

Business Credit Concerns

By Mike Schaffer

Unfortunately, there are many things jansan businesses have little or no control of during the current economic turmoil. No one can predict what direction the stock market will take next or what repercussions our industry will suffer should the market decline even further.

However, there is at least one very important thing that all businesses can control: keeping their credit “worthiness” as stellar as possible. Now more than ever, responsible credit management is essential to any business.



One of the first steps to take in managing your credit scores is to evaluate your current position. Just as the three credit reporting agencies—Experian, TransUnion and Equifax—maintain credit reports on personal credit use, they may also have reports on your business, especially if it is incorporated and has been registered with these agencies or with Dun & Bradstreet.

You will need to get copies of all of your credit reports; these should include your business score as well as your personal information. Your score is based on the timeliness of your debt payments as well as your overall payment history. Making payments within the terms set by reporting suppliers or credit card companies has a very positive impact on your credit standing. You should also verify that all information on file is correct, including your business’s name, address, phone number(s), incorporation status, number of employees, etc.

Another report to review is your Uniform Commercial Code (UCC) filing, which lists any existing liens or leases on record. To avoid

potential negative outcomes, it is essential that this information be accurate—for instance, the existence of certain liens on your record can result in an immediate denial of credit.

It is also a good idea to make sure that business and personal lines of credit are not comingled or reported on the same credit file. These should always be kept separate; use business credit cards for business expenses only, and save personal cards for personal expenses.

Savvy Borrowing and Repayment

Businesses borrow money to buy products and materials, to close deals and for a variety of other reasons. However, at the moment businesses should be careful about borrowing and the use of business credit cards. In fact, companies should only borrow as needed, with one exception. If a business has little or no credit history, it should open one or two charge accounts and use them to borrow some money or charge some business expenses. If these debts are paid quickly—and in full, if possible—positive credit worthiness will be reflected.

Other than that exception, it is important at this time to keep borrowing and debt levels to a minimum. If your business owes little or no money and has a record of repaying debts in a timely fashion, lenders will be more comfortable lending you funds if you do need to borrow in the future.

Also, make sure your company has an effective cash flow strategy to pay creditors. This should include observing the following guidelines:

- Keeping a careful list of all of your business's creditors and the amounts currently due
- Carefully noting when payments are due in order to avoid late charges
- Taking advantage of early payment discounts, paying cards that offer these discounts first
- Paying off charge cards and vendors charging the highest interest rates second
- Paying all invoices and/or bills when due, but not before

- Keeping “idle” money in a money market account that accrues interest

Maintaining a high business credit score requires ongoing attention. Check your files with the various reporting agencies mentioned here at least once per year. Managing credit—and cash flow—is more important now than ever before, and if done properly, it can assure that you will have credit readily available when your business needs it.

Mike Schaffer is president of Tornado Industries®, a leading manufacturer of professional cleaning equipment.