



Article 174

January 31, 2011

Alternative Lender Helps Kids Find Their Castle

By F. Leroy Pacheco, President and Chief Operating Officer, The Loan Fund

Sandra Monica has a passion for working with children. That's why after 15 years as an employee, Monica decided it was time to start a day care center of her own.

Starting out was no easy task but with her husband's support and financing from The Loan Fund, Monica opened Kid's Castle Child Development Center in Las Cruces. The center has helped alleviate New Mexico's shortage of daycare providers by offering early education to children six weeks to 12 years of age. Kid's Castle serves more than 100 children and employs approximately 25 full-time teachers.

After approaching several lenders, the Small Business Administration referred Monica to The Loan Fund. "If it wasn't for The Loan Fund, I wouldn't have been able to start up," Monica said. "I made a presentation ... and they were very supportive."

The Loan Fund is an alternative lender, founded in 1989 by people affiliated with the New Mexico Conference of Churches, with a \$70,000 investment from the Michigan-based Adrian Dominican Sisters. Today it is a non-profit organization, with \$16 million in assets and a loan pool from sources as diverse as state and federal agencies, banks, individual donors, and faith-based organizations.

In 2010, The Loan Fund reached several significant milestones when it surpassed \$41.5 million in loans to more than 1,200 New Mexico clients that created or preserved 6,000 living-wage jobs. More than \$12.5 million – 30 percent of the overall total – has been disbursed during the recession of the past two years, as the need for business financing increased and many banks stopped lending. More than \$11 million is in The Loan Fund's portfolio for businesses and nonprofits that collectively generate over \$80 million in sales annually.

Focusing on hard-working, low- to middle-income people whose financing needs may not fit a bank's traditional lending guidelines, The Loan Fund has made loans as small as \$2,000 to a home-based coffin maker and as large as \$750,000 for a chile processing plant. Loans are not limited to businesses; non-profit organizations have also received funding. These are people who are starting or expanding sustainable organizations that enrich their communities.

As The Loan Fund grows, its services are expanding. In 2010, it started offering SBA 504 loans, which provide long-term fixed-rate financing to purchase fixed assets such as real estate or

equipment. The organization also began managing Bernalillo County’s \$1 million Revolving Loan Fund under the County’s “Increment of One” initiative.

As an alternative lender, The Loan Fund can be flexible with terms and conditions. Collateral is required, but loan packages seek to balance social and fiscal responsibilities, which includes the number of jobs a loan helps create or preserve. It is the only alternative lender in New Mexico providing financing to nonprofits.

In addition to providing loans and credit, The Loan fund offers technical assistance and mentoring – services that can help entrepreneurs turn financing into long-term success. As one business advisor for The Loan Fund said, “Financing doesn’t do you much good if you don’t know how to use it.”

Sandra Monica says the consultation and follow-up helped her stay on track. “They’ve been great,” she said. “Even though they are based in Albuquerque, someone is always checking in with us. When they’re in Las Cruces, someone always stops by and sees how everything is going.”

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

