

**Small Business Recovery Act of 2020
New Mexico Small Business Recovery Program**

Frequently Asked Questions

What is the New Mexico Small Business Recovery Program?

Enacted by the New Mexico Legislature during the June 2020 Special Session, this program provides financial assistance to businesses that are experiencing financial hardship due to the public health order resulting from the COVID-19 pandemic. Please note that this is a loan program, not a grant program.

What businesses are eligible to apply for a loan?

- A New Mexico business or nonprofit corporation organized under Section 501(c)3 or 501(c)6 that has closed or reduced operations due to the public health order, and
- Had annual gross revenue of less than \$5 million as determined by its 2019 federal income tax return, and
- Experienced a 30% decline in monthly gross receipts or monthly revenue in April and May of 2020 as compared to the same months in 2019

How is New Mexico business or nonprofit corporation defined?

- If a sole proprietorship, 100% of the assets of the business are owned or leased by a New Mexico resident.
- If a corporation, partnership, joint venture, LLC, limited partnership, or other business entity, at least 80% of the total voting power and at least 80% of the total value of the equity is owned by one or more New Mexico residents.
- A New Mexico resident is defined as an individual who is domiciled in the state during any part of the year or an individual who is physically present in the state for 185 days or more during the taxable year.

What are the loan terms?

- An interest rate of one-half of the *Wall Street Journal* prime rate on the day the loan is approved
- Three-year term with interest-only payments for the first three years
- Principal and remaining interest due on the third anniversary of the funding date OR the remaining principal and interest may be converted into a loan with monthly principal and interest payments with a term of an additional three years

How much can I borrow?

An amount equal to 200% of the average adjusted monthly business expenses from the previous calendar or fiscal year, not to exceed \$75,000.

How is average adjusted monthly business expense calculated?

The amount will be the 2019 expenses of the business less any deductions for depreciation, bonus depreciation, and any deductions pursuant to Section 179 of the IRS code, divided by 12.

How must the loan funds be used?

A minimum of 80% of the loan funds must be used for ordinary and necessary business expenses, including capital expenses, other than compensation for employees who own equity in the business.

How is the loan secured?

No collateral is needed for the loan, however creditworthiness will be evaluated.

Are personal guarantees required?

No, personal guarantees are not required.

What is the deadline for applying?

December 31, 2020 is the deadline for applications.

When will the applications be available?

NMFA anticipates being able to accept applications beginning August 3, 2020. More information about the application process will be available soon.

What minimum documents will be required with my application?

- For-profit businesses:
 - o A copy of the 2019 business tax return
 - o A copy of the business Gross Receipts Tax (GRT) filings for April and May of 2019 and 2020
- Nonprofit corporations:
 - o A copy of the organization's Income Statement for April and May of 2019 and 2020
 - o A copy of the organization's most recently filed IRS Form 990
- Articles of Incorporation or Organization Documents
- Description of the business and the services it provides
- Verification that at least 80% of the loan proceeds will be used for ordinary business expenses
- Credit Check Authorization
- ACH Authorization Form

To read the bill that created this program, please go to:

<https://www.nmlegis.gov/Legislation/Legislation?Chamber=S&LegType=B&LegNo=3&year=20s>