



SBA Disaster Recovery Media Guide

Few stories are as compelling as the ones that emerge in the aftermath of a big disaster. And in the same way that recovery occurs in stages, the reporting of the disaster story after the main event changes in the days that follow.



There are the images of terrified families evacuating a city, while daredevil surfers ride hurricane-whipped waves. A disaster often occurs in the course of a few hours, or even a few minutes. News coverage cranks up with dramatic pictures as the rescue phase begins. The elements of the disaster story change again as people need information on where to go for shelter, food and medical attention. Once their immediate needs have been met, disaster survivors will then seek information on how to rebuild their homes and businesses.



People typically learn about SBA's role in disaster recovery after they've made a phone call to FEMA. And the first question reporters ask is, "Why does SBA make disaster loans to homeowners?" Hopefully, this guide will provide the answers.



The media's role in post-disaster recovery is as vital as the federal agencies providing that assistance. Disseminating accurate information quickly allows disaster victims to take that first step toward rebuilding their homes and businesses. This media guide will help provide a basic understanding of the SBA disaster loan process. From details on the different disaster loans available to homeowners, renters and businesses, to how loan funds are disbursed, the facts in this guide will provide practical information to the reporter. The idea is to then get this information out—clearly and quickly—to disaster victims, so they can begin the process of rebuilding their lives.



When did SBA start making disaster loans to homeowners and renters?

Disaster Assistance has been part of the U.S. Small Business Administration’s mission since 1953 when Congress passed the Small Business Act creating the SBA. Through the agency’s Office of Disaster Assistance, SBA provides affordable and timely financial assistance to disaster victims. SBA’s long-term recovery assistance is in the form of low-interest loans to homeowners, renters, businesses of all sizes and private, non-profit organizations following a disaster.

When an area is declared a disaster by the President, various forms of federal assistance, including SBA’s disaster loan program, become available. If FEMA declines a request for a declaration or if the state determines the damage isn’t extensive enough to request FEMA assistance, the state can request an “Administrative/Agency Declaration” from SBA’s Administrator. If the request meets SBA’s damage requirements, residents and business owners will be eligible to apply for SBA disaster assistance in the declared area.

These direct federal loans are the only form of SBA assistance not limited to small businesses. The majority of SBA disaster loans approved after natural disasters—about 80 percent—go to homeowners and renters.

The Small Business Act authorizes the SBA to make two types of disaster loans — physical and economic injury disaster loans.

Home Physical Disaster Loans up to \$200,000 are available to homeowners to repair or replace damaged or destroyed real estate not fully covered by insurance or other assistance, such as grants. Homeowners and renters may also borrow up to \$40,000 to repair or replace damaged personal property like furniture, clothing, appliances, cars, etc. also, not fully covered by insurance or other assistance, such as grants.

Business Physical Disaster Loans are for businesses of all sizes to cover the cost of repairing or replacing damaged or destroyed real estate, inventory, supplies, machinery and equipment, and other business assets owned by the business, not covered by insurance or other assistance. Businesses and private, non-profit organizations such as charities, churches, private schools etc., may borrow up to \$2 million.

Economic Injury Disaster Loans

are loans for working capital available to small businesses, private non-profit organizations of all sizes and small agricultural cooperatives to help them cover normal operating expenses through the disaster recovery period. The EIDL is available even if the business or non-profit didn’t suffer physical damage. Small businesses may borrow up to \$2 million, and the maximum interest rate is 4 percent.

For those determined by the SBA not to have credit available elsewhere (over 95 percent of borrowers), the maximum interest rate on the physical disaster loans is 4 percent. For those determined to have credit available elsewhere, the interest rate cannot exceed 8 percent. Loan amounts and terms are set by SBA and are based on each applicant's financial condition.

To make recovery affordable, terms of up to 30 years are available on SBA disaster loans. For businesses that have credit elsewhere the maximum term is three years.

SBA can also lend additional funds—up to 20 percent of the verified physical damage—to help make improvements to the property that protect, prevent or minimize the same type of disaster damage from occurring in the future (mitigation).

Why is it necessary for disaster victims to call FEMA first, particularly if they're business owners seeking SBA assistance?

During Presidential disaster declarations, the one phone call to FEMA (1-800-621-FEMA) registers the disaster victim for assistance and provides critical information on the various forms of federal assistance available after a major disaster. Online registration is also available at www.fema.gov. Homeowners and renters must call FEMA to register for assistance. Although businesses are not required to register with FEMA, SBA suggests they do so as a matter of record. If any further assistance might be made available to businesses, the registered business will already be in the FEMA system.

During the registration process, disaster victims will be asked several questions about their circumstances, including income. Most homeowners and renters will be referred to the SBA and sent disaster loan application packages. If homeowners or renters are issued applications, they must fill out and return the applications to the SBA to be considered for other forms of assistance, including grants. If the SBA declines a home loan request, or cannot make a loan for all of the disaster victim's losses, SBA will refer the applicant to FEMA to be considered for its "Other Needs Assistance" grant program.

How do disaster victims receive SBA disaster loan applications?

Disaster loan applications are automatically mailed to individuals and business owners when they register with FEMA. Disaster victims may also file an application for recovery assistance from the SBA online, through the SBA's secure Web site at <https://disasterloan.sba.gov/ela/>. SBA disaster loan applications can also be picked up at any federal/state Disaster Recovery Center or at any SBA Outreach Center located throughout the declared disaster area. At the

centers, SBA Customer Service Representatives are available to answer questions about the application process, provide help with filling out forms, and accept completed applications. Additional information about the disaster loan application process is also available from the Customer Service Center at 1-800-659-2955, or by e-mailing us at disastercustomerservice@sba.gov.

What happens after the applicant fills out the disaster loan application?

The application can be mailed to the SBA's disaster loan processing center in Fort Worth, Texas, or returned to a local Disaster Recovery Center, or submitted online at the SBA's secure electronic loan application Web site at <https://disasterloan.sba.gov/ela/>.

SBA will check the application for completeness. Generally a loss verifier will make an appointment to inspect the property and make an estimate of the cost to repair the property to its pre-disaster condition.

Next, an SBA loan officer may contact the applicant to answer additional questions, request additional documentation needed to make a decision, and/or discuss the loan recommendation. If the loan is approved, the loan officer will discuss the terms and conditions. If declined, the loan officer will explain the reasons for the decline.

The application will then be reviewed by a supervisory loan officer and the loan applicant will be notified by mail of the approval or decline decision. All official agency decisions are made in writing.

The sooner a completed loan application is received by SBA, the sooner SBA can process it. SBA tries to make a decision on each application within 21 days. However, this time frame from the day a complete application is submitted to when the disaster victim is notified of the final decision—could potentially vary, depending on the size and nature of the disaster.

How are the disaster loan funds disbursed to the applicant?

Once an applicant has been approved, SBA will send loan closing documents with the terms and conditions, as well as any request for additional information needed to complete collateral documents such as copies of property deeds, leases, insurance information, etc. Applicants have the option to close their loans at a field office location where they can be personally assisted by an SBA representative, or they can close their loans by mail.

The SBA can disburse the first \$14,000 (or \$5,000 for economic injury disaster loans) once the required closing documents for an unsecured loan have been submitted. Loans for

property damage over \$14,000 and EIDLs over \$5,000 must be secured with some form of collateral (preferred collateral being real estate), usually in the form of a first or second mortgage on the damaged real estate.

The disbursement process is similar to a construction loan and is made in installments as repairs are being completed. The borrower must keep receipts to document how the loan funds are spent. Typically, the first payment on the disaster loan is due five months after the date the loan was made.

What are the approval percentages for SBA disaster loans?

SBA's loan approval rates vary by disaster. The variance may be attributed to such things as the financial condition of businesses and homeowners before the disaster occurred, or an individual's debt load and cost-of-living expenses. For large disasters – those with 10,000 or more loan decisions, approval rates have ranged from 37 percent for the 1995 El Nino floods in California to 67 percent for the 1997 floods in North Dakota. The average is about 50 percent.

SBA makes every effort to approve each application. However, in lending taxpayer funds, the agency has a responsibility to adhere to fundamental credit standards and find a reasonable prospect that each loan can and will be repaid.

In assessing an applicant's ability to repay a disaster loan, the SBA considers the applicant's pre-disaster financial condition based on tax returns and other financial information. By using these financial records to establish normal, pre-disaster performance, the SBA avoids penalizing applicants for the adverse economic impacts of the disaster itself.

The most common reasons for declining a loan application are insufficient financial resources to repay the loan, poor credit history and having an unsatisfied federal obligation such as income taxes owed. Other reasons for declines range from a prior default on an SBA loan to refusal to pledge available collateral or the lack of any verifiable damage.

Because applicants referred by FEMA who clearly do not qualify for loans are declined earlier in the process, approval rates tend to start out lower than average and climb over the course of the disaster response period. Homeowner and renter applicants whose loan requests are declined by SBA are generally referred to FEMA for possible "Other Needs Assistance" grants.

How does the SBA manage the processing of loan applications, customer service, loan disbursements & the dissemination of information about disaster declarations nationwide?

The SBA's Office of Disaster Assistance administers the disaster loan program through four centers – A Customer Service Center in Buffalo, N.Y.; two Field Operations Centers, one in Atlanta, and one in Sacramento, Calif.; and a Processing and Disbursement Center in Fort Worth, Texas. Disaster victims across the U.S. and its territories (which include the U.S. Virgin Islands, Puerto Rico and the U.S. Pacific Islands) can call the Disaster Customer Service Center in Buffalo, at 1-800-659-2955 to request disaster loan applications, ask questions about the process or learn about the status of their applications.

Fort Worth is the Disaster Loan Processing and Disbursement Center. Disaster loan applications are processed in this office, and loan disbursements are also handled here.

In Atlanta, the Disaster Field Operations Center-East handles field operations and public information activity for disaster declarations in the states east of the Mississippi River, plus Washington, D.C., Minnesota, the U.S. Virgin Islands and Puerto Rico. For details on disaster loan application declarations, deadlines, locations of recovery centers, etc., the status of a pending disaster declaration and other specific disaster-related information, contact Communications Manager Michael Lampton at 404-331-0333, or visit the Web site at www.sba.gov.

In Sacramento, the Disaster Field Operations Center-West handles field operations and public information activity for disaster declarations in all states west of the Mississippi River, Hawaii and the U.S. Pacific Islands (Guam, American Samoa, Marshall Islands, Northern Mariana Islands and Micronesia). For details on disaster loan application declarations, deadlines, locations of recovery centers, etc., the status of a pending disaster declaration and other specific disaster-related information contact Communications Manager Rick Jenkins at 916-735-1500, or visit the Web site at www.sba.gov.

How does SBA obtain staffing at times of disasters?

SBA's Disaster Assistance staffing expands and contracts based on the level of disaster activity. At the onset of a disaster, the SBA Office of Disaster Assistance begins to evaluate what staff resources are available and how quickly staff can be deployed to respond. The first resource SBA relies upon is staff currently on board. Secondly, SBA looks to its Disaster Reserve work force. The Disaster Reserve currently has more than 1,000 employees who are trained and ready to travel to wherever needed for customer service, loss verification, loan processing, legal, and information technology.

If current staff and the Disaster Reserve are not sufficient to respond, then SBA begins recruitment for temporary employees and/or inquiring if other program offices within SBA have employees with relevant experience who would like to volunteer for disaster duty. When necessary, SBA is able to quickly and efficiently hire large numbers of employees in a very short time frame.

Prior to Hurricane Katrina making landfall SBA had about 800 employees. Staffing surged to more than 4,300 employees in response to these unprecedented storms. Today, SBA's Disaster Loan Program has roughly 3,500 employees across all key functions. The number of trained employees on board and in the reserve corps increases the agency's ability to quickly respond to catastrophic events if required.

Disaster Preparedness for Homes and Businesses

Hurricanes, floods, wildfires, tornadoes and other natural disaster leave thousands homeless and businesses ruined in their wake. Small businesses are particularly vulnerable to the catastrophe of losing important financial records when they fail to back up that data and store important records offsite.

Homeowners, renters and business owners should prepare for the inevitability of disaster.



The SBA offers the following suggestions for a disaster preparedness plan:

- Have adequate insurance coverage. Review your current policy to make sure you understand what is not covered. Most policies don't cover flood damage. Business owners should consider business interruption insurance, which covers operating expenses in the event of a business shutdown.
- Homeowners, renters and business owners should make copies of important records and backup data saved on computer hard drives, then store that information at a distant, off-site location.
- Consider structural mitigation measures—that is, identify the risk inherent in your geographic area, and take the necessary precautions. For those in tornado or hurricane-prone areas, for instance, install storm shutters.
- Make a disaster plan. Make sure family and employees know the evacuation routes. Keep emergency supplies like water, flashlights, batteries, cash, and non-perishable food on hand.

More preparedness tips for businesses, homeowners and renters are available on the SBA's Web site at www.sba.gov/disaster_recov/prepared/getready.html. The Institute for Business and Home Safety (www.disastersafety.org) also has information on protecting your home or business. The federal government's preparedness Web site www.ready.gov is another helpful resource.

Additionally, small businesses should use resource partners such as Small Business Development Centers, Web site at www.sba.gov/sbdc/ and SCORE, Counselors to America's Small Business, Web site at www.score.org.



All SBA programs and services are provided on a nondiscriminatory basis.

Photography courtesy of Federal Emergency Management Agency and National Oceanic and Atmospheric Administration, U.S. Department of Commerce

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SBA Disaster Assistance Contacts

Public Affairs Specialist Carol Chastang at 202-205-6987 U.S. Small Business Administration's Office of Communications and Public Liaison, SBA Headquarters

Communications Manager Michael Lampton at 404-331-0333: Disaster Field Operations Center-East handles field operations and public information activity for disaster declarations in the states east of the Mississippi River, plus Minnesota, the U.S. Virgin Islands, the District of Columbia and Puerto Rico.

Communications Manager Rick Jenkins at 916-735-1500: handles field operations and public information activity for disaster declarations in all states west of the Mississippi River, Hawaii and the U.S. Pacific Islands (Guam, American Samoa, Marshall Islands, Northern Mariana Islands and Micronesia).