**10 Loan Types and How to Qualify**

Thank you so much to SCORE for allowing us to share this information with you and help you be successful in your small business. As Alexa mentioned, I'm Gerri Detweiler and I've been working on this for quite a long time. My latest book is Finance Your Own Business and that is what brought me to my current job . I interviewed the CEO when I was writing the book and I liked what they were doing so I ended up working here. I've included my contact information because sometimes you may have a personal credit question, something you feel is sensitive and you don't feel comfortable asking it in this kind of environment. You are more than welcome to reach out to me anytime. I'm happy to answer your questions. I would like to start with a quick story. This is Dave Edmondson, he runs a sauerkraut company and I interviewed him for an article on the Nav blog. He shared a story that I thought was very representative of many small business owners. He started his business -- he started making sauerkraut in his bid -- kitchen and everyone told him he should sell it. He rolled his eyes but eventually his friends and family talked him into going to a local farmers market. He sold out right away. People came back for more and he realized maybe I do have a business here. He started like many entrepreneurs by putting what he needed -- glasses and cabbage and the stuff to make the sauerkraut. He did that on credit cards. Used his personal credit cards and maxed them out. He was very careful with his credit but you do what you have to do. As he starts to grow his business he wanted to expand to a neighboring county where there was a very expensive food license required. He needed more supplies for his business and he was trouble having getting -- getting financing. It was because his credit should or -- report showed he had maxed out his credit cards. With the funding he was able to get that license and move into the next market and he went back to a second round of funding and the second time a health food store came to him and said we will fund your campaign if you will let us carry your sauerkraut in the stores and he said that sounded like a good deal and his business continue to grow. He has done some things right and he admits he has had challenges because of the way he approached financing. What I want to do today is I want to lay out for you different options so that you can understand maybe what's available to you now and what is required to get that type of financing as well as what may be available in the future. We are not going to spend a lot of time talking about traditional bank loans. If you want to go to one of your local lenders, your bank, credit union or community bank -- I would encourage you to talk to your SCORE mentor because they will be familiar with the requirements and types of businesses that your local financial institutions are trying to fund. But we will do here is go broader and talk about some of the popular types of financing available across the country to different borrowers. Why is it important? One thing I find as many entrepreneurs are very [ Indiscernible ]. J.P. Morgan Chase did a study and they found the median number of cash buffer days -- the number of days a business could survive with the cash it had without a new influx of cash -- was about 27 days. That is less than a month. Whether it's a crisis that comes along, natural disaster or something else, even businesses sometimes find they do renovations and customers can't get into the parking lot. Whether it's an opportunity , but you have to invest in more people or product , or inventory, you want to be prepared for that so appearing for financing before you need it can help you be positioned to get better financing when you do need it. I want to ask you a question and get a sense of your exposure to business credit. We have a poll up here. How many of you have checked your business credit reports or scores? Some of you may not even be familiar with business credit. That's okay, we will talk about this. I will give you a moment to add your response. Let's go ahead and share the results. You can see that most business owners have not checked their business credit. That is a very typical response that I see and I will tell you why that's important.

 Let's go back to our slides. What I'm going to do here is I'm going to give you four simple things that I want you to do before you go to get financing because these are key questions that are going to impact your ability to get certain types of financing and then we will go into the specific 10 types of financing and then I will give you some credit tips and then we will have questions. That is the outline. The first thing I would encourage you to do if looking for financing is to check your personal credit SCORE . -- Score. It's important and I've listed several types of financing that will definitely check credit and as we go through the presentation you will see some of the credit SCORE requirements and there is no single credit SCORE, no one credit SCORE that every lender will check , but looking at your credit score will give you

 generally where you fall and how that may help or hinder your ability to get different types of financing. The second thing I would encourage you to do is check your business credit. There are some types of financing that will look at the business credit report . I will give you resources for checking this at the end of the presentation. If you want to get trade credit or looking for certain types of SBA loans or even if you are getting a government contract, business credit can play a role in that so you want to know where you stand. And I will throw out that anyone can check your business credit. Unlike personal credit where you have to be approved with the credit bureau, anyone including your competitors and potential business partners can check your credit. We did a survey of business owners across the country and we found that those that understood their business credit work 41% more likely to be approved . We think 41% more likely is a competitive advantage and we want to help you have that advantage as well. The third thing is if you haven't done this already, make sure you separate your business and personal finances. If you don't have a business bank account right now, please consider opening one. You really need to make sure that you have this separate because there are certain types of financing that will want to look at your revenues and if the lender has to try to tease that out of your personal accounts, it is just not going to be feasible or workable for you. In addition, we did a recent survey and we found that 70% of business owners without a business bank account get rejected for a loan.

 We are trying to position you for the best chances for success in separating your business and personal finances is going to be helpful. Another thing you need to know is your revenues. You would be surprised how many business owners are not sure because you are busy running your business and you go from job to job or contract to contract or day today and you don't have a good sense so I would encourage you to make sure you are working with -- if you don't feel confident doing your own accounting you work with an accounting professional that can help you. On an annual basis, monthly basis and average monthly basis. That way you can provide that information . Let's go in to some financing sources and before we do you will see some numbers in the slides and two things I want to share with you. One is you will get a handout available on the SCORE website and we will share how to get that at the end that summarizes everything you are seeing. You don't have to take detailed notes, this is on a guide that SCORE offers for free on the SCORE website. The second thing is the place I'm pulling this information from, credit SCORE requirements, revenue requirements, years in business -- there's over 30 different lenders that Nav works with. We are a marketplace and this isn't the entire universe but it should give you a good idea of what types of requirements these types of lenders are looking for. Let's go to another poll. I want to get a sense of what you may know about the cost of various types of financing. Microloans and bank loans, what do you think -- how can you rank the cost on these various loans? If you don't know, it's okay because we will go over that in just a moment. I think I'm showing the wrong survey. We are ranking the following based on typical cost. I will give you a moment to take a look at those and weigh in. It looks like we have quite a few results in so let's share those results. The correct answer is A. Typically you will find your bank loan is the cheapest. I kind of through you because I shared Dave's example. Typically your bank loan is going to be the least expensive and then it will be followed by a micro loan and then a merchant cash advance is going to be the most expensive. Let's explain those if you are not familiar with them. I'm going to go through the 10 types of financing and this is in alphabetical order so there was no preference. A business credit card, a couple things I find entrepreneurs don't know about business credit cards. The first is you can get a business credit card as soon as you start your business. Even if your business is young, many of these issuers will check your credit but then many of them are going to really be looking at your personal credit and income from all sources. That could be a day job, your spouse's job -- it is available to a wide range of applicants. Checking into a business credit card could be a fast source of funding and the other thing is the average interest rate nationwide on business credit cards right now is about 16%. There are some business credit cards that are offering 0% for 12 to 18 months. That can be tricky if you end up taking on debt that you really -- that doesn't make sense for your business but could be a lower-cost way to borrow when it comes to something that is fast and easy and doesn't require a long application process. What are lenders looking for when the issue business credit cards? They are looking at your credit SCORE so they want to see your range and most of them have a minimum credit SCORE requirement. This is a personal credit SCORE of 672 700. If you know about personal credit scores, 850 is the highest and most models. Most of them don't require you be in business for a long time although we have a couple of major business credit card issuers that require a year and business. The revenue , they don't really like to reveal income requirements but it's pretty taxable. The other thing they want to see typically, they don't want to see that you've had a lot of companies checking your credit SCORE recently. They want to look at your personal credit and see no more than six personal credit inquiries in the last six months. They are trying to avoid -- maybe if you are piling on a lot of debt they don't want to be the last in line and they are trying to see the amount of debt you use is reasonable. We will talk about that more but those are some basic requirements that can help you understand if you qualify for a business credit card. Business and merchant cash advances, these technically don't call it alone. The way they describe it -- a loan. They are purchasing future revenues of your business. They look at your credit card sales, Amazon has a program where they look at your Amazon sales and based on that they will advance you funds or your PayPal or whoever you accept your credit cards through. Merchant cash advance is going to purchase those advanced receivables.

 They are similar but they are looking at the money coming into your business bank account. Remember I mentioned how you want to have a business bank account. They can look at that revenue and decide to advance you based on what they expect you to bring in. And then you pay that back in a relatively short period of time, anywhere from 3 to 12 months is typical. Some of them take out daily payments out of your future revenues. Let's say you hook this up with your credit cards. You get a cash advance based on your credit card sales and what they will do is when your sales come in they will take a percentage each day until that debt is repaid. They don't charge an interest rate. They charge what is called a factor rate so you will find out exactly how much it will cost to pay it back, or you should. Let's say you get $1000 and you have to pay back $1300 in the factor rate is 1.3. That is how they are going to charge it. It doesn't matter if you pay it faster or slower, you still pay the same amount back. The downside of these potential financing sources a -- is they can be very expensive. They can often carry very high interest rates. 150% is not an uncommon equivalent APR for one of these so you really have to understand what you are getting into. They are not terribly interested in your personal credit SCORE. They are more interested in your revenues and they want to see you have the revenues to support something like this. One thing to look at if you are thinking about this type of financing, look at whether they will adjust the amount they take out of your account to pay them back as your revenue fluctuates. This is really important if you have a seasonal business or business that could be interrupted for certain period of time. You don't want to have the payments be so large that it puts your business into a cash crunch. Make sure you understand the payment requirements for those. The third type is crowdfunding . I have an open ended question here for you to think about, we don't really have a way to field that question but I want to ask you to think about you know with the four main types of crowdfunding are? You probably heard the term but you may not realize there are four types of crowdfunding. Feel free to take a guess in your head for a moment and I will give you the answer. Let me go over these. The first is debt. You get money from the crowd. There's a large group of investors, lenders, supporters who are helping to find that. That is how Dave's campaign worked with KIVA. You got small amounts of money from many people. It is that so it has to be repaid. Reward crowdfunding is probably the one you've heard of. This is where someone has a kick starter campaign and they offer a product early and they use -- offer a reward, whether it's a T-shirt or a beta version of the product or Ms. -- use editions will offer an in-home concert . That's a common type of crowdfunding and there is no repayment required. You may or may not fulfill it, that is a risk investors or supporters take. Equity crowdfunding is pretty new. This is the result of the jobs act and this is where you raise money from potential investors and they become investors in your company. There was actually a great score webinar about crowdfunding recently that talked about equity crowdfunding and it is archived and I would highly recommend you watch it if you are thinking about crowdfunding because I found it to be extremely helpful and detailed.

 There are situations where a business -- the business was affected by a hurricane and has a loyal following. Those customers might decide to try to help that business get back on its feet by making donations. It does occur. The range is really large. I put 1.07 million as the top but there is no --

 cap. The timeframe -- it can take a long time. There's a lot of work involved and you don't have to repay it except for that crowdfunding but your investors and backers are looking for whatever you promise them as a reward and the cost is going to be about 8% to 10% plus marketing costs. You do need to be able to market very effectively with crowdfunding. They are not interested in your credit score but I will say I have talked to business owners who use crowdfunding not because they need the money but because they want to test their product or campaign so they use it as a way to gauge interest in what they have to offer. That's another way you may want to think about crowdfunding. Equipment financing can be very valuable to a small business especially one that needs to invest in a lot of equipment to get it up and running. Whether that is manufacturing, a restaurant, salon, dentist. They can lease the equipment and pay for it over time. There are tax advantages and it can keep it off of your business is balance sheets. There is accounting reasons why people go into equipment financing and the other thing is sometimes if you own equipment and paid it off, you may be able to borrow against it. It's a reverse way to use it as collateral for your business and this is helpful

 if you can't pay right away in your business or don't want to for some reason to preserve cash flow or benefits. The credit score requirements are pretty lenient because they do have collateral although you must keep in mind

 they never want to reprocess collateral. The bank does not want to figure out where to store your dump truck. That is not what they are interested in. They are definitely going to check and do their due diligence and they want to make sure it's a responsible loan on their part so they don't have to end up taking back whatever it is you used to secure that financing.

 This is really popular for businesses that may provide services and get paid later. A great example is government contracts. You can land a big contract and you have to staff up or invest in certain equipment but you are not going to get paid right away or upfront in many cases . The same if you are doing business with a very large company. I used to do consulting worth with financial institutions and sometimes it would take 5 to 6 months this

 -- for my invoices to get paid. They will advance to the funds on that invoice and give you a portion upfront and the rest when the invoice is paid, minus their fee. Sometimes they use the invoice more as an indicator of the revenue coming in and it's more like a line of credit. It is less true financing but it is marketed in a number of ways. You may have to do digging to understand the arrangement. It can be available on a recourse or nonrecourse basis. So a nonrecourse basis means if your client doesn't pay, they are not going to come back to you to pay, they will pursue that client who owes you the money on that invoice. This is not an option for debt collection. If you have a client that is not paying and you can't collect, you need to talk to an attorney or consider small claims court. They are not looking to become your debt collector. They are looking for invoices that are going to be paid in a prompt manner even if it takes a little while. Credit score requirements are pretty flexible. Some don't care about your credit at all. There interested in the credit of the company that owes you money. They want to look at the business credit of the company that owes the invoice rather than the person collecting it because that's not really a factor. It depends on which way they are going to look at it and the revenue requirements can be fairly flexible. All of these I'm showing you here are annual revenues. It means some companies that offer this type of financing are going to look for $25,000 in annual revenue and some will look at $180,000 in revenue. They preferred to do it on a ongoing basis but sometimes you can do a one off. Line of credit is such a broad term. What a line of credit is , it's a certain amount of money that you can borrow against as you need it. You borrow up to whatever you need, you pay back and then you continue -- just like a credit card but there is no piece of plastic and they might even offer plastic with it but it's really just a line of credit available. It can come from your local bank, local credit union, immunity bank and also from online lenders. There's a wide range of lenders that offer lines of credit and the payment will vary. Some of the online vendors will look for weekly repayments. Traditional bank loans will look for a monthly repayment. It is usually short-term financing. You are usually looking at 12 to 24 months. It is not for something you need 10 years of financing or --. The requirements vary dramatically. Typically the lower your credit score, the smaller amount of money you are going to get. They will be more risk concerned unless it's the type of financing that doesn't involve a credit check. The stronger your credit, the more options and money that may be available to your small business. Microloans, I gave you the example earlier . KIVA is not the only place. These are small loans and they are usually $50,000 or less and they are available through a wide variety of sources across the country. There are a lot of community development financial institutions. These organizations that are tasked with trying to maybe spur economic development, serve underserved borrowers and they are trying to help borrowers that traditionally can't qualify for financing and need some financing to get off the ground. These are smaller loans that come through a variety of sources. One place you can check for a micro loan is with your SCORE mentor. They might be familiar with ones in your community. In addition the opportunity finance network has a locator on their site and you can look at that as well and see what maybe available if you are looking. . They are often flexible with credit requirements. IR -- and giving your general credit scores. If you have had credit scores in the past problems in the past and you have an explanation and you can show why you are still a good risk when it comes to starting your business, they may be willing to overlook it. I've seen borrowers get a micro loan after bankruptcy if it's been discharged and may be due to medical bills, divorce or extenuating circumstances.

 They also often come with technical assistance which means they will help you be successful. Whether it is mentoring, networking or other resources.

 SBA loans, these are a big category because there are a variety of SBA loans. The small business administration does not make loans. What it does is it guarantees loans. And helps lenders across the country make these loans with the guarantee in place that if the borrower defaults they would get at least a good portion of their money back . And SBA lender never wants their borrower to default. It's not a great experience but it can come back to them if they have too many default. They could no longer be qualified to offer SBA loans. I want you to understand that every lender is different. SBA sets basic requirements but if you go to get an SBA loan from one bank in the can help you, that doesn't mean you can't get it from another lender. There's a variety of different lenders . There's a particular credit score that comes into play with the SBA loans which I will talk on -- touch on. There's a minimum of a small business score of 140 and most are looking for 160. That is for certain types of SBA loans. The personal side, if they check your personal credit they are looking for a minimum of 640 to 680 and there is no -- except for certain lines there are no specific time in business requirements from the SBA but your individual lender could have its own time and business requirements. They could decide that you need to have 12 or 24 months in business before they will extend the loan. Term loans, these are similar to a line of credit except you get a fixed amount of money for a fixed period of time.

 I won't say that $1 million is the absolute maximum. You can establish business that works with the local bank and get a $5 million loan but these are typically a fixed amount with a fixed repayment period and a fixed monthly payment which makes them very predictable. That is one reason borrowers may want them. If you are going to get a term loan you want to determine how much you need to borrow and not borrow more than you need because you will pay interest on the entire loan until it's repaid. You don't want to pay interest if you don't need to. The credit score requirements are all over. We work at a bank that looks for a 775 personal which is pretty high and we have online term loan lenders that will go as low as 550 which is on the low-end for personal credit scores. There's a wide range of requirements that these lenders are looking for. The longer the loan term, the more in-depth they will look at your business and evaluate whether it looks like it's something that will be prepaid -- repaid. Vendor terms, this is one of the most -- it is like a best-kept secret. It can be extremely helpful. I will give you a quick example. Nav was funded by

 Levi King and his first business was a sign manufacturing business in Idaho. He would get these jobs where he would have to build a sign, manufacture the sign, by the steel and plastic, set up the sign and then he could invoices client for the remainder and wait for payment. He was very [ Indiscernible ] and raised in a family where you don't use credit so he would find himself sometimes scrambling to try to pay his employees to make -- meet payroll could because he would wait on invoices to be paid and have all this money invested in employees and the materials. He said when he learned about this, vendor terms, it really helped improve his cash flow. How this works is you have something that you need in your business, some sort of supplies you use in your business. The company that sells you go supplies allows you to get them on terms. Net 30 means you owe in 30 days, net 60 is 60 days etc. You can pay it back later , produce what you need to produce, invoice for it and hopefully get paid and pay out of cash flow. This can and does significantly improve your cash flow -- significantly improve your cash flow. Very often they don't check personal credit. If they do they are looking for red flags and some of them check business credit wars -- scores. I'm going to speed up here but I want to make sure we have time for questions. Here are types of financing. If you are a startup these may be available to you. These are for one's that we talked about and ones that are pretty flexible as far as a young business. Here are some credit score options -- low credit score options. If your personal credit is a great and you are struggling to get financing, these are ones that will be more flexible when they look at your credit score. Let me jump into a few credit tips. I mentioned business credit reports earlier. There are three credit reporting agencies that compile business credit reports. Dun & Bradstreet, Experian and [ Indiscernible ]. What's a good business credit score? Anyone have any ideas? Usually when I asked the question people say 680, 750 because they are thinking of personal credit scores but this mess operate -- business credit scores operate on a different wavelength. It's very different for business credit. The other thing we have noticed is very often it's not unusual to have very different business credit scores. Not all companies reports wall business credit agencies and so you want to make sure you are checking to understand what is in your business credit. I mentioned earlier the fight go -- FICO . This checks the personal credit of the owner from one of the consumer credit reporting agencies and it checks your business credit and combines those to make the credit score. I mentioned earlier for SBA loans if you are borrowing $350,000 or less you need of 340 and most are looking for 160. Having strong business and personal credit scores will make it easier to get a stronger FICO SBSS score. I would encourage you if you are not doing this right now, make sure you are monitoring your credit with all three credit reporting agencies. They do not share information with each other. If there is fraud and one lender catches one of those, you want to catch it as quickly as possible. Checking just one is not ideal. You can get a copy of your credit reports each year from the federally mandated free credit report website, annualcreditreport.com . There is also VantageScore as a competitor to FICO . What is a good consumer score? My ultimate answer is the one that gets you what you want. As long as you get approved for what you are hoping for and at the interest rate you are hoping for, it's a good credit score but the range is typically if you are in the high 600s or low 700s or 800's for the FICO you will be fine and it will be easy to qualify. We have a few more minutes before questions so I will try to get through these credit tips for you. These are the main credit scores -- score factors. That is the second most important after payment history. Paying your bills on time is first, that usage is second . I want to point out that usage in particular because this is the one that tripped up Dave. He used his personal credit cards and maxed them out. He play them on time but his high debt usage brought down his credit scores and that made it more difficult for him to get other types of financing. Let's go to our last survey here. What do you think is high debt usage? There's a lot of information floating around so I would like to see what people are guessing.

 Looks like all of you are guessing 70%. That is definitely high debt usage. No question about it. 30% could be high for some . What I recommend is if you check your credit and you see this comes up as a factor in your credit scores, you want to try to get a little bit lower. Generally if you stay below 20% to 25% you will be fine but this is a factor that can fluctuate your credit scores very quickly. It can cause your credit scores to change by 40 points in a month and I have seen those scenarios where somebody maxed out a credit card and suddenly there credit score really dropped. Here are things you could do. Paydown balances, pay faster, raise your credit limits or refinance. In particular one thing you may want to think about that would've helped Dave and have's

 -- and his situation is use a business credit card that doesn't show up on your personal credit. Here is a link that lists all major policies. Most not -- do not report to your personal credit unless you don't pay the bill back. You can keep the activity of your business off your personal credit and that may help your credit scores. We mentioned inquiries and in this context, just keep in mind when you shop for financing you want to shop in a short period of time. Inquiries only stay on your report for two years and impact for one year but you want to make sure you're careful about shopping for the financing you really want and avoid inquiries for things that you are not likely to qualify for. Let me give you some resources before we go into the Q&A. The first is all the slides you saw with details are available in our free E guide and it's on the website in the library. You will see this and download it and it will give you questions to prepare for as well as information on the types of financing available. In addition if you want to check and monitor your business credit scores for free, Nav provides a completely free account and you can monitor on a monthly basis and there's no charge for that service. My only request is if you decide to check it out, go to Nav.com/score so that we know you are working with your score -- SCORE mentor and participated in this webinar. One of the most important things I can emphasize is to understand the cost of any financing you are getting into. There was a story on Forbes about a hair salon that went to get financing. She got a term sheet that said 15% stated rate. When that financing was run through a calculator the equivalent APR, and that is what we use to shop for personal credit cards, home loans, auto loans . It is not required on business financing. There is no such requirement so they can use different terms. They used stated rate instead of APR. The equivalent rate was over 4000%. That's expensive. We have free calculators. You don't need an account to access the calculators. Just click on resources and run financing options through this and help you compare and understand what you're getting into and if you are not sure whether that financing is right for you or maybe you are not sure how much you need, your SCORE mentor can run some numbers and give feedback and help you understand whether this financing is going to help your business grow or whether it's going to be risky -- to risky and perhaps drop you in a cycle of debt. That's what I wanted to cover. It's a lot of information in a short period of time . I'm throwing up my contact information so I can answer your questions by email or Twitter .

Thank you so much. We will go ahead and start the Q&A portion of our webinar . While we do our best to address as many questions as possible, we typically have more questions asked them the time allows us to answer. So if we do not get a chance to address your question today I would like to encourage you to connect with ace -- a SCORE mentor . Let's go ahead and jump into these questions. Our first question comes from us -- to us from [ name unknown ]. She is just starting out and does she have a business credit?

Great question. Does a couple of ways to check this. Dun & Bradstreet let's do a search to see if there -- you are in their system and so does Experian. You can set up a free Nav account and if you don't come up you are not in the system. If you are not, we provided 12 called business launcher that will help you -- if you have incorporated your business, you filed with the state and have a legal business structure, there's a good chance the credit bureaus have at least picked up that information from the courthouse filing and they have you in the system but then you will need some companies who will report to business credit's . We would be happy to provide you with references for that as well.

We have had several questions come in regarding how to check their business score. Is that the preferable way or are there other ways?

Yes, you can check again --

 they will all sell you a business credit report. You can always purchase a business credit report. Currently Nav is only -- the only one that aggregates a free report. You can always purchase a business credit report on your own business or in another business if you want to see how another business is doing. Maybe you have a potential partner and you want to check them out. >> The student loan debt -- affect your credit score?

It's interesting. It typically will not affect your credit score unless you don't pay on time. Even if you are in a repayment plan -- income-based repayment where you are adjusted on annual income. As long as the payments are in time, you are okay. It's when you are telling when I payments is where it affects it. If you have a lot of student loan debt and you are making your payments on time, that should not be a detriment to your credit score.

When does your business credit start getting monitored?

Typically your business credit initially starts with the courthouse filing. Some public record information or when you establish an account with a company that reports to the business credit. A good example is business credit cards. Most of them don't report to personal credit but they do report to -- business credit. That information would go to the commercial credit bureaus and I have a list of those. It will list which credit reports they report to. That would start a payment history and that would start the file. It can happen in one of two ways but ultimately you will need positive credit references that are paid on time in order to have strong business credit. >>

 Chris would like to know what is the best way to build business credit?

We mentioned checking and you can monitor on a monthly basis. Let me give you another short tip. There's an article on our blog . That lists companies that are super easy to establish business accounts with.

 They are all companies that offer catalogs with tons of stuff that businesses use. You could buy your coffee for your office, shipping boxes, copy paper -- whatever it is. Those companies don't check your personal credit and they report to business credit so you will start with net 30 terms. That means you have to pay the invoice in 30 days. If you pay it quickly, you buy something you need, pay it quickly -- you will start to establish a payment history that will help your business going forward. That is one of the first steps to building your business credit as long as you have a legitimate business on the radar. I will add you can start your business credit as a sole proprietor but I would encourage you to think about a legal structure because until you have a separate legal structure you and your business are one. It's hard to get true business financing separate from your personal financing a tell you have that business structure. >> Pamela asks what type of collateral is usually required , if any and does her business bank account need a lot of money to get a loan?

Great questions. Let's talk about the bank account first. The one thing I do encourage you to do is if at all possible -- and I know that's not always possible -- if you can park $500 or $1000 and pretend it's not there, that's great because many of these financing sources are going to look at your bait statement and your average daily revenue. They might look at days of low balances. How many days in a month did you do that? They will look at nonsufficient funds. If you bounce payments or checks on the account they will look at that. If you are able to park a little money in that bank account, that's terrific. When it comes to the overall revenues they will look at things like is all of your income coming from one client? If it's a government client that's probably fine because the government is going to pay but if you have a commercial cleaning business and you clean for one client, that would be risky so they want to see a diversity of different sources of revenue coming into your business. These are all things that can help your business look more financially stable . I forgot the first part of the question.

The first part is what are some of the types of collateral?

Certainly some lenders are going to want to look at collateral like inventory, equipment, real estate . Some lenders if you go for an SBA loan, they may want you to pledge your home equity if you default . It could go beyond the collateral of your business. The other thing I want you to know is if you go for a merchant cash advance where they are purchasing advanced receivables, they want to make sure if you don't pay, that they have first dibs on the money. They file something called a you CC filing. -- UCC Filing. They will blanket all assets including the bank account so that filing is important to understand because you may see it pop up on your business credit report. What we find is some lenders are hesitant when a borrower has more than more than two or three UCC filings because that puts him towards the bottom of the list. Be aware and look at the fine print to understand or even ask the lender so that you are aware that is going on your credit. Once it is paid it should indicate it has been satisfied on your credit report so future lenders know that is taking care of and we don't have to worry about it. >> She is a full-time job and a full-time business, she says she is self financed and keeping her job . She wants to quit her job so if she does, will this affect her ability to get alone?

Possibly depending on the revenue of the business. It might not be a bad idea to line up some sort of financing now while you have the ability to report that income. I would certainly suggest considering getting a business credit card because that can look at income from all sources and you can have that available even if you are not charging on it. If you just use it once a month to pay for the cable bill or cell phone bill for the business. I would certainly do that before you quit your job. I would also encourage you to look at lining up some financing before you quit just so you have that cushion available to you in the event your business needs it. >> And would like to know -- Ann would like to know if there are options for veterans? To one place I would look --

Any business for a veteran or business own is through micro lenders. Some of those may go above 50,000. I put that is a general range but there are CDFI funds that go up to $250,000 or more and the Opportunity Finance Network has a list of CDFI funding and looking more broadly to see what else is available there maybe funding available to your business through the 10 sources we talked about today that is not relying on the fact that you are a veteran owned business but you want to cast your net as wide as possible to get the best financing possible. >> If consolidating [ Indiscernible ].

Consolidating your personal debts into one payment could benefit your personal credit score which in turn could benefit or help you as you apply for financing that checks personal credit. If you have a bunch of credit cards with high balances and you consolidate with a personal loan , those personal loans are typically reported as installment loans. Credit cards are revolving. They don't look at that debt usage ratio I talked about earlier. Remember I talked about high debt usage, consolidating can often be beneficial to your credit score and in turn spill over to those options we talked about that check personal credit. >> Sharon would like to know if buying a business what is more relevant? Personal credit score or the credit score of the business that you are buying?

What a great question. First of all it depends on what type of financing you end up getting whether they are going to require your personal credit, but checking the business credit of the business you are going to buy is such a smart strategy. Thinks can show up that the seller may not have fully disclosed or may not even realize is impacting their business credit. You could find out -- we've had business owners that have discovered bankruptcies or tax liens or judgments sometimes from prior business partners or other things they did or it may be wrong information popping up. I would really encourage you if you are thinking about that to check it. Having said that , any lender looking at this loan option is going to make sure you can be successful in this business as well so strong business credit will be helpful but they are going to want to ask those other questions we talked about. They may want to look at the overall picture to make sure that business can afford to pay back that loan when you take it over.

 We have time for one last question in this one comes to us from Mike. Are there any unique conditions in regards to nonprofits applying for financing ?

Yes, nonprofit financing is one of the tougher types of financing. Having said that, a nonprofit doesn't mean you don't make money. Nonprofits may have greater revenues and expenses and you can have nonprofits that are successful but we do find that sometimes nonprofits, especially young ones, have challenges of getting financing and so that brings up a larger issue that there are certain types of businesses that have more challenges getting financing and so very often things like business credit cards and upping their best option because that's what's available at that time. As your business grows and your nonprofit grows and as you can demonstrate revenues and strong credit history you can build credit and you can look at a wider range of financing options.

 Those are all the questions we have time for today. I want to thank you all so much for submitting such great questions. If we did not have a chance to address your question during the segment, I would like to encourage you to connect with a score mentor. They can be found online or in a local chapter near you and help you -- they can help you apply the strategies shared with us today . You can click directly on the slide being displayed to get to further information about accessing a score mentor -- SCORE mentor. As reminder, a link to the recording of the session and the presentation slide deck is going to be sent to all participants in a postevent email . We will send that out in just a little bit. Later on today be on the lookout for that. On behalf of SCORE and Nav I would like to thank you for attending this webinar session and I would like to give a very big thank you to Gerri Detweiler for presenting with us today.

Thank you. My pleasure.

We hope you can join us next Thursday, August 30, for the next score live webinar -- SCORE live webinar. Leveraging LinkedIn . You can click here to register or you can go to score.org. We hope you have a great rest of your day and take care. [ Event Concluded ]