



Alliance for Local  
Economic Prosperity

*Keeping Our Public Funds Safe, Local and Working*

# Public Banking Benefits for Tribal Lands & Communities

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INDIAN AFFAIRS COMMITTEE—NM LEGISLATURE

OCTOBER 30, 2024



# New Mexico Needs More Financial Resources

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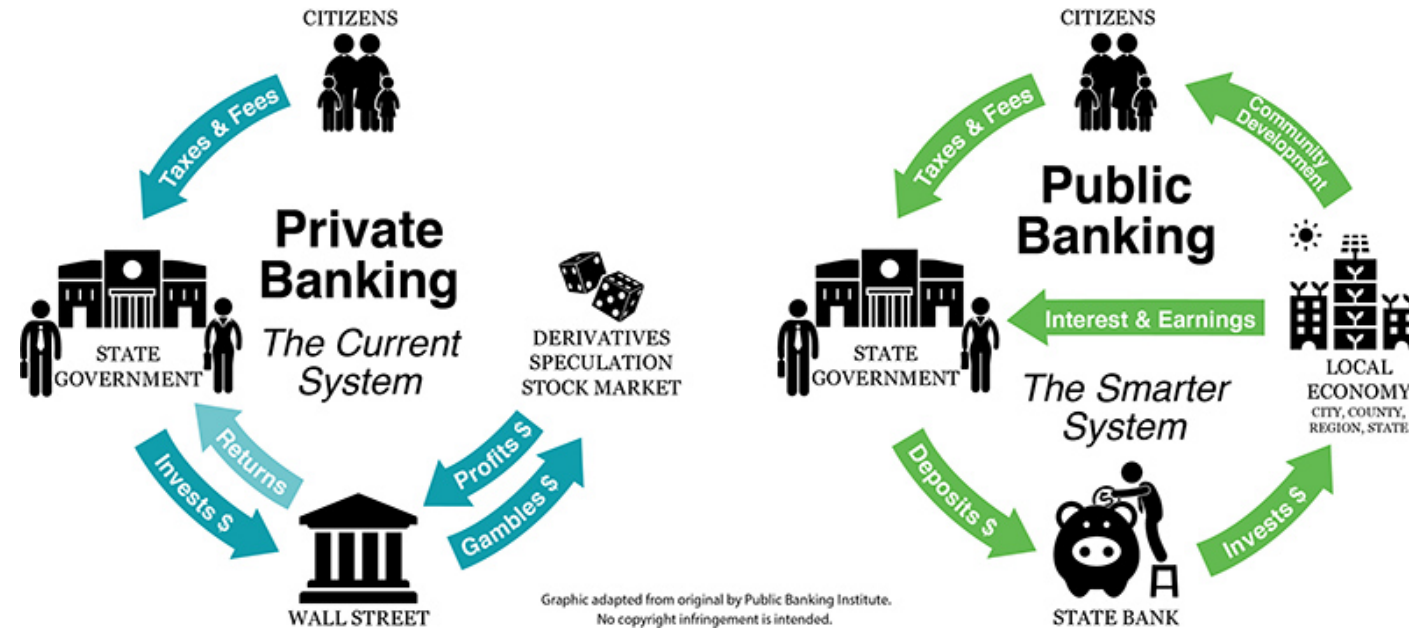
- More financing for small businesses, rural, and tribal development needs and potential.
- Lending programs that support industry diversification and access to financing by entrepreneurs from marginalized backgrounds.
- Oil and gas revenues drop in 5-7-10 years. Current federal and state monies **will not meet all the need**, especially in 2+ years. Need to expand the state's financing capacity.

The State's need for development capital, especially for its socioeconomically disadvantaged communities, is addressed by a Public Bank of New Mexico.



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# The Public Bank Will Keep NM Revenue Local

# Small Business and Rural Economic Development



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Rural communities and small businesses are important to the NM economy.

54.2% of NM employees work in small businesses. There are 167,784 small NM businesses. Less than one-third are led by “self-employed minorities” in a minority-majority state.

Challenges in accessing financing—awareness of programs, education on application processes, bias in loan approvals and criteria for approval.

LULAC notes **redlining** continues in NM banks.

## Key Findings: New Mexico Small Business Snapshot



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NMFA commissioned Next Street to research New Mexico small businesses and their funding needs to help inform how the NMFA Venture Capital Program and SSBCI funding could be best utilized in New Mexico.

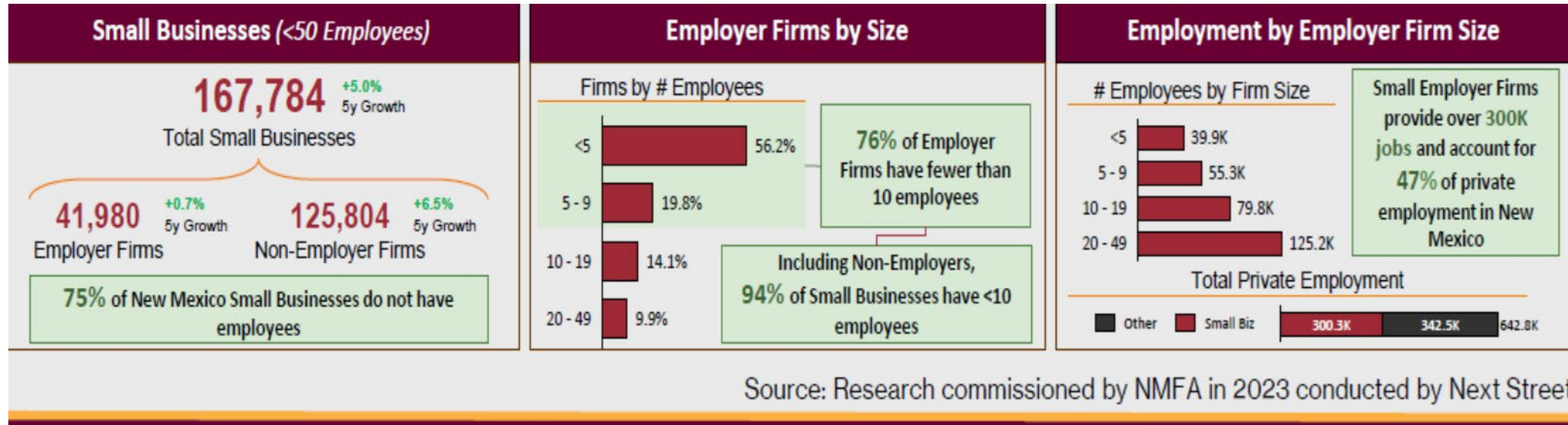
There are **167,784 New Mexico small businesses with fewer than 50 employees**; 75% of these New Mexico small businesses do not have employees.

**76% of employer small businesses have fewer than 10 employees and account for 47% of private employment in New Mexico.**

**42% of employer small businesses are located in rural communities.**

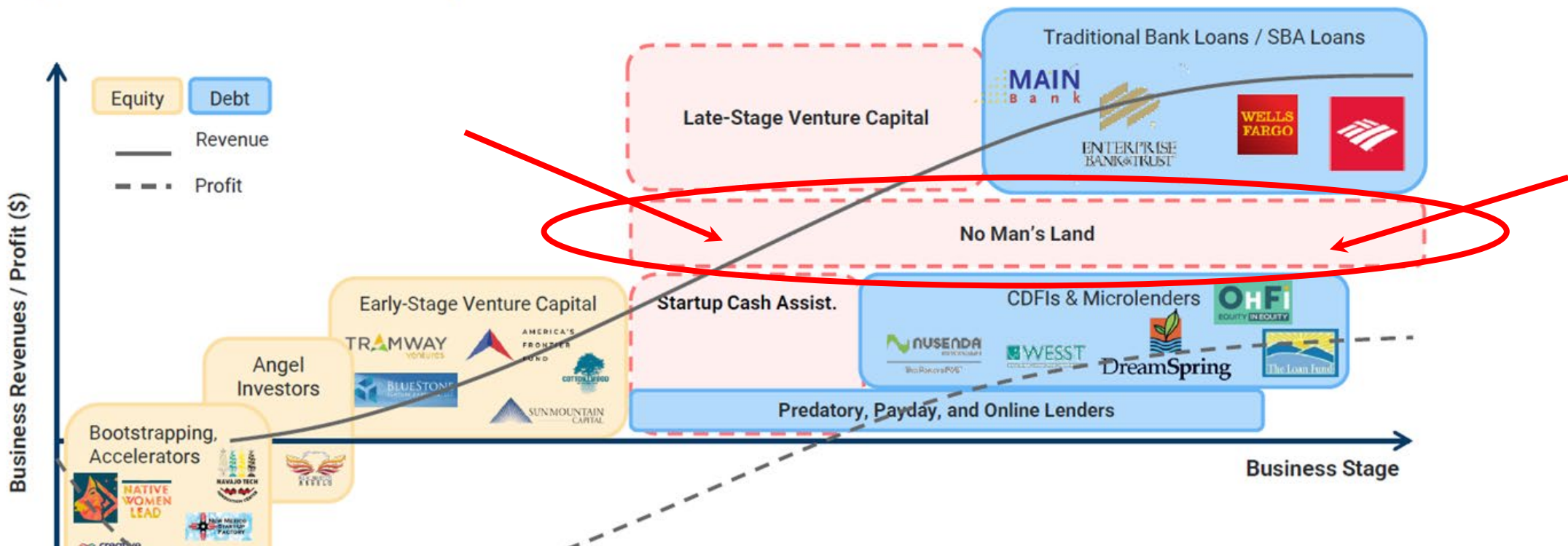
**Minority-owned businesses are significantly underrepresented** in small business ownership statewide

Source: Research commissioned by  
NMFA in 2023 conducted by Next  
Street





# Capital Landscape: Local Providers



Overall Availability of Capital

	Pre-Rev	Early Stage	Growth	Mature
Main Street Businesses				
Growth Businesses				

# Lending Programs Are Not Reaching Small Businesses in Rural NM

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- Zach and Mary Ben—farming, processing, and distributing baby foods; Navaho Nation; tribal liaison with UNM Rainforest Innovations Program; could not obtain financing, rather patchwork of savings and family support. Many reports of similar experiences.
- Outdoors Economics Conference—many individual owners and wannabes, including Indigenous people; #1 issue is access to capital.
- Creative Industries Conference—many individual owners, many Indigenous; lack of access to capital is a major issue.
- Banking newsletters report that as interest rates decrease small business lending is tightening even further than in the past year.
- Recent First Nation (Canada) study proposed formation of a Development Bank to address gaps in Indigenous access to capital.





# Borrower Access to Loans

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- 1. Borrower applies for loan in community bank, credit union, or CDFI holding a partner agreement with the state bank.**
2. Borrower brings documentation—business plan, financials
3. Loan officer determines eligibility based on criteria developed by PBNM staff and agreed to meet in the partnership contract.
4. When questions of eligibility arise, local institution contacts PBNM staff for consultation.
5. **Loan approved → Payments made to local financial institution.** Repayments and interest are allocated on a predetermined timeframe and in a percentage determined by the particular loan program engaged. (Example: a loan covered 70% by PBNM, 30% by local institution with 6% interest would have an agreed upon split on the interest payment + an administrative fee for the bank/CU/CDFI to handle the loan.)



# Typical Loans in PBNM Model

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Small business startups & expansions, Entrepreneurial Loans, Cooperatives  
@ \$1.5-2 Million/each

Smaller loans @\$25-250K

Long-term loans @\$10-40K, including home solar installations

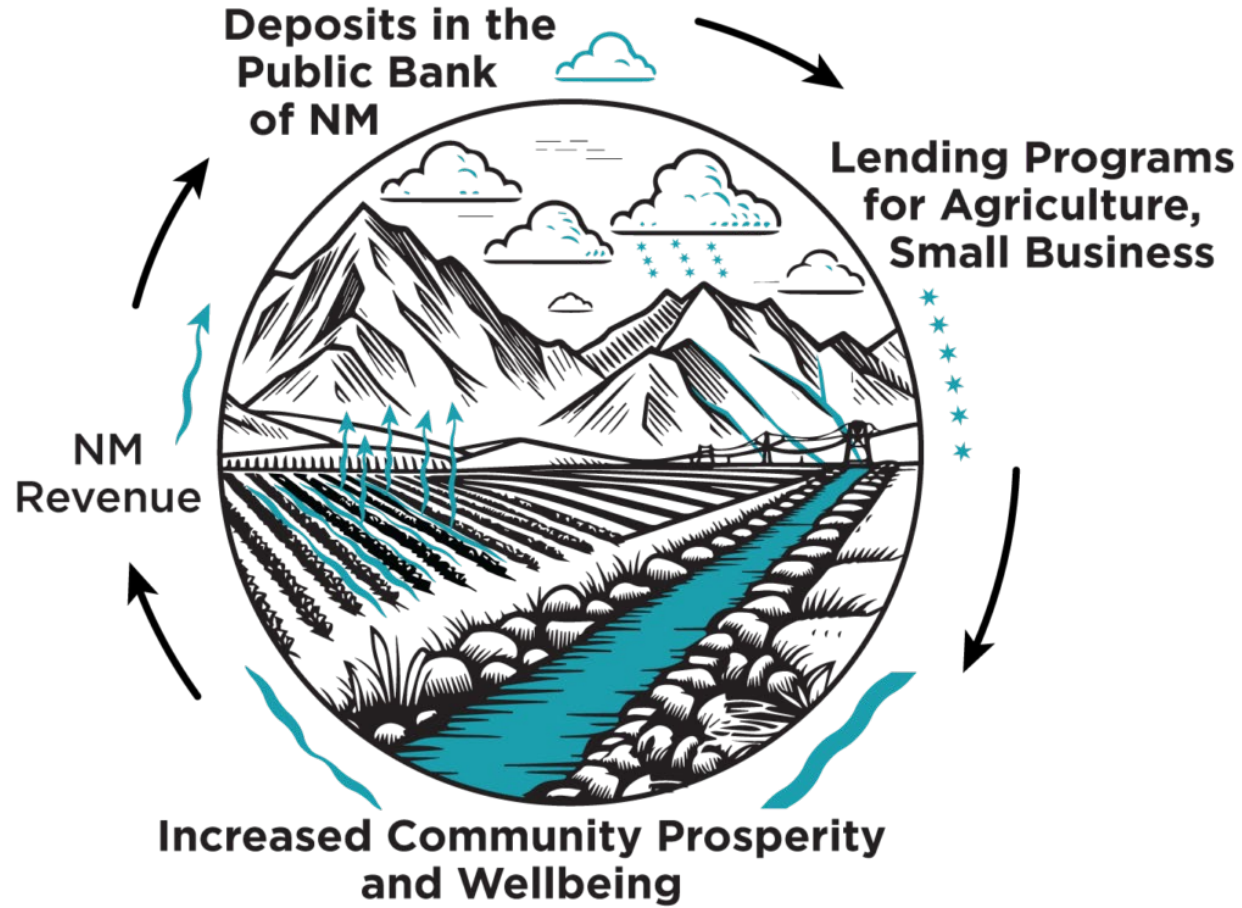
Medical, dental and veterinarian students, new clinic loans, low default rates

Initial lending programs: Accelerated Growth, Business Development, Value-Added Guarantee,  
Bank Participation



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## Questions? Contact Us

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