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INTERVIEW SERIES

**The Secret to Being Financially Prepared
For Any Opportunity...Or Emergency**

*An Interview with Al Fury
Business Credit Expert*

 Michael Senoff's
HardToFind Seminars.com

Dear Student,

I'm Michael Senoff, founder and CEO of HardToFindSeminars.com.

For the last five years, I've interviewed the world's best business and marketing minds.

And along the way, I've created a successful home-based publishing business all from my two-car garage.

When my first child was born, he was very sick, and it was then that I knew I had to have a business that I could operate from home.

Now, my challenge is to build the world's largest free resource for online, downloadable audio business interviews.

I knew that I needed a site that contained strategies, solutions, and inside information to help you operate more efficiently

I've learned a lot in the last five years, and today I'm going to show you the skills that you need to survive.

It is my mission, to assist those that are very busy with their careers

And to really make my site different from every other audio content site on the web, I have decided to give you access to this information in a downloadable format.

Now, let's get going.

Michael Senoff

Michael Senoff

Founder & CEO: www.hardtfindseminars.com

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The Secret to Being Financially Prepared For Any Opportunity...Or Emergency

With businesses going under and consumers spending less and less, this may seem like a time of financial uncertainty for most people. But there is an easy way to make sure you're ready for anything that comes up, and that's by setting up a business credit profile.

Because banks typically lend businesses significantly larger amounts than they do individuals, you'll be able to qualify for bigger and better loans with business credit. And because business credit is completely separate from your personal credit, you won't have to worry about losing your personal assets if your business deals go south.

So in this interview, you'll meet business credit expert Al Fury. Al's been running seminars and infomercials about business credit and banking practices since the 1980s, so he knows every shortcut worth knowing and every pitfall worth watching out for. And over the next hour, you'll hear exactly how to set up a business credit profile that will get you the best loans – along with some tips and techniques that will speed up the process.

You'll Also Learn...

- How to start out with basically nothing and end up with one million dollars in unsecured revolving credit by the end of the year
- What you'll need to do if you've ever filed for bankruptcy
- What trade line credits are, why they're important and how to easily set them up
- Shortcuts for accelerating the business credit process – that can be achieved in a weekend
- What a shelf corporation is and how to make sure you don't buy worthless ones
- How to control a US business and secure US business credit no matter where you're living
- Exactly what lenders are looking for and why you won't want to "fool the bank"
- Why banks are not necessarily the best places to find loans – and what other sources there are
- Everything you need to know about Paydex scores, Dun & Bradstreet and making sure nothing is overlooked

Most people don't think about how they're going to get extra money until they need it. And according to Al, that's a huge mistake because lenders think in just the opposite way. Banks love to throw money at people who don't need it. So don't wait to get your credit in order because it'll likely be too late. Setting up a good business credit profile is a process you'll want to start right away and this interview is the perfect first step.

*Hi it is Michael Senoff with Michael Senoff's [HardToFindSeminars.com](http://www.HardToFindSeminars.com). Here is a new interview and it is a pretty good one. It is with a guy who is a business credit expert. His name is Al Fury. The title of this interview is called *The Secrets to Being Financially Prepared for Any Opportunity or Emergency*.*

Now with business going under and consumers spending less and less, this may seem like a time of financial uncertainty for most people, but there is an easy way to make sure that you are ready for anything that comes up. That is by setting up a business credit profile because banks typically lend businesses more money than they do individuals. You will be able to qualify for bigger and better loans with business credit and because business credit is completely separate from your personal credit, you won't have to worry about losing your personal assets if your business deal goes south.

In this interview, you will meet business credit expert Al Fury. Al has been running seminars and infomercials about business credit and banking practices since the 1980's. He knows every shortcut worth knowing and every pitfall worth watching out for. Over the next hour, you will hear exactly how to set up a business credit profile that will get you the best loans along with some tips and techniques that will speed up the process. You will learn shortcuts for accelerating the business credit process. You will learn what a shelf corporation is and how to make sure that you don't buy worthless ones. You will learn how to control a U.S. business and secure U.S. business credit no matter where you are living. You will learn exactly what lenders are looking for and why you won't want to fool the bank. You will learn why banks are not necessarily the best places to find loans and what other sources there are. You will learn everything that you need to know about paydex scores, Dunn & Bradstreet, and making sure that nothing is overlooked. Most people don't think about how they are going to get extra money until they need it.

According to Al, that is a huge mistake because lenders think in just an opposite way. Banks love to throw money at people that don't need it. So don't wait to get your credit in order because it will likely be too late. Setting up a good

business credit profile is a process that you will want to start right away and this interview is a perfect first step. Now let's get going.

Music

Michael: So who are you are and why should my listeners listen to you AI?

AI: I'm the guy who's learned the business that I'm in by doing it. I started getting interested in resourceful ways to raise money while I was in the army. Then when I got out, over my adult life, I developed three different businesses that I built up into profitable enterprises and sold them. During that time, I've had many challenges raising capital to support those businesses, to grow those businesses. So along the way, I've learned the ins and outs of banking, private money, what works and what doesn't work.

So who AI Fury is, is a businessman who's written and produced 125 different copywriter's information pieces on the subject of business credit, who's actually been in the field working at developing business finance for almost 30 years.

So I've been there- done that. For new entrepreneurs or people who are starting businesses or even those who have been in business for a while, and don't know the things that I know, I can save them a lot of time and money by teaching them what I've learned.

Michael: So what do you consider your occupation now? Are you an information publisher/marketer? How do you consider your occupation currently?

AI: I define myself as a publisher. We publish information. I personally, basically do the research and writing and I also do seminars, speaking engagements and teaching. I used to do it all over the country, every week I was in a different city. Today, I do it mostly by teleconferencing and webinars.

Michael: How many people have you put through your seminars when you were traveling all over the place?

AI: Well, I have a customer list of 635,000 people who have bought my books or attended my seminars over the years. Now, the way those

numbers got so big was back in the 80s and 90s, I did infomercials on television. You couldn't turn on Discovery Channel or Black Entertainment Network at night without seeing me because I was on about eight times a night. So many of my book sales took place through television back in those days.

Michael: Were your books at that time on the same subject – increasing your business credit – or were there other topics?

Al: There were other topics as well as business credit. I had one on the real estate industry titled "How To Get Rich In Real Estate Without Buying, Selling Or Owning Any Property". I had another one titled "How To Make \$1000 A Day Playing The Real Estate Game". That was real estate related but it was also related to paralegal. I happened to own a paralegal correspondence school. And then I had one called "Banking Tactics" that was strictly related to business credit and how to be most effective when you're dealing banks and trying to raise business capital. So I covered a wide range of subjects.

Michael: Were you traveling around on a circuit with like Robert Allen or Art Hamel or Joe Cossman, any of those guys?

Al: Not all of the ones that you mentioned, but I was on with most of the big ones. I was with Robert Allen. I was with Lee Cooke. I was on three or four of the major tours for many years and then went on my own and promoted my own seminars all of the country. In fact, I think I still hold the record for the highest grossing seminar at a single event. I did 750,000 in book sales in Boston.

Michael: Tell me about that. Was it just a book or books and tapes?

Al: Well, actually it was training course that included books and tapes. I put people through my instructional course on how to raise capital, how to use other people's money, how to use that money to buy real estate and profit from it and so forth. That included textbooks and audio CD's and also some live consulting. I think the course at that time sold for about \$2,900. We spoke at the Copley Square in Boston on a Saturday and Sunday and when we left there, we had grossed just under a million dollars.

Michael: What do you think made that one day such a big sales day? Were you just on your game that day?

Al: Well, I guess I was on my game but we got a tremendous turnout. We had a lot of people who showed up for the seminar which doesn't

always happen. Sometimes you get a lukewarm turnout; sometimes you get a great turnout. So this particular weekend, we had a great turnout. And I had the right subject because these people were interested in knowing how to improve their circumstances in life and they drank up the information like a sponge and the information I gave was credible.

The way we produced the seminar was fun, so everybody had a good time. So when people are enjoying themselves and they believe you and they see other people there like themselves who are responding, they relax and they take it all in.

Michael: What kind of trends are you seeing currently in your line of work?

Al: It's interesting. You know, some years ago, there was a very rigid routine that one had to go through to get steady business. You had to hit certain benchmarks that weren't really easy to meet. Like you had to have a certain number of years in business. Your trade references had to be a certain age. Your bank account had to be a certain age and it had to have a certain average daily balance. You had to have CPA-prepared financial statements. You had a lot of hurdles and you had to have a business entity like a corporation that was at least five years old.

Then they relaxed and they went through what was called a scored loan program, which is still in effect but is losing favor at the moment. Under the scored loan program, the banks created a simple expedited way that people could get a \$50,000 unsecured revolving credit line for the business with a minimum of red tape. In other words, this was all machine scored. You didn't have to deal with the subjectivity of an individual banker. You filled out the form and if you had the right answers, you were automatically approved for \$50,000. Well, I have a friend who is a vice president of one of the major banks and she taught me the scoring system.

So for about a year and a half, I was teaching just the scoring system to my clients so that they didn't waste time learning the old style. They just learned the new style and they would then go out and submit to four banks on the same day and three days later, they'd have \$50,000 times four. In other words, they'd have a \$200,000 pool of credit that they could draw on, unsecured revolving credit at bank rates. It was really wonderful.

Now, the trend today is that since the economy is sort of in a little bit of decline, the banks are tightening up and returning to the old style. So

it's now getting more and more difficult to get unsecured revolving credit. For a while there, you were able to get this credit without having to personally guarantee it with your individual credit. Now, they're returning to the old style of asking for guarantors.

So while you can still get that kind of business credit, it's getting tougher and tougher.

Michael: Let's get back to just a couple of basics. I want you to describe what is the difference between business credit and how is it different from personal credit and why would someone want to establish business credit, especially if they have a poor personal credit score?

Al: Well, anybody that's in business certainly should have as a priority the separation of their business credit from their personal credit for a variety of reasons.

First of all, just for the safety of their family, they owe it to their family not to put the family assets at risk because of their business decisions. I mean, it's okay for Joe to go out and roll the dice and try to become a big success but he shouldn't put his wife and kids at risk by gambling the house and the car and the bank account and all of that. So number one, you want to insulate your personal assets from your business decisions. That's the first reason.

The second reason is that while a bank is willing to loan a small amount of money to an individual, they're willing to loan much larger amounts to a business because they know that the capital requirements of a business are much greater. For example, if you go into a bank and you've got a 720 FICO score, which is pretty good, and you tell them that you'd like a personal credit line, they'll say fine, here's \$10,000, \$15,000, \$20,000, \$25,000 – whatever their policy is – because they know that you're probably going to use that for a European vacation or to put your kids through college or to buy some jet skis or something like. So your capital requirements are reasonably modest.

But if you go into the same bank with the same personal credit score, and you say, "I have a business and I'd like to open a business line of credit so that I can expand my inventory, increase my advertising, hire more people, take larger rented space" and so forth, they know that the capital requirements there are in the hundreds of thousands of dollars. So without your personal credit being any different or any better, instead of offering you \$10,000, \$15,000, \$20,000, \$25,000, they'll offer you \$50,000, \$100,000, \$200,000.

So when you have business credit, you're automatically eligible to borrow much larger sums than you ever could individually.

Michael: But are they going to base that decision on your personal credit score or a business Paydex score?

Al: Your personal credit score is only going to be an element in that decision. It's not going to be whole decision. If you're applying for personal credit, it would be 100% of the approval criteria. But in business credit, they're going to look at your business. How long have you been in business? What kind of average balance do you keep in your business bank account? How many employees do you have? What is the nature of your business? Is it a high risk business like real estate investing or is it a relatively stable business like manufacturing? And then they're going to, of course, look at your Dun & Bradstreet Paydex score or your Experian credit score. And lastly, assuming that all of that passes muster, then they're going to take a look at who is the officer of your corporation that's going to sign for the company and they're going to glance at his personal credit report just to be sure he's a good citizen. But he doesn't have to have an astronomical FICO score for it to pass muster. He just has to be not embarrassing.

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Michael: Well, let's say I just went through bankruptcy and my FICO score is down in the 500s but I want to start establishing some business credit to expand a business. Is it doable even if I file bankruptcy personally or have a 500 FICO?

Al: It's less doable because it makes you look like a bad manager. In a case like that, I recommend to people that they elect a surrogate officer for the corporation. Find a friend or a relative or a partner who's got a better personal credit score. You can still show yourself as president, vice president, secretary, whatever, but you should designate somebody with a better credit score as the authorized signer for the corporation because that's who they're going to look at.

Michael: Give me a couple advantages of having a good business credit score. What are some advantages and why should I consider working on improving that score?

Al: One of the biggest reasons is, I don't know if you've noticed this but people naturally don't do anything about having a reserve until they're

already in trouble. On an everyday basis, they're so busy dealing with their everyday problems – how do they increase sales, how do they manage their personnel, what kind of advertising should they do. So they're embroiled in those decisions and they know that the day might come when they need to have a reserve to cover payroll if they run short or cover advertising if there's an opportunity that crops that they want to grab. But they just don't ever stop to take the time to build that reserve. But the time to build the reserve is when you're not in trouble, when you're doing okay and you don't need the money because banks love to give money to people that don't need money. It's ironic but it's true.

So one of the major reasons that you should build a business credit identity separate and apart from your personal one is (a) the reason I gave earlier, which is to protect your personal assets, (b) the other reason I gave earlier, which is because you'll be able to borrow more money than you could individually, but lastly the third reason is because the day is going to come, most likely or certainly could come, when an opportunity is going to present itself and you want to grab on to it and you don't have the money, or an emergency is going to occur that's threatening to your business and you don't have to means to bale yourself out. So everybody should have a good, strong business credit profile as sort of a form of insurance policy to guarantee their future success.

Michael: So what should I be doing right now to start preparing for that?

Al: Number one, you should be incorporated. Number two, you want that corporation to just mature because the longer that corporation's been established, the stronger it's going to look to a bank. When it's two years old, then you're on the playing field. Some banks will loan money to a one year old corp. Nobody will loan money to a corporation less than a year old. The statistics all say that the majority of company that go out of business go out of business in the first five years. So once your corporation is more than five years old, you start to become platinum.

So number one, start a corporation as early as you can so that you have that aging process going for you.

Secondly, you need to open up a variety of small trade references, what we call trade credit. It's different from bank credit. Bank credit is where you can walk in and get cash. Trade credit is where other businesses give you credit. You open an account with Home Depot. If you're in the real estate fixer-upper business, that's helpful to you

because you can buy paint and lumber and other fixer-upper materials to improve your properties before you sell. Home Depot, OfficeMax – where you can buy office supplies. Minor little credit lines like that will give you an opportunity to demonstrate a payment pattern. You need at least five of those with credit limits of around \$2000, \$3000, \$4000, \$5000. Home Depot will go up to \$30,000, \$35,000. And you want to pay those in a timely fashion or even pay them early so that you establish a track record.

Now after you've done that for a few months, then you should go to Dun & Bradstreet and apply for what they call their Credit Builder program. That's a program where you pay them a fee, usually in the neighborhood of \$500, and they then take on the obligation of verifying your trade references. You don't want to do this until you actually have trade references to verify. But they verify your trade references and upon completion of that process, they set up a profile for your business and they assign you what's called a Paydex score which is a measure of how promptly you pay your bills. If you engineer this correctly, you'll wind up with an 80 or better Paydex score which is like an 800 FICO score on your personal credit.

Now your business is creditworthy.

Michael: How long should I have the trade references before I go to D&B and how long will it take me if I'm just starting out to get up to a \$2000 credit limit if they start you off at maybe \$500 for the first time?

Al: I wouldn't reject an offer of credit just because they're giving you a \$500 credit line because that's going to help you fulfill your requirements to D&B. But mostly I would avoid those because there are many that will start you out at the \$2500 to \$5000 level and I would try to seek those out as opposed to the little ones.

Michael: Can you mention a couple of those that will start you out of that level right from the beginning?

Al: Home Depot will, OfficeMax will, Staples will, and there's a variety of catalog office supply companies that will. There are packaging companies like Uline that sell packaging materials for shipping that will start you out at \$2000, \$3000, \$4000, \$5000. There are many. Actually, one of my publications is the "Encyclopedia of Business-Friendly Lenders" and I've got a list of 120 different vendors in there that will give credit lines to brand new businesses.

Michael: So the common denominator here is getting these trade lines by buying from them and paying on time will report your good creditworthiness to D&B, so you could build a business credit score?

Al: That's right. Actually back to your question on how long should you have them before you go to D&B, that's a good question. First of all, it doesn't matter. Anything past a month or two, you'll have a record of having major payments a couple of times. So that will go into the equation.

But here's something that you and your folks need to know. There are two ways that vendors report.

One of them is called trade pick. That's where these large chains, like I keep coming back to Home Depot because they're a great example. They report in batches on a monthly basis. So if you're relying on them to report to Dun & Bradstreet, you're going to wait months before their batch reports show up at Dun & Bradstreet.

The way to accelerate the process of getting it a Dun & Bradstreet Paydex score is you go to more mom and pop operations that themselves have a Dun & Bradstreet number. D&B will not accept ratings from people who don't D&B file. So you determine that the local gift store has a Dun & Bradstreet number and you ask them: If I make a purchase and you invoice me and I pay you one time, or if I even pay you immediately upon the purchase and D&B calls you to verify that I'm a customer, are you willing to verify that I'm a customer and that I paid you on time? If they say yes, then you make sure you get the name of the contact person so you could put it down on your D&B information sheet and you use that as a trade reference because D&B will not wait for the batch report to come in. They will get on the telephone, they will call that gift shop and they'll say, "Is ABC Corporation a customer of yours?" Yes, they are. "When was their last purchase?" A couple of weeks ago. "How did they pay? Did they promptly or in advance?" And bingo, you've got a good trade reference.

Michael: D&B is on your side to help you build that credit score. I mean, they sell this program to people as well and they provide that as a service.

Al: I'd kind of be reluctant to use the language that they're on your side. They do sell it as a service and they accept the obligation of allowing you to gratuitously feed them your information. They have the obligation then of verifying the information and if the information stands up, they have an obligation to assign you a Paydex score. So the

extent that they've taken your money and they owe you a service, they're on your side.

Let me just explain this.

They're also extremely skeptical. If you don't pay for the service and you gratuitously offer them trade references, number one, they immediately suspect those references and they will put them under a microscope and do everything they can to find fault with those because they didn't get paid and because you gratuitously offered it in a self serving way.

So there's an interesting balance there. That's why I recommend to my clients that they do pay because when you pay, it kind of puts D&B on the defensive.

Michael: I see. Now explain what is D&B's real reason for being in business? Why do they offer this service? Do you understand the motive behind them?

Al: Yes. It's because businesses have to make credit decisions about each other and they need sufficient information upon which to form a belief. So if you're dealing with a steel company – this is a larger type of business – but if you're dealing with steel because you're a construction company building high-rises and you order half a million dollars worth of steel to be delivered to your construction site and you want to have 30 or 60 or 90 days to pay for it, then the steel company needs to have some basis upon which to decide if they're think they're likely to get paid on time or not.

So they turn to Dun & Bradstreet to get a business report and they get more than just a Paydex score. They get complete background information on your company – who are the officers, what kind of experience do they have, what kind of education do they have, what are their assets, what is their net worth, what are their sales, what is the probability that this business is going to go out of business and so forth, do they have any public records that we need to know about like bankruptcy or tax linked. All of this is taken into consideration when businesses decide to grant credit to other businesses.

Michael: Does the vast majority of creditors rely on D&B Paydex and ignore the others?

Al: Up until the last couple of years, they were the only game in town. Now you have Experian who incidentally gathers a lot of their

information from Dun & Bradstreet but they also have their own separate sources for gathering information. So now Experian is a player. There is one or two other credit reporting agencies in business that you can find on the internet if you Google business credit reporting agencies but D&B is still the king of the hill.

Michael: Is the sole criteria for your Paydex score based on when you pay your bills?

Al: It's based almost entirely on the frequency of your payment. Do you pay early before it's due? Do you pay promptly, right on time when it's due? Do you pay late? Do you take advantage of early payment discounts? In other words, some vendors will say that if you pay this before such and such a date, you can take a 5% discount off of the bill. So that's what they base the Paydex score.

Michael: Is it good to pay as soon as possible early or is it better to pay just on time?

Al: Better to pay early because that will give you a higher Paydex score.

Michael: What happens if you screw up and you're late? Can you get that removed from your D&B? Like if you have a negative report on your Dun & Bradstreet report?

Al: Well, like anything, the occasional slip isn't going to kill you permanently. It's going to have a negative impact on your score. But over time, if you continue to have a good payment history, it'll obviate itself, it'll erase itself and you'll return to good graces. But for probably at least six months, it's going to affect your score in a bad way.

Michael: Besides paying bills on time or early, what are some other ways to raise your business credit score?

Al: Well, a real important way is to have prepared a profit and loss statement and a balance sheet that is output – and I use that word carefully – output by a CPA. In other words, you can produce a profit-loss statement and a balance sheet in your own office using Quicken or QuickBooks or one of the software programs that let you knock out a homegrown financial statement. But lenders, and particularly D&B, don't place a lot of credibility in homegrown financial statements.

So what you can do to sort of soften that problem is once you've produced your own statement, you can go to a CPA and you can say, "Look, I'd like you to take the information that management is providing

you with and I'd look you to output a compiled statement on your CPA letterhead with the appropriate disclaimer, checking over our figures to ensure that we haven't made a math errors and making sure that this is presented in generally accepted accounting form." He'll understand that.

What it means is that there are primarily three kinds of CPA reports.

There's a compiled statement which means they haven't independently verified the facts. It's just the representations of management and they put a disclaimer on the front saying exactly that, that we haven't verified these facts, this is the representation of management and essentially they're saying garbage in, garbage out. However, nobody pays any attention to that disclaimer. What they see is the CPA letterhead and there's an obligation for CPA's not to output things that are patently false. So the fact that a CPA has put it on his own letterhead indicates some credibility.

Then there is what's called a reviewed statement that means that the CPA has spot checked part of the information. He's done a general review. But he has not gone into the trouble of independently verifying every single figure in writing. If he did that, that would be a certified financial statement.

So there's certified, reviewed and compiled. Compiled is all you need. It's the least expensive, it's the fastest and it's adequate. If you create a compiled financial statement on CPA letterhead and submit it to Dun & Bradstreet, that'll kick your score up significantly, assuming that the figures show that you're profitable, that your debt to asset ratio is in line with industry standards and so forth. Obviously, if you submit a poor financial statement, that's not going to help you.

Michael: You're going to have people listening to this and they may have no business whatsoever or maybe have no intentions of doing business and thinking that establishing business credit could be good for them. Is that possible? Or who is this program absolutely not for?

Al: It's hard to exclude anybody because we can take somebody who has practically nothing in place – they have no corporation, they have no financial statement, they don't even know who they're going to use as a creditworthy officer, they have no vendors, they have no trade references, they have no business bank account, they have no business address, they have no listed phone number – they don't have anything and we can take a person like that, a business person, and within 45 to 60 days, we can have them completely configured so that

they have a respectable credit profile, that they have vendor accounts, that they've met all the criteria and are actually ready to go out and get bank loans and leases.

So the only people that I would say are not candidates are the people who don't have at least a little bit of seed money to pay for that service or people who don't have a profitable business or they don't at least have position of a profitable business because at some point in time, people who can't say money back shouldn't be borrowing money. So you do have to have in mind the source of repayment before you do down this path.

Michael: Can you think of some real success stories over the years of maybe two or three different ones that would come from different demographics and different reasons for establishing business credit and just some success stories of some of your students that you could relay? Anything off the top of your head?

Al: Well, this is kind of impromptu but let me try to just see how many I can pull up here.

There was a customer that we had a year ago who owned a bicycle shop and he had owned that shop for about 13 years and he was making around \$15,000 a month net, which in California is not a lot of money. In some other parts of the country, that would be considered almost affluent but in California, it's not. But it was enough for him to provide his family with a house and he was able to support his kid who was in college and he had a decent car. He lived okay.

But he wanted to do better and since he had run a profitable, respectable business for 13 years, he figured he'd go to his bank and get a loan to open a second shop would probably be a real easy thing to do.

So he went to his bank and he asked for \$150,000 and they said, "Fine, we'll take that under consideration and we'll let you know in about three weeks after we go to committee." So he hung around for three weeks and they went to committee and they declined him. He was shocked and he was hurt and insulted and he didn't understand it. But what he didn't understand is that banks are really not in the venture capital business and he should have known better than to go there but he didn't.

Somebody told him to go to SBA and some SBA loan packager got hold of him and charged him \$5000 to package an SBA loan application which he could have done by himself.

Michael: Oh, a guy promoting that they're going to help you get credit and they charge ...

Al: They help you get an SBA loan by helping you fill up this complicated SBA application.

Michael: Then they charge five grand for that.

Al: They charge five grand for that service but you don't really need that service because with a little diligence, you could sit down and figure it out yourself without money.

Anyway, he submitted the SBA and they said, "Yes, we'll give you a loan but we want to put a second mortgage on your house." He discussed this with his wife and she said basically, "Over my dead body." So again, it was a case where the family didn't want to put the family assets at risk for his business decision.

Now he was kind of lost but he found his way to us and what we were able to do was, first of all, take the basic elements that he already had and do kind of a financial makeover.

Michael: But he incorporated his bicycle store?

Al: He was not.

Michael: So he was a sole proprietor.

Al: He was a sole proprietor which was a mistake. Now, understand this is not a stupid guy. This guy could take a bicycle apart and put it back together in the dark and he had run a successful business for 13 years. This guy was no dummy but he didn't know anything about business finance. That wasn't his area of expertise.

We were able to take the elements. He had all the elements – he had a profit-making business, he had an established bank account with a positive cash flow, he had a permanent address, he had a list of telephone numbers, he was in an industry that wasn't risky. He had all the things he needed but they needed to be put in presentation form. He even had some vendor accounts already set up that had a long history of good payment. We had to add some to the line up. Long

story short, we did a makeover for him in about a week or two and three days later, he had his \$150,000.

One of the things we were able to teach him was that there are better sources for the money than banks. There are huge corporations out there that have big pools of money, much more money than banks – General Motors, Ford Motor Company, there are life insurance companies, there are labor union retirement funds. There are people out there that have a lot more money than banks and they'll loan it to businesses. The trick is they don't loan it at bank rates, they charge more money. But the upside is that their approval criteria is much more relaxed and they're much faster.

Michael: How much more money?

Al: How much more money does it cost?

Michael: Compared to a bank.

Al: Well, a bank will normally charge you two or three points above prime, whereas these people will charge anywhere from 10% to 17%.

Michael: Above prime?

Al: No, no, not above prime. So those are credit card rates basically. But if you have a profit-making application for the money that you borrow, if you're going to make 50% on the money, then paying 15% to borrow the money is not prohibitive.

Michael: Were these unsecured loans or were they secured by anything?

Al: Completely unsecured. It's another reason why their rates are higher because the lender's taking a greater risk.

Michael: That's a good story. Can you think of another one just off the top of your head?

Al: We had a gentleman who had a corporation and the corporation was about 10 or 11 years old and he was trying to borrow money from the bank and he felt like he had met the basic time and business requirements but he didn't know that he needed to have an average daily balance in his business bank account. He had not ever paid much attention to that.

So what we taught him to do was whenever he got any money at all from any source, before he spent it or deposited it in another bank account somewhere or put it in his personal account, that he always deposit 100% of his money in this one business bank account and that he arrange with his bank that he have a corresponding credit line attached to that bank account.

For example, if you have a business bank account and you have a credit line secured by that bank account, you can put your money into the bank account and then you can pay your bills with the credit card. The only thing you're paying for that is the difference in interest between what the bank pays you for your deposit and what the bank charges you for the credit line, which is very little, maybe a point and a half. But by doing that, the deposit goes into his business account, stays there, it never comes out.

So if a person is running \$50,000 a month through their business, 100% of that money accrues in their business account even though they may have spent it all on their credit line. So in a matter of months, you can have a huge average daily balance even though you're spending the money as fast as you make it.

He never knew that. We taught it to him. In a few months, he had a couple of hundred thousand dollar average daily balance even though he was living from check to check and he was able to waltz into the bank and basically they'll loan two to three times your average daily balance. He didn't know that. So he had a couple of hundred thousand dollar average daily balance within months and he was able to go and get a half a million dollar loan with hardly any red tape.

Michael: And they weren't going to take into consideration that his credit line was maybe used up just about? That wouldn't factor into that decision?

Al: Yeah, they'll look at that and incidentally, we also advise them that at the time when you go in and apply for your loan, make sure you paid your credit line down to below 30% of the authorized amount. So, yes, they do look at that. And if you're under 30%, they consider that you're managing it well.

Michael: Okay, so before you go ask for money, it's going to benefit you to have a nice daily average balance in one main account.

Al: You need to have a five-digit average daily balance, that is more than \$10,000 average daily balance, and you should use that as collateral

for a bank credit line. When you apply for a loan, you should make sure you pay that credit line down to less than 30% of the max.

Incidentally, same thing with personal credit. When you're using your personal credit to guarantee a business loan or even to just go get a personal loan, before you do it, you want to make sure you've paid your credit cards down below 30% of the authorized maximum, at least a month ahead of time. That'll take your credits for up maybe 30 or 40 points plus the lender is going to look at that. They're going to look at what your debt-to-asset ratio is and that's part of the decision.

Now, if you don't have the money to pay your credit lines down to below 30%, then one strategy is that you find a friend or a partner or a relative that will allow you to transfer your balances to their credit card temporarily and you can offer to pay the minimum monthly payment while it's on their card. And then you take them back after you get your loan arranged. So, many people do that.

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Michael: Alright, that's great to know. I'm going to push you for another story because these case stories you could really learn from and people love stories and these are all different situations that people can relate to. Can you think of another one?

Al: Yes, we have a client right now who is a large real estate investor investing capital that they get from China. There's a very wealthy family in Shanghai who wants to invest their money real estate in the United States. So they've sent a European man over here to represent them to purchase the whole real estate package.

One of the things that he found out when he got here was that the corporation he was using, because it wasn't here very long and it didn't have a big history, sort of maxed out. Once he had borrowed about a million dollars, nobody wanted to loan that company money anymore until they saw how they dealt with that million dollars over the course of a couple of years. So he was sort of frustrated. He wanted to borrow \$5 million and he hit a dead wall at a million. He asked us what to do.

What we did was we simply advised him to diversify. We helped him set up five additional corporations, each one with the same bona fides steps as the first one, so that he was able to borrow a million dollars each for each of five corporations and reached his \$5 million objective. Of course, in order to do that he had to also be able to show that he

had a primary and a secondary source of repayment so that the lenders could have some confidence that he could handle that much debt, that he can because he's got a huge cash flow.

We have a book called "Banking Tactics" and I've explained these kinds of things. There are certain things that bankers look for. The secret to getting what you want is not to fool the bank to defraud the bank into thinking something that's not true. That's not the objective. The objective is to determine what is the legitimate requirement that the bank has and then meet that requirement. In other words, reconfigure yourself so that you actually qualify under the guidelines that the bank has to live with.

Michael: For our international listeners, people from all over the world, I guess with this example with the guy from China, is it possible for someone living outside the United States to strategically establish US business credit?

Al: Oh, certainly, certainly. Credit doesn't have anything to do with nationality. What are you thinking about?

Michael: Oh, I'm thinking about maybe someone who lives in Italy wants to maybe operate and run a business here in the United States. But he thinks because he's in Italy, he can't establish US credit because he's not a US citizen. Give me, in a nutshell, on how he would be able to do that.

Al: Is he actually going to be a resident alien in this country doing business or is he trying to do it from a distance?

Michael: Well, I think for this purpose, let's do it where he'd be doing it from a distance. This would be really cool. If someone living outside the US can control and operate a US business and take advantage of business credit all from living outside the US. Is that possible?

Al: Sure, it's possible. First of all, let me just remark that the example I gave you a moment ago about the guy who invested the Chinese money, he actually is a citizen of Portugal. He was born and raised in Italy, went to school in Portugal, lives in Portugal and is simply in the US on a business visa doing business here. He's not a US citizen.

But let's go back to your other point. Let's suppose that he had remained in Portugal and tried to do business by remote control. He would be at something of a disadvantage by not have a US address with a US person residing in the United States as manager of that

office because lenders want to at least have a contact within the United States that they can pick up the phone and call or that they can call directory assistance and get a listing for.

Michael: Let's assume that that would be more favorable. So how would he be able to do that?

Al: Well, the way he would do that is he would simply, first of all, establish a US corporation. That's easy to do. There are millions of incorporation services in this country that'll do that for him for a couple of hundred dollars.

Michael: Or just buy a shelf corporation?

Al: Or just buy a self corporation. He would then need to set up at least a virtual office, that is he could go to one of these executive suite companies that will rent you an office within an office suite and you have shared reception and shared boardroom and so forth. He would simply rent an address and telephone services and so forth and he'd get a listed telephone number. If he wanted to go the extra step, he would hire a representative in the United States to sit in that office and actually be the coordinator for his US activities. That would be the best solution.

Michael: So he's got an authentic US established business.

Al: He could go ahead and build his corporate profile in the way I described earlier in this conversation and he could start applying to potential lenders. If he didn't know who to go to, he could contact a company like ours and we give him a lift.

Michael: Would there be any disadvantage when he's doing all the D&B stuff that he states that he's, I guess, a non-US resident alien?

Al: No, that wouldn't work against him. As long as he is able to say that the authorized signer for his US corporation has a US address. As a matter of fact, personally I've owned a correspondence school since 1982 that trains paralegals all over the world. We get a lot of students from India and Pakistan because there's a belief there that if they have credential from a US legal institution, like a law school or paralegal credentials, that somehow rather that's going to help them do business with the United States. There's no real logic to that and if they ask us if it's going to help them, we tell them we don't really see how. But in their culture, they believe it. So we get a lot of students registering for distance learning to get a paralegal degree and those people go on to

establish US corporations and seek credit lines in the US and letters of credit so they can trade with the United States.

So this is done all the time and we guide people how to do it.

Michael: Let's spend some time and talk about some of the resources you have here at your website and some of your different packages and services that you offer. Let's say the listeners who want to establish business credit, what is the best website for them to visit?

Al: Well, they can go to www.businesscreditassociation.com, that's the primary one. That has the high-end packages there where you can actually buy a turnkey corporation with all the work already done for you. That's rather expensive and that's not what the average person buys because that can run up above \$20,000.

Michael: There's a free download – "Business Credit In A Nutshell". Is this a web presentation that someone can learn more about?

Al: That's an overview of the whole business credit picture. That's a book that we sell on one of our other websites for \$39.95. But the Business Credit Association has offered us an incentive to list your contact information and become part of our mailing list, we give you that book for free. And "Business Credit in a Nutshell" gives you a really excellent overview of what's involved in establishing business credit. In fact, a lot of people criticize this because they say we're giving the farm, we're giving away so much information now that we could charge thousands of dollars for it. But we do it because we understand that even if we teach somebody everything we know, there's still a certain percentage of people that want to have help with that or they want us to it for them. So we believe in having an informed clientèle and that's why we put out the "Business Credit In A Nutshell" with the expectation that some percentage of those people are still going to come back to us for help.

Michael: Okay. I want to talk about the higher-end packages but you mentioned that they're the expensive packages. But let's say for someone who's getting started who doesn't have a lot of money, what services can you offer that are going to be more affordable?

Al: Our most popular package is we have a program where we teach an eight-week course, I teach it live through teleconference once a week for eight weeks for an hour and a half. I give a lesson for about 45 or 50 minutes and then I open up to a roundtable discussion and take questions and review the homework assignment from the week before

to make sure everybody's done it. And if they run into any problems or hurdles, they tell me about them and I tell them how to solve the problem. So that by the time they get to the end of the eight-week session, they have a creditworthy corporation, they're ready to go to the bank and set up a \$200,000 credit line. Now we charge \$4997, in other words, just a little bit under \$5000 for the live course.

Michael: And they're not pre-recorded live calls? You're doing them real time?

Al: We have recorded that entire series of lessons and the question and answer period plus we support that with a complete written text course where we have all the information in textbooks and we have the reference books, for example the "Encyclopedia of Business-Friendly Lenders" is not something that we want to give out on a teleconference. So that's a book. We have those plus all the lessons on CD. So for people who don't want to pay the \$5000 fee, they can buy the exact same thing in recorded and printed form. They don't have the advantage of the roundtable discussions but they do have one year or email support, so if they have questions, they can email them to us and get an answer in a reasonable time. That program sells for \$2997 or a little under \$3000.

So if they want to have the discipline to do it themselves and they don't need it spoon-fed to them personally by me, then they could save \$2000 and get the same information.

Michael: Alright, so with the live-one for about five grand, what are they going to get other than the resources and the live and the roundtable question and answer? Are they going to get a corporation like a shelf corporation or no?

Al: We don't include a corporation in the price but we will tell them what they have to do to get one or tell them how to create their own, we'll tell them where to find the shelf corporation or if they ask us to get one for them, we will do it but they have to pay whatever the cost of that is. So the cost of a shelf corporation is not included in the training fee but we will give them all the information they need to be able to do that. We even have a way that they can create a business entity by adopting a fictitious business name that's been abandoned by somebody without it costing them anything and they can incorporate it later. So somebody who's operating on a budget and doesn't want to lay out the funds to buy a shelf corporation to get started, we'll teach them how to get started without it.

Michael: I see. Generally, people who want credit, they want it yesterday.
Would you agree to that?

Al: Absolutely.

Michael: Okay. So establishing a corporation on your own, you're going to need at least two years to be in the playing field for corporate credit. So what would you recommend if someone has the money? I guess if they don't have the money, that's probably going to be the best option and the least expensive but it's either money or time, right?

Al: Pretty much.

Michael: So is there an in-between between establishing a corporation from the start and buying a seasoned one?

Al: There is an in-between but this is where it becomes really important that you have an experienced consultant like us guide you through it because it is somewhat complicated with pitfalls. Let me start at the top. The highest and best solution in a perfect world would be that you go find a corporation that's been operating profitably for more than five years and the owner's willing to sell it to you. Because he's filed tax returns for five years, he's had a bank account for five years, it's been a real business creating real information for five years or more.

But to buy something like, first of all, it's hard to find because if it's a successful business, why would somebody want to sell it? Secondly, if he does want to sell it, it's going to cost a lot of money. I would say, it's going to cost upwards of \$80,000 to \$150,000. Most people can't spend that.

So what's the next best solution?

Well, in the past, people thought, "Aha! I'll buy a shelf corporation that was incorporated five years ago and I'll adopt that as the shell for my business and my record will show that the business was formed five years ago and that'll give me the maturity that I'm looking for in a corporation." That worked for a long time. However, today it works less well because Dun & Bradstreet are on to that and part of their job is to protect the people that buy their credit reports. In other words, they're not going to dispense false information.

Michael: That or they figure it out.

AI: They go back to the state and they look and see when that corporation changed management or when it changed owners or they look to see if it was ever suspended or gone inactive and then reinstated. If they pick up on any of that stuff, they red flag that corporation and they refuse to give it a start date of when it was originally incorporated. They'll give it a start date of whenever the person bought the shelf corporation.

Now, there are ways to avoid that pitfall and that's where a consultant comes in to help them. But one has to be careful that while creating a good image and putting your best foot forward, which is fine and even a little puffing is okay, outright falsifying records is not okay because that's fraud. So you have to walk a fine line – you want to create a good looking profile without telling any untruths.

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Michael: I see. So you got to know what you're doing. So be careful, there are a lot of companies selling these shelf corporations for that very reason but they don't necessarily always work.

AI: Yeah. You wanted a real life story, I'll tell you one I have.

Only a month ago, a client came to us who had gone to a corporation service who will remain unnamed. They bought five corporations. These were five shelf corporations that were each represented to be five years old. They paid \$6,000. a piece for them which is not a bad price for bona fide five-year-old corporation. It's kind of normal. Normally, you'll pay a thousand dollars for each year of age plus about a thousand dollars setup fee. So \$6,000. was about right.

However, once they went to Dun & Bradstreet to try to set up the credit profile for these, Dun & Bradstreet went back to the issuing state and found that all of these have been suspended and reinstated at the end of 2007. So that gave them a start date of December 2007 which made them only a few months old.

Now, this person had spent \$6000 a piece, times five- \$30,000 on basically worthless shelf corporations because these were completely worthless. They're not any better than if he had gone and paid \$200 a piece and created brand new ones from scratch. He got basically snookered and it's because he didn't know what he was doing. He rushed in based on information he thought he knew that if he bought five-year-old shelf corporations, he'd be clever. Well, he didn't know what to look for.

Michael: Let's say the last year or the last six months, there are a lot of businesses out there who maybe have corporate credit currently but business has really dropped – look at the whole construction industry – and their revenues are way down. So let's say the business isn't good, you're not bringing in money, how important are revenues coming in to the business for your credit score? Let's say you hit a slow point. Let's say you establish business credit, business is good, you got a good average balance in your account but you hit three or four months of nothing and your average balance drops down to almost nothing. What does a business do at that point if revenues are really down?

Al: Well, the average balance is certainly going to impact borrowing ability. Now, if the cash flow problem hasn't affected their payment habits yet – in other words, they still manage to pay their bills on time – then it's not going to affect Paydex score and it's not going to have any real terrible effect on their overall credit rating. However, if the slowdown in cash flow has caused them to be late on their bills and if they have arrears, that's going to be devastating.

Michael: Right, the failure to pay, that's going to devastate it. Okay, you're talking about your eight-week course. Let's talk about the eight-week course. How long is each one of the sessions?

Al: About an hour and a half.

Michael: Hour and a half by phone. Do you call in to a teleconference line?

Al: Yes, a teleconference line. We sometimes also use direct teleconferencing on the internet where we can look at each other but most of the time, it's a conference call. We have structured lessons. We have eight of them that dispenses that majority of information that's needed. We back that up at the beginning by shipping the physical course to each individual so they get all the textbooks, they get the reference books and they get all of the training programs on CD that they can listen to in their car when they're not on the teleconference.

Then they dial into the teleconference every week, it's usually on Saturday morning, and I dispense the lesson for that week. I also review what they've done for the previous week because I give assignments week, things they need to do between lessons in order to keep up. If they don't keep up, we don't wait for them. So if they're unable to complete their homework assignments, at some point in time, they have to go back to start over because we can't hold up the whole class just for a couple of people that are lagging behind.

However, we do about, as I said, around 50 minutes of new information every week. Then we open up to a roundtable discussion and those are pretty lively because everybody wants to talk to the teacher. They all want to say, 'Look, I went out and did this thing that you told me to do last week and I ran into this problem that I didn't anticipate. What do you have to say about that?' And I'll explain why he ran into that problem and what he should have done and how he should go back and correct it. This is what people want. They want hand-holding, they want answers, they want immediate gratification. And that's what we give them.

Michael: What are some of the most common questions you get about your credit services? I would assume one is, how long is it going to take me to establish credit. Would you agree?

Al: Yes, and there's the by-the-book answer and then there's reality. By the book, in theory, you only need five trade references before you're ready to go to Dun & Bradstreet. And in theory, you could set all those up in a week's time. In fact, in theory, you could set them all up in a day. In reality, it seems to be a real stumbling block for people because they just don't understand how simple it is to do. So there are people who get hung up over that hurdle who will spend months languishing over where to get their trade references, even though we tell them. The reason is because they don't want to get off of their tushes and use a little shoe leather to actually walk into a store and set up an account.

But here's how simple it is. Remember earlier I gave you the example of going to a gift store and making a purchase?

Michael: Yes.

Al: It's that simple. You chose a store, you walk in, you speak to whoever it is that would be the contact with Dun & Bradstreet. If Dun & Bradstreet calls and says "I'd like to speak to your accounts receivable person", you want to find that person. And you say, "Look, I'm going to make a purchase, I need to buy this stuff. I'd like you to hand me an invoice. I'll pay it on the spot but I intend to you as a reference with Dun & Bradstreet. Now, if Dun & Bradstreet calls you and asks you if I'm a customer and if I'd made a purchase and if I paid for it, are you willing to take that call and answer those questions appropriately? Yes or no?" Of course, you first determine if these people have a Dun number themselves. If they say yes, then it's done. You can do that

five times in a day, you can certainly do it five times in a week and there isn't anything more to it.

But, coming back to your question, what is one of the most frequently asked questions that I get? A person will come on the phone and they'll say, "You know, I called up the local _____ store and I asked them if I bought a _____ if they'd give me an account for 30 days and let me pay for it now, and report to Dun & Bradstreet, and they said no. So I'm having trouble getting trade reference or a vendor account set up."

Well, one of the reasons he's having that problem is he didn't say the right thing and he didn't go to see him. If he specifically wanted to have that vendor, then he needs to go see him and if he's not willing to go see him, then he needs to move on to somebody else. This is not something you should try to do entirely by telephone. Some of them you can set up on the phone; some of them they want to see you.

Michael: Okay, let's say I get my five references. How much more of a benefit is it for me to have seven, eight, nine, 10, 11 trade references, or is that overkill for what I want?

Al: No, no, it's more of a benefit because what Dun & Bradstreet will do is they're pretty perfunctory about the way they check things. They'll call your trade reference once and they might get some clerk who says, "Gee, I've never heard of that guy. Call back when our controller is here." They may call back one more time and if they don't get the answer they're looking for, they'll throw that one in the round file or they'll disallow it as an approved trade reference. So if you only give them five and they throw out two of them, you're not going to get a Paydex score. So if you give them 10 or 11, then they've got more to work through, they're bound to come up with five that'll work.

Michael: I'm sure there's 10 that are automatically like the OfficeMax and Home Depot.

Al: Yeah, they are but remember those are people that report by trade case. So if you rely on using them, it's going to wind up taking you 90 to 120 days ...

Michael: Oh, I see. So you want to get trade references that have D&B numbers, use D&B to call and get it.

Al: D&B can get you a Paydex score in five days.

Michael: Oh, I see. That's the fast way to go get it. I see.

Al: But if you tell D&B that one of your trade references is OfficeMax, they're not going to accept that for their credit building program because they know they report on trade case and that's going to come in automatically in a month or two anyhow. So they'll make you wait.

Michael: Okay, I see the advantage of that. That's quicker.

Let's say I have a Paydex score of 80, 100 being the highest. How much better is 100 than 80 and what difference is it going to make in, I guess, getting credit?

Al: Oh, it's astronomically better because ask yourself how many people have a personal credit score of 700 and how many have a score of 800? While 700 is extra good because most people are in the 600s, 700 is exception but there are probably, oh, I don't know, I'd like to say 30% or 40% of the population is probably in the 700s. What percentage is in the 800's? You know, maybe 3% or 4%.

Michael: What am I going to need to get a Paydex score of 100? Am I going to need a bunch of trade reference?

Al: Well, first of all, to tell you the truth, I've never seen a Paydex score of 100. I think that would be really tough to do. I'm not even sure what the secret to that would but I do know that if you want to get up there higher, that's going to turn two things. It's going to turn on the amount of your high credit. In other words, if all your credit is in the \$2500 range, then you're only going to go so far, whereas if you had a credit line of say \$50,000 or \$100,000 and paid it back, that's going to kick you way up, paid it back timely, of course. If you paid it early, that's going to kick you way up. So the speed with which you pay it and the dollar amount of it are the two things that are going to impact that.

Michael: Let's say I got a credit line from my business checking account, my corporate checking account, for \$30,000 and I borrow on it and I pay it back and I borrow on it and I pay it back. How long does it take for the bank to report to D&B and do the banks, like Wells Fargo, will they report that to D&B?

Al: No, banks won't report to D&B and car loans won't report to D&B.

Michael: Other than just getting the trade line and being able to keep a high balance in my account, those are the only two benefits ...

Al: Here's what will happen. Let's say you got an 80 Paydex and you've borrowed \$30,000 and you've paid it back and now you want to go and borrow again. Well, a bank will generally routinely, without a lot of red tape, loan you three times what your previous high amount was.

Michael: My high amount of what I borrowed before?

Al: Or paid back before. So there's \$90,000.

Michael: I can go to another bank and based on that history, probably borrow \$90,000?

Al: Right. So there are three things you're going to look at: what was the highest amount you borrowed and paid back before – okay, let's say it was \$30,000 so they will only give you about say between \$60,000 and \$90,000; what is your present Paydex – they look at it, is 80 okay ...

Michael: Because a bank's going to look at my Paydex?

Al: They'll look at your Paydex. And then lastly, they're going to call for a bank reference. They're going to call your bank and they're going to say, "I'd like a rating on this account." And the rating is going to come back as it was established four years ago and it's a mid 5. That's means that you keep an average balance of a mid 5 figure. Or it's a low 5; that means around \$10,000. Or it's a high 4, which is under \$10,000 which is not good.

Michael: Okay, let's say it's in mid 5.

Al: Five's good.

Michael: And then based on that ...

Al: Based on that, you're going to be approved.

Michael: For up to three times, so \$90,000.

Al: And if your average daily balance is a low 6, you're probably going get approved even more with lower interest rates.

Michael: Are those interest rates negotiable with these banks?

Al: Somewhat but it's pretty much take-it-or-leave-it proposition because they have lending guidelines that the senior people in the bank put out

to their loan officers and in fact, if your loan meets these criteria, you can offer this rate.

Michael: Let's say I really don't need the money but I have the ability to borrow that and I'm doing it for purposes of building a history of borrowing and paying back. How would you handle that next loan? Let's say I could qualify for the \$90,000, three times the \$30,000. How would you handle that loan, like if you were me, to best position myself for even more money if I needed it down the road? Let's say I didn't really need the money but I can qualify for the money and I want to get the loan, if I need the money later on, I want to build credit.

Al: Let's suppose for a minute that you have the ability, since you don't need the money, to turn around and pay it off entirely in 30 days.

Michael: Would that be the best thing to do – borrow it and pay it off in 30 days?

Al: No, because it doesn't show any pattern of making good steady payments. The best way to deal with that would be to make payments early for three months and then pay it off.

Michael: I got you – at least three months.

Al: Yeah, and then pay it off. Now, if this is a revolving line, that's even better because after making your payments early for three months and then paying it down to zero or maybe just paying it down to less than 30%. You go back to bank and ask for an increase in your line.

Michael: Let's say when I'm going to the bank to ask for that \$90,000, tell me the difference. It could be a revolving line or it could be a what? And what's the difference and what should I ask for?

Al: Well, a revolving line gives you the option of—first of all, you only pay an interest on the money you're using and it's automatically available to you again without reapplying for a loan once you pay it down.

Michael: Yeah, it stays in there.

Al: It stays in there. Whereas the fixed loan is just that – you got a fixed interest rate, you're going to pay interest on the entire amount whether you use it or not and once it's paid off and you want to use it again, you got go and apply for a new loan.

Michael: So I'd want a revolving line?

Al: Revolving is much better.

Michael: Would they rather give a revolving or a fixed?

Al: They'd rather give a revolving because they're going to charge more interest on a revolving.

Michael: How many more point compared to a fixed?

Al: Maybe five or six. That's not cheap. Remember it takes money to make money. Take this one other observation, if I may. Entrepreneurs who fixate on interest rates are damaging themselves.

Michael: Tell me why.

Al: Because within reason, the idea of borrowing money is that you're borrowing money to make money with. If you're borrowing money out of desperation because you're about to go under and you need to borrow the money just to stay alive and you don't know where your next dime is coming from, then you're gambling. You're not doing business; you're gambling. You're rolling the dice that you're going to come up with the money to pay that back and that you're going to recover and get on your feet.

Now, I'm not saying that's a bad thing. Millions of business owners will prove that. But I am saying that the highest and best time to borrow money is when you have a money-making use for that money. Now, if you have a money-making use for that money, within reason, it doesn't matter what interest you pay as long as you're making a profit.

So I've seen people be approved for \$100,000 loans that would absolutely allow them to double their business in a heartbeat and they've turned it down because it's three or four or five points higher than their house loan and they think it's exorbitant. Well, that's just patently stupid.

Michael: Alright, let me ask you this question and we're going to close it up. Get a revolving loan, let's say I go, I had \$30,000, I'm asking for \$90,000, I get a revolving loan. If I get \$90,000, do I take the whole thing out and pay say \$30,000, \$30,000 and \$30,000 each month to establish that three months payback?

Al: No, if you have a revolving line, they're going to give you a minimum monthly payment just like your Visa or MasterCard.

Michael: Oh, I see.

Al: They're going to give you a minimum monthly payment. Now, you don't want to pay the minimum because that doesn't look good. So you want to pay some multiple of the minimum monthly payment and you want to pay it well before it's due.

Michael: Let's say I get \$90,000. Should I take out a certain percentage and then pay it back? Do they look for the amount that you're taking out of that revolving loan? I mean, should I take out \$10,000 and then pay it back in three payments, or \$20,000 or \$30,000 or \$40,000 or \$50,000?

Al: I would take out 50% of it and I would pay 20% of it back quickly in maybe two or three installments. So let's see, you took \$90,000, so half of that is \$45,000. You want to get it down below 30%, so you pay maybe \$6000 a month for three months and then you pay it off.

Michael: And then you go back and ask for more.

Al: Then you go back and you say, "I'd like an increase in my limit." Normally, if you've done what I just described, after months, they'll possibly double your credit line.

Michael: Wow.

Al: Yeah. If you manage this revolving line responsibly – now this is based on our experience – you start out with a \$200,000 credit line and you manage it responsibly and you get increases every quarter. By the end of the year, you're going to have a million dollars in unsecured revolving credit, which is pretty impressive when you consider you started with nothing. You can do a lot with a million dollars. The local Quiznos franchise is about to go down and the guy's got a family emergency and he's willing to sell you the franchise that's worth \$100,000, he's willing to give it to your for 20 grand and walk. You can stroke him a check and you can make yourself a batch of money that way.

Michael: Right. Is the banker going to ask me what am I going to do with the money before they grant me the credit line?

Al: Almost never.

Michael: Never. And if they do, what would you say?

Al: I would say I'm going to make a capital investment in infrastructure and equipment. Why? Because that means you have an asset to show for the money. If you tell him we're going to Aruba and we're going to gamble, he wouldn't like that. If you tell him that you're going to pump it into advertising, he has some confidence that you know what you're doing and that that's going to result in additional business and he's probably going to be okay with that. But they're most comfortable with investing in infrastructure.

Michael: I hear other people saying, well, you can go ahead and borrow from one bank. So for instance, let's say I had the \$30,000, I borrow \$90,000 from one bank and then I could go do the same thing with a totally different bank. Is that realistic or not?

Al: Yeah, it is realistic. In fact, as I told you earlier, we can get somebody qualified for a \$50,000 unsecured revolving line in about 45 days and what we recommend they do once they are qualified is they submit to four banks all on the same day. Why? Because you don't want the left hand to know what the right hand is doing. Because banks do talk to each other. If you go to the second bank and you say, I already got a credit line over here at Bank of American, now I want another one from you here at Wells Fargo, they're going to say, well, you know, that's fine, you're qualified but we kind of like to see how you manage that first one before we give you one.

Michael: Couldn't they look at my history with Wells Fargo for the first \$30,000 that I did?

Al: That's why you don't want to wait. You want to do it all in the first month.

Michael: Okay, let's assume I did the \$30,000 already, you know, months ago, but I'm ready to go to ...

Al: That's going to show up on your credit report that there was an inquiry by that other one and then they're going to check it out to see if you actually got a credit line there and that works against you.

Michael: Let's say I've had a credit line for \$30,000 for months and I've paid it back. Now, I want to take it to the \$90,000 level. Could I go to four banks on the same day for the \$90,000? Do you see what I'm saying? Like the example we were talking about. I have the \$30,000, paid it back, and now I'm going to go for three times the amount.

- Al: I mean, obviously, everybody's conscious has to be their guide. My basic recommendation is that the truth works best.
- Michael: Alright, but there's nothing wrong with sticking—if you've got a good relationship with your bank, you can certainly build it with that one line with a good payback history.
- Al: If you haven't had the foresight to go to four banks all in a short period of time from the outset, if you opened up a line at one and you paid it back and now you want some more, I think you're best off to go back to that same bank, have them increase your line two or three times. When you think you've worn your welcome, you go to a second bank and again they're going to ask you the question "Why are you here, why are you over?" And you say, "Well, just like the Federal Reserve only insures up to \$100,000, I don't want to have all my eggs in one basket, okay? I'm up to pretty close to \$100,000 there. For my next \$100,000, I'd like to have a separate bank." That once again is a rational answer. So if you can give truthful reasonable answers to reasonable questions, you're okay.
- Michael: And they want to loan you the money, that's why banks are in business.
- Al: That's right. They don't make any money if they sit on their money.
- Michael: They're looking for people qualified to loan money.
- Al: Right. The problem is that most people aren't qualified and they trying to put one over on the bank. So these guys are always on their toes, skeptical, looking for a hole in your story. So you have to make sure there are no holes in your story.
- Michael: Alright. So what's happening today? There are some new laws coming down. Is it going to be much more difficult now because of this whole lending debacle?
- Al: Truthfully, it is a lot more difficult now and it's more important than ever now, if you want to succeed, that you have to do everything right. You got cross all the t's and dot all the i's. Your timing has to be right. You have to go to the correct lenders because some lenders are open to your application, lots of them are. As I mentioned earlier, banks are not necessarily the best way to get the money. There are other places that are better that we can direct people to.

And now the whole thing's tightened up just like mortgages. You used to be able to get a mortgage on state of income. Now that's a thing of the past. You can still get business loans on state of income. You can even get business loans with no personal guarantee although there are fewer of them now.

No, it's tougher now. You have to be smarter now.

Michael: Do all these new changes make anything in your programs obsolete?

Al: I wouldn't use the word "obsolete" but remember I told you about the scored loan program where you could get \$50,000 in revolving credit just based on your Paydex score? That's getting tougher. Now there are fewer that will just take the Paydex score and give it to you. They may ask for additional things. They may ask for proof of income. They may ask for a financial statement. They may actually go the extra step to check your average daily balance – before they weren't doing that. So, yes, it is getting tougher.

Michael: Two things Al; I want to just talk about your Platinum Package and then I want to talk about your franchise opportunity.

Tell me what is the Platinum Package?

Al: Instead of teaching you how to build a creditworthy corporation and get a \$200,000 credit line, we just do it for you as a service and you pay a lot more for that. That's what the Platinum Package is. There are some people who just don't want to do the work; they can afford to pay somebody to do the work for them. That's what the Platinum Package is. We actually originate the corporation, we set up bona fide vendor accounts, we deal with Dun & Bradstreet for you which is kind of tricky because you only get one chance to make a good impression with Dun & Bradstreet. If you make any miss-statement to them, you might as well throw the corporation away and start over. So we do all of that for you. We actually go to the bank and get you approved for the first \$100,000 to \$200,000 so that you know without any ambivalence that you do have a creditworthy corporation and we hand it to you, everything with a bow tied around it. That's the most expensive program we have and also the most productive.

Michael: Okay. How can someone find out more details on that specific program?

Al: They can telephone me at my office – area code 760 772-3040 – and ask for Albert Fury. They can also go to the website