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Empowering Business Decisions

Why Corporate Credit Reports Are Important When Extending Credit to Corporations with Multiple Locations

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When corporations have multiple locations, they can have complex hierarchies. Each location may operate as an individual unit or may be part of a regional unit. They may be formed as separate business entities or part of layered groups. When you are working with a corporation with multiple locations, it can be difficult to know who is ultimately responsible for ensuring you get paid and whether the payor is financially stable.

Corporate credit reports can help you determine a customer's business lineage. By understanding how companies are connected, corporate credit reporting can help you more accurately assess potential credit risks.

Uncovering Signs of Financial Stress in Corporations with Multiple Locations with a Corporate Credit Report

You may encounter a situation where the company location you are doing business with appears healthy. However, they might be connected with other locations or a parent company that is under financial stress. A corporate credit report can uncover the company's locations and any corporates ties that exist.

When you are dealing with corporations or multilocation businesses, they will have more complex financial situations. There will be deeper credit filing information available, including tradelines and collections that can provide more in-depth information about their creditworthiness.

Corporate credit reports can show different information depending on which report you choose. You may find a business family tree valuable. A family tree lets you know if the company is its own entity or part of a larger corporation. If it is a publicly traded company, you may also want to examine its balance sheet and income statement.

Corporate credit reporting can provide you with additional information to help you evaluate a company's financial situation, such as:

- An overall credit score
- Recommended credit limits
- Account status, such as days beyond terms on payments
- Creditor balances
- Derogatory filings, such as bankruptcy, liens, judgments, or UCC filings

A corporate credit report will use the information it gathers to provide a predictive risk analysis. This can include a projection of financial stability and viability within the next 12 months and the likelihood that your business will get paid on time.

How Often Should You Pull Corporate Credit Reports?

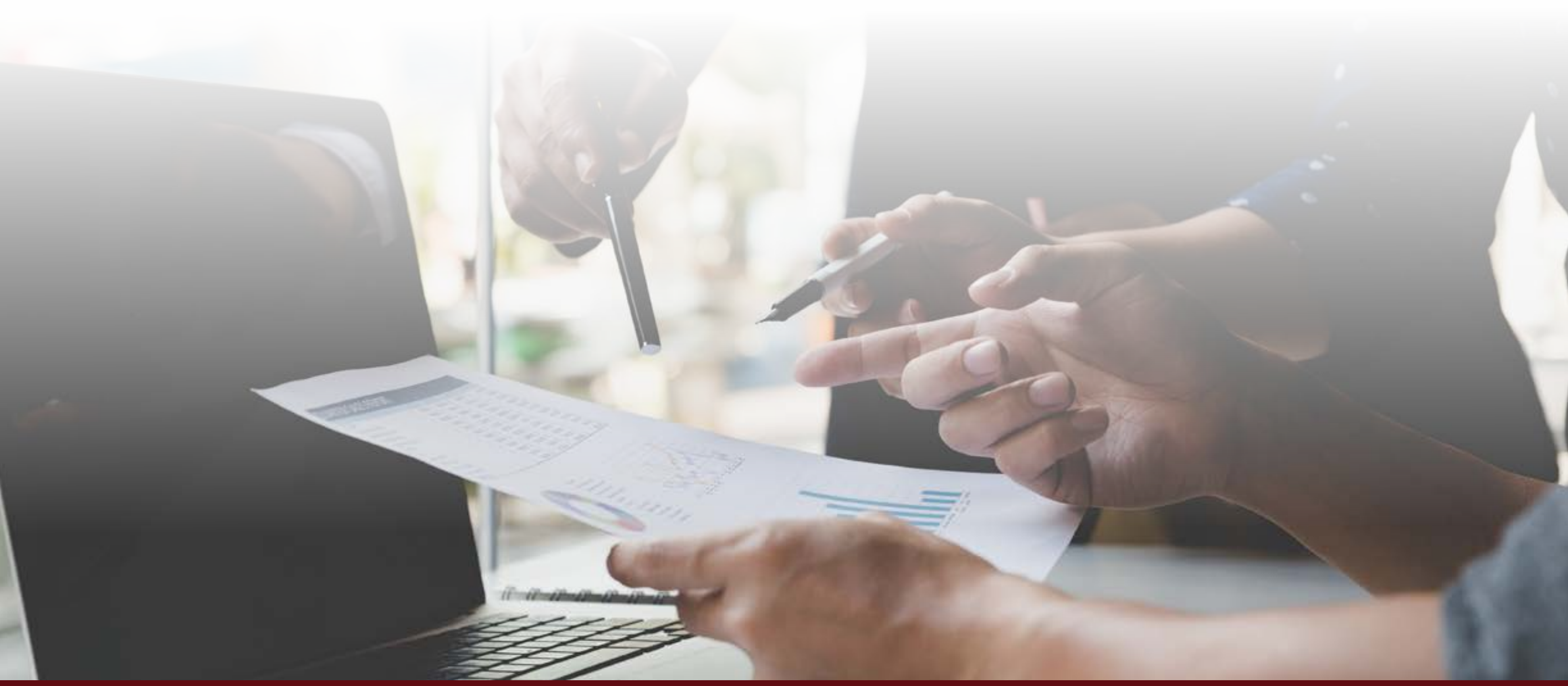
Any time you are extending credit to a new customer, you should pull a corporate credit report. You cannot afford to rely on credit applications or references as they may not tell the whole story — especially for businesses with multiple locations. You may also wish to check when renewing credit or changing terms.

As we have all seen during the past year, things can change quickly. Commercial Chapter 11 bankruptcies jumped nearly 30% in 2020. Corporate debt is at record levels and loan defaults grew to a rate more than double levels in 2019.

Despite $2.3 trillion of financial support for businesses and consumers and $454 billion set aside for loans to businesses, more distress is expected in 2021. Already, six multilocation corporations have filed for bankruptcy in just the first two months of this year.

Many businesses are pulling corporate credit reports at least quarterly on corporate customers or any time they see warning signs, such as slow payments or accounts headed toward delinquency. Since the cost of a corporate credit report is less than a bounced check, it can give you confidence that continuing to extend credit is in your best interest.

If a credit default or bankruptcy is looming, the sooner you are aware of the situation, the more quickly you can act. As most businesses extend credit on an unsecured basis, you are more at risk than other lenders that have collateral tied to their loan. If someone defaults on a secured loan, the lender can foreclose on assets and recoup some or all of their costs. With an unsecured loan, such as granting business credit to a customer, there may be nothing left to recover.



Which Corporate Credit Report Is Right for Your Business?

Which corporate credit report provides the information you need will depend on your credit philosophy. Some companies prefer one type of report while others pull reports from multiple corporate credit reporting agencies to get a comprehensive overview.

The three major corporate credit reporting agencies — Experian, Equifax, and Dun & Bradstreet — all provide an overall credit score and risk assessment. Each offers slightly different information that you may want to use to evaluate corporations with multiple locations.

You can compare the different credit reports and view samples at myaccredit.com. Select the corporate credit report you want, pay for it online, and you can download it instantly. You can download as many corporate credit reports as you want from Dun & Bradstreet, Experian, and Equifax. There is no waiting and you are not required to sign up for a subscription service.