



NEW MEXICO
FINANCE AUTHORITY

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Presentation to NMFA Oversight Committee

Small Business Recovery Loan Fund

Program Summary

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September 8, 2023

History of Legislation



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- ◆ The Small Business Recovery Act was enacted during the 2020 first Special Legislative Session. The Act directed NMFA to make very low-interest loans to businesses that experienced significant drops in sales early in the pandemic. The program was funded from an investments 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. The eligibility requirements in the statute were intentionally broad to help save New Mexico businesses, therefore traditional loan underwriting was not applicable to the program.
- ◆ The 2021 Legislature broadened and extended the Small Business Recovery Loan Fund through the Small Business Recovery and Stimulus Act to increase access to the loan fund and offer enhanced loan terms to NM businesses.
- ◆ The Small Business Recovery Loan Fund was created with flexible, generous terms to help New Mexico's small businesses survive the COVID-19 pandemic.

Loan Summary



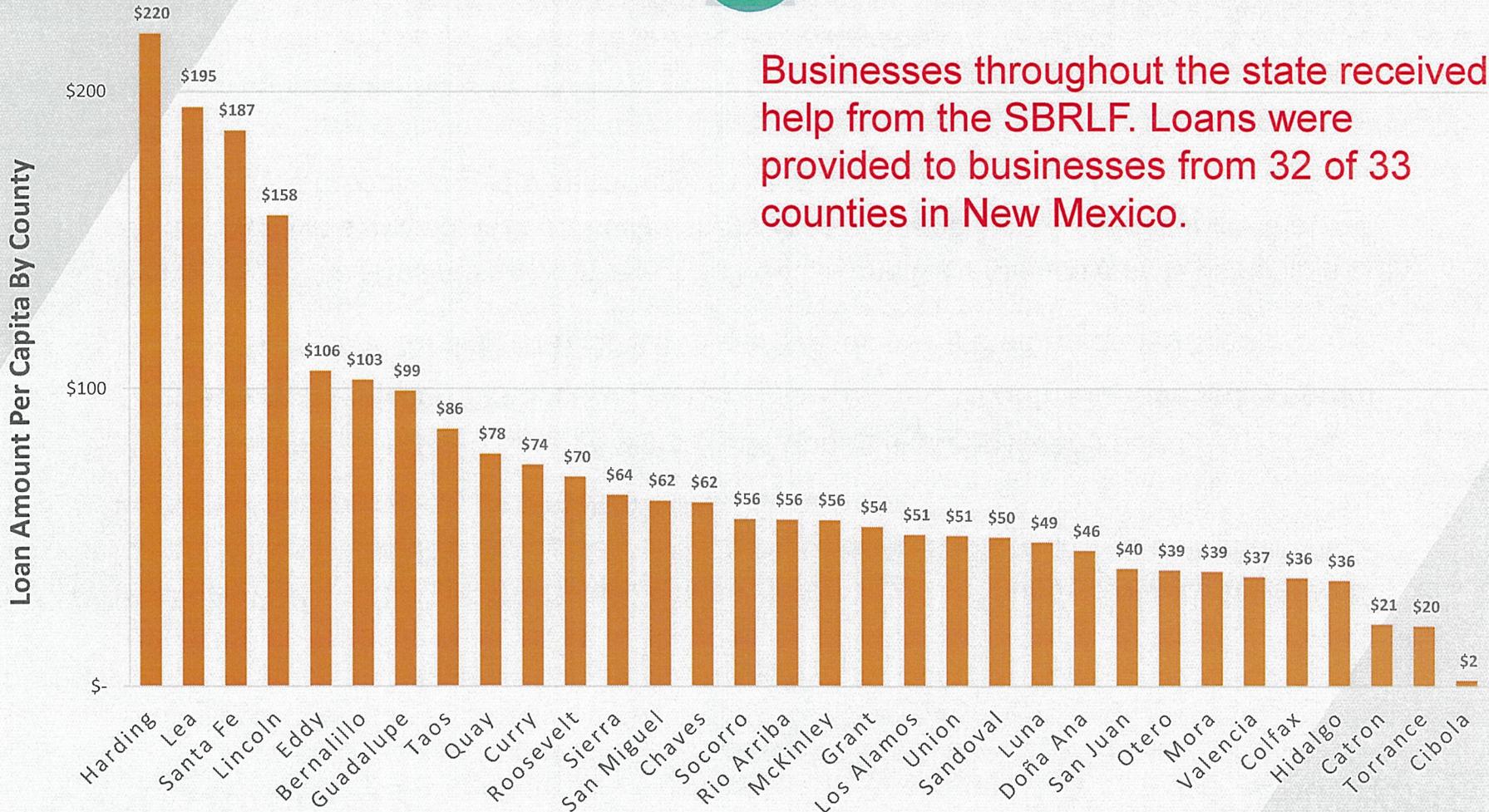
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- ◆ Between 2020 and 2022, the Small Business Recovery Loan Fund provided low-interest loans totaling \$178 million to 2,552 businesses across 21 sectors and 32 counties. The average loan size was approximately \$67,000.
 - 880 loans totaling \$40,137,854 were made during first application period
 - 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
- ◆ Without the Small Business Recovery Loan Fund, some New Mexico small businesses likely would not have survived. 90% of businesses reported in the NMFA client survey that the financial assistance was “very important” to keeping their business open

Receiving this loan meant that we could ensure the least amount of impact to those directly around us by not laying anyone off and maintaining a quality service instead of prioritizing unchanging expenses. Most importantly, it provided peace of mind for us, our employees, and our customers.”

-New Mexico small business owner

Loans per Capita by County

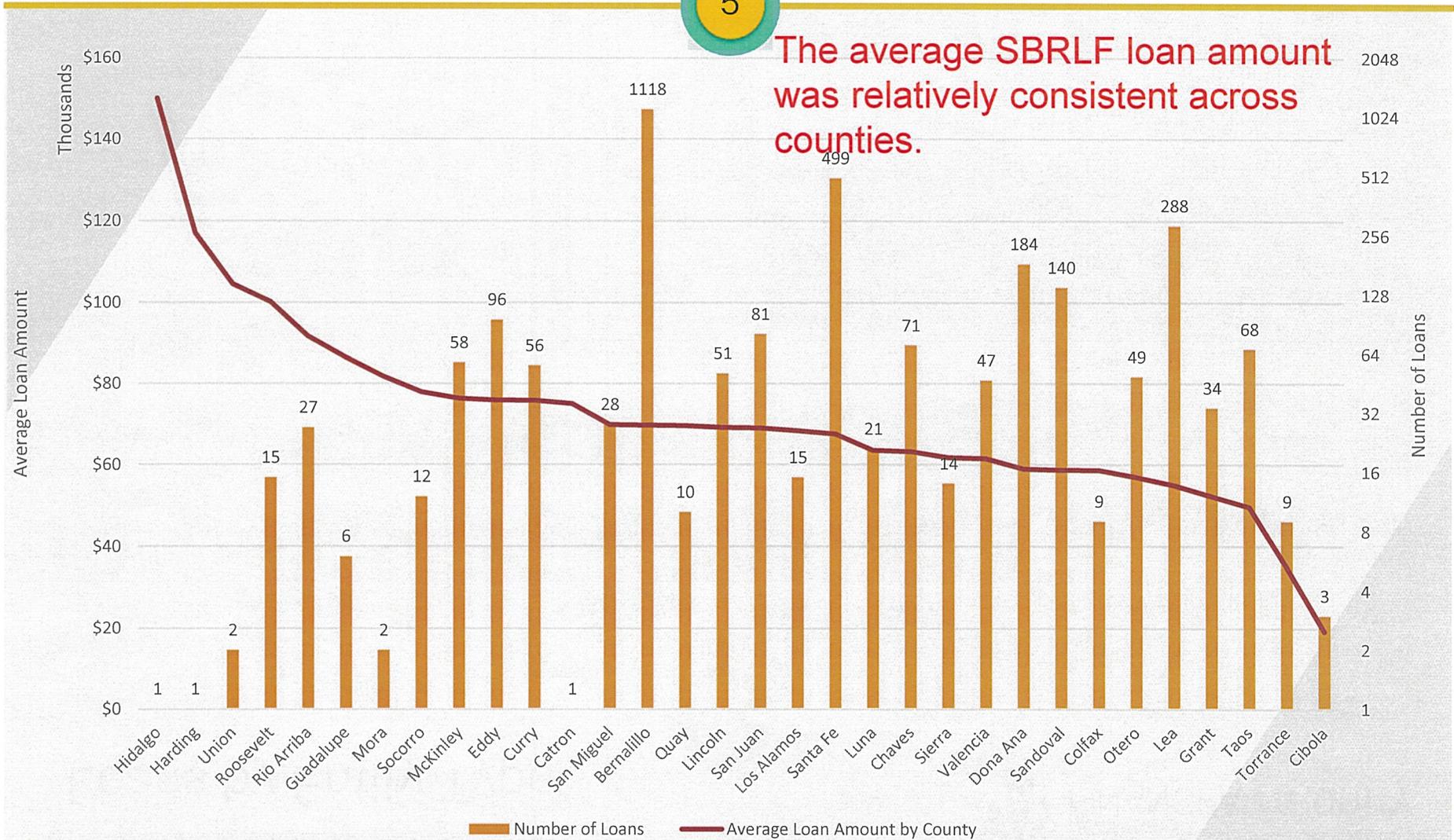


Average Loan by County



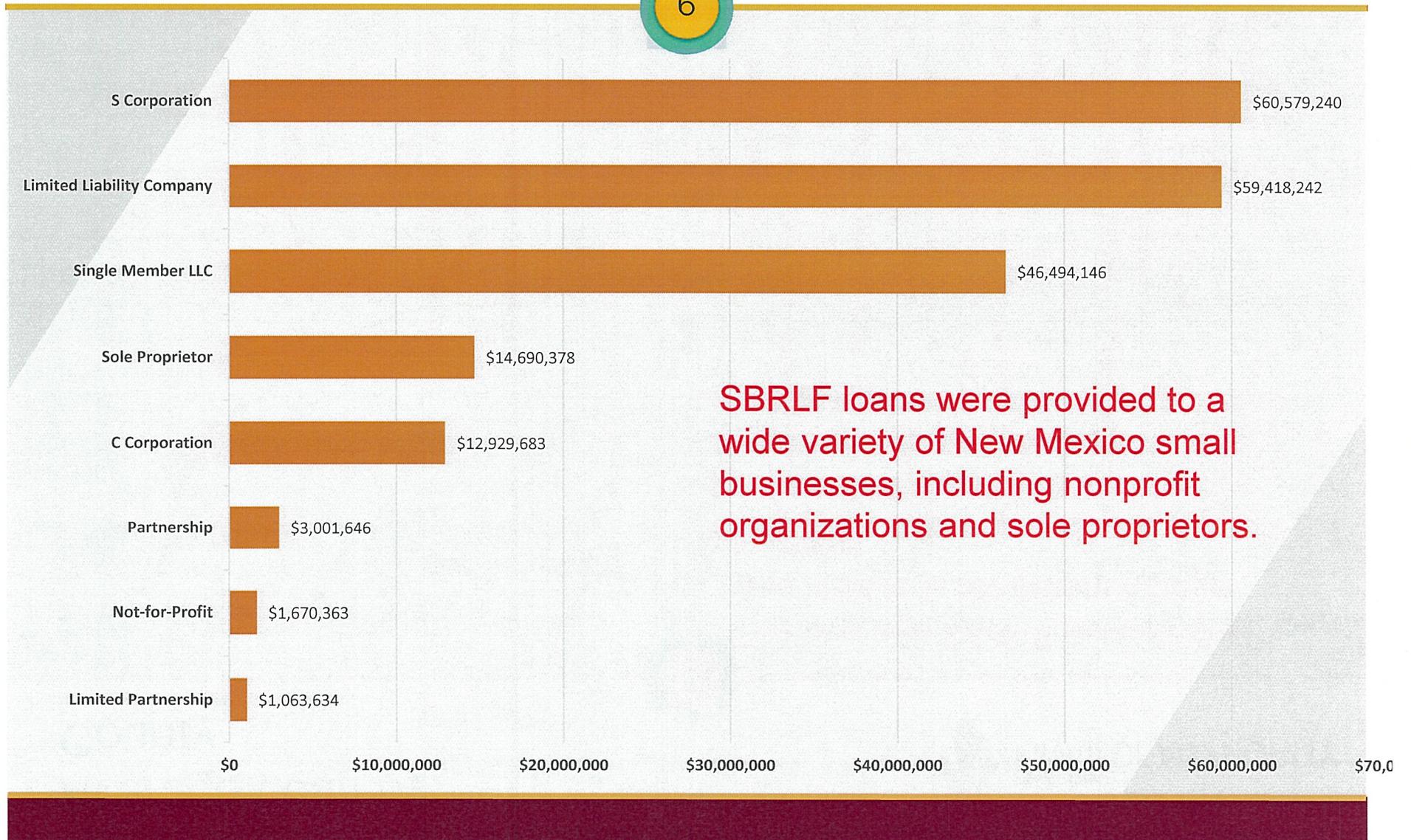
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The average SBRLF loan amount was relatively consistent across counties.



Loans by Entity Type

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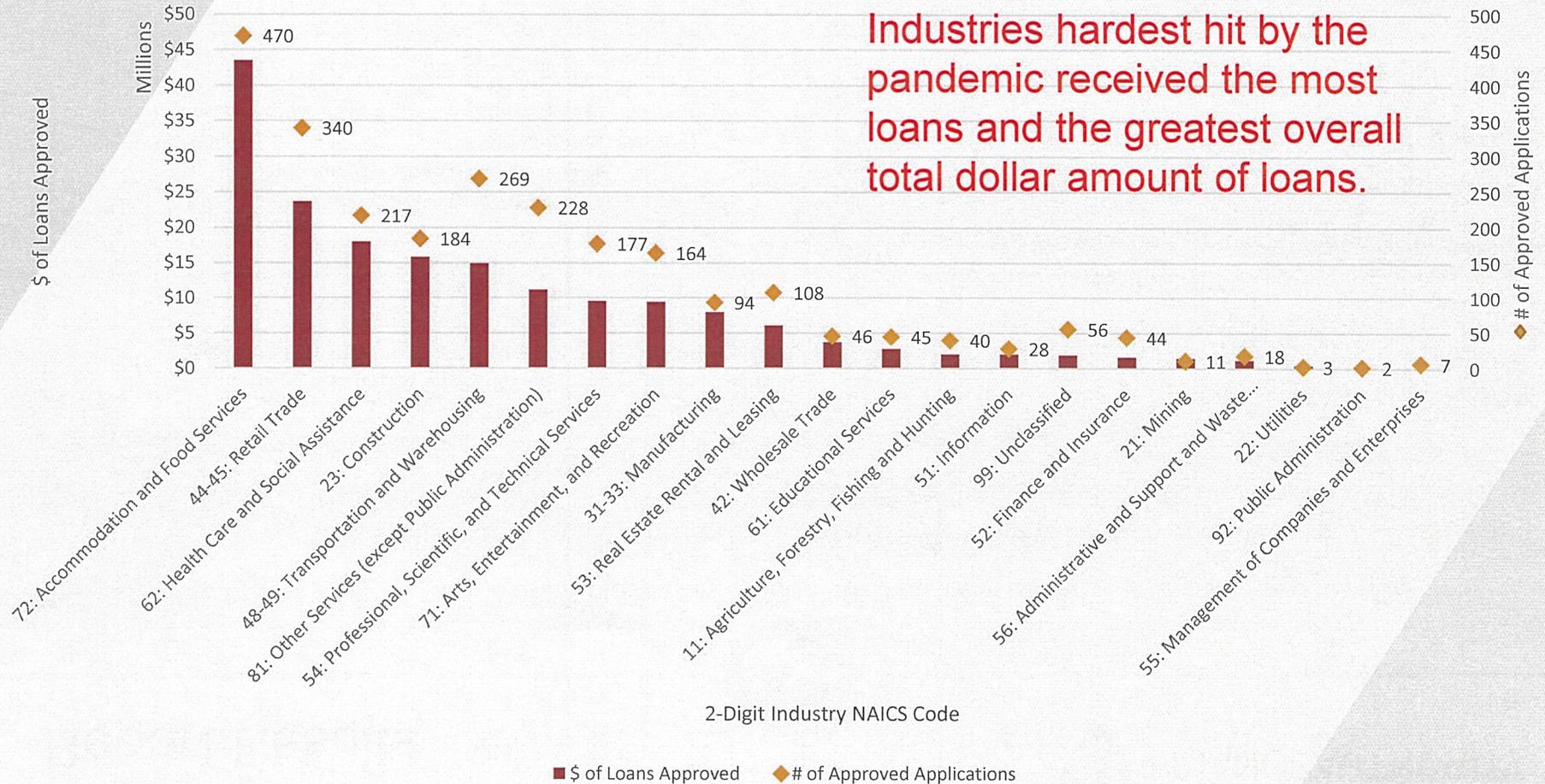


Industry Summary

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Total \$ of SBRLF Loans and Approved Applications by Industry

Industries hardest hit by the pandemic received the most loans and the greatest overall total dollar amount of loans.



Business Status Report Results



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of Employees as of June 2022 by Industry

2-Digit NAICS Industry Code

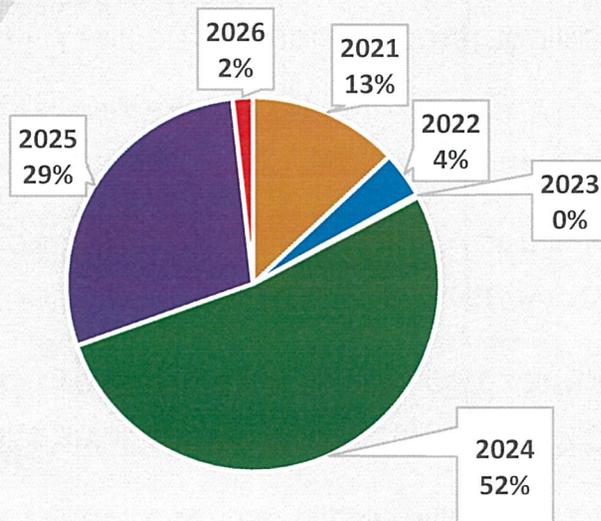


The SBRLF helped the industries hardest hit by the pandemic stay in business, enabling them to employ New Mexicans throughout industries and throughout the state after the pandemic.

*1201 or 47.1% of borrowers reported employing 10,664 employees June 2022

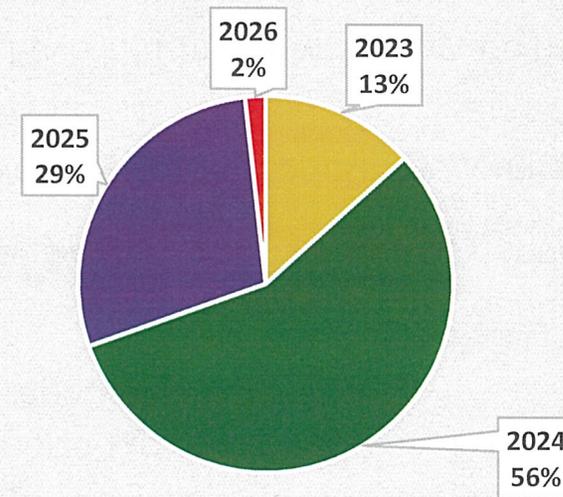
Timing of Principal and Interest Payments

First Interest Payments 2021-2026



2021 2022 2023 2024 2025 2026

First Principal Payments 2023-2026



2023 2024 2025 2026

The first interest and/or principal payments for most borrowers will be due in calendar year 2024 or 2025. As a result, it is still too early to project loan default rates.

Payment Performance and Monitoring



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- ◆ 107 borrowers have paid off loans for approximately \$7.2 million.
- ◆ NMFA has received \$10.5 million in principal payments through August 2023
- ◆ Four bankruptcies for a total of \$372,000 have been reported to date. NMFA uses a third-party credit monitoring service to automatically receive reported bankruptcies.
- ◆ Of the 500 businesses in the repayment period of interest and/or principal, 117 accounts are past due 90 days or more for an approximate total of \$120,000 in past-due payments
- ◆ As of June 30, 2023, NMFA has allocated \$20 million in allowance for doubtful accounts, which includes the following:
 - \$1.0 million in amounts outstanding from clients that have informed NMFA they are no longer in business
 - \$2.5 million in amounts outstanding from clients who are over 180 days past due
 - Remainder is 10% (\$16.5 million) of total principal outstanding of \$165 million