



U.S. Small Business
Administration

DISASTER ASSISTANCE

Businesses ■ Homeowners ■ Renters ■ Nonprofits



The SBA Disaster Loan Program

Preparedness, Recovery, Insurance
Requirements and Mitigation

Presented by Alejandro Contreras
Director of Preparedness, Communication and Coordination
U.S. Small Business Administration, Office of Disaster Assistance

Section One

Preparedness



Recovery



Mitigation



Prioritize Preparedness

Prepare Your Business

- 15-40 percent of businesses fail after a disaster.
- 90 percent of small businesses have a majority of customers within 2 miles of their only location.
- Median daily cost of downtime for small businesses due to extreme weather event is \$3,000.
- 94 percent of small business owners believe a disaster could seriously disrupt their business in next 2 years.
- 51 percent of Americans have experienced at least one emergency situation where they lost utilities for at least three days, had to evacuate or could not return home, could not communicate with family members or had to provide first aid to others.

Prepare Your Staff

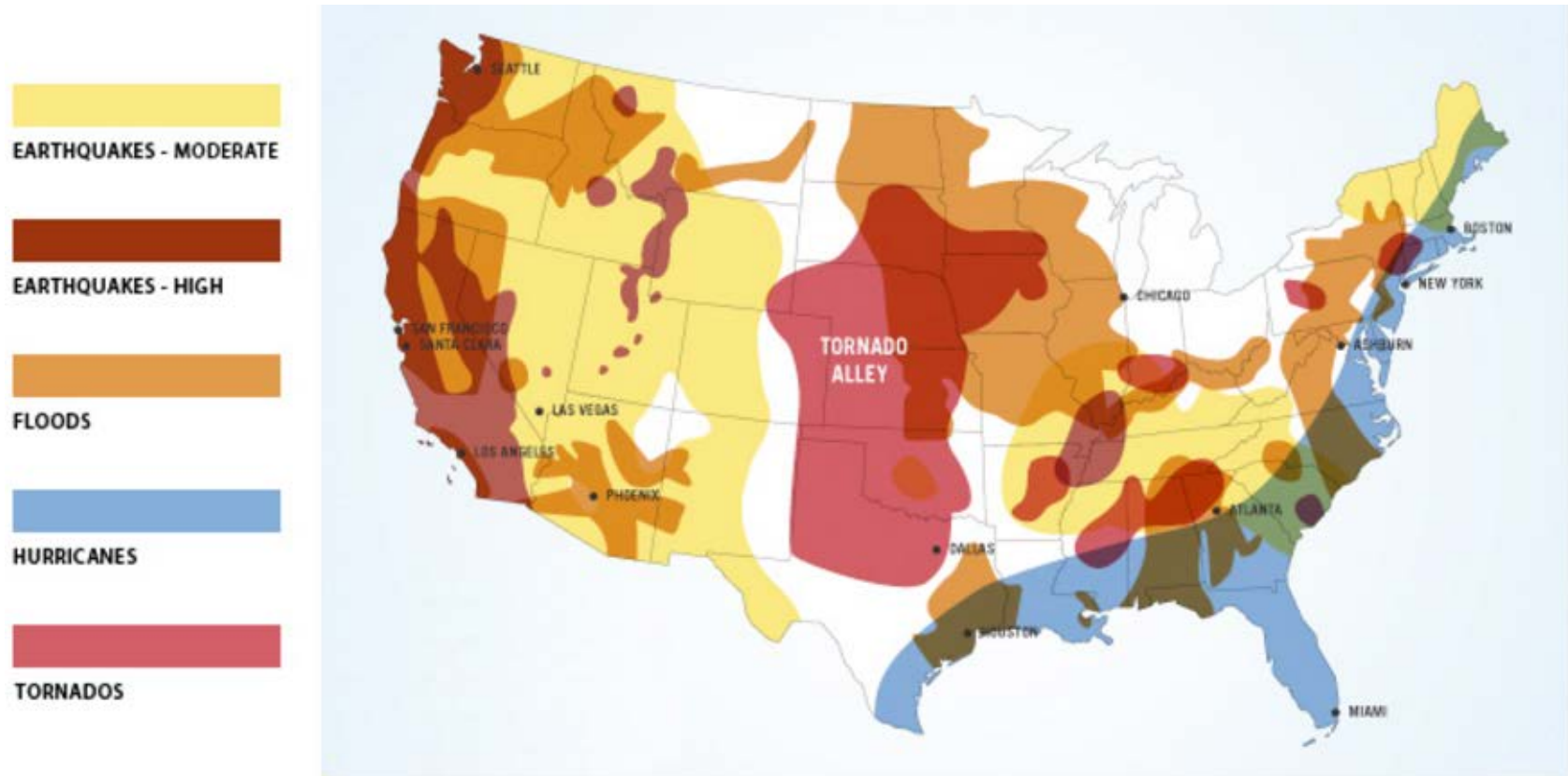
- Only 2 in 10 Americans feel prepared for a catastrophic event.
- Close to 60 percent of Americans are wholly unprepared for a disaster of any kind.
- Only 1 in 10 Americans households has taken the appropriate preparedness steps: a family emergency plan, an emergency supply kit and training in First Aid and CPR.
- 82 percent of Americans agree “If someone could make it easy for me to be prepared, I’d do it.”

Resources

- Utilize the Red Cross Ready Rating Go and Advance Assessment tools at [readyrating.org](https://www.readyrating.org).
- Download the FEMA App and sign up for local alerts for your mobile devices.
- Access business preparedness and continuity toolkits at [Ready.gov](https://www.ready.gov) and IBHS [disastersafety.org](https://www.disastersafety.org).

Seasonal Disaster Activity by Region

- Winter – Pacific Northwest Floods
- Spring – Midwest and Southern States Floods
- Summer and Fall – Wildfires
- June 1 to November 30 – Hurricane Season
- September is National Preparedness Month (NPM)



Create a Preparedness Plan

1. Establish a Communications Plan

2. Protect Your Documents

3. Review Insurance Coverage

4. Create a Solid Supply Chain

5. Plan for an Alternative Location

6. Practice/Exercise Your Plan with Staff

Section Two

Preparedness

A light gray downward-pointing arrow is positioned to the right of the 'Preparedness' box, pointing towards the 'Recovery' box.

Recovery

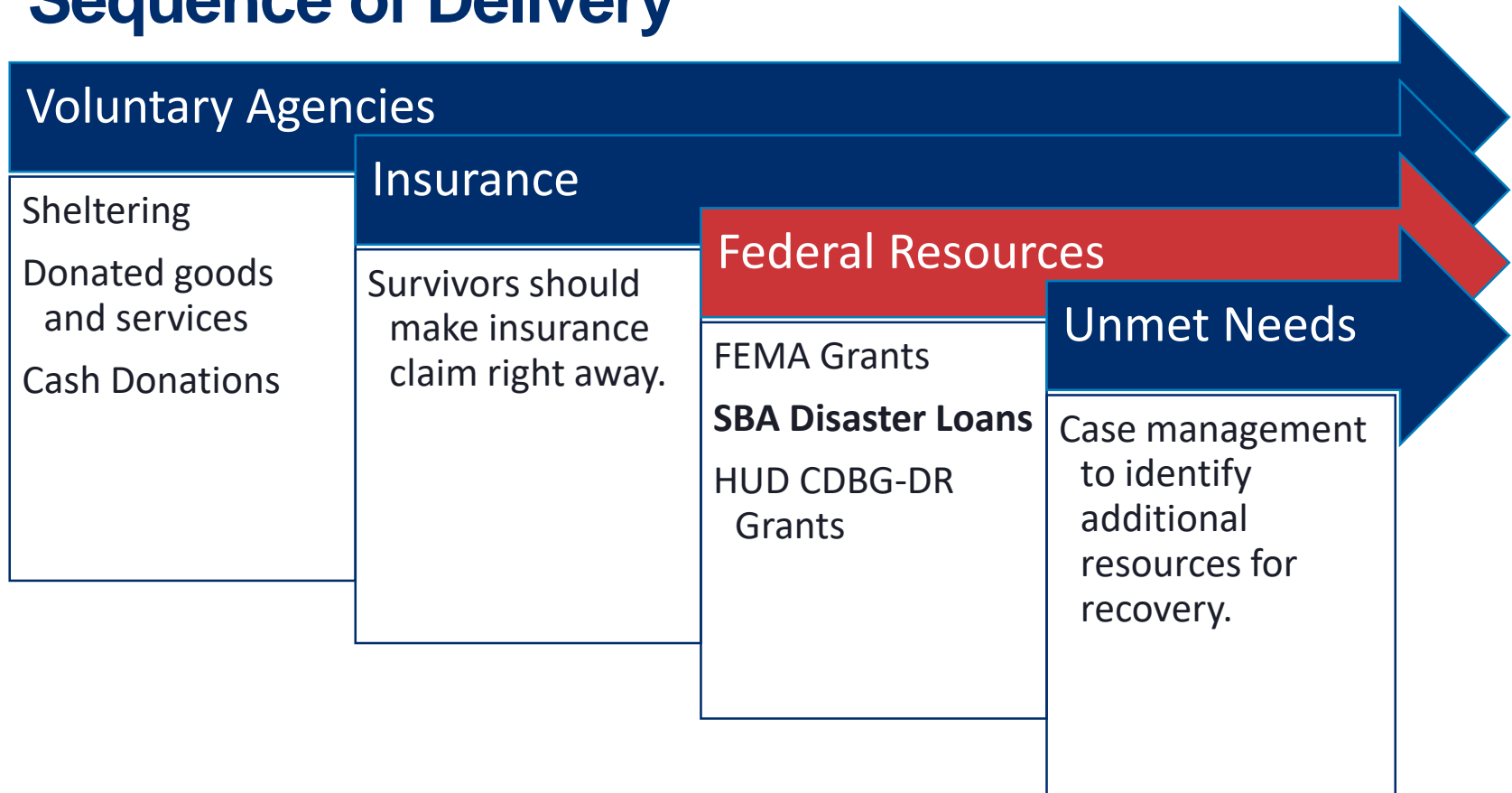
A light gray downward-pointing arrow is positioned to the right of the 'Recovery' box, pointing towards the 'Mitigation' box.

Mitigation

SBA Disaster Assistance Mission

To provide affordable, timely, and accessible financial assistance to businesses of all sizes, private nonprofit organizations, homeowners and renters following a declared disaster.

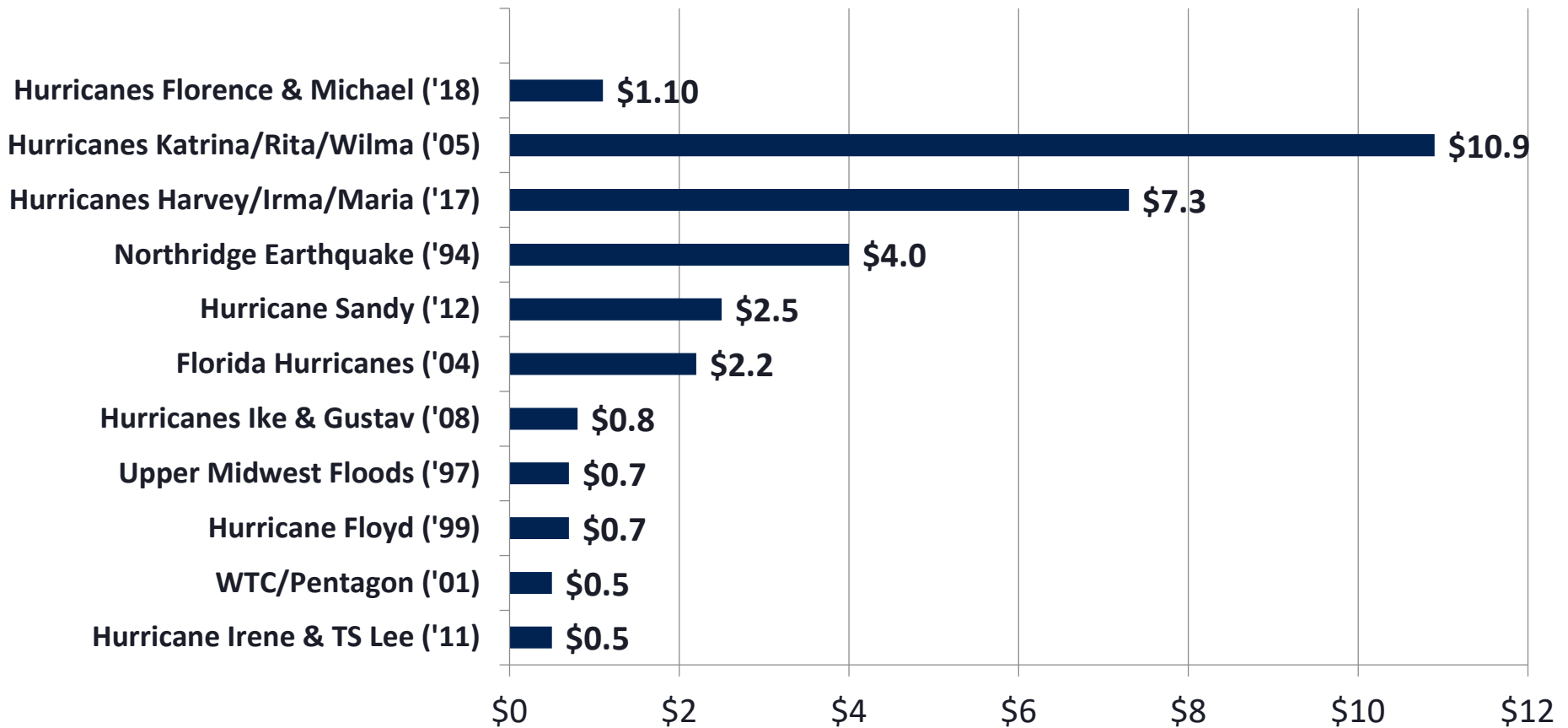
Sequence of Delivery



SBA's Role in Disaster Assistance

- SBA was created in 1953 as an independent agency of the federal government to aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation.
- Since 1953, SBA has approved nearly **\$64 billion** to 2.2 million businesses, homeowners and renters following America's worst disasters.
- After a disaster declaration for hurricanes, floods, tornadoes, earthquakes, wildfires and other disasters, SBA disaster loans are the primary source of federal assistance to help private property owners pay for disaster losses not covered by insurance or other recoveries.
- SBA has its own declaration making authority for disaster events that do not rise to the level of a Major Presidential Disaster Declaration for Individual Assistance.
- SBA offers low-interest federal loans to businesses of all sizes, private nonprofit organizations, homeowners and renters. SBA disaster loans can be used to repair or replace the following items damaged or destroyed in a declared disaster: real estate, personal property, machinery and equipment, and inventory and business assets.

Major Disaster Loan Activity (\$ billions)



Home and Personal Property Disaster Loans

\$200,000

Homeowners may borrow up to \$200,00 for the repair or replacement of the disaster damaged primary residence. Additional funds may be available to homeowners to refinance existing mortgages or mitigation projects to lessen the risk of property damage by future disasters of the same kind.

\$40,000

Homeowners and renters may borrow up to \$40,000 for the replacement of damaged or destroyed personal property, including vehicles.

30-Year Term

SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.

Low, Fixed
Interest Rates

1.938% for borrowers without credit available elsewhere and 3.875% for borrowers with credit available elsewhere. SBA determines whether an applicant has credit available elsewhere. Interest rates are set quarterly and apply to the date in which the disaster occurred. Note: Rates are for FY19 Q2 Hurricane Florence.

Collateral

Home loans over \$25,000 must be secured to the extent possible. The SBA will not decline a loan if you do not have enough collateral, but will ask for whatever collateral is available. That usually consists of a first or second mortgage on the damaged real estate.

Business Physical Disaster Loans

\$2 million

Businesses of all sizes and private, nonprofit organizations may borrow up to \$2 million for the repair or replacement of the business physical disaster losses, including real estate, machinery and equipment, inventory, furniture and fixtures, and leasehold improvements. A \$2 million statutory limit applies to the combination of both physical and economic injury loans. Additional funds may be available to businesses for mitigation projects.

30-Year Term

SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years. The law restricts businesses with credit available elsewhere to a maximum 7-year term. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.

Low, Fixed Interest Rates

4% for businesses without credit available elsewhere and 8% for businesses with credit available elsewhere. The interest rate for nonprofits is 2.75%. SBA determines whether a business has credit available elsewhere. Interest rates are set quarterly and apply to the date in which the disaster occurred.

Collateral

Physical business loans over \$25,000 must be secured to the extent possible. The SBA will not decline a loan if you do not have enough collateral, but will ask for whatever collateral is available.

Economic Injury Disaster Loans

\$2 million

Small businesses, small agricultural cooperatives, small businesses engaged in aquaculture, and most private, nonprofit organizations of all sizes may borrow up to \$2 million for working capital to meet the necessary financial obligations and expenses the business would have paid if the disaster had not occurred. A \$2 million statutory limit applies to the combination of both physical and economic injury loans.

30-Year Term

SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years. The law restricts businesses with credit available elsewhere to a maximum 7-year term. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.

Low, Fixed Interest Rates

4% for small businesses without credit available elsewhere; businesses with credit available elsewhere are not eligible. The interest rate for nonprofits is approximately 2.75%. SBA determines whether a business has credit available elsewhere. Interest rates are set quarterly and apply to the date in which the disaster occurred.

Collateral

All EIDL loans over \$25,000 must be secured to the extent possible. The SBA will not decline a loan if you do not have enough collateral, but will ask for whatever collateral is available.

Flood Insurance Required by Law

By law we require flood insurance on all loans where the damaged and/or collateral property is or will be located in a SFHA. The requirement applies to the real estate, contents and any other improvement which can be insured.

The amount of coverage required by SBA is the lesser of:

- 1) The total of the disaster loan;
- 2) The insurable value of the property;
- 3) The maximum insurance available.

Flood Insurance Required by Policy

If flood insurance is not required by the Flood Disaster Protection Act of 1973 (as amended), SBA will require flood insurance (without further justification) on the real and personal property as a matter of policy when:

- 1) Rising water caused the flooding;
- 2) Flooding caused damage to insurable real property and/or contents, including basements;
- 3) The borrower owns the property that has been damaged by flood or is responsible for making the flood repairs.

The amount of coverage required by SBA is the lesser of:

- 1) The total of the disaster loan;
- 2) The insurable value of the property;
- 3) The maximum insurance available.

Additional Info about SBA and Flood Insurance

- Non-NFIP flood insurance policies are an acceptable alternative for both flood by law and flood for policy reasons, if they meet SBA's criteria (see SOP 50 30 9).
- The first-year flood insurance premium can be included in the SBA disaster loan amount.
- SBA disaster loan proceeds can be used to pay for insurance deductibles.
- SBA disaster loans can be used to help pay for code-required upgrades, including elevation.
- Borrowers could increase their SBA disaster loan eligibility up to the full replacement value of the property if they relocate out of the SFHA and the property is substantially damaged.

Section Three

Preparedness

A light gray downward-pointing arrow indicating a flow from Preparedness to Recovery.

Recovery

A light gray downward-pointing arrow indicating a flow from Recovery to Mitigation.

Mitigation

SBA Disaster Loan Assistance for Mitigation

Mitigation loans to protect property against future damage include, but are not limited to:

- Upgrading the roofing construction to reduce wind and water entry
- Retaining Walls (for slope failure and erosion protection)
- Grading and Contouring Land (may address minor sheet flow flooding issues)
- Elevating Flood Prone Structures (appropriate for smaller buildings)
- Relocating Utilities (for flooding and earthquake mitigation)
- Retrofitting Structures (can address many natural hazards)
- Wildfire Protection, e.g. defensible space, fire rated roofing, mesh covers for vents and box-in open eaves, etc.
- Safe Rooms and Storm Shelters

SBA Disaster Loan Assistance for Mitigation

Things to Remember:

- Mitigation funds are in addition to the amount of the approved disaster loan to repair/replace damaged property.
- May not exceed 20 percent of total amount of physical damage, as verified by SBA.
- Borrowers have up to 2 years to request an increase to their loan.

SBA Disaster Loan Assistance for Mitigation

Things to Remember:

- All home loans have an overall limit of \$200,000 for mitigation.
- All business loans have an overall limit of \$2 million, including additional funds for mitigation.
- The amount for mitigation can exceed the total loan amount for repair/replacement of physical losses, e.g. if loss is mostly or partially covered by insurance.



U.S. Small Business Administration



The Three Step Process: Disaster Loans

About Disaster Loans

The U. S. Small Business Administration (SBA) provides low-interest, long-term disaster loans to businesses of all sizes, private non-profit organizations, homeowners, and renters to repair or replace uninsured/underinsured disaster damaged property. SBA disaster loans offer an affordable way for individuals and businesses to recover from declared disasters.

STEP 1: Apply for Loan

- Apply: 1) online; 2) in-person at a disaster center; or 3) by mail.
- Apply online at the SBA's secure website disasterloan.sba.gov/ela.
- As a business of any size, you may borrow up to \$2 million for physical damage.
- As a small business, small agricultural cooperative, small business engaged in aquaculture, or private non-profit organization you may borrow up to \$2 million for Economic Injury.
- As a small business, you may apply for a maximum business loan (physical and EIDL) of \$2 million.
- As a homeowner you may borrow up to \$200,000 to repair/replace your disaster damaged primary residence.
- As a homeowner or renter, you may borrow up to \$40,000 to repair/replace damaged personal property.

STEP 2: Property Verified and Loan Processing Decision Made

- SBA **reviews your credit** before conducting an inspection to verify your losses.
- An SBA verifier will **estimate** the total physical loss to your disaster damaged property.
- A loan officer will determine your **eligibility** during processing, after reviewing any insurance or other recoveries. SBA can make a loan while your insurance recovery is pending.
- A loan officer works with you to provide all the necessary information needed to reach a loan determination. Our goal is to arrive at a decision on your application within 2 - 3 weeks.
- A 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.

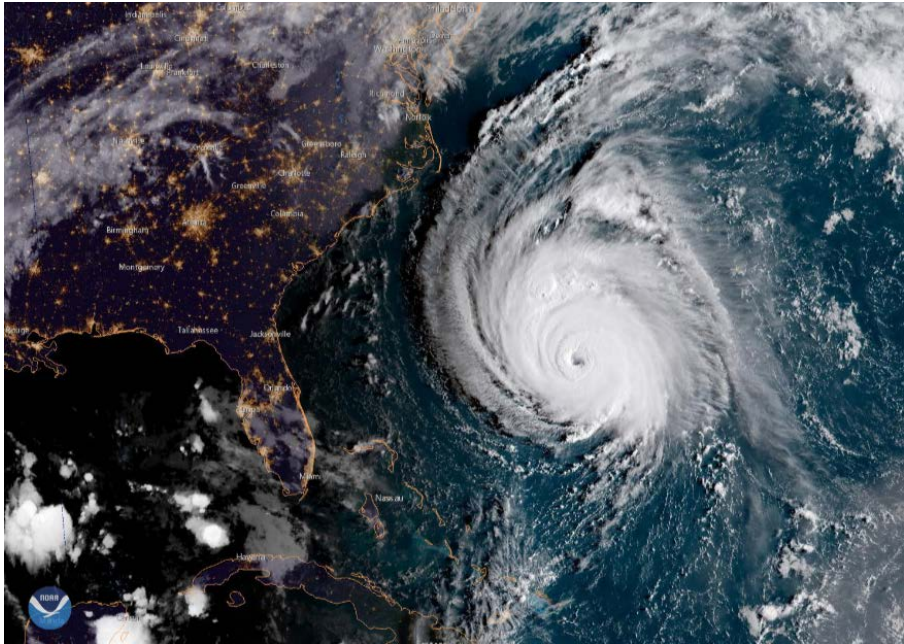
STEP 3: Loan Closed and Funds Disbursed

- 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 (In addition to the Physical damage disbursement)
- 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 or to find a local disaster center, contact SBA's Customer Service Center at 1-800-659-2955 (TTY: 1-800-877-8339).

sba.gov/disaster

August 2018 v1



Questions?

For More Information

U.S. Small Business Administration
Office of Disaster Assistance
Customer Service Center

800-659-2955

(TTY/TDD: 800-877-8339)

disastercustomerservice@sba.gov

Visit our Web site at: www.sba.gov/disaster