

leases, or other documents may be required with the application. The personnel in SBA offices will explain which documents are necessary.

#### LOAN TERMS

The maturity of SBA disaster loans may not exceed 30 years. However, SBA will generally require that the loan be repaid in a shorter time, based upon an applicant's ability to repay. Normally, payments must be made in equal monthly installments of principal and interest, the first payment due within five months of disbursement. Other repayment terms can be arranged in special circumstances.

#### MORTGAGE REFINANCING

When a disaster causes damage of 30 percent or more of the predisaster fair market value of real property, prior recorded mortgages secured by the damaged property may be eligible for refinancing to avoid undue hardship. However, the amount of refinancing may not exceed the amount of physical loss sustained. The personnel in SBA offices will explain when prior mortgages can be refinanced. Prior loans which are secured by real estate located in a special flood hazard area within a community that is not participating in the Federal flood insurance program will not be refinanced by SBA under any circumstances.

#### OTHER FACTORS

SBA does not consider the age of a disaster victim in determining whether a disaster loan will be made. Also, SBA does not require the applicant to pay the disaster expenses from his personal resources before obtaining a disaster loan.

#### RELOCATION/UPGRADING

Whenever a disaster victim cannot obtain a building permit to rebuild at the original site, or is unable to restore his or her property at the disaster site for other reasons, the cost of relocation might be included in the loan proceeds. Whenever a disaster victim decides to, but isn't forced to, relocate after a disaster, SBA loan funds may not exceed the damage caused by the disaster. Any loan for which the proceeds are used to create a first lien upon a one-to-four family residence to be purchased or constructed at a new site is subject to provisions of the Real Estate Settlement Procedures Act of 1974, as amended.

SBA can only restore property to its "predisaster" condition. Therefore, upgrading (building a larger building) would be an ineligible use of disaster loan proceeds. Structural or other changes which are necessary to comply with city, county and state building construction codes are not considered to be upgrading.

#### PENALTY PROVISIONS

SBA is required by statute to determine that the funds are used lawfully, and will require the borrower to furnish evidence on how disaster loan funds are used. Any funds disbursed but not used as authorized to restore property to predisaster condition must be returned to SBA, and will be applied to reduce the principal balance of the loan. Legislation provides that "whoever wrongfully misapplies the proceeds of a loan shall be civilly liable to the SBA Administrator in an amount equal to one-and-one-half times the original principal amount of the loan". Falsification of an application or false certification of use of proceeds may subject the applicant to criminal penalties.

#### AMOUNT OF LOAN

An SBA disaster loan may not exceed the actual tangible loss suffered by the disaster victim (after deducting any recovery from insurance, the Red Cross, a state grant, permanent mini-repairs, or other sources) plus eligible refinancing, expenses for code compliance, or eligible relocation expenses.

In addition, SBA has established the following administrative limits:

1. Home Loans: A disaster home loan is limited to a maximum of \$50,000 to restore a residence, \$10,000 to restore residential contents, or \$55,000 for both purposes, plus \$50,000 for eligible refinancing. The cost of code compliance and eligible relocation are included within these dollar limits.
2. Business Loans: A disaster business loan is limited to a maximum of \$500,000 for real and personal property losses. Refinancing, code compliance, relocation expenses, and all other eligible loan purposes are included in this dollar limitation. Only the Administrator of SBA can approve a loan in excess of this dollar limitation if he determines it is necessary to avoid undue hardship.

SBA may limit any disaster loan to an amount that the applicant can repay. SBA can approve a loan only when there is reasonable assurance that the loan will be repaid.

#### COLLATERAL

There is no specific requirement as to the amount of collateral, if any, that must secure a disaster loan. However, SBA will require that any available collateral be pledged to secure these loans. A disaster loan will not be denied because no collateral is available or because available collateral is not adequate to secure the loan.

#### MAJOR SOURCE OF EMPLOYMENT

Under Section 237 of the 1970 Disaster Relief Act, SBA may make long-term loans to non-agricultural enterprises, regardless of size, which are major sources of employment in stricken areas and have substantially ceased operations as a result of the disaster. The definition of a major source of employment and other details of the program are available from the SBA disaster office.

#### FLOOD INSURANCE

All SBA disaster loans to restore or replace real or personal property which is, or will be, located within a special flood hazard area must be covered by Federal Flood Insurance before any loan funds can be disbursed. If the community where the property is located is not participating in the flood insurance programs, such loans will not be approved.

#### DISASTER DECLARATIONS

The Administrator of SBA may declare an area to be a disaster area as the result of storms, floods, and other catastrophies. The President may also declare the disaster site a "major disaster area". The above guidelines apply in either type of disaster area. The provisions of the State Grant Program (see below) are only available in a Presidentially declared "major disaster area".

#### STATE GRANT PROGRAM

Disaster legislation has provided a grant program to assist certain low-income disaster victims in "major disaster areas" to recover from a disaster. Disaster victims whose principal source of income is welfare or social security may be eligible for such assistance and should contact an SBA or other disaster office for more information.

#### SPECIAL NOTE

SBA does not contract with repair persons or construction concerns. Any contract entered into is the responsibility of the disaster victim. Licensing standards, if any, are imposed by local authorities and not by the Small Business Administration.

#### HOW TO APPLY

The completed disaster loan application should be signed, dated and submitted to SBA along with the materials checked below. Incomplete applications may delay processing.

- ☐ Itemized estimates of the cost to repair/replace damaged real estate, household furnishings, vehicles, machinery and equipment, mobile homes and business inventory. (Contractor estimates are preferred, but not required for real estate damages.)
- ☐ Complete copy of most recently filed Federal Income Tax Return. (Businesses should submit copies for the last 2 years.)
- ☐ Copy of property deed and/or title and registration for damaged vehicles/mobile homes.
- ☐ Copy of any applicable insurance policy and proof of settlement.
- ☐ Detailed listing of all notes, contracts and mortgages payable - giving all data requested in Section 12 of SBA Form 5. (Business loans only)
- ☐ Personal History Statement (SBA Form 912) and Personal Financial Statement (SBA Form 413) on proprietor, partners, or all officers and directors and any person owning 20% or more of a business. (Business loans only)
- ☐ A brief history of the business. (Business loans only)
- ☐ Copies of rental or lease agreements.
- ☐ Copies of Corporation's Charter, Articles of Incorporation and Certificate of Good Standing. (Business loans only)
- ☐ Board of Directors Resolution (SBA Form 160) or Partnership Agreement. (SBA Form 160A) (Business loans only)
- ☐ Detailed Balance Sheets, Profit and Loss Statements and complete Federal Income Tax Returns for the 2 most recent years on all affiliated companies. (Business loans only)
- ☐ (Other) \_\_\_\_\_  
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# Fact Sheet

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## PHYSICAL DISASTER LOAN PROGRAM

Note: This fact sheet is intended merely to outline in general terms the circumstances under which SBA may make a disaster loan. Details of eligibility, size of loan, allowable relocation, amount of re-financing, and other disaster loan needs should be discussed with the people in the nearest SBA office.

The following provisions apply to all physical disaster areas, whether declared by the Small Business Administration or declared to be a "major disaster" by the President.

## GENERAL

### INTEREST RATES

By law, interest rates on all SBA disaster loans are based on a formula which considers the cost of money to the Federal Government.

Disaster victims can determine the current interest rates by contacting the local SBA disaster office.

### LOAN PURPOSES

The purpose of these loans is to restore a victim's home or homes (including a mobile home used as a residence of the applicant) or business property, as nearly as possible, to predisaster condition. This includes furniture and other eligible household effects or personal property in a residence, and inventory, furniture, fixtures, machinery, equipment, and leasehold improvements in a business structure.

### INELIGIBLE PURPOSES

SBA disaster loan funds may NOT be used to replace extraordinarily expensive or irreplaceable items such as antiques, coin and stamp collections, rare paintings, book collections, extensive wardrobes, etc.

### WHO IS ELIGIBLE

Most home or property owners, residential tenants, farmers, businesses of any size, religious, charitable, or nonprofit organizations are eligible for SBA disaster loan assistance to repair or replace physically damaged or destroyed property.

### EVIDENCE OF LOSS

Only those persons who sustained the loss, those who owned the damaged or destroyed property at the time of the disaster, are eligible for financial assistance. In establishing ownership, SBA considers beneficial as well as legal title, including hold-harmless agreements in leases having flow-age easement, assumption of loss provisions, change in ownership, and other pertinent factors. Therefore, copies of deeds, purchase contracts,