



Managing Credit *Made Simpler*

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Small Businesses

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Credit cards can be an important source of funding for small businesses. Small-business credit cards can provide much-needed cash flow to help build your business, and many business cards offer special record-keeping resources and valuable rewards programs that can stretch your dollars further. But credit cards can also make it easy to build up big balances — and their corresponding interest charges — which can make it more difficult for your business to be profitable.

We're here to help. BBB's **Managing Credit - *Made Simpler*** provides a clear set of guidelines that will help you make wise decisions on small-business credit cards and identify strategies to help you take charge of your business's financial situation.



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I. Choosing the Right Kind of Card for Your Business

Many credit-card companies offer special benefits that can help you with your business, including rewards tied to office supply stores or business travel, rebates that can help with your business cash flow, and special programs that make it easier to keep track of expenses for your records and taxes. But it's important to pick your card carefully to match your business needs. If you carry a balance every month, then you'll want to focus primarily on the interest rate. Otherwise, the interest charges may actually cost you more than the rewards are saving you. If you usually pay your balance in full, however, then the rewards and rebates can be most important — but make sure you're earning enough in rewards to make any annual fee worthwhile. Another option is to have more than one card to accomplish multiple goals — one card with a lower rate for larger purchases that you may not always pay off every month, and another that you generally pay in full, which offers valuable rewards programs but may charge a higher interest rate.

Understanding credit card features, benefits and tradeoffs will help you choose the right type of card for your small business. Outlined below are some of the most common features and benefits, and things to consider before choosing each type of card.

- ❑ **Expense tracking.** Most business cards provide expense reports that are divided into categories and make it easy to track your spending and report expenses for your taxes. You may be able to import the information into your accounting and tax software.
- ❑ **Higher limits.** A business credit card may offer higher spending limits than a personal card, which can help with monthly cash flow. It is also important to separate your business from your personal expenses to simplify reporting.
- ❑ **Cards for employees.** Many business cards let you offer multiple employee cards on your account with pre-set spending limits, which helps build business credibility and simplifies expense tracking and travel reimbursement.
- ❑ **Helps build your business credit record.** A good history managing a business credit card can help you build your business credit record and improve your profile when applying for business loans and lines of credit.
- ❑ **Added protection.** A business credit card may also provide travel insurance and auto rental insurance for you and your employees.
- ❑ **Special perks.** The business card may offer airport lounge memberships, concierge services, and other special benefits.
- ❑ **Extra benefits.** Most business cards offer rewards programs, cash rebates, airline miles, or discounts on travel and office supplies (see next page).



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CREDIT CARD FEATURE	KEY BENEFIT	THINGS TO CONSIDER BEFORE CHOOSING THIS TYPE OF CARD
Reward Card	Can accumulate points or miles — which can be redeemed for merchandise or airline tickets — based on the total dollar value of the transactions on that card. Small business cards often offer rewards that are targeted specifically at small businesses, such as office supplies or business travel.	<ul style="list-style-type: none"> <input type="checkbox"/> May have an annual fee. Inquire. <input type="checkbox"/> APR might be higher than other types of cards. Inquire. <ul style="list-style-type: none"> - If you plan to carry a balance, you'll pay interest. - If you plan to pay off your balance higher APR may not be a concern to you relative to the potential rewards.
Co-branded or Affinity Card	Offer two types of benefits: <ul style="list-style-type: none"> <input type="checkbox"/> <i>Customer-focused benefits</i> Offers special rewards to card holders, which can be redeemed with the partnering organization. Rewards are based on accumulated points from dollar transactions. <input type="checkbox"/> <i>Partner organization-focused benefits</i> Offers cash to the partnering organization — generally a non profit — based on a percentage of your total annual transactions. 	<ul style="list-style-type: none"> <input type="checkbox"/> May have an annual fee. Inquire. <input type="checkbox"/> APR might be higher than other types of cards. Inquire. <ul style="list-style-type: none"> - If you plan to carry a balance, you'll pay interest. - If you plan to pay off your balance higher APR may not be a concern to you relative to the potential rewards.
Cash Back / Rebate Card	Offers cash-back rewards based on the total accumulated dollar transactions on that card.	<ul style="list-style-type: none"> <input type="checkbox"/> May have an annual fee. Inquire. <input type="checkbox"/> APR might be higher than other types of cards. Inquire. <input type="checkbox"/> Cash back offers can help offset your APR (if you carry a balance) and other fees that may be associated with the use of that credit card.
Introductory or "teaser rate" APR Card	Offers a very low APR for a defined period of time when the card is first issued. APR then increases at the predetermined time.	Read the card issuer's terms carefully to know exactly how long your introductory APR will last and what it will increase to when the introductory period expires. Mark the end date for the teaser rate on your calendar and be mindful of your balances after that date.



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APR – Explained

APR works in lock-step with the transactions you make on the credit card...if you don't pay off your balance each month.

If you don't pay your balance in full every month, and carry some of that balance forward to the next month, you will be charged interest on the unpaid balance. The amount of money you pay in interest is directly tied to your APR.

- You'll pay *less money in interest* if you have a lower APR and keep a *low outstanding balance*.
- You'll pay *more money in interest* if you have a higher APR and carry a *high outstanding balance*.

APR can be 'variable' (subject to change on a monthly or quarterly basis) or 'non-variable' (may change with prior notice from the issuing bank; issuers can increase rates on future transactions with 45 days notice). Be sure to understand if the issuing bank is offering you a variable or non-variable APR, as it will directly affect your interest payments each month.

A card offering an introductory "teaser" rate can be an attractive option...*as long as you fully understand what the higher APR will become and when it will activate.*

The APR can also be different on different transactions. For example, the APR will generally be higher on a cash advance than on a regular purchase.



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II. Putting Your Best Foot Forward When Applying for Credit for Your Business

It's important to separate your business and your personal credit cards as your business starts to grow. Keeping your business cards separate helps with record-keeping — many card companies provide special spending reports that can tie in with your business book-keeping software and make it easier to keep track of your business expenses at tax time. But your personal credit history might still play a role in qualifying your business for credit.

Keep an Eye on Your Credit Report

Potential lenders generally review your personal as well as your business credit record when deciding whether or not to grant credit to your small business — especially when your business is young.

Your credit score is a key ingredient that determines if your business will qualify for credit, and at what interest rates. Many lenders — and others — use your credit score to help determine whether or not to give you a line of credit for your business. The higher the score, the lower the risk...and the lower the interest rate you'll usually be offered.



BBB ALERT

BBB urges caution about any company that advertises a “free” credit report.

Generally, these offers aren't truly 'free,' because you need to sign up and pay for other services in order to get your 'free' credit report.

How Your Score Is Calculated

There are several types of credit scores, but most lenders use the FICO score, which ranges from 300 to 850, and is calculated by a credit reporting agency (such as Equifax, Experian or TransUnion).

Your FICO score measures five key criteria and can vary slightly, based on which credit reporting agency issues the score. The information that shapes these criteria comes from your credit report, and includes:

- Length of credit history
- Types of credit lines
- Payment history on those credit lines
- Amounts owed on those credit lines
- New credit lines — how many and over what period of time

BBB Tips

Credit Reports

Check your credit report for errors or potential fraud once each year. You can order a free copy of your credit report from each of the three credit reporting agencies once every 12 months by visiting www.annual-creditreport.com. This site is run jointly by the three credit reporting agencies (Equifax, Experian, and TransUnion).

It's a good idea to stagger your requests for a copy of your credit report, requesting it from one bureau every four months. This will help you monitor your credit over the course of a year and detect potential fraud early.



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Additional Suggestions

- ❑ **Review your credit report annually, and fix any errors you find.**
 - ✓ Get a free copy of your credit report at www.annualcreditreport.com
 - ✓ If you find any mistakes, you must contact each of the three credit reporting agencies
 - www.equifax.com
 - www.experian.com
 - www.transunion.com
- ❑ **Pay your bills on time.**
 - ✓ More than one-third of your credit score is based on your payment history. The later you are, the more points you lose. If you've missed payments, get current...and stay current.
- ❑ **Keep your credit card balances low.**
 - ✓ Another one-third of your credit score is based on your "credit utilization ratio," which is the percentage of your credit limit that you've actually used. If you're close to the limit, it's a flag to potential lenders that you're maxing out your cards.
 - ✓ It's a good idea to keep your purchases to **less than 25% of your credit limit at any time**, even if you pay off your bill in full every month.
- ❑ **Limit the number of credit cards and/or lines of credit you open.**
 - ✓ The length of your credit history accounts for 15% of your credit score. Opening a handful of new cards/lines of credit within a short period of time can hurt your score, because it lowers the average age of your accounts. Lenders worry that you plan to borrow money you may not be able to repay.
 - ✓ It's usually a good idea to keep open old cards with a long credit history, which also helps your credit score, because they contribute to your "credit utilization ratio."
 - ✓ If you determine you want to close old cards, close them one at a time over a period of time. But, choose carefully, because the oldest may be important to a better credit score.
- ❑ **Promptly pay any traffic or parking tickets or library fines.**
 - ✓ If the bill ends up going to a collection agency, your credit score could drop by as much as 100 points. Pay these bills on time, and keep records of the payment.

BBB Tip

Automatic Electronic Payments

Consider activating an automatic electronic payment schedule with your bank, so you'll never be late for a payment.

NOTE - Some lenders have recently increased their minimum payment requirement from 2% to 5% of the outstanding balance to 5%. If you're only paying the minimum balance due, make sure your lender has not increased its minimum payment requirement.

It's a good idea to have the automatic payment pay much more than the minimum. You'll owe less in interest and can pay down your balance much faster.



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Building Your Business Credit Record

As your business starts to grow, it's important to build a credit record for your business that is separate from your personal credit record. Getting credit in your business' name can help you qualify for lower rates on loans and leases, and can help protect your personal credit record — which could suffer if you have too much business debt. It's never too early to start to establish a separate credit record for your business, even if your business is still in the very early stages. The following steps can help:

❑ **Establish a consistent identity.**

Always use the same business name, address and phone number from the beginning, so it will be easy for the credit-reporting agencies to keep your records in one file. Consider incorporating to legally establish a business identity that is separate from your personal identity.

❑ **Open your first accounts.** Get a separate checking account for your business. Also open an account with an office-supply firm or other supplier that reports the transactions to business credit-reporting agencies. Make small charges and pay them immediately — before the invoice even arrives (unlike personal credit scores, you'll get extra credit for paying before the due date).

❑ **Provide key documentation.** Lenders will generally ask for your business's tax records and earnings statements for the past few years so they can see how much you have earned in the past. And they may also ask for a business plan so they can assess your potential for future earnings. They are often interested in looking at your cash flow in relation to expenses and your total debt in relation to your earnings. Provide all

of this documentation along with explanations to present the strongest case, especially if you have irregular earnings throughout the year, to prove to lenders that you expect to earn enough money to pay your bills in the future.

❑ **Apply for a DUNS number** from Dun & Bradstreet, one of the major business credit-reporting agencies (go to www.dnb.com). It usually takes 30 days to establish a DUNS number, or you can pay extra for an expedited account. Then make sure that the companies where you have trade accounts are reporting the information about your on-time payments to Dun & Bradstreet. It's also a good idea to provide extra information about your business for your credit file. This is where potential lenders and others will find out about your business and the likelihood that you'll make on-time payments for your loans, equipment leases and office leases, which will affect the terms and rates. After you have a DUNS number, open a few more trade accounts with other companies that send information to the credit-reporting agencies, make small charges, and pay those bills early, too. Check your account for errors and to make sure you're getting credit for your early payments.

❑ **Check your business' credit score.** Similar to a credit score for individuals, a PAYDEX score distills the information in your Dun & Bradstreet credit report into one number, which shows potential lenders the likelihood that you'll make your payments on time. These scores range from a low of 0 to a high of 100. A score of 80 to 100 generally means that you pay your bills before the due date; 50 to 79 means a medium risk of late payment (averages 30 days or less beyond the loan's terms); and a score of 0 to 49 means a high risk of late payment

(averages 30 to 120 days beyond the terms). Lenders can also get a comprehensive D&B report, which shows your PAYDEX score trends over the past few months and information about the size of credit extended and the percentage of time that your business paid within the loan's terms. Experian, which is one of the main credit bureaus for personal information, also maintains business credit reports. Go to www.experian.com to check your business record and your score. Experian's business reports also show your payment trends, highest credit amount extended, number of tradelines reported, and your credit ranking score.

❑ **Expand your credit profile.** A business line of credit can help with key cash flow needs in an emergency, and can provide overdraft protection to your business checking account. You may not be able to qualify for a business line of credit immediately, but you can take several steps to work your way up to it. After you've started to build a solid business credit report and score, then you can apply for a business credit card on your business's own record (rather than your personal record). The bank may gradually boost your credit limits after you start to show that you have good experience paying back your loans. You can also build your credit record by applying for a small business loan from a bank (you may have the best luck at the bank where you have your business checking account), which will help your credit record if you pay the loan in full several weeks before it is due. Showing a good payment experience with these small loans, while building a strong credit history with your trade accounts, can help you qualify for a business line of credit.



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III. Two Strategies to Pay Off Balances Faster

Your small-business credit card can be a valuable tool to help earn rewards for your business, make record-keeping easier, and help your business grow. But you need to use this tool carefully so you do not end up building up big balances that could cost your business a lot of money in interest charges. The following strategies can reduce your interest payments and help you pay off your balances faster:

1. Make the highest possible payment you can each month. The faster you pay off your balance, the less you'll pay in interest charges. Increasing your monthly payments by even a few hundred dollars can help you pay off your balances much faster (*see the case study on the next page*).

2. Find a lender that will give you a lower APR.

- ✓ A lower APR translates into lower interest charges as a percentage of your outstanding balance, so more money from each payment will go towards paying off your balances and less towards interest charges.
- ✓ Switching to a card with a low “teaser” rate can provide you with a very low rate for a few months, which can help you pay off a big balance and spend much less in interest charges. But you need to be very careful — the rate may jump a lot after the introductory period is over. Try to pay off as much of the balance as possible before the introductory period is over, and mark your calendar to remind yourself of when the rate is scheduled to change.

BBB Tip

Teaser Rates

Watch the calendar carefully, and pay as much of the balance as possible in the first few months.

Most “teaser rates” last only six months, and then the interest rate will jump after the introductory offer expires.



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Case Study

How to Pay Less in Interest

Situation — You have a \$5,000 credit card balance and your lender requires a minimum monthly payment of 4% of your balance. This translates to a \$200 minimum payment in the first month.

Problem — If your card charges 18% interest and you make only the minimum monthly payments, it will take you 11+ years to pay off the balance. By that time, you will have paid the card company more than \$2,800 in interest...even if you never make any new charges on the card...making that \$5,000 balances actually cost you \$8,000.

Solution 1 — Pay more than the minimum each month and pay off your balance faster. Even if you can't pay a huge chunk of the bill, you can still accelerate the payoff process, which will minimize your out-of-pocket costs from interest charges.

Solution 2 — Transfer your outstanding balance to a card company that will offer you a lower interest rate, and boost your monthly payment a bit. If you switch to a card that gives you a 6% interest rate and increase your monthly payments to \$500 each month, you'll pay off your balance in 11 months and pay only \$142 in interest - that's a whole lot less than the \$3,000 interest out-of-pocket described above!

As soon as you stop paying those high interest rates, you'll free up a lot of money to cover your other expenses!



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IV. Three Ways to Find More Cash

Any extra cash can make a big difference in managing a small business. Cutting back on spending definitely helps...and here are three additional ways you may be able to free up more cash, without making big sacrifices.

1. Increase your insurance deductibles.

- ✓ Raising your auto insurance deductible from \$250 to \$1,000 can lower your premiums by 15% or more. And with a higher deductible, you'll be less likely to submit small claims that could cost you a "good driver" discount.
- ✓ Raising your homeowners and/or business insurance deductible/s from \$250 to \$1,000 can lower your premiums by as much as 25%...as well as discourage you from filing small claims that could result in getting dropped by your insurer.

2. Consider refinancing your home or business mortgage.

- ✓ Remember, however, that closing costs are generally about 2% of the outstanding balance, so you'll need to assess if you plan to live in your house long enough for the monthly mortgage savings to cover – and exceed – the closing costs you'll pay.

3. Review your business service plans — cell phones, Internet plans, equipment leasing plans, and other business services. Review your plans every few months.

- ✓ Are you paying for more service than you actually use?
- ✓ Have you taken advantage of all the available special deals you might qualify for? Providers are regularly offering new perks to try and keep their existing customers.



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What to Do with Extra Cash

If you find yourself with any extra money, here's how to make the most of the cash

1. Pay down your balance with the highest interest rate.

When you reduce or eliminate that outstanding balance, you'll have more cash to allocate to your business's regular expenses and its long-term goals.

2. Build a business emergency fund.

Build a cushion of three to six months of business expenses in a money market or savings account. This fund can help you weather a business downturn without having to tap your personal savings or land in big debt. The emergency fund can also help you pay your expenses for a while if your business has irregular income for part of the year.

3. Lower your tax bill and save for the future.

Make the most of tax-advantaged retirement savings plans for small businesses, such as a simplified employee pension or a solo 401(k). Money you contribute to these accounts lowers your taxable income and grows tax-deferred for the future, helping you cut your tax bill now and accumulate a nest egg for the future.

BBB Tip

The Importance of an Business Emergency Fund

Many people slipped into a financial crisis or had to pay a substantial tax penalty to tap into retirement savings early because they weren't prepared for unexpected business expenses or the longer-term hit to businesses caused by the recession — especially as your customers may have struggled to pay you on time because of their own financial difficulties.

A business emergency fund is a critical asset to have so you will have easy access to extra cash to effectively manage the unexpected.

The general rule of thumb for an emergency fund is to stockpile three to six months of cash in a money market fund or online savings account. These accounts may not earn much interest for you, but you can access the funds without penalty for early withdrawal at any time.

Keep the money separate from your regular business and personal checking accounts so you don't raid it for everyday expenses.



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V. Need More Help? Good Ways to Get Help Now.

If you still think you need more help or feel like you might have trouble qualifying for credit ask for help now. As a small business owner, it's important to do a good job of managing both your personal and your business expenses and debt; otherwise, you could end up having to pay higher interest rates or losing your credit lines. Many people have found themselves in this situation...for a wide variety of reasons. What matters now is how to get on the road to recovery.

Signs You Need Extra Help

- ❑ You cannot make the minimum payments on all your personal and business credit cards and other bills, or are making late payments.
- ❑ You're using your credit cards to pay other bills, such as utilities.

Strategy 1 - Call Your Lenders Directly

Lenders want to work with their customers. If you're having trouble making your payments, they probably know this and may have already tried to reach out to you to start a conversation about how to work together in a way that works for both the bank and for you.

Here are some ways to start this kind of conversation.

- ❑ **Call your issuing bank's customer service line.** Tell them why you're calling, that you want to take responsibility for your finances, but you cannot do it under the current terms. Ask to speak to someone who can explore some options with you.
- ❑ **Focus on what you can do** when you begin a detailed conversation with the right kind of banking representative. When you've initiated the contact, they already know you're having trouble with the current plan and terms. At this point in time, they're most interested in what you can suggest as possible new plans and terms, so be prepared to share some ideas. Sometimes a small change can make a big difference, such as asking to shift your due date to a better time of month if you're frequently struggling to make your payments just before cash comes in to your business.
- ❑ **If your issuing bank tries to contact you — respond,** and have this type of conversation. Don't be afraid to talk with the bank, which may be able to make some changes that could make it easier to pay off the debt.



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Strategy 2 - Make Appointment with a Reputable Credit Counseling Agency

If your attempts to negotiate with your lenders have not been successful, then a credit-counseling agency may be helpful. These organizations work with small business owners just like they work with consumers. They can review your overall financial and credit situation, discuss your options with you, help you prioritize your bills, and may ultimately negotiate with your creditors to stop the finance charges and late fees and develop a repayment plan that will work for you.

Interview Several Agencies

If you know someone who has used such an agency in the past, ask them for a recommendation. Or, ask friends or relatives who they would consider if they needed budgeting advice. You can also find credit counselors in the Yellow Pages, by contacting the National Foundation for Credit Counseling (<http://www.nfcc.org>) or the Association of Independent Consumer Credit Counseling Agencies (<http://www.aiccca.org>) for a list of members or by contacting BBB (<http://www.bbb.org>).

Signs of a reputable credit-counseling agency

- Recognized as non-profit by the IRS.
- Required to maintain all proper licenses.
- Provides reviews of customers' income and debts, along with written plan for reducing and eliminating debt.
- Disperses the proper payments to creditors at proper times, typically twice a month.
- Provides clients with written statements at certain intervals.
- Offers various educational programs and other ways to help consumers overcome debt.
- Audits trust accounts.

Questions to ask before you make an appointment

- Is this agency a non-profit organization?
- Is your agency accredited? By whom?
- Are your counselors certified? By whom?
- Are your services confidential?
- Will I be notified — in advance — of any fees associated with services being offered?
- Will you develop a plan that's customized to fit my financial circumstances?
- Will my funds be protected? How?
- Are budget and credit education opportunities offered?



BBB ALERT

BBB urges caution with any company that makes any of these statements:

- **We can remove your debt**
- **Do not communicate with your creditors**
- **Pay us and we'll pay your bills**
- **Pay us a percentage of the bills we eliminate**
- **We can eliminate negative marks on your credit report**
- **Use our system and you'll avoid bankruptcy**



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VI. Protect Yourself from Fraud

You are your own best line of defense to protect yourself and your business from credit card fraud. Here's how.

- Sign your card immediately when you receive it in the mail.
- Carry only the cards you expect to use, and keep them secure.
- Secure — in your home — other cards you may not regularly use.
- Keep a list of account and telephone numbers for your card issuers in case your cards are lost or stolen. Once you report the loss or theft, you will not be liable for unauthorized charges.
- Keep a copy of this list both at home and at your work.
- Notify your card issuer/s in advance if you have a change of address.
- Notify your card issuer/s in advance if you plan to travel outside the US and use the credit card.

- Be very cautious about giving anyone your account number.
- Do not give your cards to anyone.
- Keep your pass code and personal pin number secure. Do not put it in writing...and do not share it with anyone.
- Use only reputable companies with secure websites for online shopping.
- Email is not secure. Never include your credit card number (or SS Number) in an email.
- Shred all paper documents containing your personal identifiers (account number, name, address) before disposing.



BBB FRAUD ALERT

- **Card-issuers will never call or email you, asking you to 'verify' your account information. They already have it.**
- **Ignore any threats or expression of urgency you receive by phone or email, indicating that your account will be de-activated if you do not respond immediately and 'verify' your information.**



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If you discover that unauthorized charges have been made to your account or that someone has opened an account in your name, it's important to contact your lender immediately and explain what has happened to a fraud investigator. The bank can close your account before additional unauthorized charges can be made, then transfer your balance to a new account and send you a new card. Work with the fraud investigator to remove fraudulent charges from the account, and submit any required paperwork as quickly as possible. Also file a report with police department in the jurisdiction where the fraud or theft took place, and keep a copy for your records. If an unauthorized account has been opened in your name, notify the credit bureaus (Experian, Equifax and

TransUnion) and ask for a fraud alert to be placed on your account, which requires potential lenders to contact you before opening new credit in your name. It can take identity thieves a while to make their move, so keep watch on your credit report every few months — you can get a free copy of your credit report every 12 months from each of the three credit bureaus from www.annualcreditreport.com. Stagger your requests to each bureau so you can get a free copy from one bureau every four months.

BBB Tip

Indicators of a Secure Web Site

Look for well-known seals...**and then roll your cursor over the seal to see if it's active and clicks through to the seal-issuer.**

Common online seals of authenticity or security include (among others)

- BBB Accredited Business
- Yahoo Merchant
- Verisign-secured
- TRUSTe
- McAfee-secured



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Addendum

CREDIT CARD ACCOUNTABILITY, RESPONSIBILITY AND DISCLOSURE ACT OF 2009 — (“Credit CARD Act”).

The Credit CARD Act represents a fundamental change for the credit card industry, marking the beginning of a new era of consumer empowerment. Signed into law in May 2009, the Credit CARD Act provides consumers with protections from unfair practices such as unexpected interest rate increases and ensures better disclosure of credit card terms and fees. Understanding these disclosures can make it easier for you to manage your credit wisely — helping you to meet your payment deadlines, avoid late fees, and know in advance if your interest rate will be increasing giving you plenty of time to plan ahead and make an extra effort to use cash and/or opt-out of certain terms.

What the Credit CARD Act Means for Consumers:

- ❑ Introductory rates will be honored for at least six months, after that your rate can revert to the “go-to” rate (the rate must be clearly disclosed when you first get the card).
 - ❑ Banks will not charge you a fee if you exceed your credit limit...unless you agree in advance to “opt-in” and pay the fee in return for the flexibility to exceed that limit.
 - ❑ Banks will provide at least 45 days notice before increasing your interest rate, changing certain fees or making any other significant changes to the terms on fixed-rate cards.
 - ❑ Banks will honor your interest rate on an existing balance, unless your minimum payment is at least 60 days overdue. If this occurs — and you pay on time for six months in a row — your previous rate will be restored.
 - ❑ Banks will no longer charge interest on balances you paid on time the previous month. (No double-cycle billing)
 - ❑ Banks will no longer raise your interest rate just because you missed a payment deadline with another lender. (No universal default.)
 - ❑ Bills will be sent at least 21 days before the due date.
- ❑ Your interest rate will be honored for one year after you open an account. However your rate can be increased:
 - ✓ if your card has a variable interest rate (if the index goes up, so can your rate)
 - ✓ if you are more than 60 days late in paying your bill
 - ✓ if you are in a workout agreement and you don’t make your payments as agreed



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Frequently Asked Questions

How do I choose the right kind of credit card for my business?

Many credit-card companies offer special benefits that can help you with your business, including rewards tied to office supply stores or business travel, rebates that can help with your business cash flow, and special programs that make it easier to keep track of expenses for your records and taxes. But it's important to pick your card carefully to match your business needs. Understanding credit card features, benefits and tradeoffs will help you choose the right type of card for your small business.

How does a potential credit issuer use a credit score?

Potential lenders generally review your personal as well as your business credit record when deciding whether or not to grant credit to your small business. Many lenders — and others — use your credit score to help determine whether or not to give you a line of credit for your business. Your credit record also affects your ability to find affordable insurance. So it's always important to build — or rebuild — a good score...even if you don't have immediate plans to take out a new loan.

What goes into creating a credit score?

The most commonly used score, called the FICO score, generally measures five key criteria:

- Length of credit history
- Types of credit lines
- Payment history on those credit lines
- Amounts owed on those credit lines
- New credit lines — how many and over what period of time

How do I know if what's on my credit report is accurate? And what do I do if I find out there's a mistake on it?

A federal law allows you to request a FREE COPY of your credit report from EACH of the three major credit bureaus once every 12 months. The only free resource to get a copy of it is at

www.annualcreditreport.com.

If you find mistakes on your credit report, you should contact each of the three credit reporting agencies to report the error/s, and start the process to correct them.

www.equifax.com

www.experian.com

www.transunion.com

How can I build my business record?

As your business starts to grow, it's important to build a credit record for your business that is separate from your personal credit record. Getting credit in your business' name can help you qualify for lower rates on loans and leases, and can help protect your personal credit record -- which could suffer if you have too much business debt.

The following steps can help:

- Establish a consistent identity
- Open your first accounts
- Provide key documentation
- Apply for a DUNS number
- Check your business' credit score
- Expand your credit profile

What can trigger the bank to increase my APR?

There are a number of things that can trigger an increase in the APR, but the most important one that you should guard against is missing a payment deadline.



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What is a “Teaser” rate on a credit card?

A Teaser rate is the same thing as an “Introductory” rate, which is a lower APR designed to attract credit applicants. Teaser rates last for a set period of time (all must be honored for a minimum of six months), and then the rate will increase. Read the rules closely so you understand the agreement you are making with the credit issuer.

How can I protect myself from fraudsters attempting to trick me into divulging my bank or credit account information?

Your bank will never call or email you for the purpose of “verifying” your account information. They already have it.

Also...ignore any threats or expression of urgency you receive by phone or email, indicating that your account will be de-activated if you do not respond immediately and “verify” your information.

I’m behind on my payments, and I’m uncertain if I can catch up on my own. What do you suggest?

❑ **First, call your lender/s directly**, by calling the issuing bank’s customer service line. Ask to speak to someone who can explore some repayment options with you. When you get the right kind of banking representative on the line:

- ✓ *Focus on what you can do.* Be prepared to share some ideas. Sometimes a small change can make a big difference, such as asking to shift your due date to a better time of the month if you’re frequently struggling to make your payments just before your payday.
- ✓ *If your issuing bank tries to contact you — respond*, and have this type of conversation. Don’t be afraid to talk with the bank, which may be able to make some changes that could make it easier to pay off the debt.
- ✓ *Make an appointment with a reputable credit counseling agency*, if your attempts to negotiate with your lenders have not been successful. There’s additional advice on this step in the next Q&A, immediately below.

How do I find and work with a reputable credit counseling agency?

❑ Interview several agencies.

If you know someone who has used such an agency in the past, ask them for a recommendation. Or, ask friends or relatives who they would consider if they needed budgeting advice. You can also find credit counselors in the Yellow Pages, by contacting the National Foundation for Credit Counseling (<http://www.nfcc.org>) or the Association of Independent Consumer Credit Counseling Agencies (<http://www.aiccca.org>) for a list of members or by contacting BBB (<http://www.bbb.org>)

Further, The CARD Act mandates that issuers provide three licensed and Government approved credit counseling agencies or a toll-free phone number that provides that information on each statement.

What are some good signs of a reputable credit counseling agency?

Here’s a list of seven (7) criteria to look for/ask about:

1. Recognized as a non-profit by the IRS.
2. Required to maintain all proper licenses.
3. Provides review of customers’ income and debts, along with a written plan for reducing and eliminating debt.
4. Disperses the proper payments to creditors at the proper times — typically twice a month.
5. Provides clients with written statements at certain intervals.
6. Offers various educational programs and other ways to help consumers overcome debt.
7. Audits accounts.