Business credit

**Comprehending Your Business Credit Report**

While the concept isn’t all that complex, many people still struggle to make heads or tails of their credit report. The numbers don’t always make sense and the meaning behind those figures can be somewhat vague. If you plan on keeping your business on the right track, it’s important that you have a good comprehension of your business credit so that you can keep your score healthy and use it to your advantage.

**The Data**

A good place to start when learning the ins and outs of your credit report is by verifying what goes into the score. Unfortunately, there isn’t really an industry standard for how scores are determined or reported, so you need to check with your specific bureau to find out exactly what went into your business credit report. Generally speaking, things like the size of your enterprise, the existing debt on your balance sheet and the number of years you’ve been in operation will be the foundation of your score. However, all of those factors will be broken down into subcategories by which your score can be further affected.

All of this info will determine your score and that number, more often that not, is on a scale of 1-100. This system differs greatly from a personal credit score that starts at 300 and goes up to 850, so don’t panic when you see such a low number on your report. Still, the smaller scale means that dozens of matters relating to your company’s finances have been quantified and minimized to fit into this smaller scope. That’s why it’s important to understand what issues might cause your score to go up or down.

**The Meaning**

At the end of the day, what does it all mean? Just as your personal credit is used to determine whether or not you can get a loan or move into a new apartment, your business credit determines the risk level that lenders and other financiers will use to classify your company. This becomes extremely important when your business needs to take out a loan or secure another type of financing, such as an equipment rental. Your credit report essentially allows other parties to determine your business history without taking the time to thoroughly inspect your business history.

Like it or not, your business credit report is something that has a direct affect on your company’s ability to operate. Understanding that, and then understanding what you can do about it, will help you to make solid business decisions going forward.