



## **Critical Elements of a Loan Application**

*By Leslie Hoffman, Director of Lending and Client Service, ACCIÓN New Mexico*

Sheep ranchers Jerry and Lyn Brown of La Plata, N.M., were looking for resources to help take their small business to the next level. The sheep herd represented more than a livelihood for the Browns; it was the one remaining asset the family turned to as a lifeline after Jerry was hurt on a construction job and then nearly killed in a random shooting. The Brown's finances had suffered because of medical bills, but their commitment to their sheep ranch was clear.

The Browns turned to ACCIÓN New Mexico, a non-profit lender, for a \$2,500 loan. In spite of their financial challenges, the Browns were able to obtain financing because they scored well on the critical elements of a loan application.

ACCIÓN is a nontraditional lender that increases access to business credit, makes loans, and provides training which enable entrepreneurs to realize their dreams and be catalysts for positive economic and social change. Our lending considerations go beyond numbers. We seek hardworking and pioneering small business owners and emerging entrepreneurs. We support their passion to succeed, learn, and make the right financial and business choices.

There are several critical elements of a loan application that we evaluate as part of the loan process. They include:

- **Character:** This is among the most important considerations in any ACCIÓN loan application. Our organizational values reflect the character we seek in our clients – passion, pioneering spirit, integrity, commitment to excellence and a history of accountability.
- **Cash flow:** What is the flow of income and expenses for the business and the household every month? Is there enough money to cover a monthly loan payment? Will the loan increase the income of the business? The ACCIÓN team helps determine ways to make the most of what's coming in and going out.
- **Credit history:** A credit report provides insight into previous relationships with creditors. This history is one of the important tools in a lender's toolbox to understand financial health. The ACCIÓN team analyzes, along with clients, the most important elements of the credit report, including credit score. Like a home or a savings account, a credit score is an asset. We want clients to protect and build on this asset.

- Collateral: A willingness to pledge items of value to secure a loan until it is repaid is an important indicator of client commitment. On smaller loans, clients have used items such as equipment or livestock.

Along with ACCIÓN staff members, clients like the Browns evaluate these critical elements of their loan application to assess their needs and financial position. If these elements are not in place today, we can help clients build a path to get there tomorrow.

Our aim is to improve people's financial health. An ACCIÓN New Mexico loan can be used for a variety of business purposes that promise to do so, including the purchase or upgrade of equipment, the purchase of inventory or a business location, or marketing.

As a nonprofit community development organization, we offer small business loans from \$200 to \$150,000 at competitive rates to people who may have limited access to traditional forms of business credit. We recognize that people – like the Browns – may have suffered from unexpected financial challenges. But if the critical elements of the loan application are positive, we can help businesses get back on their feet and grow, much as we have done for more than 2,000 small businesses through loans and support services.

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

