



Expert Advice as Precious as Cash for New Businesses

By Matt Loehman, The Loan Fund

Starting a business takes guts, but it also takes money. Obtaining that startup capital is one of the biggest challenges facing aspiring entrepreneurs.

Some may find it easy to secure credit: They're typically the ones with good collateral, a high credit score and a fully developed business plan. But that's not the case for many small business owners in New Mexico who find it challenging to access credit through traditional sources.

Small business owners who do have difficulty accessing credit from traditional lending sources can contact a community development lender, which is typically more than just a place to go when the banks say "no". For instance, in addition to providing loans and lines of credit to small businesses, startups and nonprofits, The Loan Fund – a community development lender – also provides business consulting and technical assistance services to help entrepreneurs and small business owners plan for starting, growing, and maintaining their businesses.

The Loan Fund wants its clients to reach their business goals, and its loan officers act as counselors, coaches and guides to that end. What they tell clients can be summed in a short list of tips:

- Research the market to realistically assess whether or not the planned product or service is consistent and sustainable.
- Know what makes the product or service unlike a competitor's.
- Create a properly funded budget for what's needed to promote the product or service, and know where to target that promotion.
- Have a plan for finding and retaining customers.
- Know what additional skills or experience will be needed from people outside to run the business, and develop a plan and budget for recruiting that talent.



- Be realistic about the financial, professional, physical and emotional resources that are needed to weather the inevitable challenges of launching and nurturing a new venture.
- Take the time to put together meaningful and realistic cash flow projections and refer to them often to see how the actual results are tracking against the projections. Be willing to make timely adjustments as needed.
- As early in the process as possible, involve the accountant as an active partner and consultant, not just a bookkeeper. This will aid in better understanding financial statements.

The Loan Fund was founded in 1989 by the New Mexico Conference of Churches to combat systemic poverty. The founders' goal was to encourage self-employment and entrepreneurship in every part of the state. The Loan Fund became a federally certified Community Development Financial Institution — one of 11 in the state — with a mission to promote economic development by making financial resources affordable and accessible to neglected or underserved communities.

The Loan Fund's client base consists of small businesses and nonprofits that faced the common challenge of obtaining affordable credit.

In 2004, The Loan Fund teamed up with the New Mexico Small Business Investment Corporation, a state-funded program that receives money from the Severance Tax Permanent Fund and distributes it through community development lenders that manage the loans. This collaborative partnership allowed The Loan Fund to broaden its reach and make more loans.

For more information about The Loan Fund, visit www.loanfund.org.

Finance New Mexico is a public service initiative to assist individuals and businesses with obtaining skills and funding resources for their business or idea. To learn more, go to www.FinanceNewMexico.org. Sponsored by:

