

MERCHANT PROCESSING NEWS



July 2007

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PURPOSE OF THIS NEWSLETTER

It is my desire to both educate and assist business owners on the subject of "merchant services".

In previous newsletters I covered primarily what I would classify as "detail" information. This month's newsletter is geared toward additional "business practice" concepts.

COMMON MISCONCEPTIONS



One of the common misconceptions in applying for any type of merchant services is how vital a role the business owner's personal credit plays in the approval process.

As I consult with business owners I hear the same statement about 85 percent of the time -- "What does my personal credit have to do with setting merchant services for my business?" Gone are the days of looking someone in the eye and sealing the deal with a handshake. Most merchant services are underwritten by some form of financial institution and the

reality is that the financial institution and / or company supplying the service is extending an unsecured line of credit and wants to make sure that the business owner is worthy of their trust -- paying any incurred debt.

CREDIT WORTHINESS



Today's financial world is fueled and supported by credit worthiness. As an example, let's say you wanted to open a new restaurant. In the process, there are considerations such as obtaining required licenses, equipment, supplies, weekly deliveries, security options and the list goes on. In complying with each of these requirements how many times do you think it's possible the owner's credit report may need to be run? The average is between 5 - 7 times -- which may cause negative scoring due to the multiple inquiries.

The ownership status of the business plays a part in the overall picture also. For example, if the business is incorporated instead of a sole proprietorship, then the lines of credit may be increased.

Credit worthiness is obtained through hard work and persistence. The higher the FICO score the better. Any merchant services provider is looking for a FICO score over 600, which is up from 550 a year ago. Anything under 600 may be required to have a reserve placed on the estimated monthly volume. Of course, there are many factors that come to play into any reserve decisions.

HOW TO STAY ON TOP



There are several steps that will enable business owners to stay in good standing in regards to FICO scores reflected on their personal credit reports.

Personal

1. Pay your financial obligations on time.
2. Check your credit reports at least twice a year. Remember, there are 3 main credit reporting agencies and what shows up on one may not show up on the others.
3. If something is not accurate on information reported by one of the agencies take steps to correct the information as soon as possible. Do not procrastinate.
4. You are allowed up to 100 words to be attached to each item on a credit report as an explanation regarding that item.

Business

1. Pay your obligations on time. This includes utilities, payroll taxes, sales tax, any insurance, workers comp, any rent, lease or mortgage payments, etc. I could list a lot more items but you get the point.
2. Some businesses may have a Dunn & Bradstreet rating. Review it from time to time.
3. Make sure proper accounting takes place monthly and quarterly. (I have consulted with business owners who have not reconciled checking accounts for months.) Check with

your CPA if you need to outsource payroll, quarterly obligations, etc, as they may have alternatives available for you. A lot of times it is more cost effective to outsource.

4. Make sure you are on top of all financial situations as vendors will submit credit issues to the reporting agencies that will show up on credit reports.

CAN I RESOLVE CREDIT ISSUES MYSELF



As a business owner you need to scrutinize any and all documentation dealing with your credit worthiness for both business and personal.

One of our alliance partners, The Marketing Edge, offers a "[Credit Report Tune Up Kit](#)". This kit contains a 68 page manual that is read using Adobe Acrobat Reader.

Listed below are just some of the many topics covered in their comprehensive program:

- Getting To Know Your Credit Report
- What the Federal Trade Commission Says About Credit Repair
- Four Step Inquiry Guide
- Four Step Inquiry Guide Instructions
- Opt Out Option Letters
- How Do I Keep My Credit History In Good Standing?
- And much more...

As a side note, I personally used this program to help correct some inaccurate information on my credit reports.

... more to come next month.

For more information and timely updates visit:
www.merchantprocessingnews.com