

US Small Business Administration

Office of Entrepreneurship Development

Guide to SBA's Disaster Assistance Programs

Dec 2012

Transcript

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Welcome to the US Small Business Administration's (SBA) Online Learning Guide for Disaster Assistance Programs.

This self-paced guide is designed to provide an overview of SBA's assistance programs, resources, tips, and regulations. The guide includes audio narration, accessibility enhancements with keyboard shortcuts and transcripts, and active links to forms and in-depth detail on various programs. In total, users are offered a 30 minute automated overview.

The guide allows for users to review material in any particular order, pause or fast-forward, and download hard copy for your offline review. Utilize the navigational controls to best meet your learning needs.

For immediate assistance, please contact FEMA or SBA in your local community. You can reach FEMA by phone at 1-800-621-3362 (or TTY 1-800-462-7585) and SBA at 1-800-659-2955. SBA's Disaster Assistance team can be reached via email at DisasterCustomerService@sba.gov.

Let's begin the overview.

Link: Apply for Disaster Loan now: <https://disasterloan.sba.gov/ela/>

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In the aftermath of a disaster, such as a hurricane, flood, or tornado, SBA plays an important role. We assist homeowners, renters and businesses with recovery efforts.

Our primary disaster assistance is in the form of direct loans. Disaster loans represent the only SBA program that is not limited to small businesses. This is an important point because many people do not realize that SBA provides disaster loans to individual **homeowners and renters**. In fact, the majority of SBA's disaster loans are made to individuals who are **not** small business owners.

SBA and our network of professional business advisors also provide management and technical assistance to small businesses recovering from a disaster. Resources are available online, in nearby SBA or partner offices, community organizations and recovery centers.

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This guide has four objectives:

1. Explain SBA's role in disaster recovery.
2. Define the types of disaster declarations and what they mean.
3. Describe SBA's disaster assistance loan programs.
4. Explain how to apply for assistance and access other resources.

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SBA has been assisting disaster victims since 1953.

Since that time, it has provided more than 1.9 million disaster loans, totaling \$50 billion dollars. Again, its important to point out that most of SBA's disaster loans are made to individual homeowners and renters ... and not restricted solely to small business owners.

SBA's disaster loans are a critical source of economic stimulation in communities hit by a disaster, spurring job retention and creation, revitalizing business health and stabilizing tax bases. We will also highlight additional economic tools toward the end of the guide.

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There are four types of disaster declarations:

- Presidential Declaration
- Agency Declaration
- Governor's Certification
- and, Secretary of Agriculture or Secretary of Commerce Declaration

See www.FEMA.gov for recent declarations

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When the President declares a major disaster for individual assistance, SBA's disaster assistance programs are automatically activated.

In all Presidential Declared disasters, FEMA is the coordinating agency. FEMA serves as the hub making sure supporting federal agencies are synchronized and focused on assisting a specific disaster relief situation.

As such, in a Presidential Declaration, which includes individual assistance, all homeowners and renters must register with FEMA to begin the assistance process. An individual must register with FEMA first, even if the only assistance they qualify for is through the SBA.

A business owner, on the other hand, can apply directly to SBA for disaster assistance, without registering with FEMA.

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For smaller disasters, SBA's Administrator may issue an SBA-only declaration. Such declarations are based on the occurrence of at least a minimum amount of uninsured physical damage to buildings, machinery, inventory, homes and other property. Typically this would mean that at least 25 homes, 25 businesses or some combination have sustained uninsured losses of 40 percent or more.

With an agency declaration, SBA's disaster assistance programs are available to homeowners, renters and businesses within designated areas.

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Other types of disaster declarations, engaging SBA's programs, can be made by state governors, the Secretary of Agriculture or the Secretary of Commerce.

Economic Injury Disaster Loan declarations can be made by the Agency when the SBA receives a certification from a State Governor, or determination from the Secretary of Agriculture or the Secretary of Commerce.

SBA will make available economic injury disaster loans based on a Governor's certification that at least 5 small businesses have suffered substantial economic injury as the result of a disaster and are in need of financial assistance not otherwise available on reasonable terms.

SBA will also make economic injury disaster loans available in response to a determination of a natural disaster by the Secretary of Agriculture or a declaration issued by the Secretary of Commerce.

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Loans are the primary form of Federal assistance for the repair and rebuilding of disaster losses.

It is important to point out that SBA is not authorized by Congress to provide disaster grants or to forgive the repayment of disaster loans, once the loans have been made.

SBA's responsibility is that of a good-faith lender. Once a disaster is declared, the agency is authorized to make two types of disaster loans:

- Physical Disaster Loans, and
- Economic Injury Disaster Loans.

Each of these loan types is discussed in detail in the following sections.

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Homeowners and renters are the biggest recipients of Physical Disaster Loans. These loans can be used for personal property or real property assistance.

For personal property - loans are available to provide a homeowner or renter with up to \$40,000 to help repair or replace items such as clothing, furniture, and automobiles lost in a disaster. As a rule of thumb, personal property is anything that is not considered real estate or a part of the actual structure.

For real property a homeowner may apply for a loan to repair or re-build a primary residence to its pre-disaster condition. The loan may not be used to upgrade the home or make additions to it. The loan limit for a primary residence is \$200,000. Loans may also be increased by as much as 20 percent of the verified losses to protect the damaged real property from possible future disasters of the same kind.

It is important to note that a renter may apply only for a personal property loan.

It is also important to point out that a Physical Disaster Loan is only available to cover uninsured or uncompensated losses. If you have insurance coverage on your personal property or home or received a grant, the amount you will receive may be deducted from the total estimated damage to your property in order to determine the loan amount for which you are eligible.

The interest rate on an individual this type of loan will not exceed 4%, if the applicant, as determined by SBA, is unable to obtain credit from another source. If credit is available elsewhere, the interest rate will not exceed 8%.

Loan maturities are determined by SBA and can be scheduled for up to 30 years.

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Physical Disaster Loan Eligibility

Any business or private, nonprofit organization that is located in a declared disaster area and has incurred damage during the disaster may apply for a loan to help replace damaged property or restore it to the condition it was in before the disaster. If your business or private, nonprofit organization - large or small - has suffered physical damage as a result of a disaster, you may be eligible for financial assistance from the U.S. Small Business Administration. SBA makes physical disaster loans of up to \$2 million to qualified businesses or private, nonprofit organizations.

Proper Use of Physical Disaster Loan Proceeds

Physical Disaster Loan proceeds may be used for the repair or replacement of the following:
Real property, Machinery, Equipment, Fixtures, Inventory, Leasehold improvements

In addition, disaster loans to repair or replace real property or leasehold improvements may be increased by as much as 20 percent of the total amount of disaster damage to real estate and/or leasehold improvements as verified by SBA to protect the damaged real property against possible future disasters of the same type.

SBA loans cover uninsured and under-insured physical damage. If you are required to apply insurance proceeds to an outstanding mortgage on the damaged property, you can include that amount in your disaster loan application.

Interest Rates on Physical Disaster Loans

The interest rate is determined by your ability to obtain credit elsewhere (from non-federal sources).

The interest rate on both these loans will not exceed 4 percent if you do not have credit available elsewhere. Repayment can be up to 30 years, depending on the business's ability to repay the loan. For businesses and nonprofit organizations with credit available elsewhere, the interest rate will not exceed 8 percent. SBA determines whether the applicant has credit available elsewhere.

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Economic Injury Disaster Loans

If your small business, small agricultural cooperative, small business engaged in aquaculture, or private, nonprofit organization has suffered economic injury, regardless of physical damage, and is located in a declared disaster area, you may be eligible for financial assistance from SBA.

What is an Economic Injury Disaster Loan?

If your business is located in a declared disaster area and has suffered economic injury because of the disaster (regardless of physical damage), you may be eligible for an Economic Injury Disaster Loan (EIDL). Substantial economic injury is the inability of a business to meet its obligations as they mature and to pay its ordinary and necessary operating expenses. EIDLs provide the necessary working capital to help small businesses survive until normal operations resume after a disaster.

Economic Injury Disaster Loan Eligibility

Those eligible for these loans are small businesses, small agricultural cooperatives, small businesses engaged in aquaculture, and most private nonprofit organizations of all sizes that have suffered substantial economic injury resulting from a physical disaster or an agricultural production disaster (as designated by the Secretary of Agriculture).

EIDL assistance is available only to small businesses determined unable to obtain credit elsewhere. SBA can provide up to \$2 million to help meet financial obligations and operating expenses which could have been met had the disaster not occurred. Your loan amount will be based on your actual economic injury and your company's financial needs, regardless of whether the business suffered any property damage.

Link: <http://www.sba.gov/content/economic-injury-disaster-loans>

Military Reservists should also click the shortcut link to learn about an Economic Injury Loan program designed for eligible small businesses

Link: <http://www.sba.gov/content/military-reservists-economic-injury-loans>

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Borrower	Purpose	Max Amt	Interest Rate
Individual homeowner	Repair or replace real property	\$200,000	Typically below market Low rate not to exceed 4% High rate not to exceed 8%
Individual homeowner	Refinance, if eligible	\$200,000	Typically below market Low rate not to exceed 4% High rate not to exceed 8%
Individual homeowner or renter	Repair or replace personal property	\$40,000	Typically below market Low rate not to exceed 4% High rate not to exceed 8%
Individual homeowner	Mitigate / prevent future loss	20% of verified loss amount	Typically below market Low rate not to exceed 4% High rate not to exceed

			8%
Business (small or large)	Repair or replace real estate, equipment, furniture, etc.	\$2.0 million	Typically below market Low rate not to exceed 4% High rate not to exceed 8%
Business (small or large)	Mitigate / prevent future losses	20% of verified loss amount	Typically below market Low rate not to exceed 4% High rate not to exceed 8%

This review of SBA's Physical Disaster Loans highlights eligible borrowers, loan purpose, maximum credit amounts and interest rates.

Federal law requires interest rates charged on disaster loans to be based on SBA's determination of whether the applicant has credit available elsewhere. However, interest rates are typically below market.

Link: <http://www.sba.gov/category/navigation-structure/loans-grants/small-business-loans/disaster-loans/disaster-loan-fact-sh>

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SBA's Economic Injury Disaster Loans represent a comprehensive program. Such loans are **only** available to small businesses, small agricultural cooperatives and most private, nonprofit organizations who have experienced economic injury because of a disaster.

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As in any government program, there are restrictions and guidelines that apply to SBA's disaster assistance programs.

First, only uninsured or otherwise uncompensated disaster losses are eligible for SBA disaster loans.

Second, not all property is eligible. Secondary homes, personal pleasure boats, airplanes, recreational vehicles and similar property are not eligible, unless used for business purposes.

And, third, applicants who have not complied with the terms of previous SBA loans are not eligible. This includes borrowers who did not maintain flood and/or hazard insurance on previous SBA or federally insured loans.

Additionally, if you have not filed all your required Federal income tax returns and do not have an approved IRS extension, SBA WILL NOT process your application for disaster assistance until this requirement has been met. Consult a SBA representative or one of our network business counselors for hands on assistance with tax issues.

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SBA is a good faith lender and will only make a disaster loan if there is reasonable expectation that the loan can be repaid.

A loan applicant must have a credit history acceptable to the SBA and be able to demonstrate the ability to repay all outstanding loans.

Collateral is generally required on Physical Disaster Loans over \$14,000 and on Economic Injury Disaster Loans over \$5,000. "SBA will require real estate as collateral when it is available." However, the agency will not decline a loan for lack of collateral, but may require an applicant to pledge what is available.

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The application process for an SBA disaster loan is not difficult. However, it does require preparation time and most applicants will benefit from discussing their application with an SBA representative before submitting it.

A typical loan request package will include an SBA disaster loan application, and one or several supporting documents. All of these documents are described in step by step instructions and are made available electronically, in the following sections. A properly prepared submission with all required documents can be processed quickly by the SBA.

Also, note that disaster victims **may now** apply for disaster loan assistance through **SBA's Electronic Loan Application** (ELA) [<https://disasterloan.sba.gov/ela/>]

Link: Online article <http://www.sba.gov/content/applying-disaster-loan>

Link: Apply now: <https://disasterloan.sba.gov/ela/>

Link: Loan Application Paper Forms <http://www.sba.gov/content/disaster-loan-paper-applications>

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To expedite processing, it is recommended that the following steps be followed before applying for an SBA disaster loan.

Step 1. Review SBA's disaster assistance portal to help understand the basics and to point you in the right direction [<http://www.sba.gov/category/navigation-structure/loans-grants/small-business-loans/disaster-loans>]. Becoming familiar with the Federal programs and eligibility will help to understand your options and seek additional details.

Step 2. Discuss your assistance needs with an SBA disaster representative. This is an important step and an opportunity for you to get your questions answered. Call an SBA representative at 1-800 659 2955 or e-mail your questions to DisasterCustomerService@sba.gov.

Step 3. Complete SBA's disaster loan application online, via mail, or in person at any disaster recovery center, using FORM 5 -- if you are a business, or FORM 5C -- if you are an individual homeowner or renter. Also complete the required supporting documents. All of these documents are further explained in the next section. Remember, if it is a Presidential Declaration and you are an individual homeowner or renter, you must first register with FEMA before submitting a loan application to the SBA.

Step 4. Once you have completed the application and supporting documents, discuss and review them with an SBA representative. You can do this by calling or emailing SBA, and by stopping in a local office or recovery center near you.

With these steps behind you....you are now ready to submit your application.

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Individual homeowners and renters, applying for disaster assistance, are required to complete SBA FORM #5C, the Disaster Home Loan Application.

Individuals are required to first register with FEMA in a Presidential Declaration and will receive a loan application by mail from the SBA. Applications are also available at local disaster recovery centers or can be completed online at SBA's website

Link: <https://disasterloan.sba.gov/ela/>

The application is comprehensive, yet straight forward. An SBA representative, however will be glad to assist you complete it. When filling out the application, it is important that all questions be answered to the best of your ability and that paper applications be signed and dated.

For your convenience, a direct link is provided to register with FEMA for assistance

Link: www.disasterassistance.gov

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In addition to the Disaster Home Loan application, individual applicants should submit a tax information authorization, IRS FORM #8821 -- permitting the U.S. Small Business Administration to verify reported income with the IRS for the last two years. A link to this form is provided for your convenience.

Applicants that file an electronic loan application will be contacted by the SBA to complete FORM #8821.

If you are submitting a joint application, but file taxes individually, a signed FORM #8821 is needed from each applicant.

Information about your insurance is also required. If you have insurance and your claim has been settled, include a copy of your settlement sheet or adjuster's proof of loss. If your claim has not been settled, include a copy of the schedule of coverage from your insurance policy. You do not have to wait for your insurance claim to be settled to apply for an SBA loan.

And, lastly, if you have changed employment within the past two years, include a copy of a current pay stub.

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The business loan application, SBA FORM #5, like the application for individuals, is comprehensive, yet straight forward. A couple of items should be noted:

Make sure you indicate the type of loan you are applying for on the top of the application.

Include in line 15, the amount of estimated loss. If you do not know, put a question mark in the box. The amount of the loan request is something that can be discussed with an SBA representative and is based on eligibility, once more facts are learned.

Answer all questions to the best of your ability.

It is imperative that you include a phone number where you can be reached and an alternative way to contact you, such as a cell phone number, FAX number or e-mail address.

If someone assisted you in preparing the application, make sure their contact information is included.

And finally, make sure you sign and date the application.

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FORM #5, the business loan application, and IRS FORM #8821, the Tax Information Authorization form, are required to apply for business loan assistance. However, you will be asked to submit other supporting documents.

Applicants who file an electronic loan application will be contacted by the SBA to complete FORM #8821.

For a Physical Disaster Loan, you will also need, on each principal of the business, a completed personal financial statement and a schedule of liabilities.

For an Economic Injury Disaster Loan, you will need a personal financial statement on each principal, a monthly sales statement and a schedule of liabilities.

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There are time parameters that must be followed when applying for an SBA disaster loan.

Typically, loan applications for Physical Disaster Loans must be received by SBA within 60 days from the date of the disaster declaration.

And, applications for Economic Injury Disaster Loans must be received within 9 months from the date of the specific disaster declaration. The only exception is for a Secretary of Agriculture declaration – where there is an 8 month filing deadline.

Please note that deadlines to file loan applications may be extended in large-scale disasters. This information will be publicized in the local area and on SBA's website.

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SBA is focused on customer service. Your application can be processed quickly, but we need your help...

Make sure your paper application is signed and that SBA has clear instructions on how to easily contact you.

If you have questions, talk with an SBA disaster representative.

Submit your completed application as soon as possible, don't wait for your insurance company to settle.

Complete all supporting documents. They may not be necessary for SBA to accept your application, but a completed package will certainly expedite processing.

And finally, for business applications, make sure IRS FORM #8821, the Tax Information Authorization, is submitted for each principal of the business.

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Applicants are encouraged to apply online via SBA's secure website, which can simplify the application process and speed the delivery of assistance. If you have completed a paper application for disaster assistance, submit it to the noted SBA mailing address. Or, you may drop off your application at a local disaster recovery center or disaster loan outreach center.

Electronic loan applications will be transmitted via the Internet.

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Once SBA receives a completed loan application, a summary review of eligibility, credit and repayment ability is done. Applicants that are declined at this stage will receive notification in writing from the SBA. The letter will provide the reasons for the decline and advise applicant of their reconsideration rights.

Applications that are not declined will then be assigned to a loss verifier who will contact each applicant to make an appointment to verify the physical losses and estimate a dollar value for real estate and personal property losses.

Next the application is underwritten and the applicant's credit history, repayment ability and eligibility are thoroughly reviewed. Unless the application is withdrawn, SBA will process each application to an approval or decline status.

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Applicants who are approved will be notified and arrangements made to execute loan closing documents. It is important to note that before SBA can make any disbursements, loan closing documents must be executed by the borrower and returned to the SBA.

Upon receipt of the loan closing documents, SBA will issue the first disbursement. Once SBA has verified that any and all required liens have been perfected on collateral property, additional funds can be disbursed based on need and/or construction progress.

SBA carefully monitors all disbursements to insure that loan funds are used in accordance with the loan authorization and agreement.

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SBA's Disaster Loans are a critical response for recovery, but they are only one of SBA's numerous resources. All of the Agency's programs are routinely available to small businesses and can be of benefit after a disaster. Government contracting business development services, the portfolio of SBA-guaranteed loans, and management and technical assistance all play a role in long-term disaster recovery. SBA has a long-standing reputation for providing counseling assistance to millions of small business owners.

Post-disaster, SBA staff and our valuable business counseling partners can help you revise your business plan for recovery, assist with reconstructing business records, advise on reinventing businesses to reflect a post-disaster economy and more.

Business advisors at SCORE, Small Business Development Centers, Women Business Centers, Veteran Outreach Centers, Innovation Clusters and other strategic partners are well-equipped to help you during recovery and any period of business development. SBA also offers a growing number of resources online so you can take additional training, conduct market research, download business form templates, and connect with potential business partners.

Visit SBA's homepage at www.sba.gov to enter your zip code for a list of local resources. Smart phone users can download a mobile app to locate resources and other training tools.

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Additional resources of interest to you are provided for easy access.

These include Federal programs, non-profit services and handy business tools.

Links: SBA Disaster Loan Fact Sheets <http://www.sba.gov/category/navigation-structure/loans-grants/small-business-loans/disaster-loans/disaster-loan-fact-sh>

ELA <https://disasterloan.sba.gov/ela/>

SBA Loan Applications and Forms <http://www.sba.gov/content/disaster-loan-paper-applications>

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SBA is ready to partner with you and is already working in recovery areas throughout the nation. Your immediate contacts are as follows:

Calling us at (800) 659-2955

Or E-mail us at - disastercustomerservice@sba.gov

You can also visit our Website at – www.sba.gov/ and go to disaster assistance or FEMA's Website at – www.fema.gov

Thank you for reviewing this online guide to SBA Disaster Assistance. We hope you found it helpful, as we are committed to providing the best possible assistance to disaster victims.

Please feel free to download a version for offline notes or reminders.