

FICO® SBSSSM Score — the Small Business Credit Score Explained

Did you know you have a FICO small business credit score that banks use to help make their lending decisions? Like your personal FICO credit score, the SBSS score can single-handedly make or break your chances of getting business financing! Not only has that, but the SBA, (Small Business Administration), also used the score to pre-screen loans it insures.

What is the FICO® SBSSSM Score?

FICO® LiquidCredit® Small Business Scoring ServiceSM, (or FICO® SBSSSM score) is one of the three main business credit scores. It's the one credit score all business owners should know, but many have never heard of it because, until now, it's been hard to get your hands on it. Banks aren't required to disclose that they use the FICO® SBSSSM score and very little information exists about it online. More lenders are using it because it helps them make faster, more accurate lending decisions. This means they can make decisions in hours, not days.

In fact, the U.S. Small Business Administration (SBA) now uses the score to pre-screen it's most popular 7(a) loans. If your score falls below their minimum threshold, you may not qualify for one of the most attractive—lowest interest rates—small business loans available. Starting at the beginning of 2014, all SBA 7(a) loan applications up to \$350,000 are required to go through a business credit score pre-screen. To be clear, if you're applying for an SBA loan, most likely it's a 7(a).

Here's how SBSS works:

- SBSS scores can be used for term loans and lines of credit for amounts up to \$1 million. If you're applying for \$1 million or less, chances are your lender will use SBSS to help make its decision.
- Like personal credit scores, FICO SBSS rank-orders small businesses by their likelihood of making payments on time. The FICO score ranges from 0 to 300. The higher the score, the better.

- The minimum score to pass the SBA's pre-screen process is currently 140. **But most lenders set their minimum score at 160.**
- The scoring is based upon personal and business credit history and other financial information. A strong history of business credit with timely payments to vendors and suppliers may help boost your SBSS score.
- If you have derogatory or no credit history, it can take months or even years of positive credit activity to move your SBSS score significantly higher. It's vital to build your credit and ensure it's healthy before you need it.
- Because businesses are not covered by FCRA protections, you can be denied business financing due to your SBSS score, and lenders are not required to notify you of the reason why.

How is the credit score calculated?

The short answer is the score is calculated by looking at personal and business credit history, as well as other business financial information, like: age of the business, number of employees, financial data, such as revenue and assets. It truly is a global view of a business's overall financial health!

If you have no business credit history and limited time in business, the highest possible FICO SBSS score you can get is 140. But to do so, would require pristine personal credit.

Banks and lenders can set up the SBSS model in many different ways, putting more weight on certain information, and less on others.

For example, it can put more weight on your business credit profile or more on your personal. It's also a very "smart" business credit scoring model because it will automatically go from one business credit bureau to another, in whatever order of priority the lender prefers, until it's able to generate a score.

So, if the lender prefers checking the Experian Intelliscore (Business Credit) as the default, the SBSS pulls in the Experian data set. If that report doesn't offer enough information, it will automatically check another business credit score, like the D&B PAYDEX score. It could also then move on to your Equifax business credit data. If there's not enough business credit data available, it will just use the personal credit data to calculate the SBSS score, along with your business financials.

Who uses the FICO SBSS score?

SBSS scores can be used for term loans and lines of credit for amounts up to \$1 million. The FICO SBSS score is used by over 7,500 lenders nationwide to help them make lending decisions. Large banks include: KeyBank, Huntington National Bank, PNC, RBC, USBank, Zions Bank, HSBC, Santander Bank.

The SBA uses it to pre-screen. Cutoff is 140. Banks will use it to pre-screen their loan applicants but they usually set their cutoff higher, typically around 160. If your score falls below that, they will look at your business as too much of a risk. Plus, banks don't want to waste their time filling out lengthy SBA loan applications if they are confident you'll get denied because of a low FICO SBSS score.

How can I improve my FICO SBSS score?

You can take steps now to start improving your FICO SBSS score, you need to take care of your personal credit and start building business credit. Lastly, you may just need time: Time to show solid business financial history that makes your business look more like a solid bet.