

TIER 1 CREDIT BUILDING CHECKLIST

1. Look Over the List of Starter Net Credit Line Vendors:

You can access the file here: [List of Starter Net Credit Line Vendors](#)

[\(Optional\) Search for NET-30 Accounts Online](#)

If you don't like any of the vendors on our list, do a Google search for "NET 30 Account". Here's how: "NET 30 Account [CURRENT YEAR]" (e.g. NET 30 Account 2021) or "NET 30 [INDUSTRY] Vendors" (e.g. NET 30 Electronics Vendors).

If you can't find the vendor's credit guidelines online, just get a copy of the application so you know what information they're requesting, and then call customer service. Explain that your company is newly incorporated (or whatever its status is), and ask the key questions you need to know:

1. Do you have a Net Term Account (credit line) for businesses?
2. Is it NET-30, NET-7 or something else?
3. Do you report to any business credit bureaus like D&B? Any others?
4. What are the requirements to qualify? (e.g. 3-5 accounts reporting, PAYDEX Score, 3 months in business)
5. Can I apply for this with just the company's EIN or is a social security number required?
6. Do you report to the credit bureaus at the end of the month?
7. Can I order individual items as I need them or is there a minimum order amount?
8. Is there a place I can apply on your website for a net account?

Note:

- When first starting, you need vendors that don't require a PAYDEX Score. Make a list and put them in order of most useful to least. You will be making purchases to establish credit history, so pick the suppliers who provide what you need anyway. The most important requirement is that they at least report to D&B and if they have business age requirements.
- Use the Corporate Credit Tracker sheet to keep all vendors, accounts & payment date information organized. You already know how important it is to make all your payments EARLY or ON-TIME and this tracker will help you do it with ease.

2. Apply to Tier 1 Vendors

Now it's time to select 5-6 vendors to apply to. 3 tradelines is the minimum. Don't go on an application spree! For Tier 1 you can send up to 3 applications a week. For ALL OTHER TIERS keep it to 1 to 2 applications a week max. Remember to verify the information that the vendor reports to one of the major business credit bureaus before applying. Each vendor must:

- Accept new businesses without a PAYDEX Score
- Reports to D&B (preferably all three credit bureaus)
- Offers product(s) or services you can use

DO NOT apply for credit from a lender that doesn't report to at least D&B or requires your Social Security Number. You're building company credit here, so you want the company to stand on its own. One of the most common denial reasons for any tier of credit is non-matching company information. They won't approve your account unless all the information matches exactly - EVERY TIME!

3. Get Trade References

You'll find that most business credit applications will require 2-3 trade references. So one of the first things you'll need to do is obtain 3 trade references. Trade reference: name and contact-particulars of one or more businesses with which a firm does regular business, used as a means of verifying the creditworthiness of the firm.

If your company is just starting out, ask some friends if you can cite them and their businesses as trade references on your company's credit applications. This will get you started. Once you get 5 vendors reporting, you will list them on future credit applications. Vendors that don't report to the bureaus can still be used as trade references.

4. Create Your Trade Reference Sheet

Typically each vendor will have their own Trade Reference Sheet for you to fill out; however, if they are missing this document but are requesting it - you may use the Trade Reference Sample for submission to a vendor.

5. Purchase Goods and Services

A PAYDEX Score is created once your file has 3-5 tradelines reporting on time. You are required to order from all these starter accounts FOUR TIMES. Make the 1st purchase on Day 1. Make the 2nd purchase between Day 31 to Day 60. Make the 3rd purchase between Day 61 to Day 90. Make the 4th and final purchase between Day 91 to Day 120. Setup these accounts and make a purchase of \$50 MINIMUM for each order.

- Each time you open a new account you will want to make an immediate purchase. One very important thing to take into consideration is that if the purchase is not over a certain amount, they often won't report it to the bureaus. We've found that the bare minimum is \$50.
- You'll want to place 3x orders with each supplier over the next 3 months. Some vendors like Quill, require larger order amounts (like \$100+) during month 2 and 3 to qualify for net terms. Making larger purchases is also a great way to increase your credit limits faster. And of course pay every bill before it's due.
- Use the Corporate Credit Tracker to help you stay organized. After 3-5 tradelines are reporting "paid on time" you will have an 80 PAYDEX Score and the other 2 bureaus will then be aware your company even exists - hopefully opening credit files for it.
- The best plan is usually to pay your suppliers for the products or services upon delivery. Some suppliers will note your early and predictive payment pattern on their credit reporting. Others will simply show on-time payment. Either is fine, but a combination of the two is best. So pay early and let them report as they will. But only pay each provider once a month. If you have multiple orders in a month from the same supplier, don't send multiple checks. Just make one payment in full before the due date. *NEVER let any payments go past the due date.
- You want to avoid late payments at all costs! First of all, it will negatively affect your PAYDEX Score. Plus you'll typically experience a late fee or increased interest rates (especially with credit cards, certain credit lines and loans). Just be careful because they could charge you a daily late fee – sometimes as high as 6% interest fee each day payment is late – that could end up being A LOT of money!

6. Check Your Credit Reports

At the 30, 60 & 90 day marks check your business credit scores through NAV and confirm if any new tradelines are reporting. It may take up to 90 days for a new tradeline to appear. If a tradeline doesn't appear after two credit cycles (60 days from first payment), call the vendor and request that they report to all three bureaus. As a practice, once your initial trade accounts begin reporting, it's a good idea to check your credit scores once a month (with NAV) and at the very least once a quarter with your "full reports".

(Optional) Shortcut "Time In Business" & Revolving Credit

If you have decent personal (or business) credit already, you can fast-track to revolving credit cards and unsecured business lines of credit almost overnight.

- Because Experian Business and Equifax grew into the business credit space from personal credit reporting as their original businesses, it's possible to use personal credit history to give your new business a big leg up on its Experian Business and Equifax credit history.

- If you or a friend has good personal credit or good business credit already, you can add your business as an additional cardholder on an existing personal or business credit card that has good credit history already. This is the fastest way to leap into revolving credit with your company.
- Typically most banks won't issue significant credit cards or business lines of credit to a new company until it has two years of credit history. This trick bypasses those two years and makes it appear as if your company already has a track record of revolving credit.
- Adding your company as an additional borrower to a line of credit makes the original borrower and your company co-borrowers. It does not link them as related entities in your credit file. In other words, one is not a co-signer for the other. The two entities are simply both equally obligated on the account. Therefore, this technique does not have the same negative effects of attaching a personal guarantor with SSN to a business credit application.
- Some credit card issuers have an option for a non-obligated cardholder. If you want to use this trick effectively, you'll need to add your company as a co-borrower on the account(s).
- You'll want to make some agreements with the primary cardholder, like: you won't charge anything on the account or even keep a card or you will do all the charging and pay the bills. You'll take your company off the account once you get other high-limit cards. If you're going to use this trick, don't bother doing it on a Shell card. The purpose of considering this technique is to associate your business with a bank tradeline that is sizable.

The higher the credit limit on the account and longer the account has been open with good reporting history, the better. This technique is extremely effective to fast-track your company's borrowing potential by cutting 1-2 YEARS off the usual time required to get a high limit bank card or business line of credit.