

CBA Community Webinar Series

Transcript

August 2022 Webinar: Credit as an Asset: Small Business Course Preview (8/18/2022)

00;00;04;25 - 00;00;30;23

Mary Jo

My name is Mary Jo Halder and I'm training institute director at CBA. Thank you for taking the time to join us. Today, we turn our attention to CBA's newest training, Credit as an Asset: Small Business, building upon our signature Credit as an Asset curriculum. This course is designed to serve as supplemental training for coaches and lenders supporting entrepreneurs in their credit building journeys.

00;00;31;06 - 00;00;57;14

Mary Jo

Today's webinar gives us a sneak peek of this content while establishing why we decided to expand our Credit as an Asset series to include small business credit. Before turning to today's content, we have a few housekeeping notes to share. First, this webinar is being recorded. Within a week of the webinar completion, we will send out a copy of the slides and link to the recording.

00;00;58;08 - 00;01;27;29

Mary Jo

Attendees will remain in listen only mode throughout the webinar. We invite you to engage with us and your peers by setting the chat option to chat with everyone. Closed captions are available for today's session. You can enable them by selecting the CC live transcript option on your toolbar. If you have questions for me today, please share those in the Q&A box, not the chat box.

00;01;28;14 - 00;02;03;23

Mary Jo



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We will pause for questions at the end, including some that we received in advance. Entering your questions into the Q&A box helps us best track what questions are coming in. The recording and slides for today's session will be available within one week on our Training Institute. We will share the link in the chat. The Training Institute is the hub for credit building training and educational materials, including past webinars, e-courses, tipsheets, toolkits, and more.

00;02;04;20 - 00;02;31;01

Mary Jo

All CBA members have access to the Training Institute as part of your membership. In order to access the members-only content, please create a login if you have not done so already. Again, the recording for this webinar, along with the slides, will also be made available here within a week. The training we are discussing today, Credit as an Asset:

00;02;31;01 - 00;02;56;13

Mary Jo

Small Business is a three-hour supplemental training on August 29th. This training can be beneficial for counselors, coaches, lenders, and more. You can take Credit as an Asset: Small Business, as a standalone course, but it is beneficial to have previously taken the larger Credit as an Asset training or be enrolled in our current live series.

00;02;59;04 - 00;03;26;00

Mary Jo

One thing we do want to make clear: Credit as an Asset and Credit as an Asset: Small Business are two separate but related trainings. Credit as an Asset: Small Business will not cover personal or consumer credit building or include the content from the more general Credit as an Asset training. You can think of the small business training as a separate module or just a supplemental training.

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00;03;26;12 - 00;03;35;22

Mary Jo

It builds on many of the concepts discussed in the Credit as an Asset training, but its focus is primarily on business and commercial credit.

00;03;37;25 - 00;04;09;15

Mary Jo

Today's webinar overviews the full course content and offers considerations as to why business credit may be useful in supporting existing or aspiring entrepreneurs. Following today's session, attendees are invited to complete the full course, either live or via an on demand option scheduled to be released at the end of 2022. We'll have more details on the latter later this year.

00;04;09;15 - 00;04;35;16

Mary Jo

But before we begin, we do want to offer our standard disclaimer. The content in this training is intended only as a general informational service to practitioners and stakeholders of Credit Builders Alliance. It should not be construed as and does not constitute legal advice on any specific matter. This information is also provided without any representation that it is complete.

00;04;35;29 - 00;05;03;14

Mary Jo

It is not meant as a substitute for any specific policy in place at your organization. When discussing issues that are legal in nature or deal with contractual agreements, make sure to know your limits and avoid giving legal advice or information outside of your expertise. Creating partnerships with pro bono legal resources can be very helpful when these situations arise.

00;05;04;14 - 00;05;33;07



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Mary Jo

So why Credit as an Asset? Small business, we need to take a quick look back to CBA's early days to better understand. In the early 2000s, nonprofit lenders, primarily community development financial institutions, realized that they wanted to provide credit building opportunities for their borrowers, many of whom had taken out business credit products. But they faced some steep barriers at the major consumer credit bureaus.

00;05;34;05 - 00;06;09;08

Mary Jo

The bureaus had minimum portfolio sizes that these nonprofits could not meet. The credit industry didn't know much about nonprofit lending and were uncertain about how this subset of lenders operated. The bureaus take their Credit Reporting Act compliance fairly seriously and weren't sure that small lenders could actually meet required duties based on knowledge and capacity levels of their staff. Not being able to report directly impeded credit building potential for products that could otherwise help consumers.

00;06;10;01 - 00;06;48;08

Mary Jo

And that's where CBA's founders stepped in. Leveraging their industry connections, they founded CBA to serve as a bridge between these nonprofits and the credit bureaus, serving as an intermediary to vet nonprofits, help them get set up to report data, and provide valuable technical assistance and support to ensure FDIC compliance. CBA's first ten members, all CDFIs, joined in 2007 and started reporting to the consumer credit bureaus. Over the last 15 years,

00;06;48;16 - 00;07;35;00

Mary Jo

CBA has added additional services like ability to access credit reports and ability to report to the commercial credit bureaus. Half of the lenders on this list now report to the commercial bureaus as well. Commercial credit



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reporting provides opportunities to help businesses build credit. This can help separate an entrepreneur's personal credit from their businesses credit. It can help entrepreneurs address potential operating challenges, including cashflow, maintenance during slow times or down times, while also helping purchase necessary equipment, inventory, and technologies to grow and maintain a business.

00;07;35;23 - 00;08;06;11

Mary Jo

But it can also be beneficial for helping the business establish itself, mature, and thrive as it seeks out its own credit contracts and opportunities. Some nonprofit lenders have pursued business credit reporting to provide another service to their borrowers. Others have gotten involved because entrepreneurs have inquired about it or wondered why their personal credit reports show large products that are made primarily to their businesses. Regardless of reason,

00;08;06;17 - 00;08;35;26

Mary Jo

interest in business credit and business credit reporting is higher than we've ever seen it. And as more nonprofits and entrepreneurs get interested in it, more questions arise about how exactly it operates and compares to personal credit building. This is one reason CBA decided to build out Credit as an Asset: Small Business. Business credit is highly nuanced and operates a bit differently than consumer credit.

00;08;36;14 - 00;09;14;03

Mary Jo

Those who support entrepreneurs, including coaches, counselors, and lenders are often more familiar with personal credit building than business credit building. That means there's lots of new information. But understanding business credit also requires shifting our mentality a bit, because some topics within consumer credit don't fully translate over to



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business credit. Some of these topics include how personal credit and business credit overlap, how business credit building products can actually provide consumer credit building opportunities

00;09;14;15 - 00;09;46;10

Mary Jo

instead of commercial credit building opportunities - or both - or just commercial credit building - or neither. How business credit reports look and reflect data greatly differs from how consumer reports do, and how business credit scores are generated and at what point a business can actually expect to see a score. Some of these questions relate back to larger ideas already covered in the Credit as an Asset training on personal credit building.

00;09;46;29 - 00;10;13;00

Mary Jo

Others are likely brand new, but might be questions you are hearing from entrepreneurs or want more information on as you look into whether you want to build or grow your own business credit building programs and services. Additionally, you might be getting questions related to some of the challenges small business can face as they seek out business credit.

00;10;13;20 - 00;10;49;23

Mary Jo

Lack of assets is often the biggest barrier to gaining business credit. This can occur due to limited opportunities due to insufficient personal credit, lack of collateral, or lack of equity. Gaps in process, knowledge, and relationships create challenges as well, such as limited access to business and banking products for those who operate primarily in cash, such as informal businesses, immigrant-owned businesses, and those run by un- or underbanked entrepreneurs.

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Mary Jo



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Those newer to credit also might not know where to turn for assistance with getting started or accessing technical assistance or credit products. Finally, small and micro businesses have different capital needs than many business products cover. This often means needing more funding than a credit card covers but less than a lender is willing to underwrite a loan for. Many banks

00;11;17;19 - 00;11;31;17

Mary Jo

do not make small business loans for under \$100,000 because return on investment is too low, meaning small businesses are often left struggling to find safe and affordable products and lenders.

00;11;34;05 - 00;12;08;00

Mary Jo

Historically marginalized populations, including BIPOC entrepreneurs, are also impacted in other ways. They may be un- or underbanked at higher levels. They may be new to the American financial system or are facing language or cultural differences in understanding how to navigate the credit system. They may have experienced interruptions or gaps in their financial history and faced negative cultural attitudes toward their situations, capabilities, and potential risk factors.

00;12;08;24 - 00;12;46;12

Mary Jo

They may face biases and discrimination within scoring and underwriting processes. Even though algorithms are supposedly unbiased, they may also experience limited products or services based on their faiths or cultural approaches to debt and finances. So with all this in mind, why are we focused on business credit instead of other small business topics? Small business ownership requires so many skills and areas of focus, but business credit usually receives less attention than topics like budgeting and marketing.

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00;12;46;25 - 00;13;16;00

Mary Jo

And it's often a confusing yet exceptionally important part of business development. This is where nonprofit coaches and counselors come in. Business credit is very nuanced and can be complicated to understand. Building your knowledge about it is a key part of helping small business owners in your community navigate these nuances and complexities while also assisting with other areas of small business development.

00;13;16;19 - 00;13;47;28

Mary Jo

This is another reason CBA wanted to extend our Credit as an Asset series to cover small business credit knowledge and needs. Thus, this training focuses on understanding the importance of business credit for small businesses, exploring commercial reporting and products that can help build business credit, with emphasis on understanding business credit reports and discussing ways to help entrepreneurs on their business credit building journeys.

00;13;48;20 - 00;14;20;16

Mary Jo

This training can be beneficial for those offering technical assistance to small businesses, those who provide personal, financial or credit coaching who are also working with those interested in starting or growing a business, those engaged in consumer or commercial underwriting, those who are interested in building out more content or resources around business credit, or those who simply just want to grow their own knowledge about business credit.

00;14;20;26 - 00;14;52;24

Mary Jo

As we go through the training will refer to what we're calling the Business Credit Building Roundabout, which helps illustrate the business credit building journey during the Credit as an Asset: Small Business training. We'll



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use this roundabout to discuss four components of building business credit: plan, establish, mature, and thrive. So why a roundabout? It can take some time to feel comfortable navigating a roundabout or understanding just how it works.

00;14;53;13 - 00;15;19;06

Mary Jo

Business credit can be like that, especially when first encountering some of its nuances. Entrepreneurs may enter or exit the business credit building journey at different points, the same way a driver can exit a roundabout at different places, depending on where they're trying to go at the given moment. They can then again reenter it later, sometimes from the same point and other times from different ones.

00;15;20;07 - 00;15;52;09

Mary Jo

And when we think of both personal and business credit building, our focus is on forward progress. Even if there are sometimes delays or bumps in the road. Think of this like sitting in traffic, dealing with traffic jams, construction, or just general delays. Business credit building can encounter similar disruptions. But the journey continues until reaching an exit point and can be again reentered when needed or even after a break or a rest.

00;15;52;20 - 00;16;28;01

Mary Jo

These last points are important because businesses will move through different parts of the credit building roundabout based on their needs, goals, and even larger external factors outside of their control. Moving between stages doesn't necessarily mean that a business is running into trouble. It's just the nature of business. At some point, a business may need to focus on unexpected expenses or wants to look at leasing a new space because rent may be rising or they need to purchase new updated equipment to save on cost in the long run.



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00;16;28;16 - 00;16;53;22

Mary Jo

So they'll likely move back and forth between steps as they go. This is one reason coaches, counselors and lenders should consider building their larger business credit knowledge to be able to support entrepreneurs in real time as they travel this business credit building roundabout. The August 29th Credit as an Asset: Small Business training will cover a number of topics.

00;16;54;03 - 00;17;41;18

Mary Jo

This includes connections between business and personal credit, the larger business credit world, reading credit reports and understanding scores, steps to establishing and improving business credit, and the considerations for helping entrepreneurs navigate business credit opportunities. We won't, however, address items such as personal credit building strategies, resources or knowledge - these topics are covered in the separate Credit as an Asset training - small business organization and development, financial aspects including taxes, accounting, and budgeting, or larger business development, marketing, and operations considerations.

00;17;42;07 - 00;17;55;01

Mary Jo

Additionally, while we want to acknowledge the impacts, struggles and realities entrepreneurs face as a result of the pandemic, this training does not dive deeply into these issues.

00;17;58;06 - 00;18;34;08

Mary Jo

Throughout the training, we'll use a few key terms that we want to highlight now. We'll use both business and commercial credit interchangeably to discuss everything from reports and scores to credit reporting agencies to credit itself. We use counselor rather than coach or practitioner while



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understanding that, depending on the organization, counselor and coach may be used interchangeably. We also use entrepreneur rather than client, participant, or small business owner to indicate an individual who is receiving services.

00;18;35;16 - 00;19;07;06

Mary Jo

The training itself will run from 12:30 to 3:30 Eastern on August 29th, with at least one break built in. But we'll break up some of the material with breakout sessions, allowing you to interact with other attendees and share perspectives and some interactive activities using the MentiMeter platform. If you've attended some of our other trainings, you're likely familiar with this platform, but you'll want to make sure you have either your phone or a device with an internet browser easily accessible during the training

00;19;07;17 - 00;19;32;14

Mary Jo

s you can participate in the various discussion questions, quiz questions, and polls throughout. But with that in mind, we're going to move on to a few of the questions that come up in the training right now. And there will be a poll available for you that should be launching in just 2 seconds. And we're going to ask you to take a shot at some of these questions.

00;19;32;29 - 00;19;56;21

Mary Jo

So the polls should be up right now, and we're going to allow for a minute or so for you to put in some of your answers and thoughts on these. So please, as you're seeing the poll, go ahead and take a guess at these questions. Are they myths or are they facts? We're going to take a few minutes to just go over some of these answers.

00;19;57;00 - 00;20;18;23

Mary Jo



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But the topics discussed on this slide are all things that we are going to discuss and bring up during the actual training itself. Because one thing that we have found, both in developing this content and in talking to a number of lenders, coaches, and counselors over the years is there are a lot of confusing elements and parts of small business credit.

00;20;19;15 - 00;20;47;13

Mary Jo

So we're going to give everybody a few more seconds. It looks like people have slowly begun to take this and just give us the different answers as you know them or as you think of them. So we'll give you a few more seconds to go through this, seeing a lot of kind of expected answers on this one. So we're going to break these down very quickly.

00;20;47;13 - 00;21;09;14

Mary Jo

But as I mentioned, these are going to be discussed in the larger training and much more detail than we're going to provide. Coming up, we are going to end the test in another, let's say, 30 seconds. So few of you are still working on this right now. We're going to give you just a few more seconds. Then we'll be excited to share these answers with you.

00;21;09;14 - 00;21;15;13

Mary Jo

But they are falling pretty close to where we expected them to be falling.

00;21;17;16 - 00;21;55;17

Mary Jo

All right. Just a few more seconds. Okay. I'm going to go ahead and end the poll now and share the results with you. So our first question, my personal credit has no impact on my business credit. This is a myth. Personal credit can have a large, very large impact really on all business credit at various stages. When I open my business, I will automatically get business credit.



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00;21;56;12 - 00;22;31;07

Mary Jo

Also, a myth. Like personal credit, business credit depends on an account being reported to a credit reporting agency. If it's not being reported, it can't build credit. Entrepreneurs can only get business loans from banks or credit unions. Another myth; options include nonprofit government entities and online lenders. This is one thing that we will discuss throughout the training. Banks will not consider my loan application if my business is too small.

00;22;32;13 - 00;22;56;17

Mary Jo

Not necessarily. Microbusinesses and some small businesses might not qualify for all products, but banks may still be willing to work with them. Banks really do want to develop their loan pipeline, and that often means starting small or getting people in the door as soon as they can qualify for our products. All business loans report to the business credit reporting agencies.

00;22;56;26 - 00;23;21;25

Mary Jo

This one had some interesting results on it, but now you probably figured it out based on where these are all going - another myth. Lenders must decide if and where they report credit products, including loans, and sometimes they decide to report them, other times they don't. So that's right. There are a lot of myths about business credit and a lot of nuance to some of these questions.

00;23;21;26 - 00;23;40;27

Mary Jo

But we're going to do our best to demystify as part of the larger training. But we are going to look at another question first. So we're going to be

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launching for you another poll question, this time a multiple choice question. So that should be coming up for you momentarily as well.

00;23;44;02 - 00;24;10;08

Mary Jo

All right. Just launched it. So Julia has a photography business. She uses her debit card to pay for a new camera. Where will this be reported? Her business credit report, her personal credit report, both her business and consumer credit reports, neither her business nor her consumer credit reports.

00;24;13;19 - 00;24;35;07

Mary Jo

So we're going to give you a few minutes to type in your answers, all right, to select the appropriate button for the answer. Just one question this time. So we'll only give a few more seconds for it. That looks like we're getting some great participation on this. So thanks, everybody, for jumping in for some of these poll questions.

00;24;36;16 - 00;24;40;10

Mary Jo

And again, just a few more seconds.

00;24;43;00 - 00;25;07;05

Mary Jo

All right. So I'm going to share the results with you. The correct answer here is D: it will not be reported anywhere. This is a common misconception. Debit cards withdraw money from a bank account rather than a credit account. That means they don't provide credit building opportunities. All right. So we are going to move on to another question this time.

00;25;07;07 - 00;25;24;04

Mary Jo



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True or false? So just launched the poll for you as well. True or false? Some credit cards labeled business cards might report to consumer bureaus instead of or in addition to the business bureaus.

00;25;27;15 - 00;25;59;06

Mary Jo

All right. So answers are slowly coming in on this one. What is your thought here on this one? Credit cards that are labeled as business cards and might report to consumer bureaus instead of or in addition to the business bureaus. So answers are coming in for this one. Again, I'm going to give it just a few more minutes and then we'll have one more poll question for you right now.

00;25;59;13 - 00;26;23;11

Mary Jo

All right. So in this case, you know, look at the results. This is true. It's important to ask exactly which bureaus any creditor reports to. And there are certain instances, instances in which business products can show up on your personal credit report. That is something that we dive into in quite a bit more depth in the larger training.

00;26;24;14 - 00;26;41;07

Mary Jo

So, all right. We've got one more quiz question for you right now. And it's another true or false question. So launching the last poll for you right now. True or false? I can access my business credit report for free at any time.

00;26;43;23 - 00;27;11;08

Mary Jo

So we are looking right now. True or false, I can access my business credit report for free at any time. We're talking business credit report rather than a consumer credit report or a personal credit report. Answers are coming in and this one is somewhat close to what we expected on it. And share those

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results with you momentarily. We're looking for just a few more people to finish this one.

00;27;15;19 - 00;27;43;00

Mary Jo

All right. So I'm going to end this poll now. Last answer or two sneaking in. All right. So sharing the results with you and this is false. While consumer reports are free, entrepreneurs typically have to pay to see their own business credit report. This also extends to counseling organizations and lenders. As a result, people may check on their business credit reports less frequently.

00;27;43;07 - 00;28;07;28

Mary Jo

But those who are interested in monitoring their own business credit really want to think about how they want to budget cost in and what their options may be for checking reports. And that's, again, something that we're going to be discussing during the larger training. This breakdown is roughly what we expect to see on something like this, because we are used to the regulations under the Fair Credit Reporting Act that allow you to see free copies of your consumer credit reports each year.

00;28;08;18 - 00;28;25;16

Mary Jo

So thank you all for participating in these. This is just a taste of some of the questions that will be asking during the larger Credit as an Asset: Small business training. They're not all of them, though, because for anybody who signed up for the course or is thinking about it, we don't want to give you a complete head start.

00;28;26;03 - 00;28;41;24

Mary Jo

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With that in mind, though, we're going to take a little bit of time to highlight the four steps of the business credit building roundabout with a quick look at some of the topics we're going to be covering. But we don't want to spoil the training itself for you. So this is really just going to be a sneak peek.

00;28;43;02 - 00;29;06;15

Mary Jo

All right. So our first step is the plan stage. And this stage will cover the connection between business and personal credit and overview of business credit. And we'll look at two case studies to evaluate if entrepreneurs are ready to pursue business credit building. In this step, we'll spend a little bit of time focusing on benefits a business credit.

00;29;07;00 - 00;29;35;11

Mary Jo

Business credit can open doors to other necessary components of business development and growth. This includes short-term wants and needs, like providing options for business credit products, acquiring equipment or inventory or hiring staff, or providing a marketing budget or renting office space storage or vehicles. It can also help with longer-term needs or things not initially on a business's radar.

00;29;35;28 - 00;30;09;01

Mary Jo

This includes setting the business's interest rate and insurance rates based on its risks, rather than the entrepreneur's, qualifying for other business opportunities or government contracts, or attracting future investment, managing working capital to respond to low business seasons or unexpected shocks like recession or natural disaster, or even updating current equipment, technology, or other emerging but really important business expenses.

00;30;11;01 - 00;30;39;26



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Mary Jo

But why can't an entrepreneur just rely on their own personal credit? Building business credit allows entrepreneurs to separate personal and business finances and credit. This matters because the business should be paying its expenses out of its own operating funds rather than the entrepreneur's personal accounts. This helps reduce personal risk if business slows down. If finances are merged, business struggles can impact the individual and vice versa.

00;30;40;15 - 00;31;14;23

Mary Jo

Having large business accounts on a personal credit report could also lead to higher debt to income issues and debt to income ratios. And even utilization, which can lead to personal credit needs being rejected because the individual appears to be overwhelmed by debt. Even if the debt truly belongs to the business rather than the individual, this step also breaks down some of the basic questions and steps an entrepreneur and their business should consider as they think about applying for business credit in doing so.

00;31;14;28 - 00;31;38;13

Mary Jo

We'll meet Piper, who comes to your organization for help with her small business, Piper's Poppin' Popsicles, that she's running. She's run her business as a side gig. But her sales have continued to climb each week at the farmer's market. And she's selling out of all of her products every week. She's starting to see a viable future and wants to turn her business into a full-time venture.

00;31;39;06 - 00;32;07;28

Mary Jo

In step one we'll determine if Piper is currently ready to pursue business credit building for her business, and if not, try to figure out steps you can take to get to this point. We'll then check in with Piper throughout each of



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the other steps to see how business is going, check in on progress on her goals and determine areas she most needs our support as she navigates the business credit building roundabout.

00;32;08;16 - 00;32;37;08

Mary Jo

Our second step is establish. In this step, we'll focus on learning more about how commercial credit building and reporting work, looking into products that can help a business build its credit and identifying products that could be good matches for entrepreneurs you serve and where they can find these products. We'll start out the step, though, with the discussion about business credit building and reporting. Business credit building shares

00;32;37;08 - 00;33;12;21

Mary Jo

many similarities with personal credit building: Keep commercial tradelines active and paid on time, maybe even early if possible. Have a tradeline reported to at least one of the business credit bureaus, which like to see multiple months of payments, transactions, and history. This helps demonstrate a business's behaviors, which can only happen with time. And products should be paired with credit, education, and support to promote comprehensive business credit building and to help entrepreneurs reach their business goals.

00;33;13;13 - 00;33;50;06

Mary Jo

However, other factors are largely set by individual commercial bureaus and their scoring algorithms. We'll cover this as part of step three, but not all business credit products get reported. Ultimately, furnishers choose if and to which bureaus they report. The consumer credit bureaus will accept data related to a consumer's personal liability for a debt. This includes an entrepreneur who guarantees a commercial product or has personal liability for its repayments.



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00;33;50;27 - 00;34;24;10

Mary Jo

Those who report consumer data have the option to report to all three of the major consumer credit reporting agencies Equifax, Experian and TransUnion, or only one or two or none. The commercial bureaus will accept data about a business's credit obligations. While there are many commercial reporting agencies Dun & Bradstreet, Equifax Business and Experian Business Information Services are the biggest and most common.

00;34;24;22 - 00;35;05;17

Mary Jo

TransUnion isn't on this list because it considers itself primarily a consumer reporting agency and doesn't maintain a separate commercial database. This will then lead into a discussion of four potential business credit building products. We'll focus on what different products are and who might be a good fit for them. We'll also discuss where entrepreneurs can find these products. But keep in mind, the access and availability of products can vary, so certain options may be more readily available in your community or for specific business types or needs.

00;35;06;07 - 00;35;37;07

Mary Jo

Additionally, like with personal credit, entrepreneurs need to consider affordability, availability, and readiness for different products and two similar entrepreneurs could come to two very different answers on the best product for their situation. One thing that does stay the same between personal credit building and commercial credit building is that the answer is sometimes it depends. Step three builds upon the previous step.

00;35;37;20 - 00;36;09;05

Mary Jo

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Once a business has a business credit building product that reports, they have a good reason to check their business credit reports. But these are not quite the same as their own personal reports. In step three: mature, we will discuss the most common business credit reports and scores, overview key sections of business credit reports, and consider actions and behaviors that can impact commercial credit scores, including steps for improving scores.

00;36;10;24 - 00;36;45;21

Mary Jo

But to understand commercial credit reports, we need to compare them to other generally more familiar types of personal credit reports, some of which have very similar names. Consumer disclosure reports are personal reports available only to consumers. Consumers can access them through annualcreditreport.com and potentially the free educational platforms. These are sometimes referred to as personal or consumer credit reports and have more detailed information than a business division.

00;36;45;21 - 00;37;12;25

Mary Jo

consumer reports, which lenders and sometimes other entities like landlords may see when determining whether to lend to or work with an individual. These reports include the same data as consumer disclosure reports, but with some sensitive details removed. But both consumer disclosure and business division reports are consumer-based. Even though business division has the named business in it, it's not the same thing

00;37;12;25 - 00;37;48;21

Mary Jo

as our current focus, commercial credit reports, also known as business credit reports. This refers to credit reports containing information about business's and their activities. A commercial or business credit report is a list of a business's reported payment and transaction information. Though it often includes general information about incorporations and filings, these

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reports provide information about the business's recent payment actions that were reported to that commercial credit reporting agency.

00;37;49;19 - 00;38;23;23

Mary Jo

They also contain a business credit score, summarizing its potential risk and ability to pay its obligations. But like a consumer report, a business credit report can be used to underwrite credit or insurance accounts. Businesses have multiple credit reports, likely containing slightly different information, just based on what data commercial bureaus receive and how they ultimately process it. Business credit reports contain some important information.

00;38;24;09 - 00;38;59;28

Mary Jo

Business Identifying Information, business credit history or summary, legal or public record information, and inquiries. However, each commercial credit reporting agency may record and reflect its data in slightly different ways. And particularly, we can see this under different section names. This can make things a little bit more of a headache because commercial reports are not as standardized as consumer reports, where you expect to, expect to see the same general sections or names on a consumer report across bureaus.

00;39;00;16 - 00;39;36;07

Mary Jo

It isn't quite the case for commercial reports or even how commercial reporting agencies are processing data. One area where this is most noticeable is within the business credit history section. Payment history is still a critical component of business credit reports because it tells more about how a business is performing on its outstanding obligations. But if you are counseling around or reviewing commercial reports, you will need to shift perspectives on how information shows, particularly delinquencies,

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00;39;36;12 - 00;40;06;16

Mary Jo

as this information is displayed differently than how it generally appears on consumer reports. In particular, the Fair Credit Reporting Act and its 30-day rule for delinquencies and when they can appear on a consumer credit report only applies to consumer reporting, not commercial reporting. We're going to break this point down in more detail in the full training. We'll also cover some of the other differences in how data is displayed on a commercial report.

00;40;07;03 - 00;40;34;04

Mary Jo

Business credit reports tend to be more generalized than consumer reports, which means specific tradelines can show up with data that's been summarized or even rounded. It doesn't mean the report is showing inaccurate information. Rather, it's just reflecting data based on how that specific commercial credit reporting agency stores information. We'll do our best to demystify what we can

00;40;34;14 - 00;41;14;21

Mary Jo

while acknowledging that specifics about how each commercial credit reporting agency processes its data is considered proprietary knowledge. So there's a lot of things that ultimately we just don't 100% know that carries over to the specifics of algorithms and scoring models, which are also highly proprietary. Regardless, algorithms are still designed to summarize a business's perceived risk, though models vary across bureaus. For example, one of Experian's scores, the IntelliScore Plus SM, uses more than 800 different elements in its algorithm.

00;41;15;09 - 00;41;56;01

Mary Jo



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In general, different business credit scoring models often include the following: factoring in payment history like account statuses, instances of slow pay balances and utilization, number of trade lines, length of credit history of the businesses, age and risk factors like public records, and even industry type represented by different codes. And some industries are inherently riskier than others. But some commercial scores also reward businesses for additional behaviors, like making payments early rather than just on time and by paying off larger amounts rather than smaller ones.

00;41;56;19 - 00;42;21;13

Mary Jo

But with personal credit building, our attention is on positive behaviors that can lead to score improvements rather than just focusing on a specific credit score number. We'll break down some best practices as part of the larger training, in addition to talking about some of the most common credit scores that are out there and the fact that they are very different than consumer credit scores.

00;42;21;22 - 00;42;37;01

Mary Jo

Our final step is four, Thrive, which ties the training together. In this final step, we will discuss making business credit count no matter which stage of the business credit building roundabout an entrepreneur is

00;42;37;07 - 00;42;37;20

Claire

at,

00;42;38;08 - 00;43;14;25

Mary Jo

learning how to support entrepreneurs with turning credit into an asset, and understanding programmatic solutions for supporting larger credit building journeys. This section focuses on ways that nonprofits can help make



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business credit building count. It highlights how you can apply CBA's credit strength framework to your business credit building programs while also reviewing CBA services that you might currently have or be interested in that can help you measure, track, and celebrate entrepreneurs' successes.

00;43;14;29 - 00;43;39;12

Mary Jo

By the end of the training, we hope you leave with a better understanding of the more nuanced topics of business credit and can take these back to the entrepreneurs you serve. But we also hope we've made the case for some more general topics about business credit. Personal and business credit are likely to overlap at all stages of a business's life cycle, but entrepreneurs should focus on separating personal and business credit and finances.

00;43;40;02 - 00;44;10;05

Mary Jo

Business credit might not be on every business's radar immediately, but it is something to encourage sooner rather than later to help prepare for future opportunities in advance. That way, credit history is available and more robust at the point a business needs it or is ready to go apply for business credit products. Business credit can also help a business prepare for downtimes or unexpected challenges while further protecting and entrepreneurs' personal finances.

00;44;10;20 - 00;44;38;16

Mary Jo

It also serves as a powerful asset that can be leveraged for future opportunities. Think back to that roundabout imagery. Businesses can use credit as they move throughout different parts of the roundabout. Those needs might vary, and entrepreneurs will likely experience good times and some not-so-good times. But throughout it all, having access to business credit can help a business keep moving forward and work toward achieving its goals.



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00;44;38;21 - 00;45;04;15

Mary Jo

If you are on the fence about Credit as an Asset: Small Business, we hope that today's overview has given you a sense of what to expect. We're also pleased to offer a flash sale for those who haven't yet registered. You can get 40% off the course by using the code. SBFlash 0822. This code is active until 11:59 p.m. Eastern time on Friday, August 18th.

00;45;05;00 - 00;45;25;09

Mary Jo

Please note that there are limited seats available, so if you want to register, you'll want to consider doing this as soon as possible. Additionally, you must be logged into the CBA Training Institute in order to access the member price. So right now that price is \$125 for CBA members and you can use this code to get 40% off of that.

00;45;26;00 - 00;45;52;12

Mary Jo

If you haven't already created an account on our Training Institute, though, you will need to do this first. Registration approval can take up to 24 hours, but we will be doing our best to approve new account, accounts as soon as we see them to ensure people can register and get this discount. But just a reminder, this is not an instantaneous process or an automatic one, so you're not going to necessarily be registered immediately upon creating an account.

00;45;52;12 - 00;46;12;02

Mary Jo

But like I said, we're going to be monitoring this and doing our best to approve any new accounts as soon as possible. But that's not all we're doing with this training. We will be releasing an on-demand version of this Credit

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as an Asset: Small Business later this year. We'll also be releasing Small Business Credit 101.

00;46;12;16 - 00;46;36;07

Mary Jo

This entrepreneur-facing curriculum will be available in both English and Spanish and focused on the essentials and importance of business credit, this time geared directly toward entrepreneurs and small business owners. Stay tuned for updates on that, though, as it's still in process. But I did see a question come in earlier asking how often we're going to be offering this course. That's still to be determined.

00;46;36;07 - 00;47;04;11

Mary Jo

This is our first go-round at it and, kind of like a business credit round about, we're still navigating some of the content, so we're going to be launching it now and with this on-demand course later this year, but still building room for tweaks or additional content or understanding, both as we learn more information as a whole and as more information is of detangled from the bureaus themselves, but also just knowing that it is a topic that really is of interest, it is something we want to consider offering

00;47;05;04 - 00;47;40;28

Mary Jo

again in the future in live sessions or other kinds like this. So with that, we did get some questions in advance and I see a number have been coming in. I actually want to invite my colleague Claire on. She's been monitoring your questions and helping respond to everything in live time. And the one thing I just want to caveat here is we did get a lot of really good questions in advance, but a lot of them are covering specific topics that we discussed in this training, like how can I best assist our small business borrowers to overcome barriers to traditional bank financing?

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00;47;41;05 - 00;47;59;13

Mary Jo

What are the fastest ways to help people build their business credit if they have good or bad personal credit, various types of credit that can be leveraged as an asset and things we can do to help. Those topics are going to be discussed within the larger training, but things to keep in mind is with any credit building, it is a journey, personal or business.

00;47;59;19 - 00;48;16;03

Mary Jo

There is no quick fix to anything and time is sometimes the one main thing we have on our side that, at the beginning, is a little bit of a disappointment because we wish everything would be ready right at the tip of our fingers. So I'm going to turn it over to Claire, though, for some of these questions.

00;48;17;01 - 00;48;41;10

Claire

Yeah, I just wanted to start off with a technical question. Yeah, I can actually go ahead and answer. So somebody was asking, I can't catch I can't sign up for the website for the course right now. The answer to that question is you probably are not logged in to our Training Institute, which as you mentioned, Mary Jo is kind of reiterate that that that's simply because we're going to accept you as someone once you go ahead and make an account at the Training Institute and then you'll be able to register.

00;48;41;20 - 00;48;59;04

Claire

So if you're seeing that doesn't mean that you can't register, it just means that there's a couple extra steps and we're available at training to be able to help you at the email that's on here. Now back to the content that you were discussing. So how would a business know if that information is being reported to a credit reporting agency?

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00;48;59;21 - 00;49;00;27

Claire

This is from Amy.

00;49;01;06 - 00;49;20;13

Mary Jo

Yes. They're going to have to ask the creditor if they report and if so, to whom. We dive very deeply into that one in the training. And the simple, easiest answer is you often don't know. And the only way to know is to ask or to check any loan documents or other credit product documents to see if there is an answer.

00;49;21;01 - 00;49;37;14

Claire

Great. I just wanted to shout out that Amy actually basically answered her own question on the second part. So congratulations, Amy on already having that information there. And could you give a little overview of what kind of public record would show up on a business credit report? Yeah.

00;49;37;26 - 00;50;05;09

Mary Jo

Something like bankruptcy is, also any liens or any UCC filings, which we dive into more in the training as well, and just how they relate to the business as a whole. But public records are only going to contain information about the business, not about the actual guarantors or entrepreneurs. If they have also gone through something like a something like a bankruptcy or other event involving a public record.

00;50;05;20 - 00;50;11;19

Claire

Great. And that's really helpful to consider, especially if you're familiar with personal ones, the differences in what the records are showing.

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00;50;12;06 - 00;50;12;27

Mary Jo

Exactly.

00;50;13;09 - 00;50;24;25

Claire

And another question that I thought was really important, that I know we're going to cover more and the larger training, but what is the cost for a business credit report for nonprofits. Can you give a quick overview on that? This it from Myra.

00;50;25;01 - 00;50;42;22

Mary Jo

It is going to vary, but in most cases these could be somewhere between \$100 for a single or you can get subscription packages that allow you to handle various various numbers of reports or over various lengths of time.

00;50;43;02 - 00;50;43;15

Claire

Yeah.

00;50;43;26 - 00;51;01;24

Mary Jo

They're not cheap is the short answer. And unfortunately, right now CBA does not have a partnership with the business bureaus the way that we do for CBA access. We've looked into it and continue to inquire about what that process may look like. The as of this moment, CBA does not have a partnership to pull business credit reports.

00;51;02;06 - 00;51;06;28

Claire

So there's not a difference in price for like a nonprofit or individual. It's just the standard.

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00;51;07;04 - 00;51;16;18

Mary Jo

Generally, it's going to be a standard price unless they're going to they're going to be looking at making a specific discount if you negotiate with them.

00;51;17;05 - 00;51;32;05

Claire

Great. And another question was, I think very specifically on what if American Express reports the commercial, commercial bureaus. And I was wondering if you knew that offhand or how you might be able to find out this information or is it going to talk to your creditor?

00;51;32;08 - 00;51;55;07

Mary Jo

We do not know this information. You'd probably want to talk to a creditor or even in some cases, information is available online if it indicates that it's being reported to a specific bureau or even the consumer bureaus. If it is being reported to the consumer bureaus, there should be notification in any of the documents you signed or any of the contracts that just indicate we may report payments to the consumer bureaus.

00;51;55;22 - 00;52;02;16

Claire

Great. So another question was, can you build business credit without personal credit?

00;52;02;28 - 00;52;16;09

Mary Jo

It can be possibly done, but it would be very, very difficult. You'd have to be looking at a lender, maybe a nonprofit or other in this field who is not necessarily looking at personal credit as part of the underwriting process.

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00;52;16;23 - 00;52;31;29

Claire

Yeah, and I thought a great follow up to that was that business credit scores look similar to personal credit scores. And from my understanding, they're look, they look similar, but they're coming from totally different spaces and they mean different. they mean different things.

00;52;31;29 - 00;52;40;15

Mary Jo

They do. And there are completely different scoring ranges, some of which overlap and other bureaus, unfortunately do not.

00;52;42;03 - 00;53;00;04

Claire

I love, I love hearing you facilitate this and hearing that there's so much nuance there. And that's why I'm so glad that we've developed this for people, because I know when I started, I had no idea this was a thing and I worked in business lending. So that's how nuanced it is. And it's so important for us to really expand our knowledge.

00;53;00;25 - 00;53;08;18

Claire

And then another question was, How long does it take to establish business credit? Since for personal credit, it takes about six months.

00;53;08;22 - 00;53;35;23

Mary Jo

It depends the, the specific Business Credit Bureau. Each bureau has its own standards about how many payments they want to be made or how many months worth of activity in order to generate specific scores. So generally, the more payments, the better. But sometimes this can be as few as three months or three specific payments, knowing that businesses often have very

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different payment schedules and sometimes the business might only be paying annually or semiannually or quarterly.

00;53;35;28 - 00;53;36;27

Mary Jo

It can really vary.

00;53;37;19 - 00;53;57;28

Claire

Yeah, that's a great point. And let me just double check on these questions here. So give me a second just to check our chat. One thing that I thought was great is I kind of repackage this comment and that you might have a little bit more information of how do CDFIs exist if banks won't lend to small businesses.

00;53;57;29 - 00;54;09;16

Claire

So this was something that I was kind of thinking about as well when I started, and it was really helpful how you clarified that for me. On why CDFIs exist when banks don't always lend to those microenterprises.

00;54;09;22 - 00;54;39;25

Mary Jo

Yeah, they really just exist to meet a need where it was determined that everybody out there needs banking services and you need access to products, especially in communities that include bank deserts or even credit deserts. And so this was an in a larger initiative and CDFIs can get funding from the CDFI Fund, and other great organizations that are out there like Opportunity Finance Network really have built out resources and all sorts of assistance to help make sure that this industry can help as many people as possible and get out there to them.

00;54;39;25 - 00;54;59;29

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Mary Jo

And that's where we found a lot of CDFIs in the field, said, well, we're doing all these great things, but we want to extend this to being able to report credit or finding a way to really further help the individuals that we're working with maybe get toward mainstream financing or be able to go to a bank for a future business loan or a mortgage or anything in between.

00;55;00;24 - 00;55;22;07

Claire

Yeah, I really love that. At the organization I was at for CBA, that's actually what we did. We did some technical assistance for entrepreneurs and then we helped them connect them with the bank while also doing our own lending. So just wanted to shout out how great that comment was to kind of point out the need there. And then another question was how can a business, how can biz credit help manage cash flow?

00;55;22;07 - 00;55;23;21

Claire

This is from Carolina.

00;55;23;21 - 00;55;43;24

Mary Jo

Yeah! We're not going to get into that right now as that is discussed in the opening section of the training. But that is one of the things that we dive into. So sorry that we're not going to answer that question. But I do see, Carolina, you asked another of on the training on August 29th, are we going to cover the process to register with consumer bureaus for nonprofits to pull business credit reports?

00;55;44;01 - 00;56;10;16

Mary Jo

We will not because as a reminder, we don't have a process at CBA right now or a relationship with the bureaus to pull business credit reports. We do



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have a separate process and a service called CBA Access that would allow you to access consumer reports. So that can be really important if you're looking at, you know, we want to check personal credit score scores in order to see if somebody can qualify for different business products.

00;56;10;24 - 00;56;35;01

Mary Jo

So if you do have more specific questions about that or there's another, how do I become a member, you can email the email address membershi@CreditBuildersAlliance.org - and one of my colleagues can get that added into the chat - they're the ones who can help you with a little bit more about questions about services like that, or even just the general membership requirements and what some of the benefits are beyond just being able to access our trainings.

00;56;35;01 - 00;56;53;22

Claire

All right. Yeah. So I think there are just a couple other questions as well. Another question is about how to become a member for future trainings. Like you've just said, that's follow up with us at [membership@Credit BuildersAlliance](mailto:membership@CreditBuildersAlliance.org). And another question is Dun & Brad... is Dun & Bradstreet, the only bureau that reports business credit.

00;56;53;22 - 00;57;01;27

Mary Jo

Note there are many business credit bureaus. Dun & Bradstreet might be the most well known, but Experian and Equifax both have their own commercial bureaus.

00;57;02;04 - 00;57;12;24

Claire

Awesome. And I think this might be the last question on the content here. Do you have to have a bank account to start building business credit?



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00;57;13;13 - 00;57;36;03

Mary Jo

Generally, yes. It's going to be very important for most business products and just in general for consumer credit building. It can be really important for that too. So that is one thing we talk about. Signs a business may or may not be ready for credit business credit building is, what does their banking situation look like, and that may be a step that is needed before they want to pursue a business credit product.

00;57;36;21 - 00;57;57;06

Claire

That's great. And then we have one final question on kind of the process for the recorded trainings when they're live, about their pricing. that we would love to see people live and there will be a different cost for the recorded trainings and that's being kind of established right now. This is a brand new product for us, a brand new training that was materials.

00;57;58;03 - 00;58;11;03

Claire

So that's just kind of want to let you know, Jane, that that's the answer to your question. Not totally established yet, but we will let you know when we have the information. And then I think we have one one question right underneath the wire here, Mary Jo.

00;58;11;04 - 00;58;11;15

Mary Jo

Okay.

00;58;11;25 - 00;58;18;13

Claire

Do you have to have good personal credit to establish business credit, which is a follow up to one you answered before.



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00;58;18;14 - 00;58;44;15

Mary Jo

Not necessarily. Various lenders may be willing to lend to people across different credit scores in some cases. Also, maybe don't even look at credit scores as we know that those in our field are often looking at other ways of evaluating whether somebody is a risk factor or not. That being said, it may cut off access to specific credit products or it may impact interest rates or terms that are available.

00;58;44;20 - 00;59;11;18

Mary Jo

So one of the first steps to business credit building is often just really being honest and upfront about what is going on in personal credit and figuring out maybe there are some steps that can be taken simultaneously or before doing that, just to make sure that you can get as good of rates as possible and set yourself up for as much success and being able to afford different products and make sure that they fit into your budget.

00;59;11;18 - 00;59;28;29

Mary Jo

But. All right. Well, thank you so much, Claire, for gathering all those questions. And thank you, everybody, for your questions. And we know this is just a topic of interest across the board, and we're really excited to see you all here for it. And we want to thank you for attending today. We really do hope you'll join us for our first ever Credit as an Asset:

00;59;28;29 - 00;59;50;02

Mary Jo

Small Business. As we focus on ways you can help support entrepreneurs in navigating the business credit roundabout and demystifying a somewhat confusing topic of business credit. If you have any further questions about this training or others, please feel free to email us at



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training@CreditBuildersAlliance.org. And with that, we want to wish you all a wonderful day.

00;59;50;11 - 00;59;51;14

Mary Jo

Thank you for joining us.