



Alliance for Local Economic Prosperity

Keeping Our Public Funds Safe, Local and Working

Alliance for Local Economic Prosperity (AFLEP)

Press Release—August 15, 2022

Updated 8/22/22

Public Bank of New Mexico to Work With and Not Against Local Banks

Alliance for Local Economic Prosperity advocates to form a state public bank that would expand equitable access to capital for small business entrepreneurs, farmers and Indigenous people of New Mexico. Current federal and state monies do not adequately support these populations.

In a recent op-ed, the NM Bankers Association President Jay Jenkins identified issues that were mostly inaccurate and in need of correction. The opinion was published in both the [Las Cruces Sun Times](#) and the [Santa Fe New Mexican](#).

Among the erroneous information presented by Jenkins as facts were the following points:

1. New Mexico tax dollars would be at risk because the bank would not be covered by FDIC deposit insurance nor would it be subject to federal or state regulations.

Fact: The Public Bank of New Mexico would be chartered by the state and meet regulatory standards of the FDIC for the charter. The single depositor is the State of New Mexico so the FDIC would not insure the deposit. Rather they would be backed by the good faith and credit of the state, as in North Dakota. External and internal audits would be required annually.

2. Risky loans would be subject to political pressures not faced by private banks.

Fact: The bank would be owned by the state and managed by a democratically selected board and an experienced professional executive management team. Perhaps the concern is actually that there will be a buffer between the legislature and the bank? Three of the proposed board members will include the State Treasurer, the Economic Development Secretary and the CEO of the NM Finance Authority. Loans will be different from those currently offered, which does not make them riskier.

3. The state-owned bank in New Mexico would compete with private sector banks.

Fact: The proposed legislation to create Public Bank of New Mexico (PBNM) specifically notes a non-compete status with community banks, credit unions and Community Development Financial Institutions (CDFIs). Rather, lending programs created in partnership between the PBNM and those banks and credit unions will promote new customers and new and expanded business for those institutions and jobs and increased tax base for New Mexico communities. As noted in the earlier op-ed, these lending programs work quite effectively in North Dakota.

Wall Street banks could experience the impact of this new depository for state revenue. As the PBNM develops and matures, it would be anticipated to be a depository of choice with reduced deposits of what at any one time may range from \$3-9 billion on deposit in Wall Street banks. Why remove the deposits from Wall Street banks? Those NM revenues are used to expand liquidity for those banks which allows them to invest/lend in other states and internationally. The goal of PBNM is to keep NM revenue safe, local and working for New Mexicans.

4. The viability of the Bank of North Dakota, the only current state-owned public bank since 1919 is in question.

Fact: The BND has focused especially on economic development the past thirty years and currently holds portfolios of commercial and agriculture loans at just under \$3 billion. The bank's return on investment in recent years has ranged from 15-17% with half that amount deposited each year in the legislature's general fund and allocated in budget planning. The viability of the BND is NOT in question.

Among the state or regional/municipal banks in planning stages are: Los Angeles, the California Bay Area, City of Philadelphia, Massachusetts (infrastructure bank), New York and Colorado.

5. The state bank cannot "reach the size and scale to provide all necessary banking services while achieving profitability."

Fact: The Public Bank of New Mexico (PBNM) will not have to grow like a traditional startup to reach profitability. It is intended to be a banker's bank rather than a retail bank. There will not be individual nor business depositors with checking or savings accounts, no ATMs and no credit or debit cards issued. Thus no operating costs for retail banking. The PBNM financial plan for the first seven years of conservative lending demonstrates profitability at the end of the second year.

The Public Bank of New Mexico is a prudent investment that will expand the lending capacity of state revenues to address lending gaps, especially for small businesses, rural community development and agriculture and food system financing.

For More Information:
Angela Merkert, Executive Director
angela.merkert@gmail.com
505.603.8400