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Micro Loans – When Your Business Needs a Little Boost

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A few years ago a massage therapist came to WESST Corp. because she wanted to open a small office. She had a business plan and some excellent marketing ideas but not much else. She needed a small amount of money to purchase office furniture and equipment to set up her practice. What she needed was a micro loan – a small business loan to help get her business off the ground.

The massage therapist received her loan under the condition that she meet with one of our marketing consultants to help refine her ideas. She began taking classes, including a multi-week class called Marketlink that focuses on delivering a product or service to the marketplace. It wasn't long before her sales skyrocketed from a few hundred dollars a month to a couple thousand per month. Recently she returned for another loan, this time so she could move the business to a larger location and hire other therapists.

Both the original start-up loan and the subsequent loan for expansion are typical of micro loans. Helpful when the funding needs of a business are small, micro loans range from as low as \$200 to as high as \$50,000. Loans of this size are often difficult to find – applicants sometimes lack collateral, have suffered credit problems, or have no business experience. If the business is new, banks may view the enterprise as risky. Those who have had credit problems such as bankruptcy or late payments will also have a hard time qualifying for a traditional loan. Micro loans are designed for all of these situations.

WESST Corp is a private, non-profit economic development organization. With an average loan size of approximately \$15,000, we can be very creative with collateral. We also want to understand the story behind any credit problems. The manner in which clients have handled past financial problems is a good indicator of character.

But don't assume that there are no strings attached. We require those starting a new business to write a business plan as part of the loan application. While somewhat time consuming to write, a business plan helps clients take an objective look at their business idea and forces them to understand the areas that are critical to the success of the business. We also ask applicants to prepare a 12-month cash flow projection to help them learn how cash moves in and out of the business and how the loan will be repaid.

Once a loan is granted, we make sure clients have the resources they need to succeed. One-on-one counseling is provided by consultants that include WESST staff members, as well as

community business leaders with specific expertise. Customized solutions, targeted guidance and support are offered.

Classes are also available, not only to those with WESST loans, but to people thinking about going into business for themselves and owners of existing businesses who want to grow their business. One of the hidden benefits of these classes is that entrepreneurs who come together to learn often end up supporting each other and making important connections.

Micro loans are appropriate in any number of situations. A company may need to purchase a new delivery truck, or start-up inventory may be needed. A warehouse or workshop may be necessary. These are typical reasons clients come to WESST, and our clients have started more than 1,850 businesses, accessed more than \$2 million in loan capital and created approximately 3,000 jobs.

The massage therapist is doing splendidly in her new location and sales recently topped \$6,000 per month. I wish I could say this story is representative of all of our clients but success is truly up to the entrepreneur. It takes creativity, perseverance and hard work to succeed. If we help a potential entrepreneur understand this, and they decide not to start a new business because they realize it will be difficult, we have also achieved success.

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.

