SBA’s Role in Disaster Recovery

James Rivera, Associate Administrator, SBA

For Audio:
• Listen through PC speakers
• Dial 916-233-3088 use access code 307-356-577
Since 1953, when the SBA started making disaster loans, the SBA has approved more than $48 billion in disaster loans to 1.9 million homeowners, renters and businesses.

The SBA’s low-interest loan program was designed by Congress to enable those affected by unforeseen catastrophic events to recover with as little adverse impact as possible.

History of the SBA
Office of Disaster Assistance Centers
Don’t let the word “business” in our name mislead you.

What is SBA’s Role in Disaster?
Following major disasters, the U.S. Small Business Administration (SBA) is the primary source of Federal funds for long term recovery assistance.

SBA’s Office of Disaster Assistance’s goal is to help people recover from disasters and rebuild their lives by providing financial assistance to homeowners, renters and businesses of all sizes.

**SBA’s Disaster Assistance Loans**
SBA’s disaster assistance program exists to give businesses, homeowners and renters the help they need to recover and rebuild when disaster strikes.

The disaster loan program is the only form of SBA assistance not limited to small businesses. In fact most of SBA’s disaster loans are to homeowners and renters.

Of the 1.9 million SBA disaster loans approved since 1953, more than 302,000 loans are for businesses totaling $17 billion.
After a Disaster

The state may request a preliminary damage assessment (PDA) from either:

- The Federal Emergency Management Agency (FEMA) to obtain a presidential declaration
- The U.S. Small Business Administration (SBA) for an agency declaration
- SBA participates in PDA for both types of requests
• If the President declares a major disaster declaration for Individual Assistance, SBA’s disaster loan program is automatically activated.

• Homeowners, renters and businesses of all sizes including private, non-profit organizations are eligible to apply for their uncompensated physical losses.

• Small businesses, small cooperatives and most private non-profits of any size, can apply for working capital loans to cover their economic injury losses.

Presidential Declaration for Individual Assistance (IA)
If SBA’s Administrator declares an SBA only declaration (called an Administrative or Agency declaration), SBA’s disaster loan program is activated.

- Individuals and businesses are eligible.
- Usually a less substantial disaster.
- FEMA is not involved.
- There are no federal grants available.

SBA makes an agency disaster declaration for physical damages based on the verification of the occurrence that at least 25 homes and/or businesses that sustained at least 40% uninsured property damage.

Administrative (Agency) Declaration
**Basic Facts for Disaster Home Loans**

<table>
<thead>
<tr>
<th>Borrower</th>
<th>Purpose</th>
<th>Max Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
</table>
| 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  | $40,000          | Low rate not to exceed 4%*  
                          | including vehicles    |                  | Market rate not to exceed 8%                      |
| Homeowner                 | Mitigate / prevent future loss to    | 20% of verified  | Low rate not to exceed 4%*  
                          | real property         | loss amount      | Market rate not to exceed 8%                      |

*The interest rate is determined as a result of financial analysis performed by the loan officer. The interest rates are fixed.*
The interest rate is determined as a result of financial analysis performed by the loan officer. The interest rates are fixed.

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

*The interest rate is determined as a result of financial analysis performed by the loan officer. The interest rates are fixed.

Basic Facts for Disaster Business Loans
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.

Economic Injury Disaster Loans do not replace lost sales or profit.

### Basic Facts for Economic Injury Disaster Loans

<table>
<thead>
<tr>
<th>Borrower</th>
<th>Purpose</th>
<th>Max Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Businesses, Small Agricultural Cooperatives and most Private, Non-Profit Organizations</td>
<td>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)</td>
<td>$2 million</td>
<td>The rate is set at 4% for qualified applicants.</td>
</tr>
</tbody>
</table>
Generally, SBA Staff is Deployed After A Declaration for Physical Damages is Made

Face-to-face assistance is offered from SBA Customer Service Representatives in temporary centers located near the disaster area.

Face to Face Assistance
• Issues disaster loan applications.

• Helps fill out applications.

• Accepts completed applications.

• Answers program questions.

• Can close disaster loans and order initial disbursements.

• Refers applicant to SBA partners, i.e., FEMA, Small Business Training & Development Centers, Chambers of Commerce and others for additional assistance.
• Completed application packages can be mailed.

• Applications can be completed online via SBA’s Electronic Loan Application.

• Business loan applicants can download the application package and return it.

• Applications can be obtained and returned at any disaster center.
Eligibility

• Damaged property must be in a declared county.

Credit History

• Applicants must have an acceptable credit history.

Repayment

• Applicants must show the ability to repay the SBA loan.
Physical loans over $14,000 require collateral.

Economic Injury Disaster Loans over $5,000 require collateral.
Steps to Obtaining Loan Funds

Screening
• SBA conducts a review of application package for completeness and basic eligibility.

Verification
• SBA usually makes an on-site inspection to estimate repair or replacement costs.

Loan Processing
• SBA performs financial analysis and sets the terms of the loan.

Loan Closing
• SBA prepares and issues legal documents for the borrower to sign.

Disbursement
• SBA disburses loan funds to the borrower as needed to complete repairs.
• Most people do not know understand why SBA offers disaster loans to homeowners and renters and that they can apply.

• Applicants do not know they can apply ahead of receiving an insurance settlement and that SBA will verify their damages.

• Applicants do not understand the difference between FEMA grants and SBA loans.

Obstacles in Obtaining Assistance
While 75 percent of surveyed business owners had a plan to get employees back to work after a disaster, only 28 percent had access to an alternative office space.

— Agility Recovery Solutions (www.agilityrecovery.com)
Think About Disaster Preparedness

• Start a disaster plan by identifying what the operation needs to do to protect itself in the face of a natural disaster.

• Review insurance coverage to make sure to understand what is not covered. Most policies don’t cover flood damage.

• The National Flood Insurance Program is the primary source of insurance for flood damage. Coverage for flood damage is normally a separate policy from other insurance coverage. Visit www.floodsmart.gov for more information.

• Consider business interruption insurance. It covers operating expenses, like utilities, and compensates you for the income lost after a temporary closure.
• Regularly photograph or videotape your facility, and its contents to accurately document your business assets.

• Arrange for off-site backup and storage of vital records and information. Computer data should be backed up routinely.

• Consider professional information protection and storage companies to provide data protection solutions.
• Preparedness tips for businesses, homeowners and renters are available on the SBA’s website at www.sba.gov.

• The Institute for Business and Home Safety (http://www.disastersafety.org/) also has information on protecting your home or business.

• The federal government’s preparedness website www.ready.gov is another helpful resource.
Applicants should contact the U. S. Small Business Administration’s Disaster Assistance Customer Service Center

(800) 659-2955
TTY (800) 877-8339

or visit our website at:
www.sba.gov

or send an e-mail to:
disastercustomerservice@sba.gov
Questions?

Submit questions using the Q & A function on the screen.

**Upcoming Preparedness Events:**

September is National Preparedness Month!

Find out more at [www.ready.gov](http://www.ready.gov)

Visit [www.agilityrecovery.com/npm](http://www.agilityrecovery.com/npm) to register for free Webinars held every Wednesday at 2 p.m. EDT (11:00 a.m. PDT)