



Article 4-A

October 21, 2007

Business Loans – When Traditional Banks Can't Help

By F. Leroy Pacheco, Executive Director, The Loan Fund

Nine years ago, while working as a housekeeper for a large Albuquerque hotel, Delia Gallegos dreamed of her own restaurant. Today she is the owner of two restaurants that provide a living wage to nine employees, and she has plans to open a third.

Delia is just one of many successful clients of The Loan Fund, a non-profit alternative lending agency that steps in when banks are unable to make a loan. The mission of The Loan Fund is to build New Mexico communities, and we pursue this mission one loan at a time.

The Loan Fund was founded in 1989 by the Council of Churches to help alleviate poverty in New Mexico. It was, and still is, a laudable goal and one in which we passionately believe. We don't – as some believe – give away money. We look for people with good ideas who don't qualify for traditional financing. In the past year alone we have made it possible for a wide range of ideas to come to fruition, including a dance school in Roswell, a flower shop in Tucumcari and a day-care center in Chaparral.

Because of their own regulations and requirements, banks often can't loan money to an entrepreneur or small business, even when the banker would like to do so. Nobody likes looking a person in the eye and saying no to a dream. Banks and traditional financial institutions refer many clients to us for both loans and consulting support.

We know that it takes more than business growth to make a community healthy, and that's why we don't limit loans to for-profit businesses. The Loan Fund is the only alternative lender in the state that works with non-profits, assisting organizations in bringing services to cities, rural towns and the Navajo Nation. We have worked with groups like the New Mexico Teen Pregnancy Coalition, The London Frontier Theatre in Magdalena and the Tierra Madre Land Trust. In fact, our largest loan was for \$700,000 to a non-profit organization.

While some form of collateral is required, we work with applicants to craft loan packages that balance social and fiscal responsibility. Because we aren't a bank, we can be a lot more flexible with terms and conditions. Following our mandate to provide jobs and economic development in New Mexico, we don't even use traditional titles; our lenders are known as Community Development Officers.

We also know that success takes more than money. Consulting services, provided by bi-lingual advisors in our Enterprise Empowerment division, help clients put their ideas to work in ways

that promote success. Business theory gets translated into realistic plans that fit the goals, abilities and resources of our clients. As one of our client advisors says, “financing doesn’t do you much good if you don’t know how to use it.”

So how do you get a loan from The Loan Fund, or from any other lending agency or bank? First you need an idea. How to expand on that idea will be the subject of a future article.

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.

