

**U. S. Small Business Administration**

**DISASTER ASSISTANCE**

**Federal Disaster Loans for  
Homeowners, Renters and Businesses of All Sizes**

**June 27, 2012**

- **After declared disasters, such as hurricanes, floods, earthquakes, tornadoes and wildfires, SBA disaster loans are the primary form of Federal disaster assistance for owners of private property.**
- **SBA disaster loans cover uncompensated losses. By law, SBA cannot duplicate benefits received from insurance, grants, or other recoveries.**
- **SBA disaster loans are for permanent, long-term recovery.**

## Not Just for Small Businesses

- For physical damage from a declared disaster, SBA's disaster loans are available to more than just small businesses.
- SBA disaster loans are available to:
  - Homeowners
  - Renters
  - *Non-farm* businesses of all sizes
  - Private, non-profit organizations

- I. How Disasters are Declared**
- II. Types of Disaster Declarations**
- III. SBA's Disaster Loan Program**



## Assessing Damage After a Disaster

- The state may request a preliminary damage assessment (PDA) from either:
- The Federal Emergency Management Agency (FEMA) or
- The U.S. Small Business Administration (SBA)



### Preliminary Damage Assessment (PDA)

- **When the state requests a FEMA PDA for a Presidential declaration, SBA participates with FEMA, state and local agencies to assess the damage.**



### Preliminary Damage Assessment (PDA)

- When the state requests an SBA-only PDA for an Administrative (Agency) declaration, SBA conducts the survey with state and local officials to assess the damage.
- FEMA does not participate.



## Types of Disaster Declarations

- **Presidential (Individual and/or Public Assistance)**
- **Administrative (Agency)**
- **Governor's Certification**
- **Secretary of Agriculture**
- **Secretary of Commerce**
- **Military Reservist**



In Presidential declarations, many federal agencies provide assistance. FEMA is the coordinating agency and delivers certain forms of assistance:

Individual Assistance (I/A) – including temporary housing, serious needs and necessary expenses for individuals and households

Public Assistance (P/A) – aid to state/local governments for infrastructure



**SBA disaster loans are available with both types of declarations.**

## Types of Disaster Declarations

### Presidential Declarations for Individual Assistance (IA)

- **When the President declares a Major Disaster Declaration for Individual Assistance, SBA automatically activates both its physical and economic injury disaster loan programs.**

## Types of Disaster Declarations

### Presidential Declarations for Public Assistance (PA)

- **When the President declares a Major Disaster Declaration only for Public Assistance, SBA's disaster loan program is activated only for eligible private, non-profit organizations.**

## Declaration Differences

### In Presidential Declarations for IA:

- SBA disaster loans for physical damage are only available to victims in the primary counties specified in the declaration.
- SBA disaster business loans for economic injury are available to eligible small businesses in both the primary and contiguous (neighboring) counties.

### In Presidential Declarations for PA:

- SBA disaster loans are only available to private non-profits in the primary counties.

When the PDA indicates damages are insufficient for a Presidential declaration, the Governor can request an Administrative declaration through the SBA Administrator.

To generally qualify:

At least 25 homes and/or businesses in a county must have uninsured losses of 40% or more of their estimated pre-disaster fair market value.

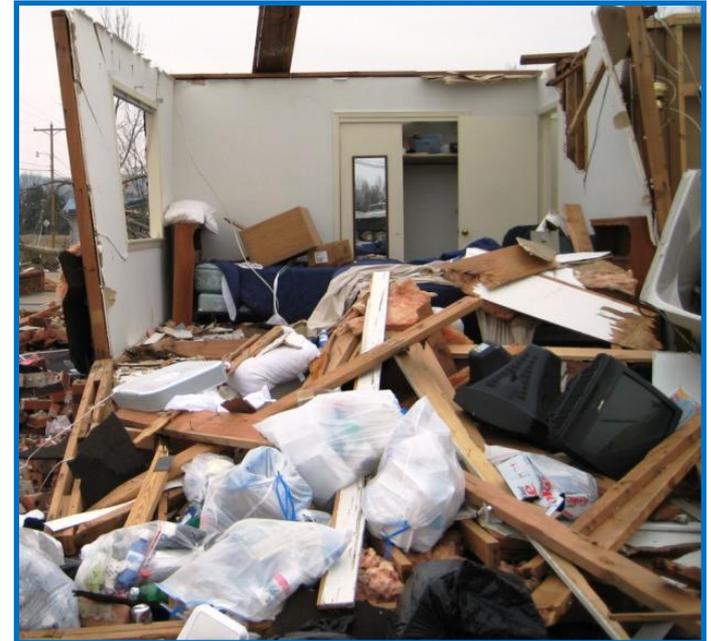


SBA Administrator  
Karen G. Mills

## Declaration Differences

**In SBA-only declarations:  
(Administrative/Agency)**

**SBA disaster loans for property damage and economic injury are available in both the primary and contiguous counties.**



**If a Governor certifies that at least five (5) small businesses in a state have suffered substantial economic injury as a result of the disaster and need financial assistance not available on reasonable terms, SBA activates its Economic Injury Disaster Loan (EIDL) program only.**

**Note: Physical Disaster Loans are not available under this type of declaration.**

### *Only for small businesses:*

#### **Economic Injury Disaster Loans (EIDLs):**

- **Are only available to small non-farm businesses, small agricultural cooperatives, small businesses engaged in aquaculture and most private, non-profit organizations (PNPs).**
- **Help small businesses meet ordinary and necessary operating expenses/debts until they recover from the disaster.**
- **Provide working capital for disaster-related economic losses, even if the business did not have physical damage.**

**If the Secretary of Agriculture designates an area an agricultural disaster, SBA automatically activates its Economic Injury Disaster Loan (EIDL) program.**

**Working capital loans to help small businesses, small agricultural cooperatives, small businesses engaged in aquaculture, and most private, non-profit organizations of all sizes meet their ordinary and necessary financial obligations that cannot be met as a direct result of the disaster. These loans are available in the primary and contiguous counties.**



**If the Secretary of Commerce declares a fishery resource disaster under Sec. 308 (b) of the Interjurisdictional Fisheries Act 516 USC 4107 (b) 7, SBA can activate its Economic Injury Disaster Loan (EIDL) Program.**

**Working capital loans to help small businesses, small agricultural cooperatives, small businesses engaged in aquaculture, and most private, non-profit organizations of all sizes meet their ordinary and necessary financial obligations that cannot be met as a direct result of the disaster. These loans are available in the primary and contiguous counties.**

## Economic Injury Disaster Loans (EIDLs)

<b>Borrower</b>	<b>Purpose</b>	<b>Max Amt</b>	<b>Interest Rate</b>
Small Businesses, Small Agricultural Cooperatives, Small Aquaculture Enterprises and most Private, Non-Profit Organizations	To meet their ordinary and necessary financial obligations that cannot be met as a direct result of the disaster.  (For working capital to alleviate economic injury)	\$2 million	The rate is set at 4 % and is available only to entities and their owners who cannot provide for their own recovery from non- government sources, as determined by SBA.

These loans may be used to pay fixed debts, payroll, accounts payable and other business expenses that cannot be paid because of the disaster’s impact. EIDLs are available regardless of whether the business suffered any physical property damage.

**The following types of businesses are not eligible for Economic Injury Disaster Loans (EIDLs):**

- **Speculative businesses**
- **Multi-level sales organizations (pyramids)**
- **Hobby Businesses**

## Disaster Loans Help Recovery

- **By providing disaster assistance in the form of loans, SBA helps reduce Federal disaster costs compared to other forms of assistance, such as grants.**
- **These loans require borrowers to maintain appropriate hazard and flood insurance, reducing the need for future federal assistance.**

## Requirements for loan approval:

- **Eligibility** – damaged property must be in a declared county.
- **Credit History** - Applicants must have a credit history acceptable to SBA.
- **Repayment** – Applicants must show the ability to repay all loans.

*\* Only uncompensated losses (disaster losses not compensated by insurance or other recoveries, such as grants, sale of damaged property, etc.) are eligible.*

## Making Recovery Affordable

- **The law gives SBA several powerful tools to make disaster loans affordable:**
  - **Low interest rates**
  - **Long terms (up to 30 years)**
  - **Refinancing (in some cases)**

## Disaster Home Loans

<b>Borrower</b>	<b>Purpose</b>	<b>Max Amt</b>	<b>Interest Rate</b>
Homeowner	Repair or replace real property	\$200,000	Low rate not to exceed 4% Market rate not to exceed 8%
Homeowner or Renter	Repair or replace personal property including vehicles	\$40,000	Low rate not to exceed 4% Market rate not to exceed 8%
Homeowner	Mitigate / prevent future loss to real property	20% of verified loss amount	Low rate not to exceed 4% Market rate not to exceed 8%

# Disaster Business Physical Loans

Borrower	Purpose	Max Amt	Interest Rate
Businesses of any size including Private Non-Profit Organizations	Repair or replace real estate, equipment, furniture, inventory, etc. (for physical losses)	\$2 million	Low rate not to exceed 4% Market rate not to exceed 8%
Businesses of any size including Private Non-Profit Organizations	Mitigate / prevent future loss to real property	20% of verified loss amount, subject to the \$2 million limit	Low rate not to exceed 4% Market rate not to exceed 8%

- **The filing deadline for Presidential declarations is generally 60 days from the date of the declaration for physical losses.**
- **The deadline to submit Economic Injury Disaster Loan (EIDL) applications is 9 months.**

- **Unlike traditional small business loans obtained from a private bank and guaranteed by SBA, disaster loans are direct from the federal government.**
- **Businesses of all sizes are eligible for funds for physical damage, funds to repair/replace damaged contents and real property.**
- **Non-profit organizations such as charities, churches, and private schools are also eligible.**

- For substantially disaster-damaged homes and businesses, SBA may refinance recorded liens on real estate, and/or machinery & equipment.
- Liens eligible for refinancing include:
  - Home loans - real estate liens only
  - Business loans - real estate and chattel (UCC filing) liens
- *Refinance eligibility cannot be determined until insurance settlements are final.*
- *Existing Federal loans are not eligible for refinancing.*

**SBA takes real estate as collateral when it is available.**

- **Physical loans over \$14,000 require collateral.**
- **EIDLs over \$5,000 require collateral.**

**SBA will not decline a loan for lack of collateral;  
but, SBA requires that borrowers pledge best available  
collateral.**

**SBA requires borrowers to obtain and maintain appropriate insurance as a condition of most loans.**

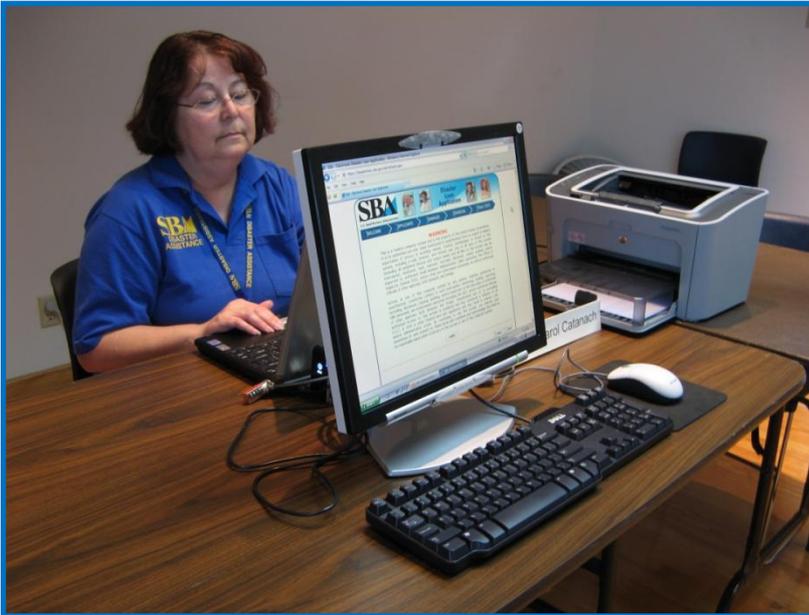
**Hazard insurance –**

**Is required on all secured loans.**

**Flood insurance -**

**Is required for properties located in a Special Flood Hazard Area (SFHA) and for properties damaged in a flood disaster.**

## How to Apply



## Three Ways to Apply:

- **Online – via SBA’s secure Website.**
- **In Person – with an SBA representative at any Disaster Recovery Center (DRC) in the declared area.**
- **By Mail – submit a completed paper application.**

Complete the application online using SBA's  
Electronic Loan Application (ELA) at:  
<http://disasterloan.sba.gov/ela>

The screenshot shows the SBA Disaster Loan Application website. At the top left is the SBA logo with the tagline "Your Small Business Resource". To the right are four small photos of diverse people. The main heading is "Disaster Loan Application". Below this is a navigation bar with five steps: 1 WELCOME, 2 APPLICANTS, 3 DAMAGES, 4 FINANCIAL, and 5 FINAL STEPS. The central text reads "U.S. Small Business Administration Electronic Disaster Loan Application" followed by a large "SBA" logo and the text "Federal Disaster Loans for Homeowners, Renters, and Businesses of all Sizes". At the bottom left is a "CONTINUE" button with a right-pointing arrow. At the bottom right are "HELP" and "EXIT" buttons. The footer contains OMB Control Nos. 3245-0017 and 3245-0018, and an expiration date of 12/31/2008.

For personal service, visit a designated center in the disaster area

- Disaster Recovery Center (DRC)
- Disaster Loan Outreach Center (DLOC)
- Business Recovery Center (BRC)



**No appointment is necessary.**

**Mail your completed paper application to SBA at:**

**U.S. Small Business Administration  
Processing and Disbursement Center  
14925 Kingsport Road  
Fort Worth, Texas, 76155-2243**

## Steps in SBA's Loan Process

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- **Accept Application** – SBA reviews submitted application for acceptance.
- **Verify Losses** - SBA makes an on-site inspection (when appropriate) and estimates repair or replacement costs.
- **Process Loan** - SBA performs a financial analysis and determines loan rate & terms for approvals.
- **Close Loan** - SBA prepares and issues legal documents. Borrower executes loan closing documents and returns them to SBA.
- **Disburse Loan Funds** - SBA disburses loan funds to borrower as needed to complete repairs.



**For More Information Contact:**

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**U. S. Small Business Administration  
Disaster Assistance Customer Service Center**

**(800) 659-2955**

**TTY (800) 877-8339**

**Email: [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov)**

*or*

**Visit our Website at: [www.sba.gov/disaster](http://www.sba.gov/disaster)**

# Communication Department Contacts

