



## Clear Business Plan is Key to Getting a Loan

*By Marci Rulon, CEO, Southwest Federal Credit Union*

Whether an entrepreneur is starting a new business or expanding an existing venture, applying for a loan can be daunting. A good business plan makes the process less intimidating and more likely to succeed.

In writing a business plan, the business owner should consider her business from the lender's perspective and demonstrate why she is a good credit risk. The business plan should include the following sections:

**Executive summary:** This one- or two-page narrative appears first but is written last – after the owner has prepared the other components. The summary highlights the plan's contents and explains why the loan is needed.

**The company:** This is the place to describe the legal status of the company and its history. If it's a new company, it should reveal the company's startup plans and any collateral needed to secure the loan.

**The market:** A lender wants to know that a business owner has a clearly defined market that's big enough to make the business profitable. The borrower needs to know his customers – what they need, where they are and how to reach them.

**Product or service:** The entrepreneur must explain to the lender what she's selling and how the product or service will benefit customers. The lender wants to know why the borrower's product or service is better than the competition's. The borrower must show an ability to control the delivery and quality of the product or service.

**Management team:** The business owner's personal qualities and character and the management team's skill and expertise matter to a lender. The owner should describe his personal investment in the company – both in "sweat equity" and money.

**Company strategy:** Here's where to outline specific plans to build and expand the business and to project a budget for the next one to five years. If it's a new business, the lender wants to see well-prepared, realistic strategies for building the venture from the ground up.

**Financial section:** The lender will closely evaluate the company’s most recent asset/liability and income/expense statements and especially the projected profit and losses statements and cash flow tables. These reports show the lender whether the borrower has enough resources to handle the loan payments. (Some lenders want to review the business owner’s personal finances and see two years of the company’s tax returns. These don’t need to be part of the business plan, but borrowers should be prepared to provide them if the lender asks for them.)

For help in preparing a business plan, a business owner can visit one of the 20 local Small Business Development Centers around the state. For the nearest office, visit [www.nmsbdc.org](http://www.nmsbdc.org).

*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](http://www.FinanceNewMexico.org).*

