



Elizabeth Bibiano - Vegos  
Food Entrepreneur and Co-op Capital Loan Recipient

## Case Study One: Capital Access



### YEAR ONE ASSUMPTION

Entrepreneurship and innovation have been slow to develop in Albuquerque because New Mexico has few sources of capital and faces a philanthropic divide.



### YEAR ONE THEORY OF CHANGE

If we attract more dollars and improve availability of funds for start-up capital for entrepreneurs, then more of them will have the funding they need to launch/expand their business.

This means: growing traditional lending opportunities, increasing available capital and developing new, innovative models that tackle deeply entrenched and complex barriers.



Anzia Bennett - Three Sisters Kitchen  
Co-op Capital Partner



## SIX YEAR OUTCOMES

To put our theory of change into practice, City Alive piloted two programs: Nusenda's Co-op Capital program and Start Up, Stay Up, Scale Up (SU3).

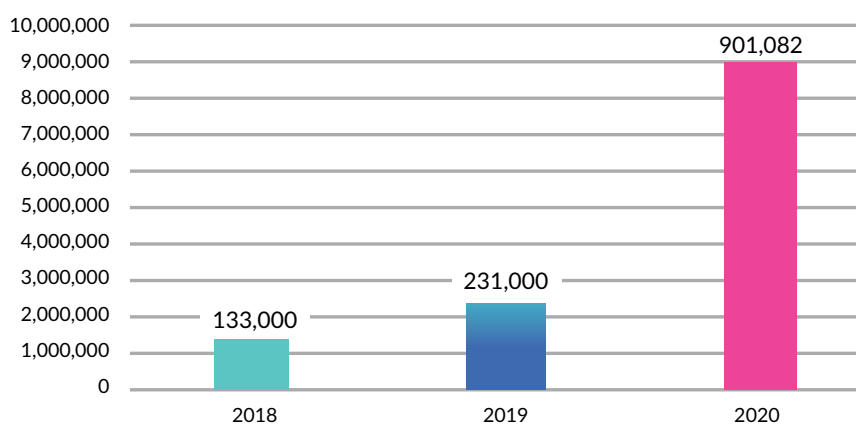
### Co-op Capital

#### Over \$1.25 Million Dollars in Low-interest Microloans

The Co-op Capital program has distributed over \$1.25 million in low-interest loans to low-income, minority, and women-owned businesses in New Mexico, with an average loan size of \$5,405.

Loans skyrocketed in 2020, the year that our solutions and accountability frameworks were fully tested and operational.

#### Co-Op Capital Total Loans Distributed by Year



### Start Up, Stay Up, Scale Up (SU3)

Developed a pilot program with a portfolio of 20 investable entrepreneurs of color.

## Digging Deeper

Through local and nationally commissioned studies,<sup>1</sup> we found that the need for more capital access – both in the form of loans and venture capital – was highly acute for entrepreneurs of color and low-income entrepreneurs. What's more, the lack of access to capital was hindering Albuquerque's overall economic growth.

A 2017 Small Business and Capital Landscape report by Next Street influenced our direction significantly. It reported that microenterprises (e.g., single-employee / owner-operated businesses) were at particular financial risk, often relying on personal finance such as friends and family, credit cards, personal loans, and payday loans to finance their business operations. Lenders in Albuquerque as a whole were found to be too conservative to effectively serve small business capital needs. And the high rate of the unbanked population in our city was also a major barrier keeping would-be entrepreneurs from getting started.

The Co-op Capital and SU3 programs took aim at overcoming those barriers. The Co-op Capital program increased available capital in Albuquerque's ecosystem by over \$2 million in funds from the Annie E. Casey Foundation, W.K. Kellogg Foundation, McCune Foundation, and Mayor's Prize for Entrepreneurship. In 2020, eight community organizations are actively distributing over one million dollars in loans, and loan repayment rates are higher than the industry average – 99 percent of borrowers pay off their loans on schedule.

The SU3 program developed a [portfolio of 20 entrepreneurs of color](#) to listen, learn, and adapt to better meet their needs. While we initially came in to address venture capital access, we found that professional services were also a major barrier. As a result, we developed Navigator to Acceleration, a program to strategically pair entrepreneurs of color with high-quality support services including business expertise, finance, legal, and marketing services, along with support in navigating venture funds and opportunities. We also partnered with Living Cities to release an ecosystem map, viewable [here](#).

## RACIAL EQUITY FOCUS

As of June 30, 2020:

- 95 percent of active Co-op Capital borrowers identify as people of color.
- 29 percent of borrowers in summer 2020 were on tribal land.
- 55 percent were Native American.
- Over half of this year's borrowers are parents of children ages zero to eight.
- Over 25 percent of loans went to immigrant entrepreneurs.

## POLICY CHANGE FOCUS

Nusenda redirected unclaimed funds (escheated funds) to support programs, including Co-op Capital, through an amendment to their bylaws. Many of these unclaimed funds have now served as collateral for Co-op Capital loans.

<sup>1</sup> Startup Genome [An Analysis of Six Early-Stage U.S. Ecosystems](#)



Alex Horton - International District Economic Development  
Co-op Capital Partner

## Key Takeaways and Learnings

Many people of color and historically marginalized populations have experiences that have made financial institutions feel unsafe; from racial profiling to encountering language barriers at the front desk. **The traditional banking system was not built with equity in mind.** To make progress toward an equitable and prosperous economy we needed to change the banking system, taking a **ground up approach.**

Knowing the barriers we faced, we went “**back to the basics,**” back to trust and relationship building. Co-op Capital is based on **relationships**, which opens up lending opportunities to populations that have not easily accessed traditional loans before. The program’s relationship-based lending approach has also resulted in a borrower repayment rate that is higher than industry average. Co-op Capital brings a sense of community that is unusual in banking transactions, resulting in a 99 percent repayment rate.

Additionally, this is not a singular service model. The Co-op Capital program provides **wraparound, connected support** along with capital access. It isn’t just, “here’s your loan and see you later.” Organizations maintain a long-term relationship over time with the borrower. That is what makes the model work.

**But building trust takes time. So does building credibility and relationships.** For Co-op Capital, it took over six years to build that momentum. Entering year six, loans more than tripled. That was the timeframe required to identify barriers and gaps, and then test solutions to make sure they actually work on the ground.



“I am so fortunate to have gone through the program with Street Food Institute and the funds that I received through [Nusenda’s] Co-op Capital. It wasn’t just looking at my name on a piece of paper, followed by a bunch of numbers. It was realizing and seeing me for the person that I am and just that passion that I had for my business.”

– Elizabeth Bibiano, Entrepreneur

Vegos, Co-op Capital loan recipient - [Watch her story here](#)

Another major takeaway that we’ve seen in New Mexico time and again: **replicating programs from other places doesn’t work.** Co-op Capital’s success demonstrates the power and possibilities for long-term, sustainable solutions through involving community. By keeping community organizations and entrepreneurs directly engaged, we ensure alignment between what we think they need and what they know to be their needs.

This work to increase access to capital will continue in Albuquerque. As we face significant economic challenges amidst the COVID-19 pandemic, we will continue reimagining capital systems, increasing access, and listening to the needs of our communities to ensure a stable economic future for families and communities in Albuquerque.

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