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Nonprofit Lenders Multiply Impact of Philanthropic Gifts

By Finance New Mexico

Philanthropic giving is a \$300 billion industry in the United States, and New Mexicans do their part every year to underwrite the causes that matter most to them.

According to one organization that tracks philanthropic giving, the top recipients in 2014 were organizations devoted to education; human services; health; animals and the environment; public-social causes; arts, culture and the humanities; international disaster relief; and religion or spirituality.

While they seem invisible within these general categories, nonprofit organizations that promote grass-roots economic development — The Loan Fund, Accion and WESST among them — also rely on private giving to support and enable individual entrepreneurship in our state.



Microlenders on a Mission

Accion, The Loan Fund and WESST manage separate pools of private and public money, which they make available as loans and lines of credit to small businesses in New Mexico — especially startup businesses and those in chronically underserved communities and populations.

All three also support their clients' success by offering other services, such as business counseling, training and mentoring.

Thoughtful contributions — better known as social investments — to any one of these organizations have a way of living indefinitely into the future.

When loans are repaid, for example, the money becomes available to other entrepreneurs who want to start or expand a business. Better yet, clients who obtain a loan from one of these organizations get something more than temporary aid for an urgent need: They get the technical and financial resources and ongoing assistance to become financially independent by turning a talent or idea into a profitable venture.

And when that business buys supplies and services from local vendors — and pays its employees — it injects even more cash into the local community.

Because of this exponential effect, a relatively small social investment in a nonprofit lender can snowball into something significant. It can also attract other contributions, further magnifying the impact.

While WESST, The Loan Fund and Accion all started with small pools of money, the results they achieved were noticed by the New Mexico Small Business Investment Corporation, which provides funds to all three for lending.

Social Investing Matters

In 2014, almost 38 percent of WESST's revenue came from private contributions and in-kind donations. The rest came from grants and earned revenue, including interest and loan fees. Between 2010 and 2014, the organization created 1,232 jobs and 228 businesses that generated revenues of \$238.6 million.

Almost 57 percent of Accion's total 2014 revenue came from various contributions and in-kind donations. The rest came from earned revenue, including loan interest, fees and investments. Last year the organization provided 1,239 loans worth more than \$12 million, creating or supporting 2,564 jobs in the four-state region it serves.

This year alone, The Loan Fund will provide more than \$6.5 million in new loans to New Mexico small businesses, creating or preserving more than 550 jobs. The Loan Fund has a total active loan portfolio of more than \$13 million it has provided to small businesses that collectively produce \$100 million in annual sales revenue. About 70 percent of The Loan Fund's revenues are generated through earned income.

As these numbers illustrate, anyone interested in making a social investment in New Mexico might consider organizations like these, which help strengthen local communities one business at a time.

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