



CREDIT FOR YOUR BUSINESS

DECIDING IF AND WHEN YOU SHOULD APPLY FOR BUSINESS FINANCING CAN SEEM A LITTLE OVERWHELMING. HOW DO YOU KNOW WHEN THE TIMING IS RIGHT? WHERE CAN YOU LEARN ABOUT THE DIFFERENT OPTIONS FOR BUSINESS CREDIT? WHAT CAN YOU DO TO INCREASE THE LIKELIHOOD OF A LOAN APPROVAL?

Take a moment, breathe, relax, and know that it really is possible to answer questions like these. Bankers who focus on business and commercial banking, as Alerus relationship managers do, will provide the advice and guidance you're looking for as you explore credit options and seek ways to grow your business.

THE IMPORTANCE OF CREDIT PROFILES

A strong credit history, for yourself personally and for your company, is important. Particularly for young companies, the personal financials of the owner can be just as important as the health of the company. Why? Because for a lender, the business owner is usually the secondary repayment source, and so must be creditworthy.

But the credit profile of your business itself is of paramount interest to lenders. When you approach a financial institution to apply for business credit, the ultimate decision about your application has a lot to do with your company's credit profile. One of the factors that the lender will consider is your business credit score, which can range from 0 to 100; scores of 75 and above are generally considered excellent.

WHAT AFFECTS YOUR BUSINESS CREDIT SCORE?

Much like the determination of personal credit scores, business credit scores are derived from a wide range of factors evaluated by credit bureaus. The three major business credit bureaus are Dun & Bradstreet, Equifax Business, and Experian Business, and each have their own method of determining a company's creditworthiness. There are several other business credit reporting agencies, but these three large ones are worth focusing on.

The bureaus consider over 100 factors when determining a business' credit rating. Just a few of these are:

- What is the industry in which you do business?
- How long have you been in business?
- The number of credit accounts a business has and uses
- How much credit do you have available on credit cards and credit lines?
- Do you have a history of paying on time?
- Are there non-financial transactions (like vendor invoices) that have been delinquent or charged off for two or more billing cycles?

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CHECKING YOUR BUSINESS' CREDIT PROFILE

It's a good idea to check your business credit report once a year, particularly when you're thinking about applying for financing of some type. Unlike personal credit reports, business reports aren't free, but knowing how creditors view your business is a worthwhile expense.

To access your report, or to set up a company profile for the first time, you'll need some basic business information, including tax ID and DUNS number. You can obtain a DUNS number on the Dun & Bradstreet website. You'll also want to check your profile on Experian and Equifax.

MONITOR YOUR CREDIT INFORMATION

It's important to make sure the information the credit bureaus have about your business is accurate and current. Things change over time — revenue ebbs and flows, you might change locations, liens may exist — and these changes can impact your business credit, which in turn impacts your interactions with financial companies, vendors, and ultimately, your customers.

A BETTER BOTTOM LINE

In times of growth, a good business credit profile can help you get the capital necessary to expand. When times get tough, your credit can be a safety net that allows you to borrow money and keep the business going.

Of course, you don't have control over all the things that go into your credit profile (your company's age, for example). But knowing

where you stand lets you take action to improve certain things, like your credit usage ratio.

The financing you need to take your business to the next level will be more obtainable when your company has a good credit profile. Lenders and suppliers are more likely to extend credit when they feel comfortable with a company's financial position — past and future. That adds up to better cash flow and an overall healthier business.

WE'RE HERE TO HELP

Alerus is home to dozens of banking relationship managers who have extensive experience helping business owners achieve their financial dreams. They would be happy to speak with you about any aspect of obtaining financing for your business, and would love to hear about your plans for the future. To get started, give us a call at **800.279.3200**.



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