

How To Build Business Credit

Establishing good business credit is one of the most important factors contributing to the long-term success and growth of any small business. But building credit doesn't just happen organically. As a business owner, there are steps you can take to ensure that your business has the credit it needs to secure affordable financing, negotiate better terms with vendors, and take advantage of opportunities to expand when the time is right. Follow the four steps below to learn how to build business credit.

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Apply for a DUNS number

A Data Universal Number System (DUNS) number is issued to companies by Dun & Bradstreet (D&B) to identify your business across the globe. This unique nine-digit number provides an easy reference point for those who want to look up information in your business' D&B file, such as your creditworthiness and D&B rating.

It's important to have a DUNS number for several reasons. Not only will it allow other businesses, lenders, and vendors to quickly access your D&B credit profile, but it serves to keep your personal and business credit separate. As a result, once you've established your business' creditworthiness, you will have more opportunity to receive better trade terms and interest rates on loans.

Get an Employer Identification Number (EIN)

An EIN, also known as a federal tax identification number, is a unique nine-digit number assigned to your company by the Internal Revenue Service, which is used for filing tax returns, applying for permits or credit cards, and opening business bank accounts. Think of it as the commercial version of a social security number. You can [apply for an EIN online](#) at no charge.

Not all businesses are required to obtain an EIN, but even so, it can carry benefits for any company. For instance, an EIN can help expedite the process of opening a business bank account or credit card, and many banks require it.

Open a business bank account

In order to establish good credit for your business, it's vital to open a business bank account. A business bank account allows you to clearly separate your company's finances from your personal expenses. This is important in order to protect yourself and your business. If either runs into financial hardship, the other will not be affected. It's also a requirement for obtaining a business loan, or for accepting credit card payments.

A business bank account also provides benefits at tax time by making it easier to track income and expenses, allowing you to take advantage of important tax deductions. In addition, it demonstrates professionalism

by allowing customers to make checks out to your company, rather than to you personally.

Set up a business credit card

Once you have an EIN and a business bank account, acquiring a business credit card can play an important role in establishing your business' credit. Not only can a business credit card improve your cash flow and provide access to cash when you need it, such as for equipment or inventory purchases, it can help you better control and track spending. Of course, in order to realize the benefits of obtaining a business credit card, you must use it responsibly and avoid over-extending yourself. By making timely payments and maintaining sufficient available credit you can boost your business credit, but fall behind on payments or max out your card and your business credit will take a hit.

Your banking partner can help

Establishing and improving your business' credit should be an ongoing effort for any small business owner. At PlainsCapital Bank, we work closely with small businesses across Texas to guide them through the process and help them build a strong credit profile that can lead to new opportunities for growth. To find out more about how to build business credit and how we can help your business, speak with a PlainsCapital Bank representative today at 866.762.8392.