

The Basics of Business Credit



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Business Credit Basics

Business credit and personal credit

Have you thought about your business credit or how it may affect your company's viability?

Strong business credit may help your business:

- ✓ Improve your chances to qualify for a business loan
- ✓ Lower the interest rates you pay
- ✓ Increase your cash flow
- ✓ Negotiate better payment terms
- ✓ Attract new customers

It's important to start separating your business credit from your personal credit early on in your business life cycle.

Personal Credit

-  Personal Credit Cards
-  Home Expenses
-  Student Loans
-  Car Loans

Business Credit

-  Building Lease
-  Office Equipment
-  Business Loans
-  Business Contracts

Helpful Tip: You can help reduce risking your personal assets by avoiding using a personal credit card for business expenses.

Why should I separate my personal credit from my business credit?

Separating your business credit from your personal credit may help:

- ✓ Reduce your personal liability
- ✓ Keep from skewing your company's debt-to-income ratio
- ✓ Prevent your personal credit from being "dinged" each time a report is pulled

Why should I care what's in my D&B® business credit report?

Your D&B business credit report may play a big part in how decisions are made about you by banks, credit card companies, insurance companies, and other potential partners.

Using your D&B D-U-N-S® Number may be a good way to start building your business credit report. Be sure to include your D-U-N-S Number whenever your company applies for lines of credit, terms with suppliers, and so on. If you must also include your personal credit, negotiate with your long-term suppliers to remove the personal credit information from the account after six months or so, once your company has proven its trustworthiness.

Only business credit shows on a D&B report—personal credit doesn't. If you are using personal credit for your business, those looking at your D&B file may not see the full picture.

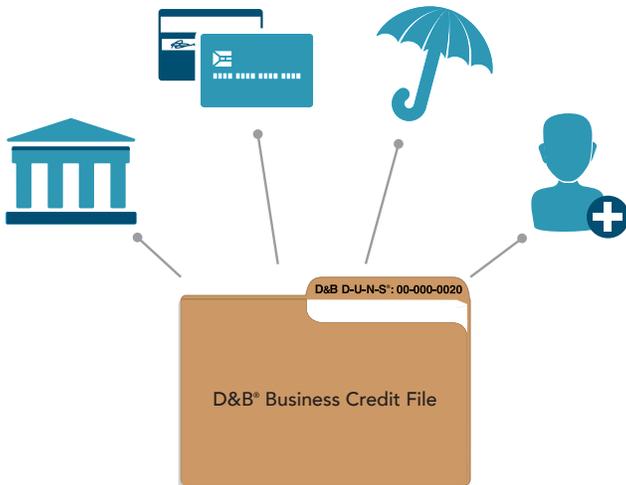
“ When I started Scrubblade, I was aware that a D&B D-U-N-S® Number and good credit were important when establishing a company. What I was not aware of, however, was how immediate down the road both factors would come into play in helping us land an account with one of the largest retailers in the world. To date, one of **Scrubblade's biggest accomplishments would not have been possible without having the CreditBuilder product, which helped ensure we had the optimum credit rating required to do business with Walmart.** If you're thinking about establishing your company credit—don't wait too long! ”

Scrubblade

Bill Westbrook, Founder & CEO

What is a D&B® file and who can see it?

A company's D&B credit file usually contains company information such as its D&B D-U-N-S® Number, company history, and scores and ratings based on historical behaviors, as well as predictions from D&B's proprietary formulas.



Banks, credit card companies, insurance companies, and other potential partners can all have access to your D&B business credit file, and they may use it to make decisions on whether or not to give you loans, provide desirable terms, offer lower interest rates, etc.

A strong D&B business credit file may make the difference between paying COD and getting terms to pay within 6-12 months.

How does business credit play a role in my company's credibility?

Many companies don't think they need business credit. But the issue isn't only credit—it is credibility and reliability. Even if business credit is not important to you, making sure customers have a good image of your company may be.

Credit generally revolves around finance. Credit allows a person or company to provide resources to another

person or company with an agreement to repay or return those resources later.

Credibility refers to the believability of a business. Is this business what it claims to be? Can you trust the information that's displayed on the website? Is this contractor actually qualified to perform the work he's bidding on?

Can you really measure the credibility of a company?

Yes, and it's common practice. Some industries value Better Business Bureau or trade association memberships, while others place more value on a company's online presence, its brand recognition, or word of mouth. Many companies rely on trusted, third-party information—like the data in the D&B business credit profile—to decide whether another company is trustworthy.



REMEMBER

Strong credibility helps portray a successful, trustworthy business, and a company's business credit can be one of the most significant components of its credibility.

“We needed assistance in getting our business credit standing up-to-date as we were in the process of bidding for a federal contract. **Our dedicated concierge was able to help make the necessary updates to our business credit file and we were ultimately able to secure the contract.**”

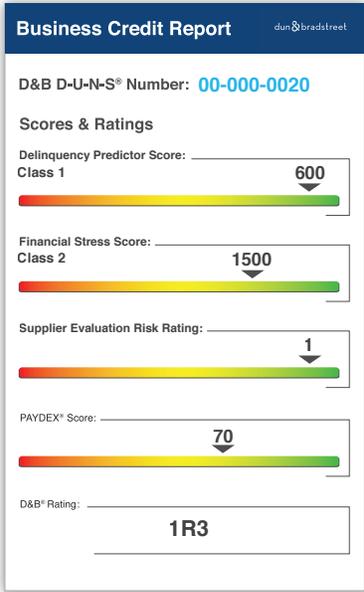
Alares LLC
Don Maggioli, President



Understanding Your D&B® Scores and Ratings: An Overview

What's in a business credit file?

A D&B business credit profile contains five critical scores and ratings. These consist of predictive scores and performance-based scores.



TWO PERFORMANCE-BASED SCORES use historical information in a company's D&B credit profile to help paint a picture of your company's past performance:

1. The **D&B PAYDEX® Score** indicates how a company has paid its bills over the last 24 months.
2. The **D&B Rating®** indicates a company's net worth range based on company financial statements, as well as a company's overall condition. If a company's financial statements are not provided, the score is based on company size, industry, or other related factors.

Taken together, these scores can showcase a company's strengths to potential partners, vendors, suppliers, and lending institutions.

What are Trade References?

Many of D&B's scores and ratings are calculated using information on how your company pays its bills. Do you generally pay your bills on time, or are you consistently behind on payments? D&B collects this information from suppliers, vendors, and other partners. These credit references or payment experiences are called "trade references" and can be a major factor in scores such as the PAYDEX.*

THREE PREDICTIVE SCORES suggest how a business will perform over the next 12 months:

1. The **D&B® Delinquency Predictor Score** predicts whether a business will pay its bills on time.
2. The **D&B® Financial Stress Score** predicts the chance that a business will experience financial distress.
3. The **D&B® Supplier Evaluation Risk Rating** predicts whether a business will stop delivering its goods and services.

The purpose of predictive scores is to forecast a company's expected performance over the next year.

“ My D&B credit file was incomplete and I couldn't gain the business credit I needed. Thereafter, I built my D&B credit file, and was **able to get approval for \$10K per week in gas cards** for my trucking business. Not only will this help improve my cash flow but it will help save my company a bundle.”

American Orange Trucking
Herbert Lorfing, President

* Trade References will be added subject to D&B verification and acceptance. Please see <http://www.dandb.com/glossary/trade-references/> for eligibility, process, and other information regarding Trade References.

How do trade references impact my business credit?

D&B works with thousands of U.S. companies that regularly report payment experiences. But not all companies automatically report their payment experiences.

If you are paying your bills on time and working with suppliers that don't report payment experiences to D&B, your business credit profile may not be telling the full story of your business creditworthiness or financial strength.

For example, D&B needs three trade references to calculate a PAYDEX[®] score. That means **if you don't have three suppliers reporting payment experiences to D&B, D&B may not be able to assign a PAYDEX score** to your company. Not having a PAYDEX score could contribute to an incomplete business credit profile, which may result in higher premiums, higher interest rates, lost business, or challenges in raising capital.



Why monitor my D&B[®] file?

Maybe you've never had any problems with your business credit before. Do you still need to monitor and influence your business credit file? Absolutely. If you don't monitor your business credit file, you may not know the information others can see when looking at your file. You might not even know when other people are looking at your report unless you're monitoring it. You want your business credit profile to present your business in the best possible light.

An empty, incomplete, or inaccurate file may result in higher premiums, higher interest rates, lost business, or challenges in raising capital.

You can ensure your basic profile is accurate with **Company Update, a free service** that allows you to log in and see your basic profile, **correct or dispute profile information, or submit financial statements.**

You can update the information in your company's credit profile for FREE.

You can access Company Update at www.CompanyUpdate.com

If you want to take more action to build your company's business credit profile, consider a paid product from Dun & Bradstreet that allows you to see your full profile, including scores and ratings. **CreditBuilder[™]** our most popular product, allows you to **impact your company's scores and ratings by adding payment history.***

Build and Maintain Your Business Credit at www.DandB.com/credit-builder

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How Can I Help Improve My Business Credit?

Ways to help improve business credit

It may be overwhelming to try to improve your business credit all at once, but you can start by taking some of these steps:

1. Separate your personal credit from your business credit



This process takes time, so it's best to start early. Even a small line of credit for your business can lead to larger credit limits, more favorable interest rates, or lower insurance premiums.



2. Make every effort to pay all your bills on time



If your business is cash constrained, pay your biggest bills first. The D&B PAYDEX® Score is dollar weighted, so paying off the highest amount may have the biggest impact, assuming that the payment experience is reported to D&B. If you know that you've been paying your bills late, address this by paying off the balance or working with creditors to change your payment terms.

3. Add payment experiences



There are ways to add vendors and suppliers who do not automatically report your payments to D&B, which can help demonstrate your company's buying power and overall strength. One way is to work with us at Dun & Bradstreet to add payment experiences* through our CreditBuilder™ product.

4. Consider uploading your balance sheet and profit-and-loss statement to your D&B credit profile



Even if you're a private company, D&B can use financial statement data to help establish its scores and ratings. Although the financials you submit will be included anytime someone pulls your business credit report, the benefits of having a more complete business credit file may outweigh the downsides.

Never created a balance sheet or a P&L statement? Most accounting software, like Intuit's QuickBooks or Sage's Peachtree, will make them for you. They are also available in your company's year-end tax return.

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