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New Mexico Assists Homegrown Companies Secure Needed Funding

Collateral Assistance Program Boosts Start Up and Expanding Businesses

SANTA FE, N.M. – Several New Mexican businesses participating in the Collateral Assistance Program (CAP) through the New Mexico Economic Development Department (EDD) have been able to secure needed funding to grow their businesses and create jobs.

As part of the American Rescue Plan Act (ARPA), signed into law by President Biden in 2021, Congress allocated \$10 billion to increase access to equity and debt capital through the State Small Business Credit Initiative (SSBCI) program. A portion of New Mexico's SSBCI funds are used to provide collateral assistance to support loans to otherwise creditworthy New Mexico small businesses. With CAP, EDD pledges money to a CD account, worth no more than half the amount of the requested business loan. This CD is used as collateral, increasing the participating lender's ability to provide money and security.

In New Mexico, the program has provided \$1.8 million in collateral support and has helped 11 entrepreneurs secure \$10.7 million in lending, EDD Cabinet Secretary **Alicia J. Keyes** said.

"This significant federal funding is targeted to support small New Mexico businesses, not big Wall Street corporations," Secretary Keyes said. "By targeting businesses that are owned by socially and economically disadvantaged individuals and very small businesses, this program improves access to capital for new and existing small businesses that traditionally have had the most difficulty securing loans."

The increased lending amounts, in turn, help New Mexico businesses become more successful. This ability to attain better loans helps build the state's economic base. This assistance is not intended to give money to companies with no collateral, but instead to help new businesses or others that are struggling to get large enough loans because of a collateral shortfall.

Main Bank provided the loan for StretchLab, a one-on-one assisted stretching and fitness concept with three locations in Albuquerque and one in Santa Fe. "We frequently find that borrowers may not have the full amount of collateral necessary in order to qualify for a traditional or conventional bank loan," Alan C. Shettlesworth, President and CEO of Main Bank, said. "As long as the borrower can put some skin in the game, we can get a loan approved with the help of EDD's Collateral Assistance Program. CAP helps get deals across the finish line."

Heath Duffy, Owner of **Flex New Mexico, LLC, dba StretchLab**, says he needed a small business loan to fund the buildout and equipment for their third studio. “Without the program, it would have been very difficult to obtain the funds needed for start-up and operation of the studio. Main Bank made it very easy for me from start to finish to take advantage of the CAP program.”

The money EDD uses to purchase the CDs comes entirely from federal funding through ARPA boost small business growth caused by the COVID-19 pandemic. Locally, funds are also intended to facilitate expansion and job retention/creation in New Mexico.

Saul Villarreal, Retail Credit Manager, VP **Lea County State Bank** and Alfonso Cisneros, Vice President/Commercial Lender **Lea County State Bank** explain that the CAP CD lowers their risk and allows for more flexibility to assist borrowers. “We hope that more funding will be allocated to this program so that we can help more borrowers, especially minorities, who in the past have been unable to obtain a bank loan and have turned to more expensive forms of start up financing such as credit cards,” they explain. “The loans may not be big from a commercial perspective, but for many of our borrowers, they are very big.”

Lea County State Bank served as lending institution for **Women’s Care Clinic of Lea County** in Hobbs, co-owned by Miranda and Barry Young. They saw a huge need for their services, noting that Hobbs lacks healthcare providers. Having been denied a loan previously due to lack of collateral, they sought help from a bank they believed would be more helpful.

“The [CAP] program allowed the bank to provide the funding to purchase the clinic and have some operating funds to get things started,” Barry Young shared. “The business did not qualify for a SBA loan, so the CAP program was utilized. Without this program, it would have been difficult to obtain any funding and the opportunity to purchase the clinic more than likely would have fallen through.”

Skout Strategy learned of the CAP program from their banker at **Southwest Capital Bank** while applying for a line of credit. The company is an ag-tech advisory firm working at the nexus of controlled environment agriculture (CEA), renewable energy, and water to build resilient and sustainable food infrastructure. “Without the CAP program, I would not have been able to secure the amount of capital needed to extend our runway,” George L. Carter III, CEO at Skout Strategy, explained. “This gave Southwest Capital the confidence they needed to be our funding partner. The financing allowed us to get to our next crucial milestone as a company.”

Joshua and Erika Jones are purchasing a building in Eunice to open their own automotive repair shop, **Red Bird Garage**. “We operate in the same town we grew up in, graduated from, and are currently raising our kids in. Coming back to our small town and providing much-needed services is something we are proud to do,” Joshua Jones said. They emphasize the importance of working with great bankers who made sure they were aware of the program. “Qualifying for the CAP program is peace of mind, we can continue to operate knowing if something out of our hands happens, we have the safety net of the program to help us out.”

To learn more about the Collateral Assistance Program or qualify as a participating lender, visit us online at <http://EDD.NewMexico.gov/CAP>.

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Redbird Garage in Eunice, NM



Women's Care Clinic of Lea County

EDD's mission is to improve the lives of New Mexico families by increasing economic opportunities and providing a place for businesses to thrive. EDD's programs contribute directly to this mission by training our workforce, providing infrastructure that supports business growth, and helping every community create a thriving economy.

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