Managing Credit for Your Small Business

GreenPath
financial wellness

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Education Specialist
Your Financial Health
Regain control over your finances so you can pay bills on time, build a financial cushion, save for the future, and enjoy life without financial stress.

LEARN MORE

Since 1961, GreenPath has been empowering people to regain control of their finances — and their lives. Contact us today if you want to lead a financially healthy life.

Call Us: 800-550-1961

How We Can Help
- How We Can Help
- Credit Card Debt
- Housing Issues
- Student Debt
Does your personal credit matter to your small business?

What do you think?
WHY IS CREDIT IMPORTANT?

If you have damaged credit, what areas of your life are affected?

What do you think?
Land your DREAM job.
Good credit = getting a loan when you need it
Good credit = renting or buying your own place
Look familiar?

GOT BAD CREDIT? NO PROBLEM! APPLY FOR FINANCING
What's on your credit report?
Not Included:
• Income
• Assets
• Savings
Each bureau may not be the exact same, so review all three reports for a complete picture.
You can receive your credit report ONLINE

www.annualcreditreport.com
Don't be fooled by look-alikes.

Lots of sites promise credit reports for free. AnnualCreditReport.com is the only official site explicitly directed by Federal law to provide them.

Your credit reports matter.

- Credit reports may affect your mortgage rates, credit card approvals, apartment requests, or even your job application.
- Reviewing credit reports helps you catch signs of identity theft early.

FREE Credit Reports. Federal law allows you to:

- Get a free copy of your credit report every 12 months from each credit reporting company.
- Ensure that the information on all of your credit reports is correct and up to date.

Request your free credit reports

Brought to you by

TransUnion

Equifax

Experian
Get free weekly updates of your Transunion & Equifax reports/scores

www.creditkarma.com
<table>
<thead>
<tr>
<th>Time Frame</th>
<th>Negative Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 Years</td>
<td>Late payments</td>
</tr>
<tr>
<td></td>
<td>Student loan defaults</td>
</tr>
<tr>
<td></td>
<td>Foreclosures</td>
</tr>
<tr>
<td></td>
<td>Judgments</td>
</tr>
<tr>
<td></td>
<td>Paid tax liens</td>
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<tr>
<td></td>
<td>Chapter 13 bankruptcy</td>
</tr>
<tr>
<td>10 Years</td>
<td>Chapter 7 bankruptcy</td>
</tr>
<tr>
<td>15 Years</td>
<td>Unpaid tax liens</td>
</tr>
</tbody>
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Positive indefinitely!
How to Fix Errors aka Start a Dispute

To request an investigation of an error:

✓ Send copies, keep records, document your claim.
✓ File dispute online if report was obtained online.
✓ If unhappy with outcome, file complaint with Consumer Financial Protection Bureau (CFPB) by going to [www.consumerfinance.gov](http://www.consumerfinance.gov) or calling 855-411-2372.
Credit Scores

• Three digit number
• Likelihood of repayment
• FICO (300-850)
  – Equifax: BEACON® Score
  – Experian: Fair Isaac Risk Model
  – TransUnion: EMPIRICA®
• Vantage Score* (501-990)

*Vantage Score 3.0 range 300-850
### Who has the better credit score?

<table>
<thead>
<tr>
<th></th>
<th>Diego</th>
<th>Andrew</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance</td>
<td>$900</td>
<td>$10,000</td>
</tr>
<tr>
<td>Limit</td>
<td>$1000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Pays</td>
<td>entire balance</td>
<td>minimum</td>
</tr>
</tbody>
</table>

Diego pays his entire balance, while Andrew pays his minimum.
How is FICO calculated?

• Payment History: 35%
• Credit Utilization: 30%
• Length of Credit History: 15%
• New Credit: 10%
• Types of Credit Used: 10%

See www.myfico.com for more information
“I have no credit. What is the best way to build my credit?”
Building/Rebuilding Credit

- Credit Cards
- Secured Credit Cards
- Secured loans
- Store (Retail) Credit
- Gas card
- Co-signer/authorized user
1. How stable is your revenue?

2. How predictable is your cash flow?

3. Does the business have sufficient reserves?

4. What other financing options are available?
Before Applying For a Credit Card

1. Have a stable source of income

2. Have a written monthly budget. Track expenses first to help create realistic numbers.

3. Build up enough savings to cover any monthly credit card charges.
Using Credit Wisely

1. Setup automatic charges to avoid impulse spending.

2. Use less than 1/3 of your available credit.

3. Don’t co-mingle personal and business expenditures.

4. Pay off the entire balance at the end of the month.
MYTH #1

Closing a credit card will always hurt my credit score.
Andrew

• 3 maxed out credit cards.

• Paid off the first card and decides to close it (so he’s not tempted to use it again)

• Other two cards remain maxed out.
Diego

- Five open accounts.

- All balances are either zero or near zero

- Decides to close one of his accounts (to avoid an annual fee)
MYTH #2

My credit score is 760, so I have excellent credit.
Other Credit Scores

Vantage Scores* range from 501 – 990 using Alpha Indicators

501-600  F
601-700  D
701-800  C
801-900  B
901-990  A

*In the latest version (3.0) of Vantage Scores the range is 300-850 to conform to the FICO model and promote easier understanding
MYTH #3

Checking my credit report will hurt my credit score.
CONTACT US

We’d love to chat more!

GreenPath Financial Wellness is a nationwide non-profit that provides financial education and tools for people to lead financially healthy lives.

877-428-1113

www.greenpath.org