

# SBA Disaster Loan Program

## Frequently Asked Questions



### SBA Response to Hurricane Harvey

During a disaster declaration, SBA coordinates with FEMA, State and Local partners to make sure we can deliver affordable disaster loan assistance to those affected, quickly and efficiently. We have a disaster assistance staff of nearly 1,000 employees, and we have activated additional surge staff in support of Hurricane Harvey recovery efforts. SBA stands ready to support the affected areas, and we'll be there for the long-term to help with recovery needs.

### Where to start

Help is available from multiple federal agencies, all of who work closely together during times of crisis to ensure that those affected by the disaster get the help they need as quickly as possible.

### If you have flood insurance, contact your insurance company.

If you do not have flood insurance and are seeking federal assistance, **your first step is to contact FEMA**, as their assistance comes in the form of grants, which do not need to be paid back. Register online at [DisasterAssistance.gov](http://DisasterAssistance.gov), call 1-800-621-FEMA (3362), or visit a Disaster Assistance Center in your area.



**SBA disaster loans** are an important part of the recovery process because they provide eligible homeowners, renters and businesses with access to the funds they need to rebuild, particularly when damages are not covered by insurance or other forms of assistance.

Homeowners and renters should apply as soon as possible, even if you're not sure you'll need or want a loan. If SBA cannot approve your application, in most cases we will immediately refer you back to FEMA to be considered for additional assistance.

Given the size and magnitude of this disaster, we will process loan applications as quickly as possible. We encourage everyone to submit your application as soon as you are safe and able to do so. The sooner you apply; the sooner funds will be available to begin repairs or reconstruction.

Up-to-date information is available at [SBA.gov/Harvey](http://SBA.gov/Harvey).

### Three Ways to Apply

1. *Online:* Go to [SBA.gov](http://SBA.gov) and follow the link at the top of the page to apply
2. *In-person:* Once Disaster Recovery Centers open, SBA staff will be on hand to assist you
3. *By mail:* Call us at 1-800-659-2955 or email us at [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov) for instructions

### Who qualifies?

The SBA provides low-interest direct Federal loans to help those affected recover from disaster losses not covered by insurance or other forms of compensation. Loans are made to:

- Business of all sizes
- Nonprofit organizations
- Homeowners and renters

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### **What if I already have SBA Loans?**

SBA has announced, effective 08/31/17, that we are authorizing and encouraging our lenders and certified development companies to offer up to 12 month deferment of principal and interest payments on business loans for customers located in counties designated as Federal disaster areas. In addition, borrowers located in contiguous counties and parishes of the disaster areas who have suffered an adverse impact may be eligible for 9 months of deferment. Contact your SBA lender or your local SBA field office to request this relief.

Interest will continue to accrue on the loans involved. After the deferment period, lenders can work with SBA to review borrower circumstances on a case-by-case basis.

SBA district offices and servicing centers will be reaching out to lenders to ensure they're aware of the opportunity to help those businesses adversely affected by the events of Hurricane Harvey.

If you are already paying on an existing SBA disaster loan, SBA is offering an automatic deferment to the borrowers located in the federal disaster areas, or in contiguous counties and parishes, also effective 08/31/17.

More information on this program is posted on [SBA.gov/Harvey](http://SBA.gov/Harvey).

### **How many people will be helped by the SBA Loan Payment Deferment?**

In the federally declared disaster areas, as of 08/31/17, nearly 16,000 loans totaling almost \$3.5 billion are now eligible for relief. That's just in the declared disaster areas in Texas. We're still gathering numbers for the contiguous counties and parishes in Louisiana as this storm is not yet finished.

### **So banks have agreed to this?**

Most lenders in past situations have agreed to offer a deferment to help out their communities, and we are hopeful that the same will hold true in this case. In fact, many of them have already been asking about it.

### **How will borrowers find out if they're eligible?**

For business loan customers, reach out to your lender. If you have an existing SBA disaster loan from prior disasters, the deferment will be automatic. You don't need to do anything.

If you have any questions about which kind of loan you have, continue to make payments and contact your lender.

### **What if I don't want a deferment?**

If you're a business loan customer, just don't request a deferment from your lender. If you have an existing SBA disaster loan and prefer to continue making regular payments to your SBA Servicing Center, just contact your center.

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### What types of SBA Disaster Loans are available?

**Business Physical Disaster Loans:** Repair or replace disaster-damaged property owned by the business, including real estate, inventories, supplies, machinery and equipment. Businesses of any size are eligible. Private, non-profit organizations such as charities, churches, private universities may also be eligible.

*Loan Limits:* The law limits business loans to \$2,000,000 for the repair or replacement of real estate, inventories, machinery, equipment and all other physical losses. Subject to this maximum, loan amounts cannot exceed the verified uninsured disaster loss. The \$2,000,000 statutory limit for business loans applies to the combination of physical, economic injury, mitigation and refinancing, and applies to all disaster loans to a business and its affiliates for each disaster. If a business is a major source of employment, SBA has the authority to waive the \$2,000,000 statutory limit.

**Economic Injury Disaster Loans (EIDL):** 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 intended to assist through the disaster recovery period.

*Loan Limits:* The law limits EIDLs to \$2,000,000 for alleviating economic injury caused by the disaster. The actual amount of each loan is limited to the economic injury determined by SBA, less business interruption insurance and other recoveries up to the administrative lending limit. EIDL assistance is available only to entities and their owners who cannot provide for their own recovery from non-government sources, as determined by the U.S. Small Business Administration.

**Home Disaster Loans:** For their *primary residence*, homeowners may be eligible for up to \$200,000 for repair/replacement costs not covered by insurance. Homeowners and renters may be eligible for up to \$40,000 to repair or replace damaged or destroyed *personal property*, including clothing, furniture, appliances and even vehicles.

*Loan Limits:* SBA regulations limit home loans to \$200,000 for the repair or replacement of real estate and \$40,000 to repair or replace personal property. Subject to these maximums, loan amounts cannot exceed the verified uninsured disaster loss.

### What are the credit requirements?

**Credit History:** Applicants must have a credit history acceptable to SBA.

**Repayment:** Applicants must show the ability to repay all loans.

**Collateral:** Collateral is required for physical loss loans over \$25,000 and all EIDL loans over \$25,000. SBA takes real estate as collateral when it is available. SBA will not decline a loan for lack of collateral, but requires you to pledge what is available.

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### What are the interest rates?

By law, interest rates depend on whether each applicant has “Credit Available Elsewhere” - the ability to borrow from non-government sources to provide for their own disaster recovery. Interest rates are fixed for the term of the loan. The interest rates applicable for this disaster are:

	No Credit Available Elsewhere	Credit Available Elsewhere
Business Loans	3.305%	6.61%
Non-Profit Organization Loans	2.5%	2.5%
Economic Injury Loans		
Businesses/Small Agricultural Cooperatives	3.305%	N/A
Non-Profit Organizations	2.5%	N/A
Home Loans	1.75%	3.5%

### What are the loan terms?

The law authorizes loan terms up to a maximum of 30 years. However, the law restricts businesses with credit available elsewhere to a maximum 7-year term. SBA sets the installment payment amount and corresponding maturity based upon each borrower’s ability to repay.

### What restrictions are there on Disaster Loan eligibility?

**Uninsured Losses:** Only uninsured or otherwise uncompensated disaster losses are eligible. Any insurance proceeds which are required to be applied against outstanding mortgages are not available to fund disaster repairs and do not reduce loan eligibility. However, any insurance proceeds voluntarily applied to any outstanding mortgages do reduce loan eligibility.

**Ineligible Property:** Secondary homes, personal pleasure boats, airplanes, recreational vehicles and similar property are not eligible, unless used for business purposes. Property such as antiques and collections are eligible only to the extent of their functional value. Amounts for landscaping, swimming pools, etc., are limited.

**Noncompliance:** Applicants who have not complied with the terms of previous SBA loans may not be eligible. This includes borrowers who did not maintain flood and/or hazard insurance on previous SBA loans.

**Note:** *Loan applicants should check with agencies / organizations administering any grant or other assistance program under this declaration to determine how an approval of SBA disaster loan might affect their eligibility.*

### Is there help with funding mitigation improvements?

If your loan application is approved, you may be eligible for additional funds to cover the cost of improvements that will protect your property against future damage. Examples of improvements include retaining walls, seawalls, sump pumps, and even safe rooms and storm shelters. Mitigation loan money would be *in addition* to the amount of the approved loan, but may not exceed 20% of total amount of physical damage to real property, including leasehold improvements, and personal property as verified by SBA to a maximum of \$200,000 for home loans. It is not necessary for the description of

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improvements and cost estimates to be submitted with the application. SBA approval of the mitigating measures will be required before any loan increase.

### **Is There Help Available for Refinancing?**

SBA can refinance all or part of prior mortgages that are evidenced by a recorded lien, when the applicant (1) does not have credit available elsewhere; (2) has suffered substantial uncompensated disaster damage (40% or more of the value of the property or 50% or more of the value of the structure); and (3) intends to repair the damage.

**Businesses:** Business owners may be eligible for the refinancing of existing mortgages or liens on real estate, machinery and equipment, up to the amount of the loan for the repair or replacement of real estate, machinery, and equipment.

**Homes:** Homeowners may be eligible for the refinancing of existing liens or mortgages on homes, up to the amount of the loan for real estate repair or replacement.

### **What if I Decide to Relocate?**

You may use your SBA disaster loan to relocate. The amount of the relocation loan depends on whether you relocate voluntarily or involuntarily. If you are interested in relocation, an SBA representative can provide you with more details on your specific situation.

### **Are There Insurance Requirements for Loans?**

To protect each borrower and the Agency, SBA may require you to obtain and maintain appropriate insurance. By law, borrowers whose damaged or collateral property is located in a special flood hazard area must purchase and maintain flood insurance. SBA requires that flood insurance coverage be the lesser of (1) the total of the disaster loan, (2) the insurable value of the property, or (3) the maximum insurance available.

### **What is the reason an SBA Loan Application would be declined?**

SBA is generally able to approve about 50% of the disaster applications received. The majority of the declines are due to low credit scores. Applicants with credit score below the SBA's limit are automatically declined. The homeowners will be immediately referred to FEMA's unmet need program for a possible grant and the businesses we will refer to resource partners to assist with whatever a resource partner can help them.

### **What documentation do I need to apply?**

#### ***For Homeowners & Renters:***

- Home Loan Application (SBA Form 5c) completed and signed by Applicant and Co-Applicant.
- IRS Form 4506-T completed and signed by Applicant and Co-Applicant

#### ***For Businesses:***

- Business Loan Application (SBA Form 5) completed and signed by business applicant.

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- IRS Form 4506-T completed and signed by Applicant business, each principal owning 20% or more of the applicant business, each general partner or managing member and, for any owner who has more than a 50 percent ownership in an affiliate business. (Affiliates include business parent, subsidiaries, and/or businesses with common ownership or management).
- Complete copies, including all schedules, of the most recent Federal income tax returns for the applicant business; an explanation if not available.
- Personal Financial Statement (SBA Form 413) completed, signed and dated by the applicant (if a sole proprietorship), each principal owning 20% or more of the applicant business, each general partner or managing member.
- Schedule of Liabilities listing all fixed debts (SBA Form 2202 may be used).

Additional information may be necessary, such as:

- Complete copies, including all schedules, of the most recent Federal income tax returns for each principal owning 20% or more of the applicant business, each general partner or managing member, and each affiliate when any owner has more than a 50% ownership in the affiliate business. Affiliates include, but are not limited to, business parents, subsidiaries, and/or other businesses with common ownership or management.
- If the most recent Federal income tax return has not been filed, a year-end profit and loss statement and balance sheet for that tax year.
- A current year-to-date profit and loss statement.
- Additional Filing Requirements (SBA Form 1368) providing monthly sales figures.

### What are the steps to apply?

#### Step 1: Apply

1. *Online:* Go to [SBA.gov](https://www.sba.gov) and follow the link at the top of the page to apply
2. *In-person:* Once Disaster Recovery Centers open, SBA staff will be on hand to assist you
3. *By mail:* Call us at 1-800-659-2955 or email us at [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov) for instructions

#### Step 2: Property Verified & Loan Processing Decision Made

- SBA reviews your credit.
- An SBA verifier inspects your disaster damaged property to estimate your total physical losses.
- Loan officer determines your eligibility during processing, after reviewing any insurance or other recoveries. SBA can make a loan while your insurance recovery is pending.
- Loan officer works with you to provide all the necessary information needed to reach a loan determination.
- Loan officer will contact you to discuss the loan recommendation and your next steps. You will also be advised in writing of all loan decisions.

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### Step 3: Loan Closed and Funds Disbursed

- SBA will prepare and send your Loan Closing Documents to you for your signature.
- Once we receive your signed Loan Closing Documents, an initial disbursement will be made to you within 5 days:
  - Physical damage: — \$25,000
  - Economic injury (working capital): — \$25,000
- A case manager will be assigned to work with you to help you meet all loan conditions. They will also schedule subsequent disbursements until you receive the full loan amount.
- Your loan may be adjusted after closing due to your changing circumstances, such as increasing the loan for unexpected repair costs or reducing the loan due to additional insurance proceeds.

#### For more information:

CALL: (800) 659-2955

(Deaf and hard-of-hearing individuals call (800) 877-8339)

EMAIL: [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov)

ONLINE: [www.sba.gov/Harvey](http://www.sba.gov/Harvey)

APPLY ONLINE: <https://disasterloan.sba.gov/ela>