



Knowledge is Power When You're Looking for Capital

By Paul Goblet, Investment Advisor to the New Mexico Small Business Investment Corporation

In the midst of the credit crisis, foreclosures and bank closings, it's certainly understandable that some businesses have a harder time getting a loan than they did 18 months ago. Yet New Mexico has been spared much of the financial pain being experienced in Florida, California and elsewhere.

In many cases, failure to qualify for a loan has more to do with a person's business or personal credit than it does with the nation's economy. No one today wants to lend to businesses with these problems:

- A history of being late on interest and principal payments to creditors
- A prior foreclosure or debt settlement
- Little or no means to support the consistent repayment of the loan
- No collateral of any merit or value to support the loan
- A poor debt service coverage or debt-to-equity ratio, which leads to a low credit score

Compounding the problem is that many business owners don't know where to turn for information, assistance or training to fix a credit problem. Small Business Development Centers are among the most helpful resources in the state for this type of guidance. Similarly, WESST provides technical assistance and training to business owners and those looking to start a business.

Sources of savvy

With 20 locations scattered around the state, Small Business Development Centers exist to help business owners. They have classes on many subjects that can help people manage and run a business more effectively, but they'll also help a business owner with more basic skills, such as creating a business plan that can help the business owner speak more confidently with a lender about the prospects of his or her venture.

In a time of global competition, information is empowering if a businessperson knows where to find it. One source of basic business information is the Finance New Mexico web site (www.financenewmexico.org), which features more than 120 articles on business issues written by local experts.

Sources of money

As the commercial banking sector faces new challenges, alternative lenders like the Loan Fund, ACCION New Mexico and WESST are even more valuable to people in need of credit. Since 2004, these organizations have loaned more than \$24 million to nearly 1,800 businesses (that translates into 350 loans per year).

All three organizations have excess capital to lend, but they, too, have imposed stricter credit policies to address higher-risk investments. These organizations are willing to lend money when they have a high expectation of being repaid. Business owners can meet that standard if they:

- Provide tax records for the past two to three years.
- Create a business plan.
- Explain why the money is needed and how the loan will be repaid.
- Explain past credit problems and how they've resolved them.
- Are serious, honest, passionate, professional and prepared.

Here's how to reach the primary organizations mentioned in this article.

The Small Business Development Centers: 800- 281-SBDC

The Loan Fund: 866-873-6746

ACCION New Mexico: 800-508-7624

WESST: 505-246-6900

Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation (NMSBIC) and its partners to assist individuals and businesses in obtaining skills and funding-resources for their business or idea. To learn more, go to www.FinanceNewMexico.org.

