

## 4. Make Sure You Have a Credit History

What if you have a low score because you don't have a record of owing money and paying it back? You could build a credit history by using a credit card. But be choosy – read the small print on credit offers, and shop for the best terms.

Here are some questions to ask when applying for credit:

### **What is the annual fee, if any? And are there other fees associated with the credit?**

These can be recurring, like an annual fee for having the card, or situational, like a fee for taking a cash advance, transferring balances, or making a late payment.

### **What is the annual percentage rate (APR)?**

Sometimes, credit cards can have different rates – a rate for purchases, a different rate for cash advances, and even a third, for balance transfers. Look to see if the rate changes after an “introductory interest rate”. Introductory rates are typically low rates that induce you to apply for a card and then go up after a specified period of time.

### **Is there a grace period?**

This is the amount of time you have before interest rates start being charged or assessed on purchases, cash advances, and balance transfers.

### **What is the credit limit?**

### **What are the penalties for late or missed payments?**

### **What are the terms and conditions of the credit? What else is included in the fine print?**

### **Are financing options available?**

If so, how, and when, are they charged?

### **What additional features does the card offer?**

Are there rewards or other card incentives? What are the restrictions on the incentives? What are the earn rates and redemption rates?

### **How can you get the credit you deserve?**

Potential lenders may look at your personal credit history and financial statements as well as your business credit history. If you are planning to apply for a loan for your business, organize your documentation and get copies of your personal credit report, as well as your business credit report, if it exists. You might want to ask your accountant or a financial professional to review your credit reports and financial statements before you apply. They can point out any weaknesses so that you are prepared to discuss them with a lender.

A lender may ask you for your business plan as well. Be prepared to discuss how you plan to use the borrowed money, how long you will need to repay the loan, and how you plan to repay the loan on time. This is the time to show the potential lender that you are a good credit risk.