



NEW MEXICO  
FINANCE **AUTHORITY**

**Presentation to NMFA Oversight Committee**

# **Small Business Recovery Loan Fund Report**

Marquita Russel, Chief Executive Officer

August 12, 2025

- ◆ The Small Business Recovery Act was enacted in June 2020 during the first Special Legislative Session of 2020. The Act directed NMFA to make very flexible, very low-interest loans to businesses that experienced significant drops in revenue early in the pandemic.
  - ❑ The intent was to have the program mirror as closely as possible the benefits of the federal Paycheck Protection Program.
  - ❑ The eligibility, structure and terms of the loans were set out in statute and were intentionally generous to help save New Mexico businesses, including non-profits. As a result, traditional loan underwriting was not applicable to the program.
  - ❑ The program was funded from an investment of the state's Severance Tax Permanent Fund.
  - ❑ NMFA was tasked with setting up the program and processing applications to provide funds quickly to businesses at risk of closing or laying off employees as a result of the pandemic.
  - ❑ Applications were accepted until December 31, 2020.
- ◆ The 2021 Legislature broadened, deepened and extended the program through the Small Business Recovery and Stimulus Act to increase access to the fund and offer enhanced loan terms to NM businesses.
  - ❑ NMFA was explicitly allow to refinance original Small Business Recovery Loans (“SBRL 1.0”) loans to bestow the more beneficial terms to NM businesses.
  - ❑ Under the broadened authority, NMFA was able to process applications submitted through December 31, 2022.

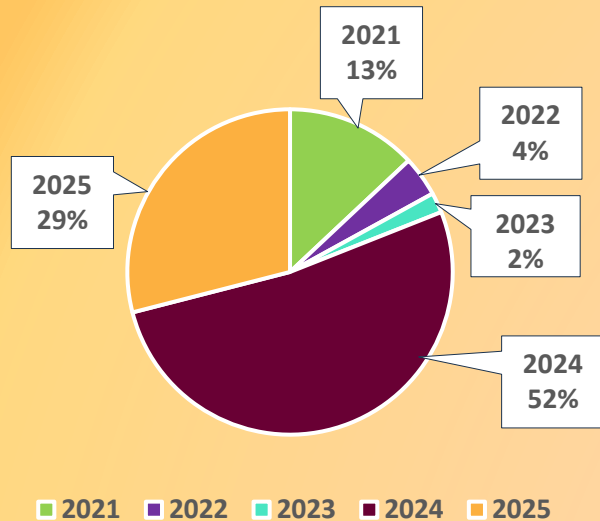
- ◆ The low-barrier, flexible loan terms include:
  - Unsecured loans in amounts sized to three months of ordinary operational expenses, up to \$75,000 under the original program and up to \$150,000 under the broadened program.
  - No personal guarantees on first \$75,000.
  - Creditworthiness was based upon reported credit with utilities, no existing or in-process bankruptcies, and no delinquent taxes prior to the pandemic.
  - No principal payments due in the first three years under both programs; with principal being repaid monthly over three years (SBRL 1.0) and seven years (broadened legislation or “SBRL 2.0”).
  - Interest rate fixed at the time of application equal to half of Prime Rate paid:
    - Annually for the first three years under the SBRL 1.0 and monthly thereafter for three years.
    - Under the SBRL 2.0 terms, no interest accrued during the first year, interest paid annually for two years and then paid monthly for the remaining seven years.
    - As determined by the Wall Street Journal, Prime Rate is “the base rate on corporate loan posted by at least 70% of the of the 10 largest US Banks.”
      - Prime Rate of 3.25% from the start of the pandemic until March 17, 2022 and increased seven times in 2022 (March, May, June, July, Sept, Nov., and Dec.) from 3.25% to 7.5%
      - The vast majority of loans were made at 1.625%, with interest rates topping out at 3.75%

- ◆ Between 2020 and 2022, the Small Business Recovery Loan Fund provided low-interest loans totaling \$178 million to 2,552 businesses across 21 sectors and 32 counties. The average loan size was approximately \$67,000.
  - 880 loans totaling \$40,137,854 were made during first application period (“SBRL 1.0”)
    - 464 loans totaling \$21,856,295 were refinanced as part of the broadened program
  - 1,672 new loans totaling \$137,909,699 were made using the broadened program (“SBRL 2.0”)
- ◆ Monitoring the SBRL portfolio is difficult because the flexible, business-friendly terms and structures don’t require monthly payments until the beginning of the fourth year:
  - Under the 1.0 program, interest was due annually for three years followed by three years of monthly principal and interest payments
  - Under the 2.0 program, the first year was interest free, followed by two interest only payments due annually, with monthly principal and interest payments due for seven years thereafter
  - The infrequency of payments makes it difficult to stay up to date with changes in business status and contact information of the borrower.

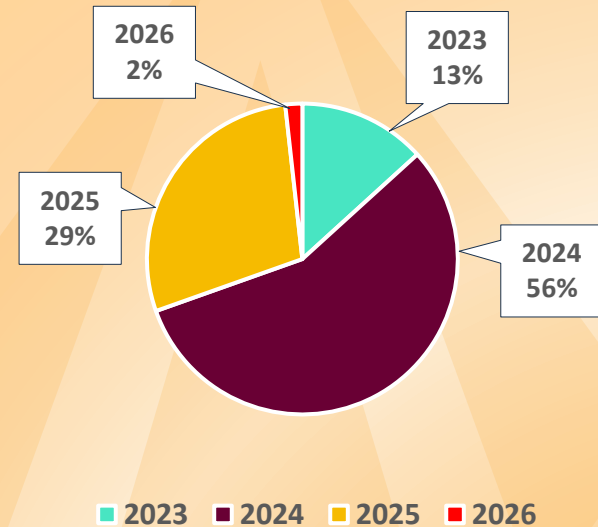


## Timing of Principal and Interest Payments

First Interest Payments 2021-2025



First Principal Payments 2023-2026



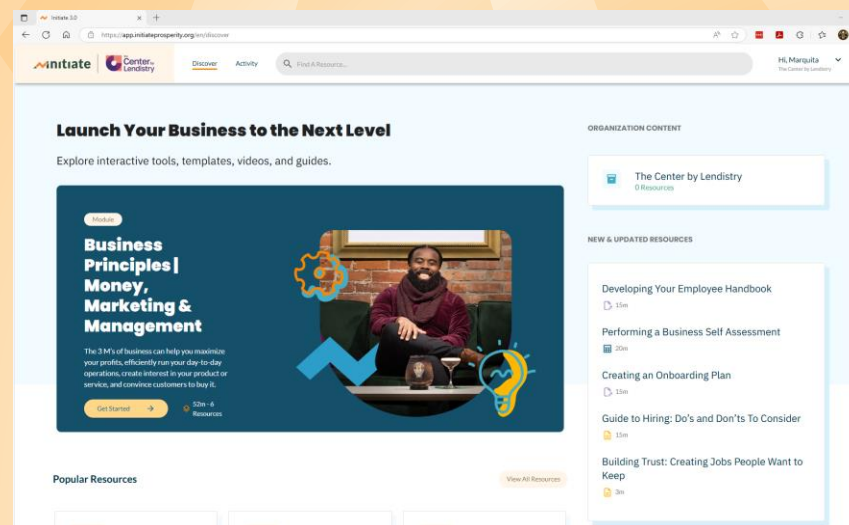
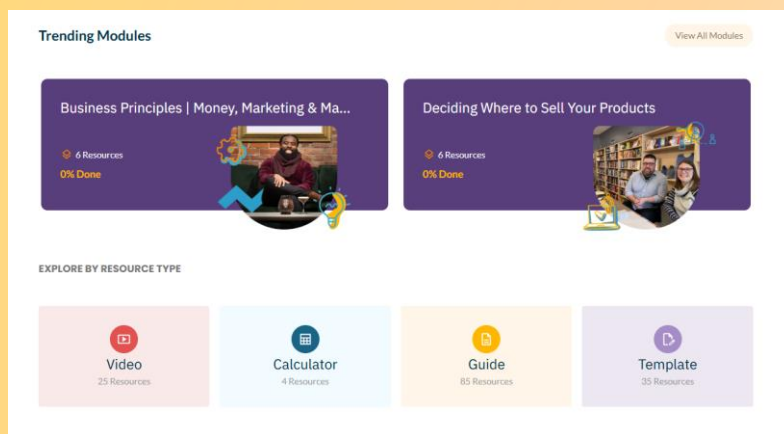
- ❑ The first interest and/or principal payments for most borrowers became due in calendar year 2024 or early 2025.
- ❑ Borrowers under SBRA 1.0 that did not refinance into the broadened 2.0 program are due to complete their monthly principal and interest payments between August 2026 – March 2027.
- ❑ SBRA 2.0 borrowers (and 1.0 borrowers that refinanced their original loans) are due to complete their monthly principal and interest payments between March 2031 – February 2033).

- ◆ SBRL borrowers are required to notify NMFA of pending and filed bankruptcies. NMFA has additionally registered with the bankruptcy court to be notified as a creditor through its automated notification services. Borrowers are not required to notify if business closes.
  - ❑ 265 loans paid in full.
  - ❑ 23 cumulative write-offs totaling \$1,268,232.56 from discharged debt through bankruptcy court or verified owner deaths.
  - ❑ 11 borrowers currently in bankruptcy proceedings with loans totaling \$700,557.80.
- ◆ NMFA's legal department monitors each bankruptcy proceeding and ensures NMFA's claim filed and its rights to any available assets as a creditor are protected.
  - ❑ NMFA is required to cease all collections efforts during the pendency of a bankruptcy action.
  - ❑ NMFA saw a seven-fold increase in bankruptcies from 2023 to 2024.
- ◆ Converting borrowers from annual payments to monthly principal and interest payments has been difficult and time consuming, particularly with limited leverage (eg, limited risk of foreclosure):
  - ❑ 1,303 loans (51%) have repaid in full or are current on loan payments.
  - ❑ 261 loans (10%) are past due 15-179 days.
  - ❑ 988 loans (39%) are more than 180 days past due, in bankruptcy, or otherwise written off.
- ◆ As of June 30, 2025, the total outstanding principal was \$146.1 million with \$76.1 million due on loans that are not considered current (past due more than 15 days) and \$70 million due on the 1,038 loans considered current.

## Outsourcing Customer Support, Loan Servicing and Collections

- ◆ In FY2025, NMFA determined that more resources were needed to support businesses, investigate and monitor business closures and bankruptcies, and collect on past due loans.
- ◆ NMFA entered into a loan servicing and customer support contract with BSD Capital Inc. dba Lendistry, a nationally recognized, technology-driven CDFI that provides businesses that historically lacked financing on reasonable and responsible terms with access to capital
  - ❑ In addition to making its own loans, Lendistry administers small business funding programs for federal, state and local governments. Typically, Lendistry is responsible for loan origination, servicing and asset management. Since its inception in 2015, Lendistry has supported 640,000 small businesses with \$10.5 billion in small business loans and grants across the county.
  - ❑ Lendistry is partnered with The Center by Lendistry, a nonprofit organization that provides education, technical assistance and one-on-one counseling to small businesses. Businesses in the SBRL portfolio will have access to broad library of on-line learning tools, direct technical assistance, and individual attention.
- ◆ NMFA and Lendistry have successfully transferred the SBRL portfolio to Lendistry which now services the portfolio on behalf of NMFA:
  - ❑ Invoices for payments due
  - ❑ Collects payments and applies them according to the loan agreement
  - ❑ Contacts borrowers who are late on payments, and
  - ❑ Works with SBRL clients directly on requested loan modifications needed.

- ◆ The loan servicing and customer support contract was competitively bid with Lendistry being the only respondent to offer technical assistance and business counseling as part of its collections strategy.
- ◆ The Center by Lendistry will be supporting Lendistry's servicing of the SBRL portfolio by providing comprehensive technical assistance to its borrowers:
  - ❑ Individual Technical Assistance, in which borrowers who are identified as either at risk of default or otherwise in need of assistance will receive 1:1 business advising, customized to their unique challenges.
  - ❑ Scaled Technical Assistance, where all borrowers will be given access to online training tools, webinars and office hours.



- ◆ Technical assistance will be triaged according to need of borrowers, with a goal of returning borrowers to “current” status:
  - Scale Services Available to Full Portfolio: ·
    - Access to virtual on demand learning platform providing business templates, financial calculators, instructional videos, and learning modules covering Money, Management, and Marketing topics (available in English and Spanish).
    - Weekly program-specific office hours for general loan documentation questions and financial guidance (150 hours, offered in English and Spanish).
    - Access to AI-enhanced business planning, financial forecasting, benchmarking, and business planning tools.
    - Monthly training sessions on Money, Management, and Marketing/Sales strategies.
  - Individual Technical Assistance Services: 1-on-1 business advising support reserved for businesses referred by Lendistry's Servicing team:
    - Individual intake meetings and business capacity self-assessments.
    - Customized technical assistance engagement planning with 90-day goal setting.
    - Financial statement creation and interpretation support.
    - Accounting and financial advisory services.
    - 300 hours of individual advising, delivered in 30-minute scheduled intervals (English and Spanish).

*New Mexico's partner in building economic prosperity and stronger communities.*



**New Location !**

810 W. San Mateo Rd.  
Santa Fe, NM 87505  
505-984-1454