



NEW MEXICO
FINANCE AUTHORITY



Overview of the New Mexico Recovery Programs

Small Business Recovery Loan Fund and the New Mexico LEDA Recovery Grants

May 2021

Who is the NMFA

The New Mexico Finance Authority is a government instrumentality created in 1992. NMFA's mission is to advance New Mexico by financing impactful, well-planned projects. NMFA offers a variety of financing programs for infrastructure, capital equipment, and economic development.

During the 2021 Regular Session, the New Mexico Legislature named the NMFA as the administrator of two state small business recovery programs:

Small Business Recovery Loan Fund

New Mexico LEDA Recovery Grants



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 open until **June 15, 2021**. **Following the closing of the application period**, applications will 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 will happen 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 period is open. NMFA cannot make changes to an application.

◆ 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 Residents are now 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 amount 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**
 - *New*: 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 pandemic
- ◆ **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 all persons 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.

- ◆ 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.

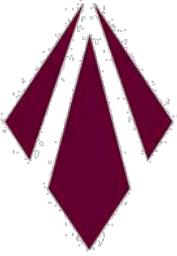
- ◆ Credit standards on new SBRLF loans of less than \$75,000 are the same as the “creditworthiness” requirement from the 2020 program: must not have been subject to a collections effort or charge-off in 2019 by any telecommunications, utility or rent/mortgage creditor.
 - A lack of credit is acceptable, 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.
 - Loan payment dates get reset to the date of the new loan.
 - Accrued but unpaid interest will be due at the time of the first payment of the refinanced 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.

- ◆ 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.



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New Mexico LEDA Recovery Grants

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.

◆ How are Awards determined?

- ❑ Awards of up to \$100,000 are based upon number of new Full Time Equivalent Employees (FTE) added on or after April 1, 2021. Additional award amounts are given based upon:
 - Percentage loss of revenue from one or more quarters in 2019 to the same period in 2020; and
 - Average wages to be paid to the new FTE.

◆ What can the funds be used for?

- ❑ Funds may only be used for reimbursement of rent, lease or mortgage payments made for the building occupied by the business.
 - **Amount of funds disbursed cannot exceed amount of rent, lease or mortgage payments made during the period, regardless of grant award**
 - Rent paid to an affiliated landlord will be allowed if the affiliated company has a mortgage on the building.

◆ How will funds be disbursed?

- ❑ Shortly after closing, 25% of the grant will be disbursed to the business's bank account at a federally insured financial institution. Thereafter the disbursements are post-performance:
 - After the end of each calendar quarter, a business may submit a reimbursement request. The amount disbursed will be based upon the actual number of net new FTEs added since April 1, 2021.

◆ Application and Award Timeline

- ❑ Applications will be accepted from Tuesday, May 11th at noon until Tuesday, June 15th at noon.
- ❑ Applications will be prioritized, and awards made after the application period closes.
- ❑ Priority is given to those businesses that experienced the greatest revenue decline (on a percentage basis) from 2019 to 2020.

◆ Eligibility

□ Applicant must qualify as a **Recovery Entity**

- A business organized as a corporation (including a nonprofit corporation), limited liability company, partnership, joint venture, syndicate, association or other that operates in New Mexico.
- At least one but fewer than 75 employees (full and part-time) per location.
- Business must have experienced a decline in business revenues between one or more comparable quarters in 2019 and 2020.
- Business must be current on all state and local tax obligations and must certify that the business does not anticipate filing bankruptcy.

□ Other eligibility

- Must have been in business by October 1, 2019.
- New FTEs must be employees for whom unemployment taxes are paid and wage reports are filed with the New Mexico Department of Workforce Solutions (NM DWS). Contract employees do not qualify.

- ◆ **Full Time Equivalent Employee (FTE)** is an employee that regularly works at least 40 hours per week. The hours of employees that regularly work less than 40 hours are prorated and added together.
 - **Example:** Maria's Accounting employs 9 people: 3 employees are full-time who work on average 40 hours/week. The other 6 employees are part-time who work an average of 20 hours/week. Each 20-hour/week employee equals .5 FTE (20/40). Therefore, Maria's Accounting's 9 employees equal 6 FTEs (3 + .5 + .5 +.5 +.5 + .5 + .5)

- ◆ **Baseline Jobs** is the number of FTE reported to NM DWS for the quarter ended December 31, 2020 or March 31, 2021
 - 25% of the grant will be funded at closing, thereafter the grant is “post-performance” meaning the amount eligible to be disbursed is based upon the *actual* net increase in FTEs over the Baseline, less any amounts disbursed to date, not to exceed 25% of the grant award.

- ◆ Grant Awards cannot exceed \$100,000 per business location

- **Base Grant** for each *projected* new FTE is based upon the percentage of revenue decline experienced by the business

Revenue Decline

- Less than 20%:
- At least 20%, but less than 40%:
- At least 40%, but less than 60%
- At least 60%, but less than 80%
- 80% or more

Base Grant per FTE

- \$5,000
- \$7,000
- \$9,000
- \$11,000
- \$13,000

- **Wage Bonus**

- Average wage of new FTEs of more than \$13 per hour: \$1,000 bonus
- Average wage of new FTEs of more than \$17 per hour: \$2,000 bonus

Grant Amount = (Base Grant Amount + Wage Bonus) x (number of new FTEs)

◆ Grant calculation example

- ❑ Maria's Accounting had to reduce staffing during 2020 because many of their clients had temporarily shut down or reduced their operations.
- ❑ Maria's Accounting experienced a 50% decline in revenue from 2019 to 2020.
- ❑ With more businesses reopening, Maria is now able to bring back her employees and create a new file clerk position. Maria will fill the file clerk position with two part-time employees and her six accountants will have their hours increased from 20 hours per week back to 40 hours per week.

▪ 2 file clerks (new at 20 hours/week)	\$15 per hour	1 FTE
▪ 6 accountants (from 20 to 40 hours/week)	\$35 per hour	3 FTE

◆ Maria's Accounting Grant = \$44,000 (\$9,000 + \$2,000) x 4 FTE

- 4 new FTEs to be added
- With a 50% revenue decline, the base wage is \$9,000 per new FTE
- Average wage of new FTE is greater than \$17 per hour resulting in a \$2,000 wage bonus per new FTE

◆ Disbursal example:

- At closing (in July), NMFA disbursed \$11,000 to Maria's Accounting (25% of the \$44,000 conditional grant).
- Maria immediately increased the hours of the four accountants (from 20 to 40 hours/week) and hired one part-time file clerk (at 20 hours/ week).
- In October, she reported 10 employees to NM DWS and certified with her reimbursement request to NMFA that the 10 employees equaled 8.5 FTE for that quarter -- 2.5 new FTE over the baseline of 6 FTE.
- Under the Maria's grant award, 2.5 FTE equals \$27,500 (2.5 FTE x \$11,000). Maria already received \$11,000 at closing, so her net new FTE totals \$16,500.
- Maria is limited to 25% of the grant in any quarterly disbursal, therefore she is eligible to draw an additional \$11,000
- Maria supplied records that show she made \$25,000 of mortgage payments since the grant closing. This is enough to meet the conditions of the first and second draws totaling \$22,000. Maria will therefore receive \$11,000 for the October reimbursement request.

- ◆ Businesses apply on-line at www.nmfinance.com. Registration is required. Applications may be completed over several sessions.
- ◆ The application is open from May 11th to **June 15th**.
- ◆ **At least \$150 million** in grant funds will be made available as part of this application cycle. Depending on demand, an additional \$30 million may be added to the application cycle.
 - **At least \$100 million** in awards will be made to businesses located in the cities of Albuquerque, Las Cruces, Rio Rancho and Santa Fe as well as those areas immediately adjoining them (“Urban” Set Aside)
 - **At least \$50 million** in awards will be made to businesses located in those areas outside of the urban areas. (“Rural” Set Aside)

- ◆ Applicants may submit one application per business location. Duplicate applications will not be accepted.
- ◆ Submitted applications will be reviewed by NMFA staff. Applicants will be notified via email sent from the application portal of any questions. Clarifications or corrections must be made directly through the application portal.
- ◆ Applicants may check the status of their applications by logging into their accounts.
- ◆ Applications will be prioritized once the application closes. Prioritization is based upon the percentage decline of revenue from 2019 over the comparable period in 2020.
- ◆ Awards are expected to be made in early July.

- ❑ Projection of new FTEs to be added by business. Total number of jobs (existing plus new) cannot exceed the highest number of employees from January 1, 2019 to September 30, 2020.
- ❑ 2019 or 2020 business tax return (extensions not allowed)
- ❑ Evidence of revenue decline. Any of the following:
 - Copies of CRS reports filed with the NM Taxation and Revenue Dept. for any quarter in 2019 and the corresponding quarter in 2020. Businesses that file monthly will need to submit three monthly reports (for each of 2019 and 2020) that make up the quarter they choose. **OR**
 - Copies of the 2019 and 2020 federal business tax returns (extensions not accepted). **OR**
 - For businesses that do not file CRS reports and do not have tax returns submitted for 2020, copies of bank statements and business billing statements may be accepted.

- ❑ Copy of the rental, lease or mortgage agreement that evidences past, current and future payments due.
- ❑ Copy of the NM DWS Form ES903A for the quarter ended December 31, 2020 or March 31, 2021 to evidence Baseline Jobs.
- ❑ Copy of the NM DWS Form ES903A for any quarter from March 31, 2019 to September 30, 2020 to evidence highest number of employees.
- ❑ Supplemental employment or payroll record to accompany each NM DWS Form ES903A submitted that includes total hours for all employees and that corresponds to the respective NM DWS Form ES903A submitted.
- ❑ Front and back of Driver's License (or Government-Issued Photo ID) for Authorized Officer.

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