

Target Keyword: Can You Start a Business with Bad Credit?

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You've got your heart set on the perfect business venture. The plans are nearly complete and you're highly motivated and ready to roll. If you have bad credit, however, the financial side of things just might have you thinking that your future business is simply an unreachable dream. You might be asking yourself, "can you start a business with bad credit?" You will be happy to know, that while a poor credit history might make obtaining sufficient funding hard, its not impossible. With a little elbow grease and some hints to help you along the way, you could be well on your way to reaching your goal before you know it.

Let's face it, your credit score plays a massive role in virtually every aspect of your life. If you have poor credit, you are probably aware of the fact that you may encounter obstacles when attempting to finance any type of major expense. Although you can not erase your credit mishaps, you can possibly fund your business with creative ways that actually help you to rebuild your credit.

So how can you start a business with bad credit? Here are a few tips and ideas that will put you on the path to success.

- **One important factor to consider is the type of business you are intending to build.** If you have chosen a type of business that has had a high rate of success in the past, or if you are interested in purchasing an existing business, your chances of being able to obtain financing are likely going to be much higher than if you have chosen to pursue a more risky enterprise.
- **The location of your future business may have an impact on the amounts and types of funding that are available as well.** If you want to begin a business in an area that is easily accessible and financially stable, your chances for receiving financial assistance could be much greater.
- **Although many people tend to apply for business financing with bank loans and/ or credit cards, this isn't always the best solution for everyone.** Bank loans and credit cards provide a mere 25 percent of initial funding for entrepreneurs. In essence, this opens up the remaining 75 percent of your funding to options that place less emphasis on your credit history. While some financial institutions do offer business financing for individuals with less than perfect credit, it might be wise to save this type of financing as your last resort. The interest rates and fees that are frequently associated with this type of loan are typically much higher, and when you are in the beginning stages of building a business, you would probably rather avoid excessive costs if at all possible.

- **Consider funding from friends, relatives, and business associates.** Studies have shown that approximately 50 percent of all entrepreneurs receive financial assistance from friends, relatives, or colleagues at some point. If you decide to use this option, however, you may want to consider the use of a loan management company in order for your timely payments to be recorded with the credit bureaus. This will not only improve your credit rating, but can open up the door to additional financing once you're ready.
- **Search the internet.** There are a number of reputable micro-lenders that specialize in lending money to entrepreneurs. Although these loans are typically only \$5,000 to \$25,000, when combined with other financing options, they can really add up. Since they typically report to the credit bureaus, your credit will likely improve as well. Beware of high interest rates with this type of loan, however.

Investigate grant programs and gifts as well. A benefit of obtaining funding from grants and gifts is that you don't have to repay the money. This can be very important when you are trying to keep your costs low as you begin building your business.

So, can you start a business with bad credit? While the answer can not be guaranteed due to varying circumstances and other factors that might have an impact on your particular situation, with a little bit of creativity and some determination, anything is possible.