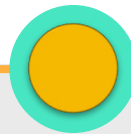


NEW MEXICO
FINANCE AUTHORITY



Small Business Recovery Loan Fund



- ◆ The New Mexico Finance Authority was created in 1992 by the New Mexico Legislature.
- ◆ NMFA improves the quality of life for New Mexicans by providing financing for infrastructure, capital equipment, and economic development projects to communities and businesses throughout the state.
- ◆ NMFA's mission is to advance New Mexico by financing impactful, well-planned projects.



Small Business Recovery Act of 2020 created the Small Business Recovery Loan Fund (“SBRLF”) which provided low-interest rate loans to businesses that experienced financial hardship early in the pandemic.

The 2021 Legislature passed and Governor Lujan Grisham signed into law the Small Business Recovery and Stimulus Act which increases access to the SBRLF and offers businesses and non-profits enhanced loan terms.

The \$500 million loan program is funded from the State Severance Tax Permanent Fund.

◆ Broadened Eligibility

□ More businesses are eligible.

- Maximum annual revenues increased from \$5 million in gross revenues to \$5 million in net revenues.
- Eligible non-profits include 501(c)(3), 501 (c)(6), 501(c)(8), 501 (c) 501(c)(19), and 501 (c)(23).
- New Mexico ownership requirements reduced from at least 80% ownership to at least 51% ownership. Non-New Mexican owned businesses that regularly employ at least 10 full time New Mexico Resident employees are also eligible.

◆ Expanded and Streamlined eligibility -- negative impact from pandemic may be evidenced through either:

- “Substantial Disruption” to operations.
- “Substantial Decline” in revenues.

◆ Increased Loan Amounts

- ❑ Loans for up to **three times** your monthly business expenses.
 - Applicants able to choose the amount of their loan, up to 3x their average monthly expenses.
 - Definition for average monthly business expenses modified so that CARES funding no longer reduces your monthly expenses.
 - Maximum loan doubled from \$75,000 to \$150,000.

◆ Expanded uses of loan proceeds

- ❑ Ordinary and necessary business expenses.
 - Non-employer businesses may use up to 50% of the loan for compensation to business owners; employer-based businesses may use up to 20% of the loan for salaries to equity owners.
- ❑ Adapting or improving assets, including real property.
- ❑ Purchasing or improving any assets to develop or grow your business's e-commerce production and sales capacity.

◆ Qualifying Small Businesses:

- ❑ Nonprofits organized as 501(c)(3), 501(c)(6), 501(c)(8), 501(c)(19), or 501(c)(23) corporations and subject to the state Nonprofit Corporation Act;
- ❑ Sole Proprietors: 100% of the assets of the business are owned or leased by a New Mexico Resident; or
- ❑ Other for-profit businesses (corporation, partnership, joint venture, limited liability company, limited partnership or other business entity):
 - Must be at least 51% owned and controlled by one or more New Mexico Residents; **or**
 - An out-of-state business that maintains a physical location within New Mexico and has employed at least 10 full-time New Mexico Resident employees at any time since January 1, 2019.

- ◆ New Mexico Resident is an individual who was domiciled or was physically present in New Mexico during any part of the year for at least 185 days.
 - ☐ Evidenced by a driver's license or government-issued photo identification card with a New Mexico home address.
 - Individuals whose driver's license or identification cards show a residence outside New Mexico must also submit a recent utility bill listing their name and a New Mexico residence.
- ◆ Additional Business Requirements
 - ☐ Was established prior to the pandemic.
 - ☐ Had annual net revenue of less than \$5 million.
 - Net revenue = gross revenue minus the cost of goods sold
 - Determined from the business's 2019 or 2020 federal income tax return

- ◆ Sustained a *substantial disruption in operations* or a *substantial decline in revenue* as a result of the Public Health Orders
- ◆ **Substantial decline in revenues** means either:
 - Decline in the business's gross receipts by more than 20% from any period in 2020 compared to the same period in 2019, or
 - As reported to the NM Taxation and Revenue Department by the business through monthly, quarterly or semi-annual CRS reports
 - 20% decline in business revenues
 - For non-profits and businesses exempt from gross receipts tax only
 - Evidenced by comparing federal tax returns for 2019 and 2020

- ◆ **Substantial disruption in operations** means any one of the following since March 16, 2020:
 - ❑ Business closures for 14 or more cumulative days; or
 - Self certified
 - ❑ Reduction in operations for a period of at least 30 days; or
 - Self certified
 - ❑ Reduction in staff of at least 20% from December 31, 2019, or
 - Evidenced by comparing Department of Workforce Solutions Form 903SA from December 31, 2019 to any quarterly report in 2020.
 - ❑ 20% increase in cost of goods sold or other operating expenses
 - Evidenced by comparing federal tax returns for 2019 and 2020

- ◆ The Act requires an officer of the applicant to certify that:
 - ❑ it understands it is receiving a loan that must be repaid with interest under the terms of the loan agreement;
 - ❑ all documents submitted with the application are true and correct;
 - ❑ prior to the Public Health Order, the applicant was current on all tax obligations to the State; and
 - ❑ the proceeds will be used pursuant to the Act.

- ◆ Applicants must meet minimum credit & identification standards:
 - ❑ have a checking account at a federally insured financial institution.
 - ❑ must not have been subject to a collections effort or charge-off in 2019 by any telecommunications, utility or rent/mortgage creditor
 - Business credit reports will be reviewed.
 - A lack of credit is acceptable, derogatory credit is not acceptable.

- Loan Amount: **Up to three** times your monthly average expense, not to exceed **\$150,000**. Monthly average expense is equal to Cost of Goods Sold, plus Expenses, less Depreciation, divided by 12.
- Interest Rate: $\frac{1}{2}$ of *WSJ Prime*, fixed for the life of the loan (currently 1.625%).
- Repayment: Loans may be prepaid at any time without penalty.
- Year 1: Interest does not accrue (“interest holiday”).
 - Years 2 & 3: Interest only, paid annually.
 - Years 4-10: Principal and interest payments due monthly. Applicants with good credit history may request loan payments be made quarterly, semi-annually or annually.

Loans up to \$75,000:

Personal Guarantees: None.

Collateral: None.

On loan amounts greater than \$75,000:

Personal Guarantees: Personal guarantees required from any person with at least 20% ownership in the Qualifying Business

Collateral: None, if applicant had good credit in 2019.
Required for applicants with derogatory credit in 2019. Liens on working capital or equipment.

Guarantees

- ◆ As with the 2020 SBRLF program, loans of less than \$75,000 do not require a guarantee.
- ◆ Under the new law, loan amounts exceeding \$75,000 require guarantees from any person or organization with at least 20% interest in the SBRLF applicant.
 - ❑ First \$75,000 does not carry a guarantee
 - ❑ Amounts greater than \$75,000 requires guarantees
 - ❑ For example, on a \$90,000 loan, guarantees are required on \$15,000 of the \$90,000 loan.
- ◆ Loans of any size to an eligible non-profit do not require guarantees.

- ◆ Credit standards on new SBRLF loans of less than \$75,000 are the same as the “creditworthiness” requirement from the 2020 program: must not have been subject to a collections effort or charge-off in 2019 by any telecommunications, utility or rent/mortgage creditor.
 - A lack of credit is acceptable, derogatory credit is not acceptable.
- ◆ Applicants requesting loans greater than \$75,000 are subject to an additional credit standard: must not have been subject to any collections efforts or charge-offs in 2019.
 - Applicants not meeting this additional standard will be required to secure the portion of the loan that exceed \$75,000.
 - Security will be a lien on accounts receivable and/or equipment at the highest lien level available and will be subject to existing liens.
 - NMFA will not put a lien on your building or on any personal assets.

- ◆ Businesses that borrowed money through the first SBRLF program may refinance their loans for enhanced repayment terms and to increase their loans as provided by the new Act.
 - Borrowers are not required to increase their loan amounts in order to get the improved terms.
 - Accrued but unpaid interest may be paid from the new loan.
 - Loan payment dates get reset to the date of the new loan.
- ◆ Existing SBRLF borrowers opting to refinance:
 - Borrowers seeking to increase their loans above \$75,000 will be subject to the additional credit standard.
 - Guarantees are required on all amounts greater than \$75,000.

- ◆ Businesses will apply through an **online application** at www.nmfinance.com. Registration is required.
- ◆ The application is scheduled to **open April 29th** and will be open until **May 31, 2022**.
- ◆ Applications will be processed on a **first-come, first-served basis**.
- ◆ Submitted applications will be reviewed by NMFA staff and questions or corrections can be made directly through the application portal.
- ◆ Applicants may check the status of their applications by logging into their accounts.

- ◆ Applicants will be required to create a User Name and Password. You may complete the application in one sitting or over a number of days. Simply “save” the application to return to the document at a later time.
- ◆ The application system requires that businesses submit all documents in electronic format. Applicants will be notified if the application is incomplete. Documents can be added to the system later, however, this will increase the amount of time to process your application and fund your loan.

- ◆ Documents needed to be uploaded at the time of application:
 - 2019 or 2020 business tax return to evidence annual net revenues.
 - Driver's License (or Government-Issued Photo ID) for Authorized Officer and any equity owner that owns more than 20%.
 - By submitting the application, the Authorized Officer is authorizing the NMFA to pull a business credit report. Additionally, NMFA will utilize enhanced technology to verify applicant identity.

- ◆ Additionally, you will need an active bank account at a federally insured financial institution at the time of application.
 - Account must be in the name of the business.
 - All payments made electronically.
 - Loan proceeds will be disbursed via ACH.
 - Loan payments must be made online through NMFA's payment portal.

- ◆ Other Documents that may need to be uploaded include:
 - ❑ Credit authorization for guarantors (or loans of more than \$75,000).
 - ❑ To evidence Substantial Disruptions through reduction in staffing, submit DWS Form 903A for 12/31/2019 and any quarter in 2020.
 - ❑ To evidence Substantial Disruption through increased expenses, submit copies of federal tax returns for 2019 and 2020.
 - ❑ To evidence Substantial Decline in Revenue:
 - For applicants that pay gross receipts tax, copies of the same CRS form submitted to New Mexico Taxation and Revenue in 2019 and 2020. If you report monthly, submit the report for any month in 2019 and the same report in 2020 that shows the 20% decline.
 - For applicants exempt from gross receipts tax, copies of federal Tax Returns for both 2019 and 2020. Include schedule C if you report your income through personal tax returns.

Stay up-to-date!

- ◆ Visit our Recovery Page on our website www.nmfinance.com for Frequently Asked Questions, application tips and tutorials.
- ◆ Join our Recovery Programs Mailing List.
- ◆ Additional Questions? Email: Recovery@nmfa.net or call 505-992-9696.

***New Mexico's Partner in Building
Economic Prosperity and Stronger Communities***