

U.S.-Backed Loan Program Helps Businesses Buy Growth Assets

By Norma Valdez, Community Development Director, The Loan Fund

Small companies often lease space before buying or building a property that allows them to expand or modernize. When they're ready for that leap of faith, the U.S. Small Business Administration can help by underwriting a significant portion of any loan they need.

The SBA's 504 loan program is a public-private partnership administered through a Certified Development Company (CDC) that helps small, independently owned companies secure the fixed assets — such as land, building and equipment — that they need to grow and be competitive. If the business owner can provide a minimum of 10 percent of the loan amount, the CDC will underwrite 40 percent — up to \$5.5 million in some circumstances — and this makes lenders more comfortable offering a first mortgage for the remaining 50 percent.

The Loan Fund, a community development financial institution, works with the SBA and CDCs to help business owners obtain 504 loans and access money they might not be able to get. This lets business owners conserve cash for other operating costs.

Who Is Eligible

A 504 loan can be used to cover the costs of any fixed asset. The business can use the money to buy land or a building, build a new facility or renovate an older site. Landscaping and infrastructure necessary to the operations of a business are eligible expenses, or the money can be used to install utilities or parking lots or buy durable machinery or equipment with a 10-year work life.



Volunteers, including students from NM Highlands University, repainting buildings in Las Vegas, NM; photo courtesy of Las Vegas MainStreet

To be eligible, a company must be a for-profit entity, have a tangible net worth of less than \$15 million and average annual net income of less than \$5 million. The 504 financing must result in a minimum number of new jobs or meet a public policy goal, depending on the loan amount.

Startups can qualify by proving they have qualified management with industry experience, a solid business plan, access to working capital and a minimum equity contribution of 15 percent.



More Than Money

The Loan Fund works with the CDC's 504 loan specialists, such as Lorena Chavez of Capital Certified Development Corporation and Steve Carruthers of the Enchantment Land Certified Development Corporation, to prepare the loan paperwork, coordinate the efforts of all parties and structure the loan to balance the interests of the borrower and the SBA.

The Loan Fund's community development officers also work with business owners and entrepreneurs to ensure they have all of the tools they need to succeed. Besides financing that's tailored to their specific needs and resources, business owners have access to technical assistance and business consulting services. Loan officers act as counselors, coaches and guides to help clients reach their business goals.

New Mexico business owners looking for financing have turned to The Loan Fund for 25 years. Founded in 1989 by the New Mexico Conference of Churches to combat systemic poverty, the nonprofit organization continues to encourage self-employment and entrepreneurship in every part of the state. The organization has helped secure more than 7,700 jobs in New Mexico by deploying more than \$55 million in loans across the state since inception. In 2014, 92 new loans totaling \$5.5 million helped secure more than 500 jobs. The Loan Fund currently has almost \$13 million in loans outstanding in New Mexico.

For more information, visit www.loanfund.org or call (505) 243-3196.

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