

PROGRAM: Smart Money Bank Participation Program **Via Partner Organization**

AGENCY: The New Mexico Finance Authority

DESCRIPTION: Public-private **partnerships** through bank loan participations utilize business relationships and lending expertise of local banks; NMFA shares the risk with banks. The loan participations provide interest rate buy-downs for businesses.

ELIGIBLE USES: Eligible loan purposes include motels, hotels and bed & breakfast establishments, renewable energy, processing and marketing facilities, business & industrial acquisitions, real estate, refinancing, equipment, machinery and supplies, startup costs, and working capital.

STRUCTURE: Flow of Events:

The process begins with banks independently underwriting and pricing a loan. The bank then submits its analysis as part of the Smart Money loan participation application to the NMFA. After which, the NMFA contributes up to 4% in a bank-originated loan; this is generally up to \$2 million maximum from the fund at below-market rates. Finally, lower interest rates and/or gap financing strengthen cash flows of the borrowers allowing them to create and sustain economic development. The result is a solid, low-interest loan and retains part of the NMFA's interest repayments to cover the bank's cost of servicing the loan, strengthening relationships with deposit customers and borrowers.

- **The Application Process**
 - The business applies to and negotiates its loan with any Smart Partner Bank
 - The Smart Partner Bank, on behalf of the business, will prepare an NMFA loan participation application that includes the Smart Partner Bank's analysis of the business.
 - The project is prioritized at the time of Board approval contingent upon legislative authorization
 - Applications received prior to the legislative session may be approved and prioritized by the Board or submitted as a "pending projects" to the Legislature.
 - A "pending project" is subject to analysis by NMFA and may not be prioritized for funding by the NMFA until it has received final approval by the NMFA Board.
 - A Board-approved project may close as soon as it receives legislative authorization
- Partner Banks and NMFA Set **Rates** Independently
- NMFA may participate in up to 49% of a bank originated loan
- NMFA share will generally not exceed \$2 million
- **Amortization** Periods as low as 3 years (working capital) or as much as 30 (buildings)
- NMFA intends for loans to be secured by a lien on parity with the participating lender; however a second lien position may be considered on a case-by-case basis.
- There is a fixed rate for term of loan, pegged to the US Treasury's
- Risk determination on specific loans based on quantifiable factors, such as collateral coverage, cash-flow available for debt service, contributed owner's equity, etc.
- **Bank Terms:** Loan terms and conditions, bank interest rates and fees are negotiated between the borrower and the bank, but may not exceed a market rate
- Loan participation agreement between the bank and NMFA will include standard participation terms as well as economic development criteria, including potential interest rate escalator for non-job creation
- For more information, email SmartMoney@nmfa.net ,
- Also visit www.nmfa.net or call (505) 984-1454.