Small Business Administration Disaster Loans Aid Homeowners, Renters and *Businesses*

Don't let the word "business" in our name mislead you. Following major disasters, the U. S. Small Business Administration (SBA) is the primary source of Federal funds for long-term recovery assistance.

This assistance is in the form of low-interest loans, and is available to homeowners, renters, and non-farm businesses of all sizes, as well as private nonprofit organizations with property damaged by the disaster.

Renters may be eligible for loans of up to $40,000 to repair or replace their disaster damaged personal property. Homeowners may be eligible for up to $200,000 to repair or replace disaster damaged real estate, plus up to $40,000 to repair or replace their disaster damaged personal property.

Non-farm businesses of all sizes and private nonprofit organizations may be eligible for up to $1.5 million to repair or replace business assets physically damaged by the disaster -- including damage to buildings, machinery and equipment, furniture and fixtures, inventory, and other business assets.

In addition, *small* businesses which were or were not *physically* damaged but which suffered economic losses due to the disaster may also be eligible for SBA economic injury disaster loans (EIDLs). These working capital loans provide funds for necessary and ongoing expenses until business returns to normal.

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. And Congress has given SBA some very powerful tools to make disaster loans affordable: interest rates below 4 %, repayment terms as long as 30 years, and, under very specific circumstances, refinancing of prior liens.

To ensure that disaster recovery is made affordable for each borrower, SBA analyzes the borrower's monthly budget, determines an affordable monthly payment, then writes the loan for the number of years needed. This is unlike conventional lenders, which generally set the maturity first and then calculate the payment.

When a disaster is declared by the President, disaster victims should tele-register with the Federal Emergency Management Agency (FEMA). This important first step will open the door to a variety of Federal disaster relief programs designed to aid in the recovery process. Once they've registered, either by telephone or in person, the disaster victim may be given an SBA disaster loan application package to complete and return.

In cases of disasters which are declared by the Administrator of the SBA (which are usually more limited in scope), disaster victims should call the SBA directly, or visit one of the Temporary Disaster Offices which the SBA opens in disaster-affected areas.

When SBA receives a completed disaster loan application, an SBA Loss Verifier will make an appointment to visit the disaster damaged property, and will determine the approximate cost to repair the disaster damage.

Because an SBA disaster loan is limited by law to restoring a home or business to its pre-disaster condition, the amount of the loan is based on the amount of damages, less any recoveries received from other sources.

Suppose a home and its contents incurred $100,000 in damage during a disaster. If the owner received a grant of $3,000 (from another Federal agency, for example) and an additional $37,000 from his or her insurance company (for a total recovery of $40,000), then SBA can consider lending the uncompensated loss, or $60,000.

Disaster loans make recovery affordable for the majority or borrowers.