

NMFA Programs	Child Care Facility Revolving Loan Fund Policy	Original Effective Date: August 28, 2025
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Child Care Facility Revolving Loan Fund Policy

This Child Care Facility Revolving Loan Fund Policy was adopted on August 28, 2025, by the Board of Directors of the New Mexico Finance Authority, a public body politic and corporate, separate and apart from the State of New Mexico constituting a governmental instrumentality, created by the New Mexico Finance Authority Act, Section 6-21-1 et. seq., NMSA 1978.

I. PURPOSE

A. Statutory Authority.

On April 8, 2003, Governor Bill Richardson signed into law the Child Care Facility Loan Act (“Act”), NMSA 1978, Section 24-24-1 to 24-24-4. The Act created the Child Care Facility Revolving Loan Fund (“CCFRLF”) in the NMFA to provide low-interest long-term loans to childcare providers to ensure the availability of healthy and safe teaching environments. On April 4, 2023, Governor Michelle Lujan Grisham signed into law Senate Bill 423 which in part amended the Act to provide that the funds may be used to finance operating capital. Additionally, on March 21, 2025, Governor Michelle Lujan Grisham signed Senate Bill 175 into law, which again amended the Act to expand the purpose of the CCFRLF to extend the benefits of the low-interest, long-term loans to providers and businesses wishing to create or expand child care centers for their employees and to allow the NMFA to enter into contracts for services with certain borrowers.

The Act partners NMFA with the Early Childhood Education and Care Department (“ECECD”), which was created in 2020 to provide a more cohesive, equitable and effective early childhood system in New Mexico. ECECD coordinates a continuum of programs serving prenatal to five years old to ensure families throughout the state can access childcare services. ECECD also oversees childcare programs including food and nutrition programs serving older children and families.

The NMFA may make loans from the CCFRLF to eligible entities for projects subject to the rules (“Rules”) promulgated by the ECECD and this policy.

B. Policy Objectives.

The goal of this Child Care Facility Revolving Loan Fund Policy (“Policy”) is to provide guidance to NMFA staff and applicants regarding program implementation including mission objectives, lending parameters and terms, and reporting requirements. This policy is intended to provide a foundation for standards of discipline guiding the execution and monitoring of loans from the CCFRLF.

This Child Care Facility Revolving Loan Fund Policy shall be implemented by the NMFA Board of Directors (“Board”) and may, at times, be waived by the Board if it determines that a deviation regarding certain Policy provisions is advisable. Such waiver will be reflected in the minutes of the meeting at which the waiver is considered.

II. DEFINITIONS

A. “**Act**” means the Child Care Facility Loan Act, §§24-24-1 to 24-24-4 NMSA 1978, as amended and supplemented from time to time.

B. “**Applicant**” means a private provider, who is not governed, owned, or managed by a federal, state, or local government entity and has filed an application for a loan with the ECECD and the NMFA.

C. “**Application**” means a written document filed with ECECD and the NMFA by an applicant for the purpose of obtaining a loan. An application may include a form prescribed by ECECD and NMFA, written responses to requests for information by the ECECD and the NMFA, or another format as determined by ECECD and NMFA.

D. “**Authorized Representative**” means one or more individuals authorized by the governing body of an applicant to act on behalf of the applicant in connection with its application. An authorized representative may act on behalf of the applicant to the extent provided by law.

E. “**Board**” means the NMFA Board of Directors.

F. “**Contract For Services**” means an agreement between the NMFA, ECECD, and an eligible child care provider to reserve a certain number of child care slots for families receiving child care assistance from the department as reasonably adequate legal consideration for a loan.

G. “**ECECD**” means the Early Childhood Education and Care Department.

H. “**Entity**” means a privately owned child care facility, or one owned and managed by a non-profit organization as defined by the United States Internal Revenue Service, or one located on tribal lands and managed by tribal governments, not including any child care facility owned or managed by a state or local government.

I. “**Fund**” means the Child Care Facility Revolving Loan Fund (“CCFRLF”) established pursuant to the Act.

J. “**NMFA**” means the New Mexico Finance Authority.

K. “**Operating Capital**” means funds needed to meet short-term obligations, such as accounts payable, wages, debt servicing, lease and income tax payments in relation to the creation or expansion of a child care facility and provider services.

L. “Policy” means this Child Care Facility Revolving Loan Fund Policy.

M. “Project” means health and safety improvements to a child care facility, including physical improvement, repair, maintenance, expansion and operation of a child care facility providing a healthy and safe teaching environment, the creation of a new child care facility, or the receipt of operating capital as provided for in these regulations and the act.

N. “Provider” means a person, entity or employer licensed by the department to provide child care to infants, toddlers and children pursuant to 8.9.4 NMAC, or in receipt of a Provisional Loan License as set forth in these regulations. Federal, state, and local government entities are not considered “providers” for purposes of these regulations other than entities governed, owned, or managed by tribal entities located in New Mexico.

O. “Provisional Loan License” means a license provided for by the department, through its licensing division, to a proposed or renovated child care facility seeking a loan provided for in these regulations and the act. A provisional loan license is only applicable for purposes of the act and these regulations

P. “Rules” means the Child Care Facility Loan Act fund program regulations promulgated by ECECD, as amended and supplemented from time to time.

III. MISSION OBJECTIVES

The mission of the CCFRLF is to increase access to quality child care in New Mexico, particularly in underserved communities.

IV. ELIGIBILITY FOR APPLICANTS, PROJECTS AND CONTRACTS FOR SERVICES

A. Applicants. An Applicant is considered eligible if they:

1. meet the definition of Provider; and
2. are in good standing with ECECD licensure; and
3. comply with all applicable federal, state and local laws and regulations.

B. Projects. A project is considered eligible if it:

1. is owned by an eligible Applicant; and
2. involves the physical improvement, repair, maintenance, expansion or operation of a child care facility or the creation of a new child care facility; and
3. involves a facility licensed by ECECD or in receipt of a Provisional Loan License; and

4. is verified as supporting healthy and safe teaching environments by ECECD.

C. Contracts For Services.

A provider may be eligible to Contract For Services with ECECD and NMFA to provide child care assistance for child care assistance eligible families as reasonably adequate consideration for money from the Fund. The provider must meet all the following requirements to be eligible for Contract For Services:

1. located in a designated child care desert; and provides care during non-traditional hours; and
2. demonstrate at least fifty percent (50%) of children served receive child care assistance; and
3. demonstrate the number of children served increased by at least ten percent (10%).

V. APPLICATION REQUIREMENTS

Application forms will be made publicly available on the ECECD website. Information required to complete the form includes but is not limited to:

- Provider information including a business description and FOCUS star levels for the last five years as applicable
- Licensing information including copies of current license and licensing survey
- A request for a Provisional Loan License from ECECD for the proposed facility if applicable
- Current business plan and description of management team and staffing
- Composition and biographies of governing board members
- Applicant's formation and governance documents
- Certificate of good standing from the New Mexico Secretary of State
- Copy of the Applicant's internal revenue service tax exempt determination letter, if applicable
- Certification the project has been duly authorized and approved by the Applicant's governing body or by the owner of the facility if the owner is not the Applicant
- Business insurance documentation
- Current zoning certificate
- Project description, including
 - detailed cost estimates prepared by a licensed contractor
 - expected sources of funding
 - environmental site assessment and building survey if available
 - anticipated construction timeline

- Descriptions of how the project meets defined needs for child care in the community, benefits the health and safety of students, and program quality
- Projected program capacity, and waitlist volume if available
- Description of any non-traditional hours offered, and expected services offered to state-subsidized and low-income families
- Outstanding debt
- Financial statements for current and most recent three (3) years, or since inception
- Projected cash flows for the next three (3) years
- Most recent three years' federal income tax returns, if applicable
- Copies of material leases and/or purchases of land, building or improvements related to the project
- Certification the Applicant is in compliance with all applicable federal, state and local laws and regulations
- Any additional information as requested by the Department or the NMFA

VI. LOAN STRUCTURING PARAMETERS

A. Eligible Uses Proceeds.

1. Facility Loans: Eligible uses of loans for capital projects include land/building acquisition, renovation and construction costs, roof repairs, heating, ventilation, and air conditioning equipment, plumbing systems, health and safety and accessibility upgrades, window repairs and replacements, and internet connectivity.

2. Operating Capital Loans: Eligible uses of lines of credit or term loans for Operating Capital include funds needed to meet short-term obligations, such as accounts payable, wages, debt servicing, lease and income tax payments in relation to the creation or expansion of a child care facility and provider services.

B. Loan Amount Per Project. Loans may be for amounts between \$100,000 and \$2,500,000. Pursuant to the Act, no single loan to a single project may not exceed 20% of the Fund.

C. Loan Terms.

1. Facility Loans: Loans made to acquire, construct, renovate, improve or equip a child care facility will be structured as construction loans, where interest is charged on amounts drawn for a period of up to two years. After the earlier of the completion of the construction or two years, the loan will convert to monthly principal and interest payments for a period of up to 20 years. Loan terms cannot exceed the useful life of the project being financed.

2. Operating Capital Loans: Eligible providers may borrow for Operating Capital needed to support the start up or expansion of eligible childcare facilities. These loans may be structured as follows:

- a. Lines of Credit for terms of six months that NMFA, in its sole

discretion, may renew for up to two additional six-month terms. The lines of credit may be structured as draw down or revolving lines of credit. Interest will be charged monthly on amounts drawn. Outstanding amounts due at maturity may be converted to Term Loans upon approval by NMFA.

b. **Operating Capital Term Loans.** NMFA may make Operating Capital Term Loans with terms of up to 18 months with principal and interest due monthly.

D. Interest Rates. Interest rates are fixed at two percent (2%) per annum.

E. Contracts For Services. A borrower is eligible for Contracts for Services if they meet all of the conditions outlined in Section IV C of this Policy for 36 months within the first 48 months following the completion of the project. Once a provider certifies, and ECECD verifies, that it has met all requirements for Contracts For Services, NMFA will abate twenty-five percent (25%) of the project amount, and modify the debt service schedule accordingly. Additionally, NMFA will abate another ten percent (10%) of the project amount if at least fifty percent (50%) of the expanded child care capacity is filled by infants and toddlers. Project amounts shall not include Operating Capital. The maximum amount of abatement per loan is \$750,000.

F. Borrower Equity Requirements. A minimum of ten percent (10%) of total project costs must be contributed to the project budget by the borrower. Equity contributions may be cash or tangible in-kind contributions (e.g. property, materials).

G. Personal Guarantees. All financings require personal guarantees from every owner with twenty percent (20%) or more ownership in the Applicant.

H. Debt Service Coverage Ratio. The NMFA will require Debt Service Coverage Ratio greater than or equal to 1.15x. This evaluation will take into account historical and/or projected revenues to establish the Applicant's ability to cover any existing and proposed debt service. At its sole discretion, NMFA may undertake a multi-year approach to determine eligibility under this test.

I. Additional Debt. All future additional debt must receive consent from NMFA before closing, noting that such consent cannot be unreasonably withheld.

J. Collateral. Loans may be collateralized by real property with loan-to-value not to exceed ninety percent (90%). NMFA requires an as-built/as-complete or market-value appraisal prepared by an independent, qualified appraiser. Operating lines of credit may be collateralized by real property.

K. Prepayment. Loans may be repaid in full at any time and at no additional cost to the borrower.

VII. COMPLIANCE AND REPORTING REQUIREMENTS

Borrowers are required to submit regular and timely financial statements and detailed

reporting including:

- Annual financial statements and filed copies of annual Federal and State income tax returns;
- Quarterly performance report
- Annual impact metrics including childcare services provided and number of children served

The NMFA reserves the right to request additional information for monitoring purposes.

VI. REFERENCES

Child Care Facility Loan Act, §§24-24-1 to 24-24-4 NMSA 1978