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Money Is Tight, but It's There for the Lending

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The credit crunch is a new nightmare for some borrowers, but entrepreneurs and start-ups of modest means were only too familiar with being turned down for traditional financing even before the economy went sour.

Private alternative lenders such as The Loan Fund have helped such borrowers build self-sufficient businesses for years. Since the Wall Street meltdown, we've been getting more referrals from loan officers at local banks who know we have more flexibility than they do and can make a loan or authorize a line of credit of up to \$1 million.

Bankers aren't bad people; our board of directors includes several of them. They want to help business owners, but their hands are often tied by federal regulations and mandates from above — and those restrictions have only increased recently. One banker told me applicants must now have a minimum credit score of 650 and three years of profitable financial reports before the bank even considers making a loan.

Because we're a private group that balances social benefits and fiscal responsibility, The Loan Fund has more flexibility when it comes to helping our clients get (and keep) going. One such client, Carley Preusch of Silver City, was turned down by four banks that considered her profit margin "too low." We loaned her \$125,000 in July to expand her assisted-living center.

The Loan Fund isn't the only game in town, but we're here to help people who come to us with a business plan, reasonable credit history, realistic cash-flow projections and some evidence that their business provides a benefit to the community.

What's the plan? A business plan is necessary no matter where you turn for a loan, but one of our experienced loan officers can explain how to create one if you haven't already done it.

Credit where credit is due: The Loan Fund tallies your credit score when deciding whether to lend money, but we also consider how well you've paid your bills in the past. We're looking at commitment to pay, not just ability to pay. If you've fallen on hard times but are working to meet your obligations, we'll take that into consideration.

Reality check: I recently sat down with a hard-working entrepreneur who has struggled for financing. He had plenty of optimism, which is critical for success, but he hadn't balanced the enthusiasm with a realistic assessment of all the potential pitfalls his business could encounter.

Revenues aren't the same as profit, and every business owner must know what he or she will do if the cost of supplies or rent increases, the owner gets sick or a key employee leaves. That's why we ask potential clients for a business plan and cash-flow projections; we have to start somewhere to ensure they're not getting in over their heads.

Paying it forward: There's more to business success than dollars. One of The Loan Fund's core values is community development, which includes helping people help themselves and their communities. Examples of positive social benefits include creating and preserving jobs that pay sustainable wages and benefits; providing basic services and affordable housing in disadvantaged communities; preserving and advancing traditional communities, cultures and ways of life; and contributing to the revitalization of urban and rural communities.

Lenders are conservative — for their good and yours — but we can help you weigh all the “what ifs” in managing your revenues and put together a finance package you can live with. The Loan Fund's loan officers have many years of experience and can quickly see what's possible and what will or won't work for you. We have “patient money,” so we can lend you what you need for as long as you need it.

There's always money out there to back good ideas, so don't let the doom and gloom stop you before you even start. You can find The Loan Fund at www.loanfund.org.

Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation (NMSBIC), New Mexico Small Business Development Center (NMSBDC), Empowering Business Spirit (EBS), the New Mexico Venture Capital Association (NMVCA) and other partners to assist individuals and businesses in obtaining skills and funding resources for their business or idea. To learn more about resources available to New Mexicans, go to www.FinanceNewMexico.org.

