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HOUSE BILL 342

53RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2017

INTRODUCED BY

Georgene Louis

AN ACT

RELATING TO ECONOMIC DEVELOPMENT; ENACTING THE COMMUNITY
DEVELOPMENT FINANCIAL INSTITUTION ACT TO PROVIDE FINANCIAL AND
TECHNICAL ASSISTANCE TO CERTIFIED COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTIONS; CREATING A FUND; MAKING AN
APPROPRIATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. [NEW MATERIAL] SHORT TITLE.--This act may be
cited as the "Community Development Financial Institution Act".

SECTION 2. [NEW MATERIAL] FINDINGS AND PURPOSE OF ACT.--

A. The legislature finds that:

(1) access to credit, banking services and
investment capital are vital to the growth of small businesses,
the creation of jobs and economic development throughout the
state;

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1 (2) many communities with great potential for
2 growth, but the greatest need for jobs and investment, lack
3 access to the services and capital of traditional banking and
4 lending institutions;

5 (3) access to capital and banking services can
6 be improved through community development financial
7 institutions; and

8 (4) community development financial
9 institutions provide effective lending and financial services
10 and fill a vital role in meeting the needs of New Mexico's
11 underserved communities in furthering economic development.

12 B. The purpose of the Community Development
13 Financial Institution Act is to implement the provisions of the
14 1994 amendment to Article 9, Section 14 of the constitution of
15 New Mexico to allow public support of economic development to
16 foster, promote and enhance local economic development efforts
17 while continuing to protect against the unauthorized use of
18 public money and other public resources.

19 SECTION 3. [NEW MATERIAL] DEFINITIONS.--As used in the
20 Community Development Financial Institution Act:

21 A. "applicant" means a community development
22 financial institution that has applied for financial or
23 technical assistance from the commission pursuant to the
24 Community Development Financial Institution Act;

25 B. "commission" means the economic development

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1 commission;

2 C. "community development financial institution" or
3 "institution" means an organization located in the state that
4 has been certified as a community development financial
5 institution by the federal community development financial
6 institutions fund;

7 D. "department" means the economic development
8 department;

9 E. "fund" means the community development financial
10 institution fund;

11 F. "investment area" means:

12 (1) a county or census tract that has:

13 (a) a poverty rate higher than the
14 state's previous year average as determined by the United
15 States census bureau;

16 (b) an average income of eighty percent
17 or less of the state's previous year average as determined by
18 the United States census bureau; or

19 (c) has an unemployment rate above the
20 state average as reported by the bureau of labor statistics at
21 the United States department of labor;

22 (2) a county classified as a persistent
23 poverty county by the economic research service of the United
24 States department of agriculture; or

25 (3) a geographic area that has a significant

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1 unmet need for loans as determined by the commission;

2 G. "low income" means that a household consisting
3 of a single individual or a family or unrelated individuals
4 living together has a total annual income that does not exceed
5 eighty percent of the median income for the area, as determined
6 by the United States department of housing and urban
7 development and as adjusted for family size, or other income
8 ceiling determined for the investment area on the basis of that
9 department's findings that such variations are necessary
10 because of prevailing levels of construction costs, fair market
11 rents or unusually high or low family income; and

12 H. "target population" means an individual or an
13 identifiable group of individuals who are low income; lack
14 adequate access to non-predatory financial services; or who are
15 Native American, ethnic minorities, women or immigrants.

16 SECTION 4. [NEW MATERIAL] APPLICATIONS FOR ASSISTANCE.--

17 A community development financial institution shall submit to
18 the department an application for financial or technical
19 assistance in a form and manner as prescribed by the
20 commission. An application shall contain:

- 21 A. a business plan;
- 22 B. an analysis of the needs of the investment area
23 or target population and a strategy for addressing those needs;
- 24 C. an explanation of all proposed activities and
25 information on how the activities are consistent with any

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1 existing economic, community or housing development plans
2 adopted by or applicable to an investment area or target
3 population;

4 D. a description of how the applicant will
5 coordinate with community organizations and financial
6 institutions and leverage private sector investments, including
7 loans, secondary markets or other services, to the investment
8 area or target population;

9 E. if applicable, in the case of an applicant with
10 prior experience serving investment areas or target
11 populations, a demonstration that the applicant:

12 (1) has a record of success in serving
13 investment areas or target populations; and

14 (2) will expand its operations into a new
15 investment area or serve a new target population, offer more
16 products or services or increase the volume of its current
17 business;

18 F. if applicable, a description of how the
19 applicant will provide financial services for community
20 businesses that employ or will create jobs for a target
21 population, or to businesses that are owned by a target
22 population or enhance the availability of products and services
23 to a target population;

24 G. a description of how the applicant will provide
25 a target population with access to financial services and

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1 invest proceeds in the investment area or target population;
2 and

3 H. any additional information required by the
4 commission.

5 SECTION 5. [NEW MATERIAL] SELECTION OF APPLICANTS FOR
6 GRANTING AWARDS OF ASSISTANCE.--In granting awards of
7 assistance, the department shall select from the eligible
8 applicants based on criteria that may include:

9 A. the likelihood of success of the applicant in
10 meeting the goals of the applicant's strategic plan, including
11 realistic projections of how funds will be leveraged;

12 B. the experience and background of the applicant's
13 board of directors or management team;

14 C. the extent of need for loans or development
15 services within the investment area or target population;

16 D. the extent of economic distress within the
17 investment area or the extent of need within the target
18 population;

19 E. the extent to which the proposed activities will
20 expand economic opportunities within the investment area or
21 target population;

22 F. the extent of support from the investment area
23 or target population;

24 G. the extent of the applicant's current and
25 planned community involvement;

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1 H. the extent to which the applicant will increase
2 the applicant's resources through coordination with other
3 institutions or participation in a secondary market;

4 I. in the case of an applicant with prior
5 experience serving investment areas or target populations, the
6 extent of success in serving investment areas or target
7 populations; and

8 J. any other factors deemed appropriate by the
9 commission.

10 SECTION 6. [NEW MATERIAL] DEPARTMENT AND COMMISSION
11 POWERS AND DUTIES.--

12 A. The department may provide to an eligible
13 community development financial institution:

14 (1) financial assistance through deposits,
15 credit union shares, loans or grants; or

16 (2) technical assistance and training,
17 regardless of whether or not the community development
18 financial institution has received financial assistance from
19 the fund. Technical assistance and training may be provided:

20 (a) directly;

21 (b) through grants; or

22 (c) by contracting with organizations
23 that possess expertise in community development finance,
24 without regard to whether or not the organizations receive or
25 are eligible to receive assistance pursuant to the Community

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1 Development Financial Institution Act.

2 B. The commission shall promulgate rules necessary
3 to implement the provisions of the Community Development
4 Financial Institution Act.

5 SECTION 7. [NEW MATERIAL] PERMISSIBLE USES OF FINANCIAL
6 ASSISTANCE.--A community development financial institution that
7 is approved for financial assistance by the department may use
8 the financial assistance for:

9 A. the development of commercial facilities that
10 promote revitalization, community stability and the creation or
11 retention of jobs;

12 B. the development or improvement of community
13 facilities;

14 C. the provision of basic financial services,
15 including the provision of small consumer loans, credit-builder
16 loans or alternatives to payday loans;

17 D. the provision of financial counseling and
18 coaching;

19 E. housing that is principally affordable to low-
20 income individuals, except that assistance used to facilitate
21 homeownership shall only be used for services and lending
22 products that serve a target population and are not provided by
23 other lenders in the area or that complement the services and
24 lending products provided by other lenders in the area;

25 F. the development or support of businesses that:

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1 (1) provide jobs for a target population or
2 are owned by a target population; or

3 (2) enhance the availability of products or
4 services to a target population; or

5 G. the development or support of other businesses
6 or activities deemed appropriate by the commission.

7 SECTION 8. [NEW MATERIAL] ADVISORY COMMITTEE.--The
8 commission may create an advisory committee composed of at
9 least five members, to advise the commission and department in
10 the promotion, implementation and administration of the
11 Community Development Financial Institution Act. Advisory
12 committee members shall have experience with community
13 development financial institutions and shall, to the extent
14 practicable, reflect diversity in the geographic locations and
15 communities served.

16 SECTION 9. [NEW MATERIAL] REPORTING REQUIREMENTS.--The
17 department shall submit annually, on or before July 1, a report
18 to the governor and the legislative finance committee
19 describing the financial and technical assistance provided
20 pursuant to the Community Development Financial Institution
21 Act. The report shall include the number of applications filed
22 and accepted, the amount and type of assistance provided, a
23 description of projects financed or assisted by the fund, the
24 number of jobs created or retained through the investment of
25 money in the fund, the amount and source of funds leveraged and

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1 such other information as the commission may deem appropriate.

2 SECTION 10. [NEW MATERIAL] COMMUNITY DEVELOPMENT

3 FINANCIAL INSTITUTION FUND CREATED.--The "community development
4 financial institution fund" is created in the state treasury.

5 The fund consists of appropriations, gifts, grants and
6 donations to the fund and income from investment of the fund.

7 Money in the fund shall not revert to any other fund at the end
8 of a fiscal year. The department shall administer the fund,

9 and money is appropriated to the department to provide

10 financial assistance to community development financial

11 institutions as approved by the commission and to fund

12 activities that enhance the capacity of a community development

13 financial institution, including training of management and

14 other personnel and development of programs, investment or loan

15 products. Money in the fund shall be disbursed on warrants

16 signed by the secretary of finance and administration pursuant

17 to vouchers signed by the secretary of economic development or

18 the secretary's authorized representative.