



COVID-19 BUSINESS LOAN GUARANTY GUIDELINES

SUMMARY

New Mexico Economic Development Department (NMEDD) COVID-19 Business Loan Guaranty Program (CBLG)

1. The CBLG supports small business lending during the health emergency crisis by using program funds to guarantee commercial loans or lines of credit to businesses negatively affected by COVID-19.
2. NMEDD is able to guarantee a loan or line of credit up to 80% of principal or up to \$50K. NMEDD places weight on the lending institution's analysis and does not dictate terms.
3. The lending institution submits application per loan. Application includes a small online form along with a narrative or credit memo with analysis.
4. CBLG review team reviews application. Additional questions may be immediately posed to the lender. CBLG review team gets notice of approval within 24 hours to lenders.
5. Upon approval, NMEDD signs an agreement with the bank stating NMEDD will pay lender the balance owed within the agreement.

Targeted Borrowers

The mission of the CBLG is to support businesses negatively impacted by COVID-19.

CEP Qualifying Guidelines

Loan applicants may obtain a guaranty *up to* 80% of the loan principal value or a max participation of up to \$50,000.

SECTION I: ELIGIBILITY REQUIREMENTS

a.) Eligible Lenders

Any federal or state-chartered bank, savings association, federal certified Community Development Financial Institution (CDFI) or credit union is eligible to participate.

b.) Eligible Small Business Borrowers

In order to qualify for the program, certain eligibility must be met including the following criteria:

- Borrower must be a resident of New Mexico
- Business must be located in New Mexico and all jobs of the business created and retained must be located in New Mexico
- Be current with all government debt obligations, State and Federal
- Business must exhibit a negative impact on business by COVID-19 in the narrative section of the application.
- Non-Profits are eligible.

Eligible Uses of Loan Proceeds

Loan proceeds may be used for:

- Start-up costs
- Working capital
- Franchise fees
- Equipment
- Inventory
- Construction, renovation or improvements of an eligible place of business
- Loan proceeds may be used to purchase any tangible or intangible assets except for goodwill
- Refinancing and down payment assistance may be considered under special consideration

Other allowable uses not mentioned can be discussed with the NMEDD and will be considered.

c.) Ineligible Uses of Loan Proceeds

Ineligible uses of loan proceeds include financing non-business endeavors, passive real estate, residential real estate, reimbursing funds owed to owner, repayment of delinquent taxes or taxes held in trust or escrow, and business acquisitions where funds are used for goodwill. In addition, the following are ineligible uses of loan proceeds as well:

- Pyramid schemes
- Gambling
- Lobbying
- Tanning salons
- Bars and liquor stores

- Financial businesses primarily engaged in the business of lending
- Life insurance companies
- Businesses engaged in illegal activity
- Private clubs which limit the number of memberships for reasons other than capacity
- Government-owned entities
- Businesses principally engaged in teaching, instructing, counseling or indoctrinating religion or religious beliefs, whether in a religious or secular setting
- Consumer and marketing cooperatives (producer cooperatives are eligible)
- Speculative businesses (such as oil exploration)
- Sale of firearms
- Sale or use of tobacco and tobacco products

SECTION II: OPERATIONAL STEPS AND PROCESSES

1. Upon identifying an eligible borrower, the participating lender will submit an application.
2. Upon approval, NMEDD reserves funding to provide guaranty for the intended loan. The lender is notified within 24 hours via email and/or phone call.
3. The lender underwrites the loan consistent with their normal underwriting criteria, assuming full responsibility for credit and ongoing servicing of the loan. Upon approval/denial of loan, the lender notifies NMEDD.
4. In the event of loan default and subsequent loss of the loan, the lender notifies NMEDD in writing and submits a request for payment to NMEDD. NMEDD pays lender principal and interest owed (not to exceed beyond 30 days past last payment).
5. Upon repayment of the loan and/or upon reaching loan maturity, the guaranty is released to NMEDD.
6. NMEDD requests lender submit an email disclosing the status of the loan every 6 months. The lender is able to extend guaranteed period for a maximum of two years. Every 6 months, term of guaranty can be reviewed.

Review Group

Each application will be submitted to the CBLG review team. The group will review the viability of the project.

The review group is made up of external and internal partners which have backgrounds in economic development and finance.

The review group will have a maximum of 24 hours to report their approval/denial of the application. NMEDD will then notify the lender. The group will meet one of the following ways:

1. Email
2. Phone

Section III: PROGRAM PARAMETERS

Ideal Loan Term

Although the Lender may have a longer maturity term and amortization period, the maximum period the NMEDD will pledge a guaranty toward the project is (2) years from the date of the loan and the maximum line of credit participation is (2) years from the time of the loan. Lenders may extend lines of credit under the program as long as the maximum term of the lines enrolled under the program does not exceed (2) years and the lines of credit are subject to annual credit review and renewal process.

- Time frame < 2 years

Projects have the option to renew up to 2 times but must fill out a new application to be considered.

Lender Sets Terms

Lenders set all the terms and conditions of the loans. Loans can be short- or long-term, have fixed or variable rates, and bear any type of amortization schedule. The term of the support requested will be at the lender's discretion, not to exceed the original term of the loan or 2 years, whichever is less. Lenders are free to determine the amount of collateral support they wish to request within the terms described, and may also choose to reduce the collateral coverage at any time for any reason.

Default and Charge-Off

Lender must submit a Default Notification upon loan default within 30 days of default. Within 30 calendar days of collateral liquidation, the lender will submit a Support Claim Application, history of the account payments, a short narrative of the loan collection history, and information about the sale of proceeds or justification for failed attempts to liquidate. NMEDD's guaranty shall not be used in lieu of pledged collateral. All collateral must be liquidated consistent with the participating financial institution's usual method for loans that do not have NMEDD's support. Lenders may be reimbursed for: the amount of loan principal charge-off and accrued and unpaid interest. Proper documentation of any claimed expenses shall be presented at the time of the claim. The amount paid on a claim will never exceed the available amount in the guaranty.

If subsequent to the payment of the claim the lender recovers from the borrower by any source, the lender may fully cover their loss and return any excess to NMEDD (not to exceed the total amount paid on the claim by NMEDD).

Payback

On an annual basis, in conjunction with the loan anniversary, a portion of the support may be released to the administrator according to amount of principal satisfied. The portion to be released will be based on the original term of the support. However, bridge loans will experience the recapture once the balance of the loan is paid off or the related guarantee goes into effect. Any additional reductions requested by the lender will also be taken at this time

Section IV: REPORTING/TRACKING

The Lender is required to report to NMEDD semi-annually (based off of the closing of the loan date):

- Outstanding principal balance of the loan
- Current status of the loan (current, delinquent, in default)

Semi-annual reporting to NMEDD to be accommodated by electronic transmission (email) or fax.

Section VI: SUPPLEMENTAL FORMS

1. Application (signed by lender)
2. Agreement between NMEDD and Lender (signed by both parties)
3. NM State W9 Form
4. Federal ACH Form (to enable NMEDD to transfer funds electronically)
5. Loan Default Submission Form (lender submits form to NMEDD)