



# *Credit as an Asset: Small Business Course Preview*

**CBA Community Webinar Series  
August 18, 2022**

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# Housekeeping



**This webinar is being recorded. The recording and presentation slides will be shared with a week.**



**Attendees will remain in listen-only mode. Interact with us via the chat.**



**Closed captions are available for the event.**



**Questions? Type them into the Q&A box.**



# CBA's Training Institute



[www.cbatraininginstitute.org](http://www.cbatraininginstitute.org)



# Upcoming Trainings



## ***Credit as an Asset: Small Business***

**Monday, August 29th: 12:30 - 3:30 ET**

**Register at:**

**[cbatraininginstitute.org/events](https://cbatraininginstitute.org/events)**



# Two Different Trainings!



Focus =  
Personal/Consumer  
Credit



Focus =  
Business/Commercial  
Credit



# Agenda

- 1. Discuss how and why CBA has created *Credit as an Asset: Small Business*
- 2. Highlight reasons this training might be of interest to your organization
- 3. Preview *Credit as an Asset: Small Business* and the Business Credit Roundabout



# Disclaimer

**This information is not intended to be legal advice and may not be used as legal advice. Every effort has been made to ensure this information is up-to-date as of publication, but it is not intended to be a full and exhaustive explanation of any credit product or credit building program**



# Developing this Training



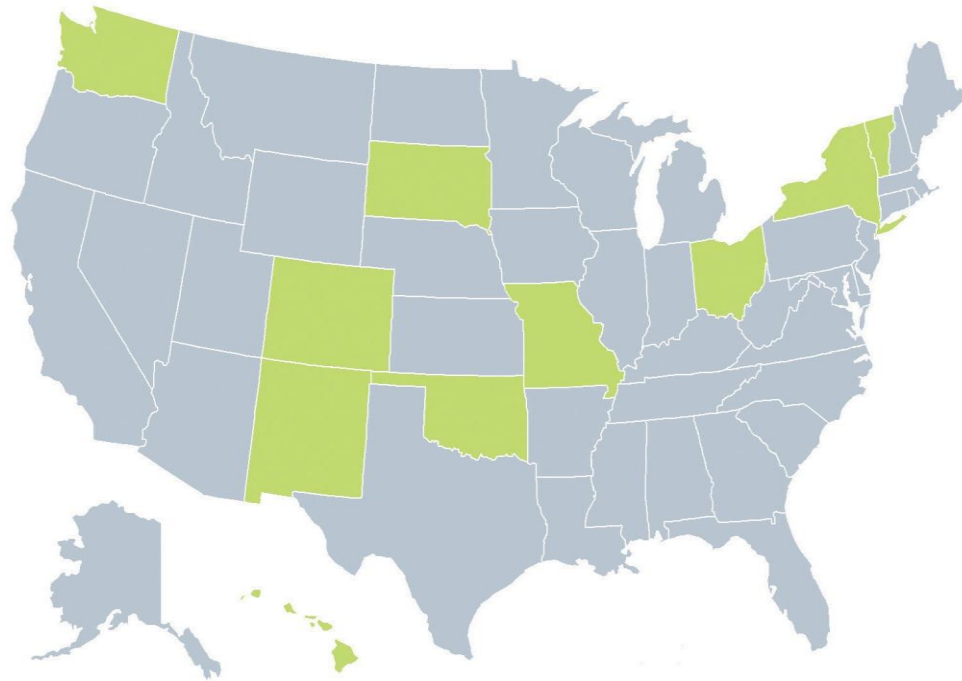


# Looking Back at CBA's Founding

- Nonprofit lenders wanted to report data to the credit bureaus but generally had portfolios that were too small or too much of an unknown
- CBA's founding staff leveraged connections with the credit industry to provide credit reporting opportunities



# In 2007, CBA had 10 Founding Members



- **Accompany Capital (New York)**
- **Community Capital of Vermont (Vermont)**
- **Citizen Potawatomi CDC (Oklahoma)**
- **Dreamspring (New Mexico)**
- **Economic and Community Development Institute (Ohio)**
- **Four Bands Community Fund (South Dakota)**
- **Justine PETERSEN (Missouri)**
- **Rocky Mountain Microfinance Institute (Colorado)**
- **Maui Economic Opportunity (Hawaii)**
- **Ventures (Washington)**



# Business Credit Can Help

- ✓ **Separate personal and business finances and credit**
- ✓ **Maintain cash flow during downturns**
- ✓ **Purchase equipment, inventory, and technology**
- ✓ **Seize growth opportunities**



# Business Credit is Highly Nuanced

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**Business credit is often dependent on personal credit, at all stages of business development**

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**Business credit products may help build personal credit and/or business credit**

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**Business credit reports look different than consumer credit reports and reflect data a bit differently**

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**Business credit reporting agencies often develop their own scores and have different requirements for at what point a business can be scored**

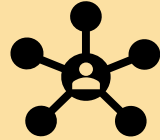


# Challenges Facing Small Businesses



## Lack of Assets

- Credit
- Collateral/equity



## Process, Knowledge, and Relationship Gaps

- Awareness of, relationships with, and/or access to credit products
- Short business history



## Different Capital Needs

- Funding needs that exceed the upper limit of credit card accounts and fall below lower limits of small business loans



# Historically Marginalized Populations Face Multiple Challenge

Un/under-  
banked

Immigrant  
populations

Undocumented &  
documented  
immigrants,  
refugees

Returning citizens  
and justice-  
involved  
individuals

Disabled and  
neurodiverse  
people

Indigenous  
populations

LGBTQIA  
people

Faith-based or  
religious  
considerations



# Why Focus on Business Credit?

## What about...



# Demystifying Business Credit



**Consider the value and importance of business credit**



**Explore commercial reporting and various business credit products**

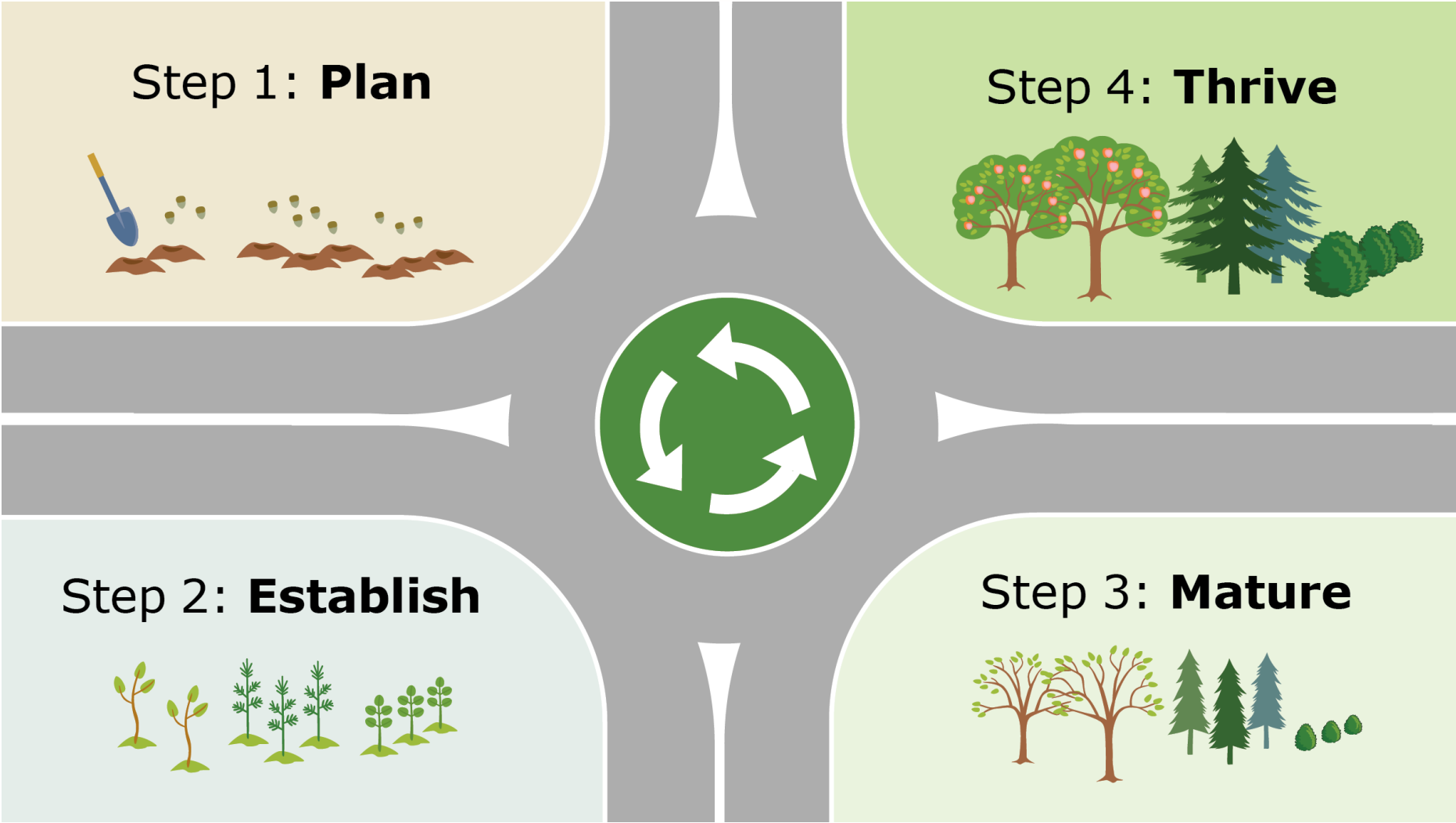


**Consider ways to help entrepreneurs navigate the complex world of business credit**

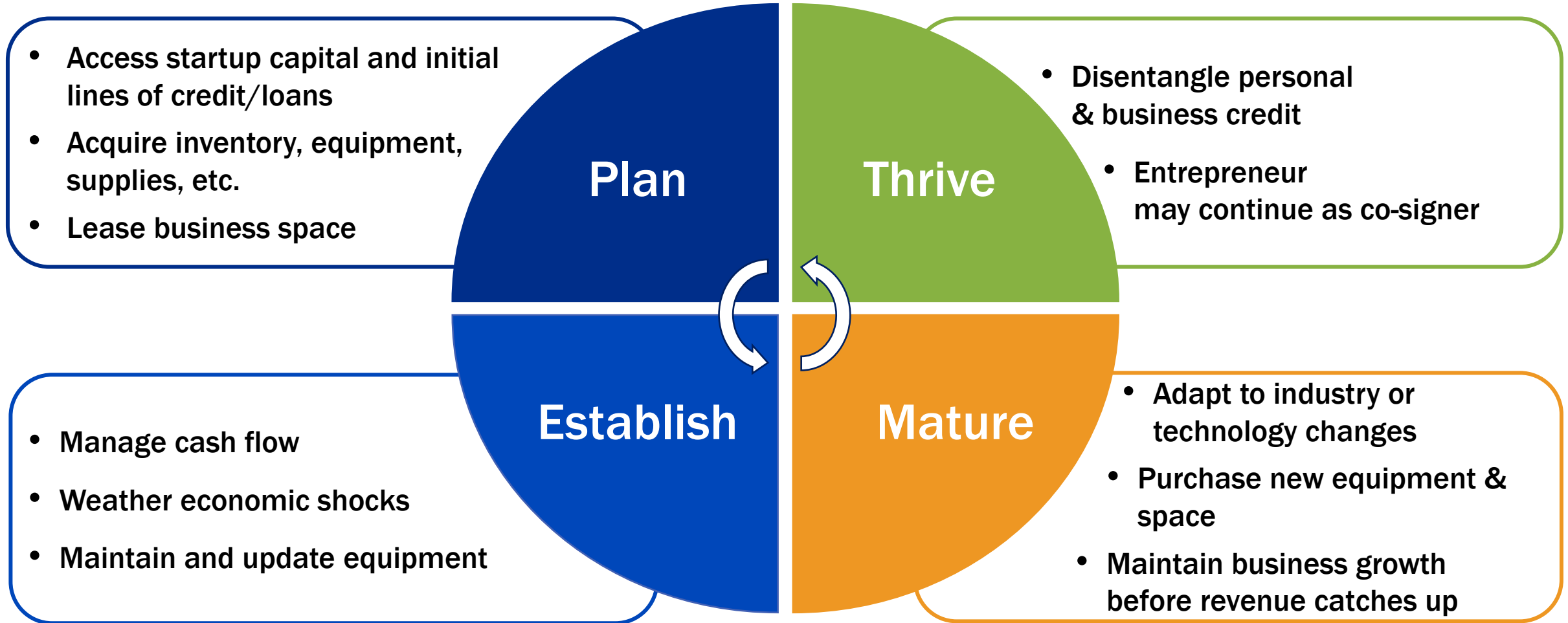




# The Business Credit Building Roundabout



# Business Goals and Credit Needs Can Change



# ***Credit as an Asset: Small Business Training***

## **Expectations**

### **This training will cover**

- **The connection between personal and business credit**
- **The business credit landscape**
- **Reading business credit reports and understanding scores**
- **Steps to improve business credit**
- **How to work with entrepreneurs to determine the best options for their situations**

### **This training will NOT cover**

- ***Credit as an Asset* for personal credit building**
- **Organizing, incorporating, or establishing a small business**
- **Budgeting, forecasting, marketing, P&L statements, or other financial aspects**
- **Writing a business plan or attracting investors**
- **Pandemic-related issues or recovery**

# A Note on Terminology

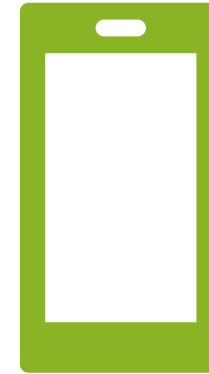
- **Business and commercial credit are used interchangeably**
- **Counselor rather than coach or practitioner**
- **Entrepreneur rather than participant, client, or small business owner**



# This Training Will also Include



**Breakout sessions**



**Interactive elements using  
Mentimeter**



# Mythbusters

MYTH OR FACT?	Myth	Fact
My personal credit has no impact on my business credit.	Myth	
When I open my business, I will automatically get business credit.	Myth	
Entrepreneurs can only get business loans from banks or credit unions.	Myth	
Banks will not consider my loan application if my business is too small.	Myth	
All business loans report to the business Credit Reporting Agencies (CRAs).	Myth	



# Knowledge Check

**Yulia has a photography business. She used her debit card to pay for a new camera. Where will this be reported?**

- a) Her business credit report**
- b) Her personal credit report**
- c) Both her business and consumer credit reports**
- d) Neither her business nor consumer credit reports**



# Knowledge Check

**True or False:**

**Some credit cards labeled business cards might report to consumer bureaus instead of, or in addition to, the business bureaus.**

**True!**





# Knowledge Check

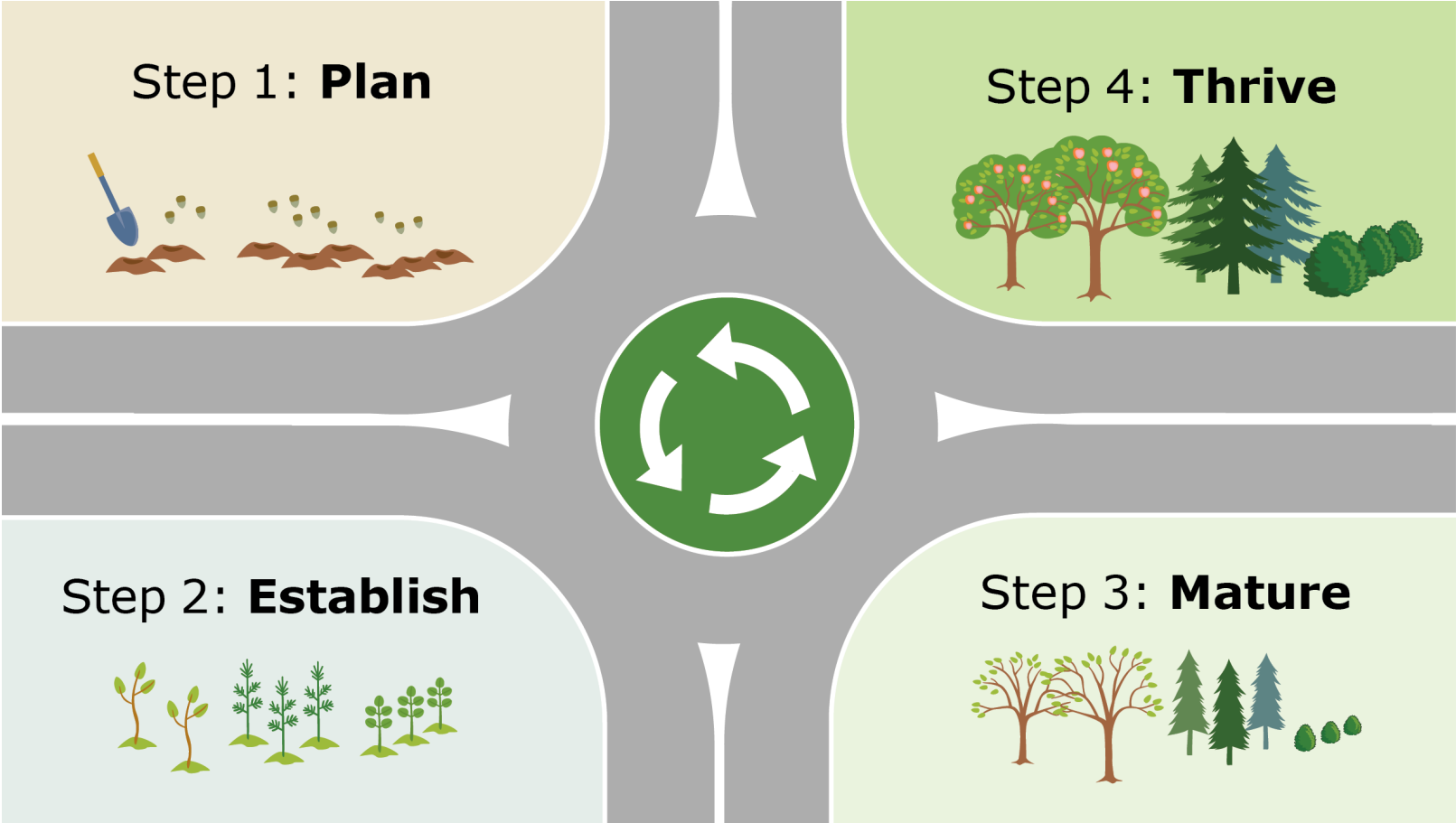
**True or False:**

**I can access my business credit report for free at any time.**

**False!**



# Step 1: Plan



# Step 1: Plan Learning Objectives



**Explore the relationship between business and personal credit**



**Learn the basics of the business credit landscape**



**Assess specific cases and learn to recognize when an entrepreneur is ready for business credit**



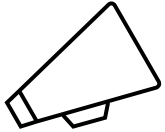
# Business Credit Enables Entrepreneurs to



**Access financing**



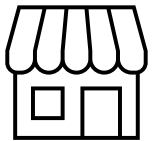
**Win government contracts  
and/or attract investors**



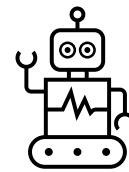
**Market the business**



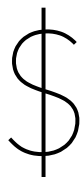
**Weather economic shocks  
& manage cash flow**



**Rent business space**



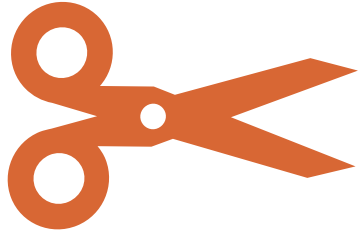
**Adapt to industry,  
technology, and other  
changes**



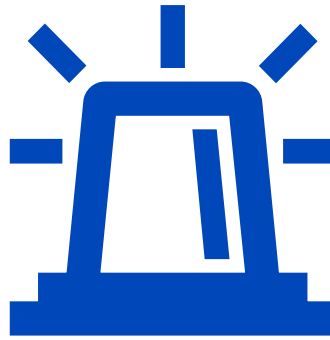
**Set interest & insurance  
rates**



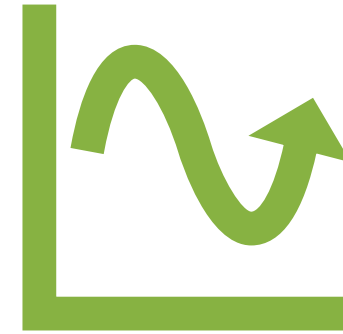
# Why Not Rely on Personal Credit?



**Separate personal  
and business  
credit and finances**



**Reduce personal  
risk if business  
slows down**



**Can reduce overall  
credit utilization or  
Debt to Income  
(DTI) ratio**



Piper makes popsicles for friends and family and sells them at a local farmers market.

**Work:** Makes popsicles as a side gig

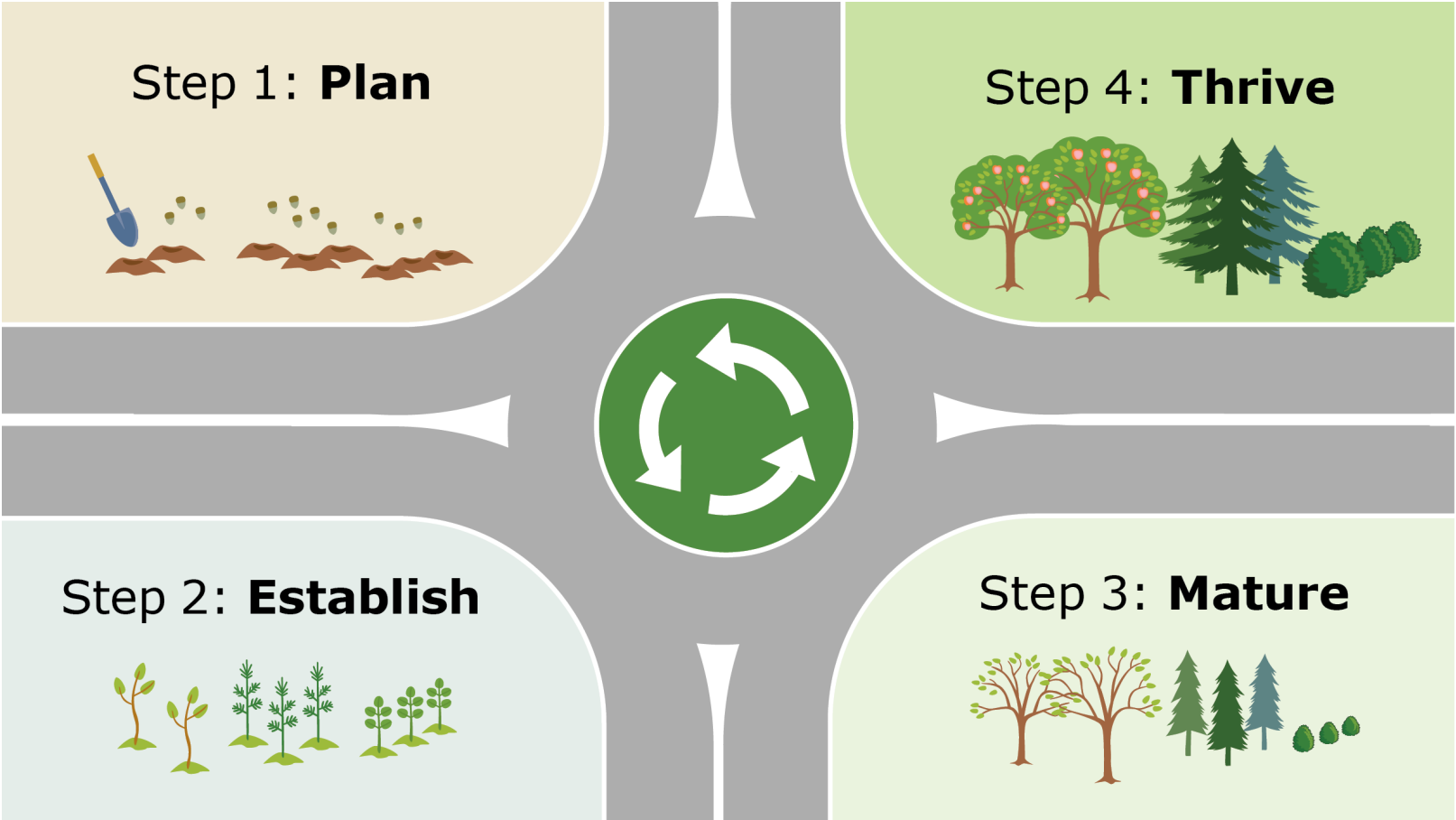
**Credit:** 640 Credit Score

**Financial Situation:** Has a personal bank account but not a business bank account

**Goals:** Wants to make enough money to make her popsicle business full time and consider ways she could grow her business



# Step 2: Establish



# Step 2: Establish Learning Objectives



**Learn how commercial credit building and reporting work**



**Explore products that can help build commercial credit**



**Identify products that are good fits for entrepreneurs and where to find them**





# Business Credit Building Best Practices

- ✓ **Active** tradelines, paid on-time, and reported to at least **one** business credit reporting agency
- ✓ With **multiple months** of history – and activity
- ✓ **Pair** with credit education and support

Individual business credit reporting agencies have their own requirements for how many accounts are needed to score a business



# The Credit Reporting Agencies (CRAs)

	Consumer/ Personal Bureaus	Commercial/ Business Bureaus
Dun & Bradstreet		✓
Equifax	✓	✓
Experian	✓	✓
TransUnion	✓	

# Small Business Credit Building Products

**Business  
Credit  
Cards**

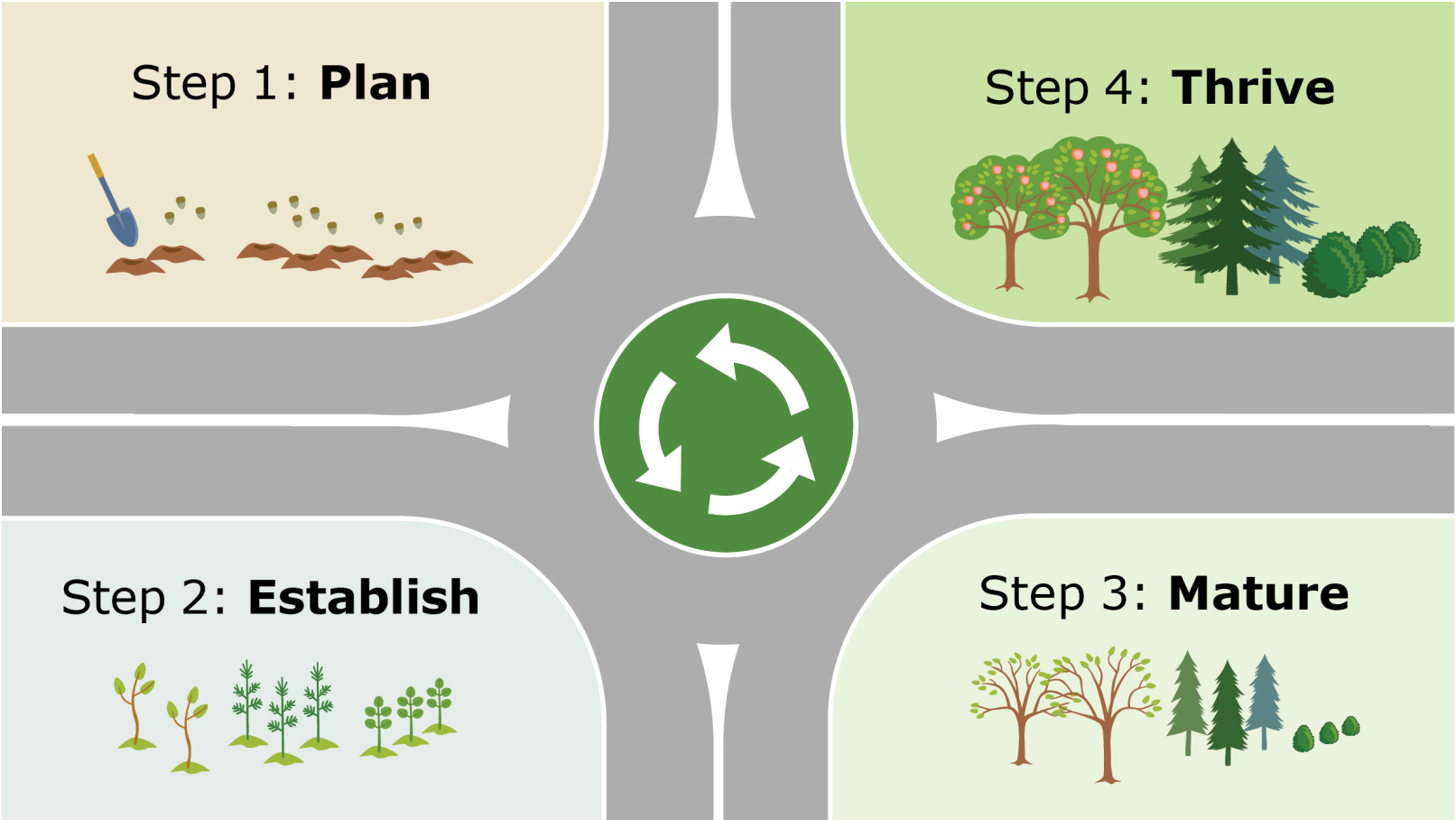
**Vendor  
Credit**

**Business  
Loans**

**Lines of  
Credit**



# Step 3: Mature



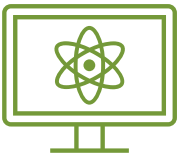
# Step 3: Mature Learning Objectives



**Discuss the most common business reports and scores**



**Overview key report components**



**Consider actions that can impact commercial credit scores**



# Personal and Business Credit Reports Are Not the Same



Two Types of Personal Reports

# Definitions

**Commercial (business) credit report:** A list of a business's reported payment and transaction information

- Summarizes identifying information, payment history, and general business information
- Contains a business credit score
- Can be used for underwriting



# A Business Credit Report MIGHT Contain

**Business  
Identifying  
Information**

**Business Credit  
History or  
Summary**

**Legal/Public  
Record  
Information**

**Inquiries**

**Reports might not have identical section names.**



# Interpreting Business Credit History

**Highlights  
performance on  
accounts**

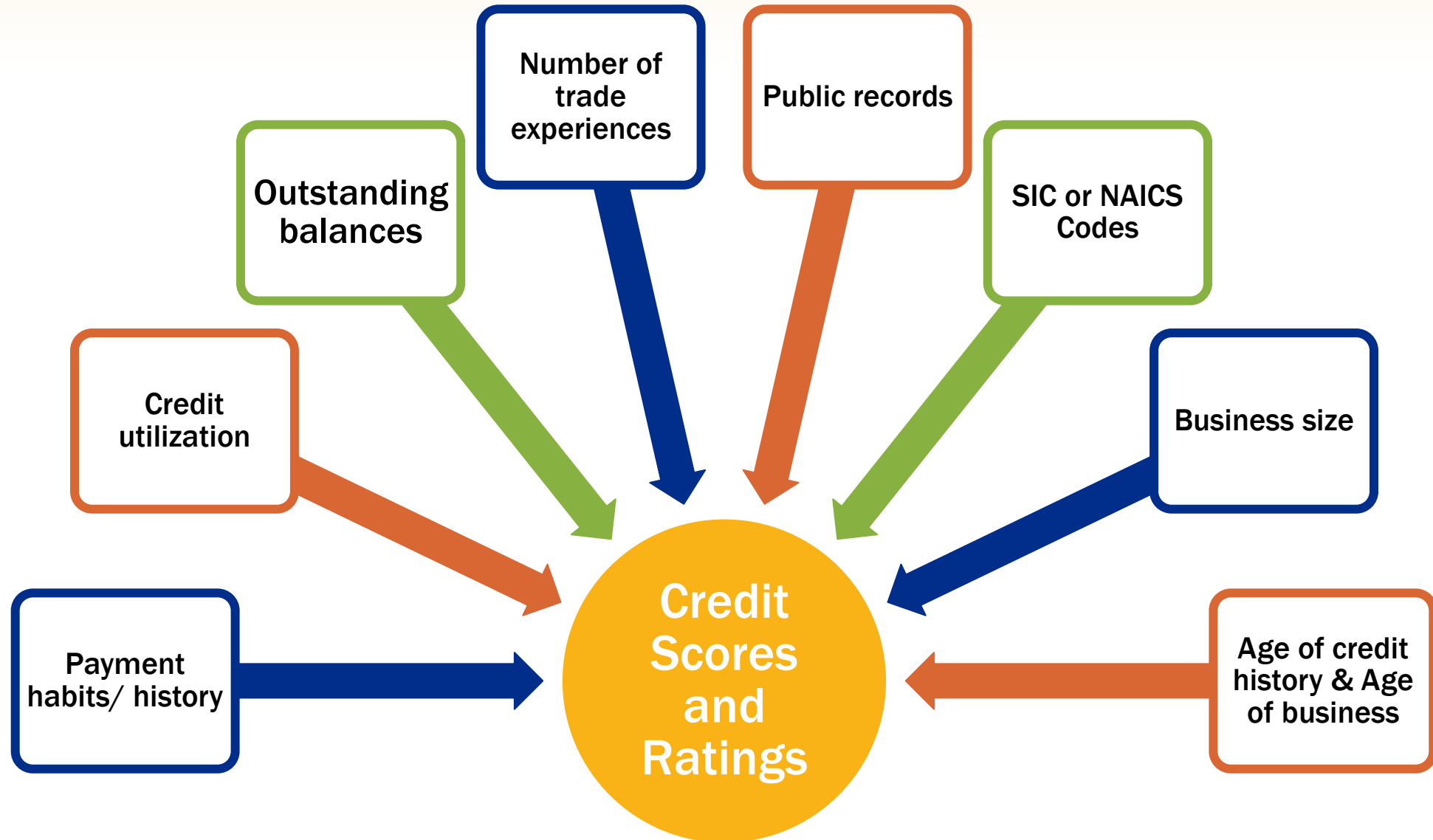
**Payment history is a key component,  
regardless of score**

**Reveals  
outstanding  
obligations and  
amounts owed**

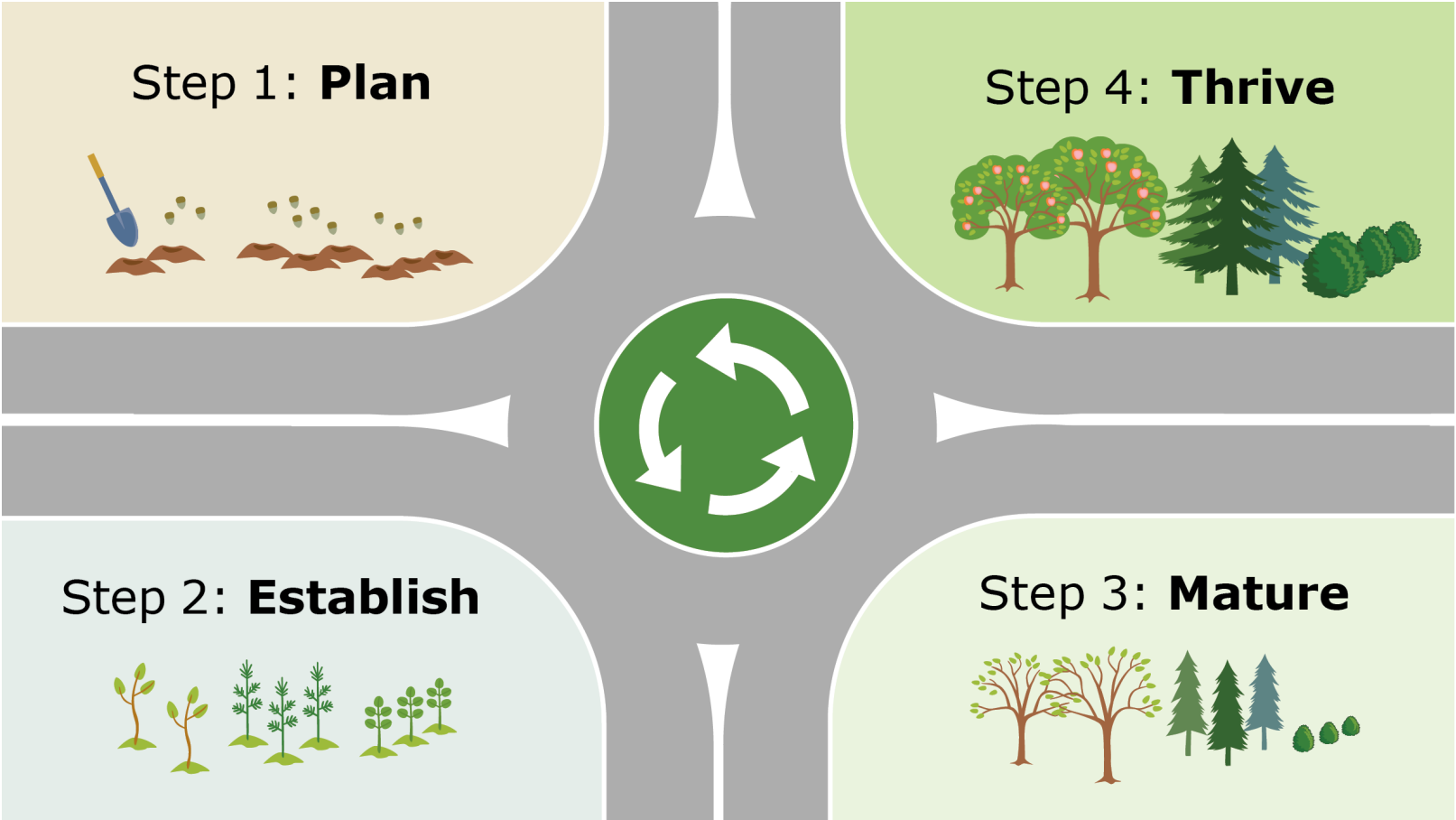
**Delinquencies on commercial reports  
reflect differently than they do on  
consumer reports**



# Factors that Can Impact Business Credit Scores



# Step 4: Thrive



# Step 4: Thrive Learning Objectives



Highlight the importance of credit throughout all stages of the business credit cycle



Learn how to support entrepreneurs with turning business credit into an asset



Understand programmatic solutions for supporting business credit building journeys



Use the **Make Business Credit Building Count** worksheet to help participants track, celebrate, and leverage success!

## Tool

### Step 4: Thrive — *Make Business Credit Building Count*

Because credit strength can mean different things to different people, looking at credit scores alone may be insufficient for tracking how entrepreneurs build and leverage business credit to meet their business and even personal needs. The following indicators are recommended to help track entrepreneurs' ability to build and sustain strong credit. Attendees may wish to use this as a tool for evaluating their own programs.

<p><b>KNOWLEDGE</b></p> 	<ul style="list-style-type: none"> <li>■ Educational programs like workshops, classes, or resources</li> <li>■ Financial coaching, counseling, or technical assistance</li> <li>■ "Just-in-time" / point of transaction education</li> </ul>
<p><b>ACCESS</b></p> 	<ul style="list-style-type: none"> <li>■ If you lend: Direct provision of credit building products</li> <li>■ If you don't lend: Referral relationships to other financial institutions</li> <li>■ Support maximizing credit building potential and graduation</li> </ul>
<p><b>ACTIONS</b></p> 	<ul style="list-style-type: none"> <li>■ Ongoing counseling support and accountability</li> <li>■ Outcome tracking to leverage success</li> <li>■ Emphasis on pathways to product graduation and discussion of how to leverage business credit to meet other goals</li> </ul>



# Key Training Takeaways

- Separation between personal and business credit/finances is **critical**.
- Stay ready so you don't have to get ready!
- Business credit can help respond to unexpected challenges, and it can also provide a **powerful** asset.



# Upcoming Trainings Flash Sale!



***Credit as an Asset: Small Business***

**Monday, August 29th: 12:30 - 3:30 ET**

**Register at:**

**[cbatraininginstitute.org/events](https://cbatraininginstitute.org/events)**

**Use code **SBFLASH0822** to receive  
40% off through 11:59pm on Friday,  
August 19<sup>th</sup>**



# Small Businesses Credit 101

- ✓ **An entrepreneur-facing curriculum**
- ✓ **Available in English and Spanish!**
- ✓ **Ready in late 2022**





# Questions?

[training@creditbuildersalliance.org](mailto:training@creditbuildersalliance.org)

