

NEW MEXICO
FINANCE AUTHORITY

**Presentation to
NMFA Oversight
Committee**



**Update on Economic Stimulus Programs:
Small Business Recovery Loan Program and
Local Economic Development Fund Recovery Grant**

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The **Small Business Recovery Loan Fund** (“SBRLF”) was created in June 2020 during the 1st Special Session of the 2020 Legislature and significantly expanded during the 2021 Regular Session through Senate Bill 3. The SBRLF provides very low-cost loans of up to \$150,000 to New Mexico businesses that were significantly impacted by the pandemic and the related Emergency Health Orders. The **\$500 million loan** program is funded from the State Severance Tax Permanent Fund.

House Bill 11 made temporary changes to LEDA to create the **LEDA Recovery Grants** program, a **\$200 million grant program** to provide grants of up to **\$100,000** for rent, lease, or mortgage payments to businesses that experienced a decline in revenue during the pandemic and are now reinstating jobs lost. NMFA is the administrator of the grant program and the New Mexico Economic Development Department (“NMEDD”) is charged with policy oversight of the grant funds.



- ◆ SBRLF application is open until **May 31, 2022** and applications are processed on a first-come, first-served basis.
- ◆ LEDA Grant application is operating in two-week cycles until December 31, 2021 or until funds are fully obligated. Pursuant to statute, applications must be prioritized based upon the percentage of revenue decline from 2019 to 2020.
- ◆ Businesses apply through an **online application** accessed at NMFA's website: www.nmfinance.com. Account registration is required.
- ◆ All activity happens through the on-line application system:
 - The process for both applications involves different touch points throughout the process. Applicants may check the status of their applications and ask questions regarding their applications by logging into their accounts.
 - Applicants will be notified of any needed clarifications or corrections and will be provided an opportunity to correct applications while the applications

Changes to SBRLF Improved Access

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Application Status	No	Final Loan	Disbursed
SBRLF 1.0 Final	880	\$ 42,032,663	\$ 42,032,663
SBRLF 2.0 Funded	502	\$ 37,335,775	\$ 31,459,032
Total SBRLF Outlay			\$ 73,491,695
Approved (various stages of closing)	345	\$ 30,208,708	\$ 25,701,020
Under Review			
Pending	200	\$ 23,480,499	
ID Verification	168	\$ 9,424,526	
Returned for Additional Information	166	\$ 11,102,655	
Applications started in July, not yet submitted	155		
Inactive Applications			
Started in May, not submitted	1009		
Started in June, not submitted	471		

*Fewer than 40
applications
returned to date*

Terms	SBRLF 1.0	SBRLF 2.0
Eligible Businesses	Sole Proprietor, Corp, partnership, joint venture, llc, limited partnership or other business entity, with at least <u>80% control & equity with NM residents</u>	Sole Proprietor, Corp, partnership, joint venture, llc, limited partnership or other business entity, with <u>at least 51% ownership by NM residents, or</u> Business physically located in New Mexico with at least 10 full-time employees at any point during 2019
NM Resident - definition unchanged	Evidenced by personal tax returns	Evidenced by copies of Driver's Licenses or other government ID
Eligible Nonprofits	501(c)3 and 501(c) 6	501(c)3, 501(c)6, 501(c)8, 501(c)19, and 501(c)23
Credit Standards	Law: NMFA "shall evaluate the creditworthiness of an applicant based on information received from the applicant, which may include an independent credit reporting agency when available" By rule: no collections or charge-offs in 2019 from telecommunications, utility or rent/mortgage creditors	Meet Credit and Identification Standards: ✓Credit Standards for loans < \$75K = SBRLF 1.0 Creditworthiness Standard ✓Credit Standards for loans > \$75K = above plus no additional collections or charge offs, if so, then collateral is required on loan amounts exceeding \$75k
Loan Fund		
SIC Commitment for Fund	\$400 million	\$500 million
NMFA Administrative Fee	Up to 1% of Fund Balance	Up to 2% of Fund Commitment
Application Date	submitted by December 31, 2020	submitted by May 31, 2022

Loan Terms	SBRLF 1.0	SBRLF 2.0
Loan Amount	Not to exceed \$75,000	Not to exceed \$150,000
Eligible items	Proceeds to be used for ordinary and necessary business expenses, including capital expenses	<ul style="list-style-type: none"> ✓ Proceeds to be used for ordinary and necessary business expenses, including capital expenses ✓ Technology and facility upgrades to accommodate covid-safe operations, including e-commerce
Ineligible items	Limited use for equity owner salaries	Increased use for non-employer business owner compensation from not more than 20% to not more than 50%
Refinancing	n/a	SBRLF 1.0 loans may be refinanced with SBRLF 2.0 loans. Any accrued but unpaid interest will be added to the interest due on the refinanced loan and paid at the second anniversary of the refinanced loan.
Guarantees	None	None up to \$75,000, thereafter personal guarantees
Collateral	None	None unless borrower has blemished credit history, then on amounts greater than \$75k
Maturity	Three years, with option to extend an additional three years (see Repayment Terms below)	Ten years
Interest rate	1/2 of the WSJ Prime Rate	Unchanged – 1/2 of WSJ Prime
Repayment Terms	<ul style="list-style-type: none"> ✓ Interest only (paid annually) for three years. ✓ Principal due at maturity <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> ✓ If requested by borrower, monthly P & I for three years after 3-year interest only period 	<ul style="list-style-type: none"> ✓ No interest during first year ✓ Interest-only for next two years (paid annually) ✓ 7 years of monthly P & I payments thereafter ✓ Borrowers <u>without</u> credit blemishes may request quarterly, semi-annual or annual payments
Prepayment Penalties	None	None
Receipts of payments	Not specified	Electronic loan payments required

What is the Local Economic Development Act or LEDA?

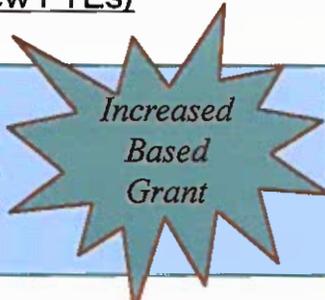
In November 1994, New Mexico voters approved a change to the “anti-donation” clause of the NM constitution to allow public funds to be used for private benefit in limited instances and when authorized by the state or a local government. LEDA is the law that implements the 1994 change and guides the determination of whether public funds may be used for private benefit.

The 2021 Legislature passed, and Governor Lujan Grisham signed into law, House Bill 11 which made temporary changes to LEDA to allow for NMEDD and NMFA to operate a \$200 million grant program to provide rent, lease and mortgage assistance to businesses that experienced hardship due to the pandemic and are now reinstating jobs lost during the pandemic.



- ◆ First application cycle: May 11 – June 15th
 - Approximately 1,100 applications filed
 - Two third of the applications filed by businesses in Bernalillo, Dona Ana, Sandoval and Santa Fe Counties
 - One third of applications filed by businesses in all other counties
 - Lower application levels than anticipated
- ◆ At the end of July, NMEDD modified its emergency rule to increase base amount by \$5,000
 - Expected to increase average grant by \$10,000
 - Change was applied to all submitted applications
- ◆ Awards began funding this past week

Terms	LEDA Grant										
Determination of Grant Amount	<ul style="list-style-type: none"> ✓ <u>Sliding Scale</u> established by NMEDD, takes into consideration the number of jobs to be created, the relative revenue decline of the business and the wages to be paid ✓ <u>Grant Amount = (Base Grant Amount + Wage Bonus) x (# of new FTEs)</u> ✓ NOT TO EXCEED \$100,000 PER BUSINESS LOCATION 										
Base Grant per Net New FTE	<table border="0"> <tr> <td style="padding-right: 20px;">\$10,000</td> <td>Revenue decline of less than 20%</td> </tr> <tr> <td>\$12,000</td> <td>Revenue decline of at least 20%, but less than 40%</td> </tr> <tr> <td>\$14,000</td> <td>Revenue decline of at least 40%, but less than 60%</td> </tr> <tr> <td>\$16,000</td> <td>Revenue decline of at least 60%, but less than 80%</td> </tr> <tr> <td>\$18,000</td> <td>Revenue decline of 80% or more</td> </tr> </table>	\$10,000	Revenue decline of less than 20%	\$12,000	Revenue decline of at least 20%, but less than 40%	\$14,000	Revenue decline of at least 40%, but less than 60%	\$16,000	Revenue decline of at least 60%, but less than 80%	\$18,000	Revenue decline of 80% or more
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Wage Bonus per Net New FTE	<p>Average wage of new FTE more than \$13 per hour: \$1,000 bonus per FTE Average wage of new FTE more than \$17 per hour: \$2,000 bonus per FTE</p>										
Baseline Employees	The lower of FTEs on either December 31, 2020 or March 31, 2021										
Important Definitions	<p>"Full-Time Equivalent Employee or FTE" is an employee who works an average of 40 hours or more per week "Qualifying Date of Hire" is on or after April 1, 2021</p>										
Decline Measure	<p>Percentage decline of revenues over one or more quarters in 2020 over the same quarter(s) in 2019:</p> <ul style="list-style-type: none"> ✓ CRS reports ✓ Tax Returns ✓ Financial Statements 										
Eligible Businesses	Corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is a business operating in New Mexico with one or more employees but fewer than 75 per NM location.										



Terms	LEDA Recovery Grants
NM Resident	New Mexico ownership not required.
Business Cap	75 employees per location
Credit Standards	Must meet Credit and Identification Standards
Application Period:	May 11, 2021 – December 31, 2021. Awards made after application period ends. Awards based upon percentage of lost revenue.
Eligible items	<ul style="list-style-type: none"> ✓ Reimbursement of Past-due, Current or Pre-paid rent, lease or mortgage payments ✓ Lease payments to affiliated landlords is permitted as long as affiliate can demonstrate the commercial premise is subject to a mortgage or commercial loan agreement
Ineligible items	No equipment leases permitted pursuant to LEDA
Term	Grant Agreement not to exceed 2 years
Disbursals	<ul style="list-style-type: none"> ✓ <u>Initial disbursement</u> equal to 25% of the grant paid following the execution of the grant agreement ✓ <u>Each draw thereafter: post-performance.</u> Grantees may request grant disbursals every quarter based upon net new jobs created as evidenced on DWS form 903 not to exceed 25% per disbursal.
Draw Requirements	Evidence of: <ul style="list-style-type: none"> ✓ Good standing & current on state obligations ✓ Any prior funds were used in accordance with Grant Agreements ✓ Quarterly DWS Wage Report (Form 903) ✓ Compliance certificate regarding wages and hours
Receipts of payments	Grant disbursements will be made via Automated Clearinghouse
IPRA Protections	Yes

Questions on program specifics **before** you apply?

- ❑ Visit www.NMFinance.com for program information
- ❑ For SBRLF email: recovery@nmfa.net
- ❑ For LEDA Grant before you apply? Email: LEDA@nmfa.net

Questions on application status or glitches **as or after** you apply?

- ❑ Submit your questions at the Contact Us button in the application.
- ❑ Visit our Recovery Page on our website www.nmfinance.com for Frequently Asked Questions, application tips and tutorials
- ❑ Call us at **505-992-9696** or 866-ASK-NMFA
- ◆ **Stay up-to-date!** Join our Recovery and Stimulus Programs Mailing List by submitting a form at nmfinance.com