

10 Steps to Build, Rebuild & Establish Credit

Personal and business: a layered playbook, plus the myths worth ignoring

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The core idea. You have two credit identities: **you** (tied to your Social Security number) and **your business** (tied to its EIN). In the early years lenders underwrite the business *through* the owner, so the winning sequence is: fix and build personal credit first, build business credit in parallel, then gradually let the business stand on its own.

Rebuilding, building, and establishing are different jobs. *Rebuilding* means repairing damage (Steps 1-2). *Building* means adding positive, reported history (Steps 3-5). *Establishing* means creating a file that did not exist before, which is where every new business starts (Steps 6-9). Step 10 keeps it all compounding.

The 10 steps at a glance

#	Step	Track	When
1	Pull all three reports and audit them	Personal	Weeks 1-2
2	Stop the bleeding: payment history and derogatories	Personal	Weeks 2-8
3	Add new positive tradelines	Personal	Months 1-3
4	Manage utilization	Personal	Ongoing
5	Protect age, mix, and inquiries	Personal	Ongoing
6	Build the business's legal and financial foundation	Business	Weeks 1-4
7	Register with the business credit bureaus	Business	Months 1-2
8	Open vendor (net-30) tradelines and pay early	Business	Months 2-6
9	Graduate to cards, credit lines, and term financing	Business	Months 6-24
10	Monitor, separate, and scale	Both	Ongoing

Part I: Personal credit (Steps 1-5)

1

Pull all three reports and audit them

Personal | Weeks 1-2

DO THIS

- Get your free reports from Equifax, Experian, and TransUnion at **AnnualCreditReport.com** (the bureaus now offer free weekly access).
- Look for accounts you don't recognize, wrong balances, incorrect late marks, duplicate collections, and outdated personal info.
- Dispute errors in writing with documentation, by certified mail, and keep copies. Bureaus generally must investigate within about 30 days.

WHY IT WORKS

You can't fix what you haven't seen. A 2012 FTC study found roughly one in four consumers spotted at least one potentially material error on a report, so an audit is often the cheapest score improvement available.

CONTRARIAN ANGLE

You don't have a credit score. FICO alone publishes many versions (auto, bankcard, mortgage) and VantageScore is a separate family. The free number you see may differ from what a lender pulls. Track the **report**, not the number.

WATCH OUT

Checking your own credit is a soft inquiry and does not lower your score. Only lender applications create hard inquiries.

2

Stop the bleeding: payment history and derogatories

Personal | Weeks 2-8

DO THIS

- Bring every account current and set autopay for at least the minimum on all of them. Payment history is the single largest scoring factor (about 35% in the classic FICO model).
- For collections, request written **debt validation** within 30 days of first contact. Confirm the debt is yours, the amount is right, and it is within your state's statute of limitations before you pay or agree to anything.
- Negotiate in writing. For a one-time late on an otherwise clean account, send a goodwill letter. Get any settlement terms in writing *before* sending money.
- Know the clock: most negative items fall off about 7 years after the first delinquency (Chapter 7 bankruptcy can stay up to 10 years).

WHY IT WORKS

Lenders weigh recent behavior most heavily. A clean, current record starts outweighing old damage faster than most people expect, especially as negative items age.

CONTRARIAN ANGLE

Paying an old collection is **not automatically step one**. In some states a partial payment or written acknowledgment can restart the statute of limitations, and older scoring models still penalize paid collections. Newer models (FICO 9 and later, VantageScore 3.0 and 4.0) ignore paid ones. Prioritize: keep everything current, address recent and large items next, and treat ancient debts last, ideally after checking your state's rules or speaking with a consumer-law attorney.

HISTORICAL ANCHOR

The Credit Repair Organizations Act (1996) exists because of an industry of fee-charging "repair" firms. It bars them from charging before services are performed. Everything they legitimately do (disputes, validation letters, goodwill requests) you can do free.

3

Add new positive tradelines

Personal | Months 1-3

DO THIS

- **Secured credit card:** your deposit becomes your limit. Choose one that reports to all three bureaus, charges little or no annual fee, and offers a path to an unsecured card.
- **Credit-builder loan:** offered by many credit unions and community lenders. Payments are held in savings and reported as an installment account.
- **Authorized user:** ask a trusted person with an old, low-balance, always-on-time card to add you. It only helps if the issuer reports authorized-user accounts, and their misses become yours.
- **Rent and utility reporting:** can help thin files, but not every lender's scoring model counts it.
- Target: 2-3 accounts that report, with at least one revolving and one installment, all paid on time.

WHY IT WORKS

Scoring models need positive data to work with. A thin or damaged file recovers by accumulating months of perfect, reported payments.

CONTRARIAN ANGLE

The fastest way to build isn't to borrow more. It's to run **small, reported, perfectly paid** accounts. Put one small recurring bill on the card, autopay the full statement balance, and let time do the work.

WATCH OUT

Before opening anything, confirm it reports to the bureaus. Avoid high-fee "credit-builder" cards and buy-here-pay-here arrangements that never report.

4

Manage utilization

Personal | Ongoing

DO THIS

- Utilization is reported balance divided by limit, calculated per card and overall. Keep it under 30%; the highest-scoring consumers tend to sit in single digits.
- Issuers usually report your **statement balance**, so pay down before the statement closes, not just before the due date.
- After 6-12 months of clean history, request limit increases (ask whether it's a soft pull first).

WHY IT WORKS

In most models utilization has no memory. It recalculates every cycle, which makes it the fastest lever you control, often moving scores within one or two statements.

CONTRARIAN ANGLE

Carrying a balance does **not** help your score. It only costs interest. Use the card, pay the full statement balance, and let the reported balance be small.

5

Protect age, mix, and inquiries

Personal | Ongoing

DO THIS

- Keep your oldest accounts open. Put a small charge on them periodically so issuers don't close them for inactivity. If an annual fee bites, ask for a product change to a no-fee card instead of closing.
- While rebuilding, space applications at least several months apart. Each one adds a hard inquiry, typically a few points, counted for about a year and visible for two.
- Shop mortgage, auto, and student loans inside a short window (commonly 14-45 days depending on the model) so they count as one inquiry. Credit card applications don't get that treatment.

WHY IT WORKS

Length of history, credit mix, and new-credit activity make up the rest of most scores. They reward patience more than cleverness.

CONTRARIAN ANGLE

Closing an old account is not neutral. It removes available credit (raising utilization) and, once the closed account eventually ages off, shortens your average history.

Part II: Business credit (Steps 6-9)

6

Build the business's legal and financial foundation

Business | Weeks 1-4

DO THIS

- Form the entity (LLC or corporation) with your state, then get an **EIN** from the IRS (free at irs.gov). Open a dedicated business bank account.
- Use the **same legal name, address, and phone number** everywhere: state filings, bank, website, vendor applications. Bureaus and lenders cross-match these. Add a business phone number and a professional email domain.
- Obtain required licenses and permits, and confirm your NAICS industry code is accurate, since some codes are scored as higher risk.
- Route all revenue and expenses through the business account. Lenders study deposit history and average balances.

WHY IT WORKS

Lenders and bureaus need to verify the business is real, separate from you, and operating. Consistency is the verification.

CONTRARIAN ANGLE

Separation is not just a credit tactic; it's a **liability shield**. Courts can "pierce the corporate veil" when owners commingle funds and treat the company as a personal wallet. The same discipline that builds business credit also protects your personal assets.

7

Register with the business credit bureaus

Business | Months 1-2

DO THIS

- Request a free **D-U-N-S number** from Dun & Bradstreet (processing can take a few weeks), then check for and claim your business files at Experian Business and Equifax Business.
- Learn the scales: **D&B PAYDEX** 1-100 (80 means you pay on time; higher means early), **Experian Intelliscore Plus** 1-100, **Equifax Business Credit Risk** 101-992, and **FICO SBSS** 0-300, which SBA lenders use to pre-screen small loans (confirm current minimums with the lender).
- Correct name, address, or industry errors. Business files often contain merged or mismatched entities.

WHY IT WORKS

You can't be scored until something is reported. Registration creates the file that vendors and lenders will later populate and read.

CONTRARIAN ANGLE

A new business's problem usually isn't *bad* credit. It's **invisible** credit. The bureaus cannot score what nobody has reported, so the first goal is simply generating on-time entries.

HISTORICAL ANCHOR

Business credit reporting predates the credit card by over a century. Lewis Tappan founded the Mercantile Agency in 1841 to compile merchants' reputations; it became R.G. Dun and, after the 1933 merger, Dun & Bradstreet. It has always been a reputation ledger, and your job is to give it entries.

WATCH OUT

Skip paid "business credit packages" that charge hundreds or thousands for a D-U-N-S number or forms you can get free.

8

Open vendor (net-30) tradelines and pay early

Business | Months 2-6

DO THIS

- Open 3-5 net-30 accounts with suppliers that **report to business bureaus**. Uline and Quill are commonly cited examples, but confirm each vendor's current reporting policy and which bureaus it reports to.
- Buy things you'd purchase anyway, in small amounts, and **pay before the due date**. Paying ahead of terms pushes PAYDEX toward its upper range.
- Layer over time: vendor accounts first, then fuel, fleet, or store cards, then a business credit card.
- Expect scoring to need several reported tradelines and a few months of history before a meaningful score appears.

WHY IT WORKS

Trade payment history is the raw material of business scoring. Suppliers report how you actually pay, which is what lenders care about.

CONTRARIAN ANGLE

Small and boring beats big and rare. A steady run of modest invoices paid early builds a stronger profile than one large purchase. Consistency across several reporting vendors is the signal.

DO THIS

- Follow the ladder: business credit card, then business line of credit, then equipment financing, then term loans, SBA 7(a) and 504 loans, or SBA Microloans (up to \$50,000 through nonprofit intermediaries).
- Look at **CDFIs** (community development financial institutions). They are mission-driven lenders that often work with thin-file and underserved borrowers.
- Expect lenders to want time in business (commonly 6-24 months), revenue and deposit history, and solid owner credit. Expect a **personal guarantee** at first.
- Business card reporting varies by issuer. Some report only defaults to personal files; others report routine activity too. Ask before applying.
- Compare total cost (APR or factor rate) and avoid merchant cash advances as a credit-building tool.

WHY IT WORKS

Each successful, repaid facility becomes another reported tradeline and another data point that lowers your perceived risk.

CONTRARIAN ANGLE

Beware pitches promising business credit with **no personal guarantee in 30 days**. Real independence generally arrives after a couple of years of revenue and payment history. Until then, personal credit is the bridge, not the enemy.

Part III: Keep it compounding**DO THIS**

- **Calendar it:** review personal reports monthly, business files quarterly, and do a full annual audit of limits, utilization, tradelines, and inquiries.
- Use free **security freezes** at all three bureaus when you're not applying, and lift them temporarily when you are.
- Build a real banking relationship: keep business checking with one bank, and speak with a loan officer *before* you need to apply.
- Secure credit lines **while you don't need them**, and spread across more than one lender.
- As business scores and revenue grow, negotiate to reduce or remove personal guarantees.

WHY IT WORKS

Credit compounds like an asset: age, consistency, and lender relationships all improve terms over time, which lowers your cost of capital.

HISTORICAL ANCHOR

In 2008-09, card issuers and banks cut or froze credit lines on millions of borrowers with clean histories, spiking their utilization overnight. Lines are easiest to get when you least need them, and a single lender can change your terms without warning. Diversify.

CONTRARIAN ANGLE

The goal isn't a high score. It's **cheap, reliable access to capital** when an opportunity or emergency arrives. A score is only a proxy for that.

Five myths worth ignoring

Myth	Reality
Carrying a balance builds credit.	It only builds interest charges. Pay the statement balance in full.
Checking your credit hurts it.	Your own checks are soft inquiries with no score effect.
Close old cards to clean up your file.	It can raise utilization and eventually shorten your average history.
Always pay collections immediately.	Check validation, the statute of limitations, and the scoring model first.
Business credit is independent from day one.	Early on, the founder's personal credit and guarantee underwrite the business.

How the system got here: five anchor points

Year	Milestone and why it matters to you
1841	Lewis Tappan's Mercantile Agency begins compiling merchant reputations, the seed of Dun & Bradstreet. Business credit is reputation, systematized.
1970	Fair Credit Reporting Act: gives you the right to see and dispute what's in your file (the legal basis for Step 1).
1974	Equal Credit Opportunity Act: bars credit discrimination on grounds such as sex and marital status, letting people build credit in their own name.
1989	The first general-purpose FICO score (Fair Isaac, founded 1956) turns reports into one comparable number. Scoring becomes the gatekeeper.
1996	Credit Repair Organizations Act: bans upfront fees for credit repair, a rule that still protects you from the guru economy.

Your first-30-days checklist

☐	Pull all three personal reports and list every error and collection.
☐	Turn on autopay (at least the minimum) for every open account.
☐	Send dispute letters for errors; request validation on any collection.
☐	Open a reporting secured card or credit-builder loan if you lack active accounts.
☐	Form the business entity, get the EIN, and open a dedicated business bank account.
☐	Standardize the business name, address, and phone number everywhere.
☐	Request the D-U-N-S number and claim Experian and Equifax business files.
☐	Set a recurring calendar reminder for monthly personal and quarterly business credit reviews.

Note: This guide is educational and general in nature; it is not legal or financial advice, and I'm not a lawyer or financial advisor. Scoring models, vendor reporting policies, lender minimums, and regulations change, so verify current terms with the bureaus, lenders, and official sources (AnnualCreditReport.com, consumerfinance.gov, sba.gov, dnb.com) before acting. For large judgments, old debts, or bankruptcy, consult a consumer-law attorney or a nonprofit credit counselor.