NEW MEXICO FINANCEAUTHORITY

1

Update on the Small Business Recovery Loan Fund

Presentation to Investment and Pension Oversight Committee
Marquita D. Russel, NMFA CEO

October 6, 2020

Small Business Recovery Act of 2020

- ♦ Small Business Recovery Act created during the 2020 Special Session; signed into law by on July 7th.

- ♦ The Act creates two programs in the NMFA and funds them with investments of the Severance Tax Permanent Fund:

  - ❑ **Emergency Economic Relief Program** -- $50 million program that provides revenue replacement loans to cities and counties that experienced decline of at least 10% in GRT in the 4th quarter
    - ▪ GRT collections higher than anticipated; no apparent need for program

  - ❑ **Small Business Recovery Loan Fund** ("SBRLF"), a $400 million program that provides loans to small businesses that experienced financial hardship due to the public health

- ♦ NMFA entered into MOU with State Investment Council regarding SBRLF; $100 million deposited into the fund to date.

- The Act defines "Qualifying Small Business" as a business or nonprofit corporation that:

  - ❑ closed or reduced operations due to the public health order, <u>and</u>
  - ❑ had annual gross revenue of less than $5 million as determined by its 2019 federal income tax return, <u>and</u>

  - ❑ experienced a 30% decline in monthly gross receipts or monthly revenue in each of April and May of 2020 (as compared to the same months in 2019).

  - ❑ Is determined by NMFA to be creditworthy

- For-profit businesses (sole proprietor, partnership, corporation, limited liability company, etc.) must be at least 80% owned and controlled by one or more NM residents;

- Nonprofits must be organized as either 501(c)(3) or 501(c)(6)

SBRLF Loan Terms

NEW MEXICO FINANCE AUTHORITY

Loan Amount: Two times the monthly average expenses, not to exceed $75,000.

Interest Rate: ½ of *WSJ Prime,* fixed (currently 1.625%).

Collateral: None. Personal guarantees not required.

Terms: 3-year loans, interest only, paid annually. Principal due at maturity. At borrower's request, loan may be extended for an additional three years with monthly principal and interest payments.

Reporting: Clients will be required to report annually to NMFA current employment data and any bankruptcy action filed.

Funding: Loan funded at closing via ACH to the account identified and verified in the application.

Use of Funds: At least 80% of the loan must be used for ordinary business expenses, including any PPE/covid-safe practice costs, equipment, working capital and non-owner salaries. Salaries to equity owners limited to no more than 20% of the loan.

Please note that this is a loan program, not a grant program

♦ Given clear statutory guidance on terms and eligibility, NMFA focused its efforts on efficiency, ease of use and fraud mitigation.

♦ Applications are accepted online application at www.nmfinance.com. Applications are processed on a first-come, first-served basis until December 31, 2020 or until funds are gone, whichever comes first.

♦ Eligible applicants are required to have a checking account in at a federally insured financial institution.

♦ Submitted applications are reviewed by enrolled Loan Servicers who determine whether the application is complete and accurate; their findings are reported to NMFA.

- The application is being hosted on Formstack, a 3rd-party application system that:
  - ❑ Offers secured, encrypted platform for applicants and reviewers
  - ❑ creates and distributes loan documents and provides for secured electronic signatures

- The Formstack system has built-in logic to determine eligibility based upon answers provided by applicant. Businesses that are ineligible are alerted that the information supplied does not meet eligibility criteria.

- NMFA is urging all applicants, regardless of whether they're qualified, to submit an application so that NMFA may gather and report data to policymakers about needs not served by program.

NEW MEXICO FINANCE AUTHORITY

- ◆ NMFA is collecting additional information to provide policymakers with a comprehensive view of the investment:
  - ❑ Gross annual revenue of the small business
  - ❑ Number of employees prior to the New Mexico COVID 19 health order, at the time of application and predicted in one year. Borrowers will report on this during the life of the loan
  - ❑ Industry
  - ❑ Region
  - ❑ Distribution of funds (e.g. salaries, mortgage payments etc.)
  - ❑ Demographic information of business owner(s)

- ◆ Pursuant to SBRA, NMFA may only release the name of the borrower. All other information will be reported in broad demographic terms.

SBRLF Loans Approved

NEW MEXICO FINANCEAUTHORITY

Total loan amount:	**$20,699,468**
Number loans approved:	**438**
Average loan amount:	**$47,259**
Smallest loan:	**$585**
Largest loan:	**$75,000**
Number of NM counties represented:	**25**
Number of NM cities and towns represented:	**55**

Top Industries:

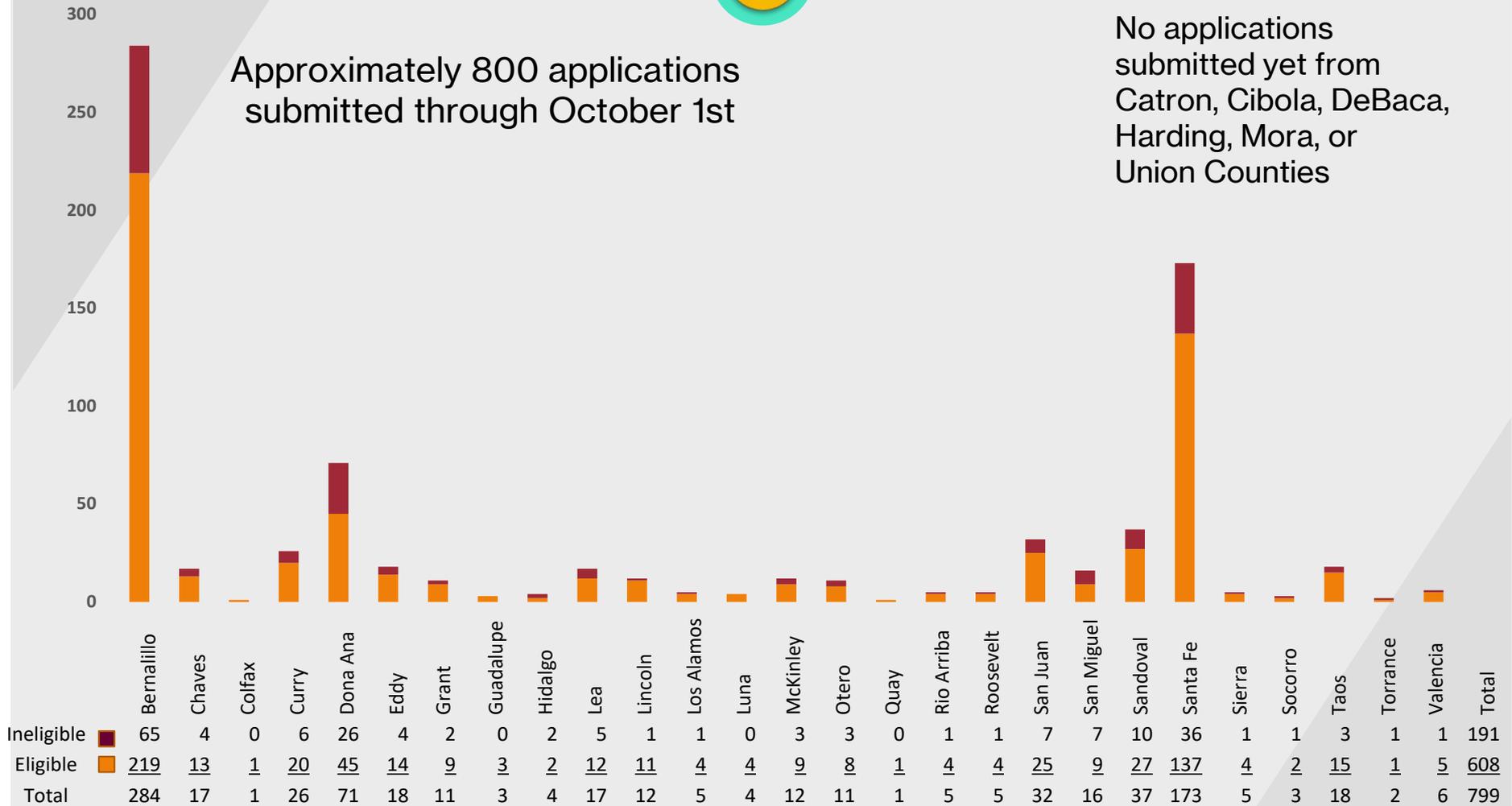|	
Accommodation & Food Services:	**23%**
Retail:	**19%**
Arts, Entertainment & Recreation:	**10%**

Applications by Business Type
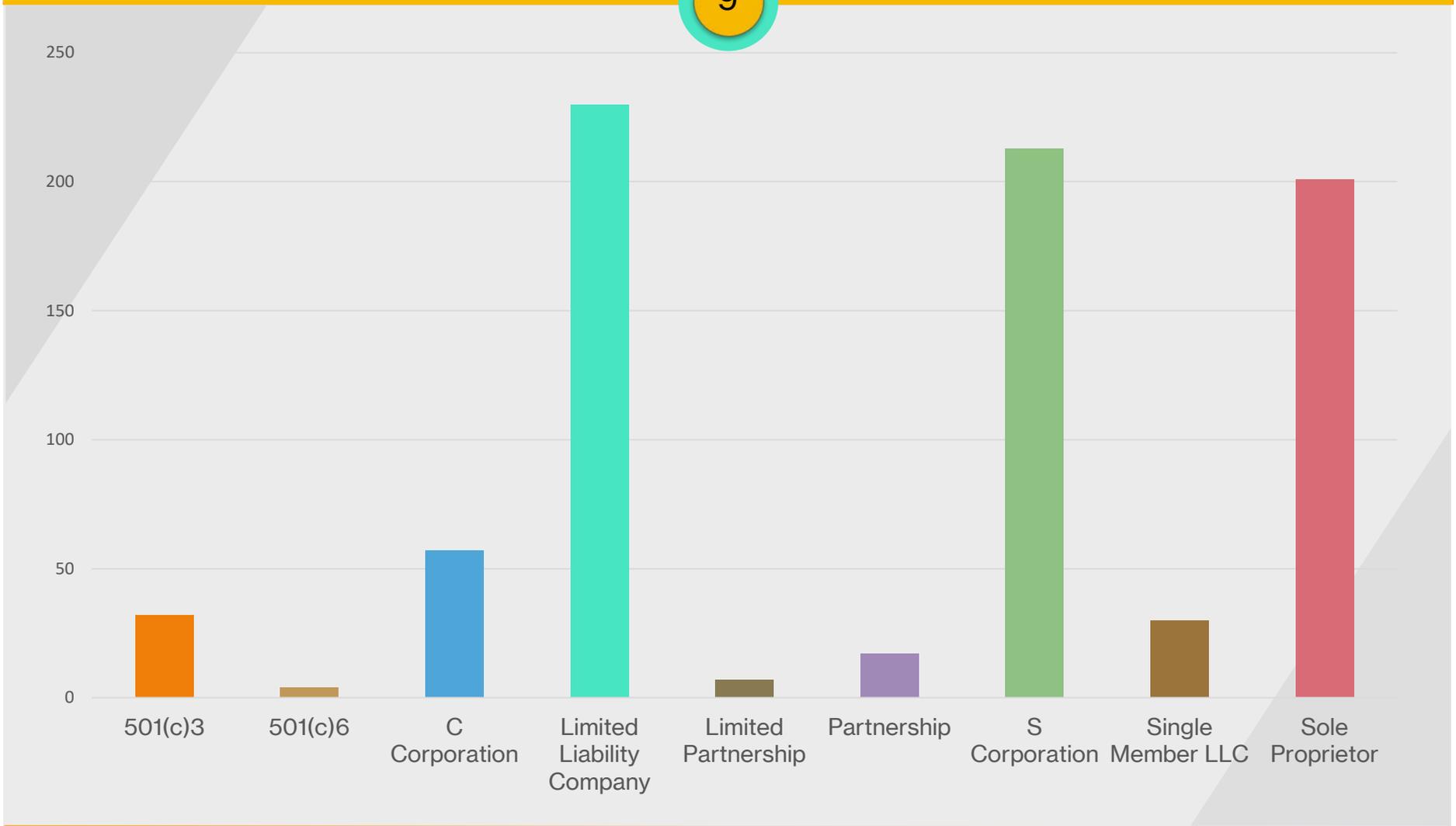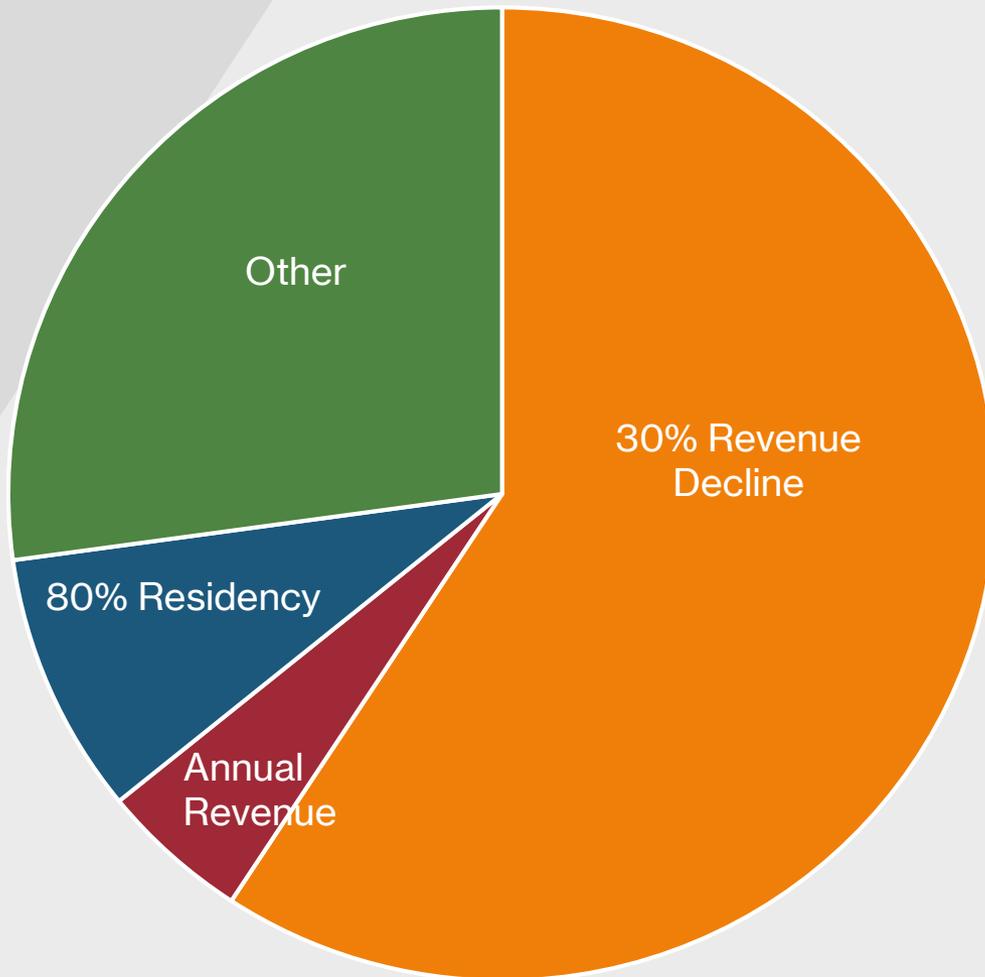
Eligibility by County

Approximately 800 applications submitted through October 1st

No applications submitted yet from Catron, Cibola, DeBaca, Harding, Mora, or Union Counties

	Bernalillo	Chaves	Colfax	Curry	Dona Ana	Eddy	Grant	Guadalupe	Hidalgo	Lea	Lincoln	Los Alamos	Luna	McKinley	Otero	Quay	Rio Arriba	Roosevelt	San Juan	San Miguel	Sandoval	Santa Fe	Sierra	Socorro	Taos	Torrance	Valencia	Total
Ineligible	65	4	0	6	26	4	2	0	2	5	1	1	0	3	3	0	1	1	7	7	10	36	1	1	3	1	1	191
Eligible	219	13	1	20	45	14	9	3	2	12	11	4	4	9	8	1	4	4	25	9	27	137	4	2	15	1	5	608
Total	284	17	1	26	71	18	11	3	4	17	12	5	4	12	11	1	5	5	32	16	37	173	5	3	18	2	6	799

Small Business Recovery Loan Fund

NEW MEXICO
FINANCE**AUTHORITY**

Ineligibility fell into one of four categories

🟧   30% per month decline in April and May of 2019 and 2020 evidenced by the business's CRS forms;

🟥   Gross annual revenue exceeded $5 million

🟦   80% ownership by NM resident(s)

🟩   Other: incomplete applications, outstanding tax liens/creditworthiness; applicants did not complete the application before submitting

Pie chart labels:
- 30% Revenue Decline
- Annual Revenue
- 80% Residency
- Other

Small Business Recovery Loan Fund

Industry Sector	April 2020 Receipts	% Change over April 2019	May 2020 Receipts	% Change over May 2019
Retail Trade	2,688,367,581	-11.5%	2,616,423,385	1.5%
Wholesale Trade	1,747,175,293	-17.7%	1,428,614,996	-16.5%
Construction	1,462,141,087	14.7%	1,145,877,210	-11.3%
Other Services (except Public Admin)	924,368,534	-51.0%	965,774,503	-8.7%
Professional, Scientific & Technical Services	985,671,787	-25.1%	956,008,433	-0.6%
Health Care & Social Assistance	781,173,261	-9.4%	769,025,609	21.4%
Manufacturing	773,091,460	-23.3%	616,224,878	-19.2%
Admin & Support Services	514,768,602	-15.3%	556,614,274	-14.7%
Utilities	371,225,868	10.3%	454,083,457	23.3%
Mining and Oil & Gas Extraction	458,508,594	-41.7%	409,194,872	-48.4%
Accommodations and Food Services	406,833,791	-24.3%	374,683,675	-23.9%
Real Estate & Rental and Leasing	331,911,952	-10.9%	222,209,847	-17.0%
Information & Cultural Industries	319,962,831	20.1%	212,773,242	-27.9%
Transportation & Warehousing	206,749,662	-25.3%	168,850,023	-27.0%
Unclassified Establishments	99,084,053	106.5%	101,069,609	16.3%
Public Administration	77,715,302	2.9%	75,743,229	-5.0%
Finance & Insurance	57,924,435	12.1%	56,274,155	7.9%
Agriculture, Forestry, Fishing & Hunting	43,279,425	-26.2%	41,329,749	-21.6%
Management of Companies & Enterprises	22,387,165	-25.7%	31,968,345	51.0%
Educational Services	38,413,167	-3.8%	29,664,778	-2.4%
Arts, Entertainment & Recreation	32,789,016	-50.0%	26,177,706	-52.2%
Total	**12,343,542,866**	**-18.0%**	**11,258,585,975**	**-9.8%**

Gross receipts declines for April and May 2020 over 2019 were less than anticipated.

On average, the only industries that show at least a 30% decline in in both April and May across the state are Accommodation and Food Service, and Arts, Entertainment, and Recreation

NMFA is using county and industry data to increase education and outreach to ensure applicants know of program.