsecured business loan repayment terms are usually shorter than those of secured business loans, which means the borrower will need to be prepared to pay off the loan quickly.

**Qualification requirements:** Unsecured business loans can be harder to qualify for. If your business has a poor or nonexistent credit history, the lender may not approve your application.

**Credit history review:** You and your business partners may be required to provide both personal and business credit histories (McMullen, n.d.).

## **Key Factors When Considering an Unsecured Loan**

Jessica Merrit (2020) recommends the following factors to consider when choosing an unsecured loan for your small business:

**Pay attention to the lender's eligibility requirements:** This includes loan options, costs and reputation. This will help you increase your chances of finding an alternative lender that will approve your loan and offer you good customer service, support and the best terms possible with reasonable fees.

**Review your credit report:** This is necessary for both your personal and business credit score and scan it for errors. Depending on the errors, they could hurt your credit score. You'll want to dispute these errors before you apply for financing and take steps to improve your credit score.

**Minimum years in business:** Most unsecured business lenders typically require a minimum of three months to two years in business, usually at least one year.

**Minimum annual revenue:** Some lenders extend financing to startups with no minimum revenue. If that's the case, other factors may be weighed more heavily, such as creditworthiness and projected revenue.

**Loan types:** Narrow your search to lenders that offer the type of loan you're seeking, whether that's a term loan, a business line of credit or an equipment loan.

**Loan limits:** Find a lender who will offer loans in the amount you need. Settling for a lower amount could burden you with loan and interest payments you may have trouble keeping up with.

**Term length:** Unsecured business loans typically have shorter repayment periods than secured ones, that means higher monthly payments. In addition to the length of the repayment period, you'll want to see how frequent the payments are.

**Costs.** Loans that cost you less in the long run are typically the best for your business's financial foundation. You'll want to carefully review all the costs involved when shopping for a loan that will cost you the least. Be sure to consider the following:

- APR
- Down payment
- Origination fee
- Additional fees

**Reputation:** You'll want to be able to trust the lender. Spend some time reading online reviews to learn the experiences of fellow small businesses. Read reviews from the aggregate review site Trustpilot and the Better Business Bureau.

## Advantages of Secured Loans

**A secured small business loan is backed by an asset that you have:** For example, equipment, cars, or real estate. If the loan defaults and you're unable to repay it, the lender has the right to seize that item as a payment.

**Lower interest rates:** Secured loans usually come with lower interest rates compared to an unsecured loan because there is less risk to the lender who has collateral to fall back on.

**Larger borrowing amounts:** Typically, larger amounts can be borrowed, and it will usually be possible for repayment periods to be longer. Greater flexibility is also offered: personal assets can be used as collateral for a business loan, meaning finance can be secured to grow a business in its early stages (Working Capital, 2019).

## Disadvantages of Secured Loans

**You will need an asset:** If you don't have an asset to use as collateral, you won't be approved for a secured business loan. Typically, with secured loans, you can't borrow more than the value of your collateral. This value of your loan against the value of the personal or business property you are providing as collateral is called the loan-to-value ratio.

**If You Default, You'll Likely Lose the Asset:** If you're unable to repay the loan, you're at risk of losing the assets that you submitted as collateral. **Your Business Must Be Established:** Most companies will require that a loan recipient has been in business for two years under the same ownership to qualify for a secured loan. In addition, there will also be sales and credit score requirements. Due to this, if your business is new or doesn't have strong financials, procuring a secured loan will be difficult. It's important to have a business plan because you're risking a lot if you can't pay back the loan (Working Capital, 2019).

## Start Up Business Loans

Did you know that the SBA (Small Business Administration) helps small businesses get loans start up business loans?

The SBA works with lenders to provide loans to small businesses. The SBA does not lend money directly to small business owners. Instead, it sets guidelines for loans made by its partnering lenders, community development organizations, and micro-lending institutions. Please visit <https://www.sba.gov/funding-programs/loans> or <https://www.nav.com/resource/small-business-startup-loans/> for more information.

## 9. REFERRAL LIST OF COMPANIES WHO OFFER BUSINESS LOANS

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### **KABBAGE: [www.kabbage.com](http://www.kabbage.com) (888)986-8263**

Kabbage, Inc. is an online financial technology company based in Atlanta, Georgia. The company provides funding directly to small businesses and consumers through an automated lending platform.

#### **Highlights**

- **Loan types:** Fixed-rate term loans
- **Minimum years in business:** 12 months
- **Minimum annual revenue:** \$50,000
- **Minimum FICO credit score:** 560
- **Loan amounts:** \$2,000 to \$250,000
- **Loan terms:** 6 months, 12 months or 18 months
- **Origination fee:** 1.5% to 10%
- **BBB rating:** A+

### **LENDIO-[www.lendio.com](http://www.lendio.com) (855) 853-6346**

Lendio, is the largest small business loan marketplace in the U.S. Small business owners utilize Lendio's free online service to find financing by browsing multiple loan products from a network of more than 75 lenders.

#### **Highlights**

- **Loan types:** Fixed-rate and variable term loans
- **Minimum years in business:** 6 months and up
- **Minimum annual revenue:** 120,000
- **Minimum FICO credit score:** 550
- **Loan amounts:** \$500 to \$2,000,000
- **Loan terms:** 1 to 5 years
- **Origination fee:** Varies based on loan amount
- **BBB rating:** Not accredited

### **RELIANT FUNDING- [www.reliantfunding.com](http://www.reliantfunding.com) (888) 239-7865**

Reliant Funding is a San Diego-based alternative business funder whose recent acquisitions include Merchants Capital Access. It's part of a growing industry that provides

short-term loans and merchant cash advances (MCAs) rather than traditional lending products like bank loans.

### **Highlights**

- **Loan types:** Fixed-rate term loans
- **Minimum years in business:** 12 months
- **Minimum annual revenue:** \$100,000
- **Minimum FICO credit score:** None, the better your score, the better your rate
- **Loan amounts:** \$5,000 to \$500,000
- **Loan terms:** 8 months to 13 months
- **Origination fee:** Fees are based on the amount that you borrow
- **BBB rating:** A+

### **LOANBUILDER- [www.loanbuilder.com](http://www.loanbuilder.com) (800) 347-5626**

Loan Builder is a PayPal Service is a business loan company serviced by Swift Financial LLC. Loan Builder offers short-term business loan, a type of interest free loan in which borrowers repay a pre-determined fixed fee along with the borrowed amount.

### **Highlights**

- **Loan types:** Fixed-rate term loans
- **Minimum years in business:** Nine months and up
- **Minimum annual revenue:** \$42,000
- **Minimum FICO credit score:** 550
- **Loan amounts:** \$5,000 to \$500,000
- **Loan terms:** 8 months to 13 months
- **Origination fee:** None
- **BBB rating:** Not rated

### **LENDING CLUB- [www.lendingclub.com](http://www.lendingclub.com) (888) 596-3157**

Lending Club launched in 2007 and has facilitated more than \$44 billion in loans. You can check your rate and find out if you prequalify online.

### **Highlights**

- **Loan types:** Fixed-rate term loans
- **Minimum years in business:** One
- **Minimum annual revenue:** \$50,000
- **Minimum FICO credit score:** 600
- **Loan amounts:** \$5,000 to \$300,000
- **Loan terms:** One to five years
- **Origination fee:** 1.99% to 8.99%
- **BBB rating:** A

**ONDECK- [www.ondeck.com](http://www.ondeck.com) (888) 269-4246**

On Deck has served 100,000 borrowers since 2007. The lender offers term loans and lines of credit with fixed interest rates. Term loans of up to \$500,000 are available.

**Highlights**

- **Loan types:** Fixed-rate term loans, lines of credit
- **Minimum years in business:** One
- **Minimum annual revenue:** \$100,000
- **Minimum FICO credit score:** 600
- **Loan amounts:** \$5,000 to \$500,000
- **Loan terms:** Three months to three years
- **Origination fee:** 2.5% to 4%
- **BBB rating:** A

## **Tips for Success to qualify for a Business Loan**

Author Brooke Hayes (2019) gives the following tips in order to qualify for a business loan:

- Writing a detailed, thorough business plan is essential to getting any type of business loan. The lender will look carefully at the strengths and weaknesses of your business, including your credit trade lines with other businesses.
- To apply for most online business loans you will need to be in business for at least one year. Most banks require that you be in business for at least two years. Be prepared to share your annual revenue. You will also need to include your personal and background information as well as that of your business partners and other major team members.
- Business financiers will check your personal and business line of credit. Be ready to submit copies of your credit scores from at least three main business credit reporting agencies.
- Make sure your personal and business credit score is as high as it can be and your bills are paid on time.
- Check your personal and business credit scores before you apply for an unsecured business loan. If your scores aren't as strong as they could be, or you see errors, look at the factors affecting them to see if you can address any of them quickly.



- Before getting an unsecured business loan, weigh the costs against the benefits to make sure it's a sound choice.
- Prepare to handle short repayment periods: Unsecured business loans typically have shorter repayment periods than other forms of financing. Make sure you'll be able to manage the payments.
- Consider alternatives: If you find that an unsecured business loan may not be the best fit for your needs, consider alternatives. Make sure you research at least three different financiers before submitting your application.
- Consider what is your personal debt-to-credit-ratio. Your net operating income needs to be at least 1.25 greater than your total expenses.
- Plan the use of funds: Carefully plan how you'll be using the funds. If you don't have a detailed plan for the money you hope to borrow, you run into the danger of taking out more than you need and may have trouble paying it back.

## 10. FREQUENTLY ASKED QUESTION ABOUT OUR COMPANY

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**Question: It has been 30 days since I submitted my Net-30 Payment. I do not see this activity on my credit report. Why is that?**

**Answer:** Office Products from our company is under the supplier category of Office Supplies. You will not see our business name.

- An example of what it will look like on your credit report is:
- Month OFFC SUPPL and the payment term.

**Question: Is there a product that I can purchase that will keep my account active every month?**

**Answer:** You can purchase a yearly Webroot subscription for 99 dollars that will keep your account active which will show business credit bureaus that you have an ongoing positive credit activity with our company. Please refer to our website for more information.

## 11. SUMMARY

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Here are some key points to remember as you begin your business ownership journey:

- Business credit is important in order to establish your business identity and growing your business.
- Create a detailed business plan that includes projections and costs.
- Establishing Net-30 tradelines of credit with multiple vendors will help to build your credit score and increase your chances of you qualifying for other types of credit, and business loans.
- Create vendors accounts that you can use more consistently and work to increase your credit limits with Net-30. Be sure to select vendors that report to different business credit reporting agencies.
- Check your credit reports and scores regularly with more than one major credit reporting agency to find out whether your accounts are helping your scores,
- Always pay your invoices on or before the due date. Paying your bill early you may help to build your business credits score more quickly.

*We wish you and your team great success with your business venture and establishment of business credit.*

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# APPENDIX

START-UP COSTS				
Your Office-Based Agency				January 1, 20xx
COST ITEMS	MONTHS	COST/ MONTH	ONE-TIME COST	TOTAL COST
Advertising/Marketing				
Employee Salaries				
Employee Payroll Taxes and Benefits				
Rent/Lease Payments/Utilities				
Postage/Shipping				
Communication/Telephone				
Computer Equipment				
Computer Software				
Insurance				
Interest Expense				
Bank Service Charges				
Supplies				
Travel & Entertainment				
Equipment				
Furniture & Fixtures				
Leasehold Improvements				
Security Deposit(s)				
Business Licenses/Permits/Fees				
Professional Services - Legal, Accounting				
Consultant(s)				
Inventory				
Cash-On-Hand (Working Capital)				
Miscellaneous				
<b>ESTIMATED START-UP BUDGET</b>				

## Instructions for Getting Started with Estimated Start-Up Costs

Determining a business' startup costs is critical to ensure enough cash is available to begin business operations within the budgeted time frame as well as within the cost budget. Startup costs typically fall within two categories: monthly costs and one-time costs. Monthly costs cover costs that occur each month during the startup period, and one-time costs are costs that will be incurred once during the startup period.

### Steps for preparation:

- **Step 1:** Enter the company name and the date this estimate is being prepared.
- **Step 2:** Enter the number of months and the monthly cost for each cost item that is recurring. For one-time costs only, skip the monthly costs. If there are cost items that have both recurring and one-time amounts, enter those as well. The total cost will calculate automatically in the far-right column.
- **Step 3:** Once all of the costs are entered, review the individual items and total amount to see where the budget can be fine-tuned or move something out into the future when more revenue is coming in.

START-UP COSTS													
Your Office-Based Agency													January 1, 20xx
REVENUE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Estimated Product Sales													
Less Sales Returns & Discounts													
Service Revenue													
Other Revenue													
<b>Net Sales</b>													
<b>Cost of Goods Sold</b>													
<b>Gross Profit</b>													
EXPENSES	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Salaries & Wages													
Marketing/Advertising													
Sales Commissions													
Rent													
Utilities													
Website Expenses													
Internet/Phone													
Insurance													
Travel													
Legal/Accounting													
Office Supplies													
Interest Expense													
Other 1													
<b>Total Expenses</b>													
<b>Income Before Taxes</b>													
<b>Income Tax Expense</b>													
<b>NET INCOME</b>													

\* In the service industry, Cost of Goods Sold is the monetized value of the time spent on the client.

## Instructions for Getting Started on Profit & Loss Projections

Completing projections for Profit and Loss of a new company is a good exercise to understand and communicate when the company will begin to break even and see how sales and profits will grow. The top portion of the model to the left, Revenue, is a good way to forecast sales, month by month for the first year. The lower portion then applies estimated expenses for the same period of time to derive the business' profitability.

### Steps for preparation:

- **Step 1:** Enter the company name and the date this projection is being prepared.
- **Step 2:** For each month, beginning in January or whenever the start is estimated, enter the expected sales to be. This could be for a single service or multiple services. Add lines to this model for additional offerings. From this, subtract any product returns or discounts that are to be tracked (these should be shown as negative numbers, for example, -10). Below Net Sales, enter the Cost of Goods Sold. This refers to the monetized value of the time spent on a particular client.
- **Step 3:** For each month, enter the estimated salaries, marketing, utilities, and other items that are projected.
- **Step 4:** Once all of the costs have been entered, review the individual items and total amount to see where projections can be fine-tuned or move something out into the future when more revenue is coming in. The objective is to get to profitability and positive cash flow as quickly as possible.