

## **The Small Business Administration (SBA) in Disaster Response**

The Small Business Administration (SBA) has the authority to declare an agency-only disaster or can be included in a major presidential disaster declaration. Regardless of whether the declaration is agency-only or presidential, the same type of disaster loan assistance is available.

Often, there are disasters that may impact a limited number of counties or communities that would not qualify for a major presidential disaster declaration. When these events occur, the governor may seek assistance from SBA only. In order for the governor to request an SBA agency-only declaration, there must have been a local declaration for the emergency, a Governor's Declaration of Emergency, preliminary damage assessment information that indicates the event meets very specific criteria and certification from the governor of the need for the assistance. The SBA declaration criteria is as follows:

**"A combination of at least 25 homes and or businesses in any county or political subdivision must have sustained uninsured losses equal to 40 percent or more of their estimated fair market value." For example: a \$50,000 home must have sustained approximately \$20,000 in damages to be included. Please note, based on the criteria listed, flooding in basements that does not cause structural damage to the foundation typically would not be included because the damage does not meet or exceed the 40 percent amount of damage to the value of the structure.**

Once SBA has received the governor's request and completed their on-site survey of the damaged areas, a decision is usually provided within one week regarding the eligibility of the state for the SBA agency-only disaster loan program. If the state qualifies for the assistance, SBA may establish a temporary office in a county most central to the impacted areas. The duration of the temporary office is usually two weeks but can be extended depending upon the number of visitors requesting assistance. In the case of an agency-only declaration, the governor has routinely made the State Individual Assistance Grant Program available as well. Staff from the state program routinely co-locate with SBA to address the needs of those homeowners and renters who do not qualify for the SBA loan program.

In the event the disaster is widespread, includes multiple counties and the governor seeks a presidential disaster declaration, the process is different. Based on analysis of initial damage assessment information received, the governor requests the Federal Emergency Management Agency (FEMA) to conduct a joint local/state/federal preliminary damage assessment (PDA) in the affected areas. FEMA coordinates with SBA to ensure they have representation during the joint PDA. If FEMA issues a major presidential disaster declaration, then SBA will automatically be included as a federal disaster assistance program.

Whether an agency-only or presidential disaster declaration, the SBA provides low-interest disaster loans to eligible homeowners, renters and business owners for uninsured and underinsured losses caused by a declared disaster. To qualify for the loan program, applicants must be able to financially assume a disaster loan. Once declared by SBA, the process to seek assistance from SBA is simple. Upon request, SBA issues an application packet. The applicant completes and submits the loan packet which includes detailed information about income and debts. SBA then verifies the

information provided. SBA can complete the process and can have an application approved within two or three weeks, depending upon whether all information requested was provided.

The amount of SBA loans is dependent upon two factors: the amount of verified loss and the ability to repay the amount requested. SBA has two interest rates for the disaster loan program. The rates are approximately 4 percent if credit is not available elsewhere and 8 percent if credit is available elsewhere. However, the majority of loans are issued at the lower rate. The basis for SBA determining which rate is assigned is whether the applicant has the ability to seek and be approved for a loan elsewhere, such as a commercial lending institution. If an applicant could qualify for a commercial loan from a source other than SBA, the interest rate would be the higher of the two. Federal law requires SBA to determine if an applicant can get credit elsewhere.

The terms for repayment of the loans for both home/personal property and business categories can be written for up to thirty (30) years. The maximum amount available to a homeowner is \$240,000 which is \$200,000 for structural repair or replacement and \$40,000 for personal property replacement; \$40,000 for personal property replacement for renters; and up to \$1.5 million to qualified businesses for physical disaster loans. Loans for homeowners and businesses may be increased up to an additional 20% for mitigation measures on structures.

The SBA agency-only disaster loan program has been very beneficial to the citizens of Ohio. Since July 2001, there have been four agency-only declarations. The declaration for the July 2001 southern Ohio floods that impacted **Butler**, Clermont, Hamilton and Warren resulted in SBA loans totaling \$7,829,300; the Lorain County Fire of March 2002 saw SBA approving personal property loans totaling \$957,200; the March 2002 floods in southern Ohio that included applications from Gallia, Lawrence, Jackson, and Scioto resulted in SBA loans totaling \$504,400 and the recent Stark County has resulted in one approved loan to date for \$10,000.

Information pertaining to the SBA is available from the SBA website, [www.sba.gov](http://www.sba.gov). Information about the PDA process and SBA criteria can be found in the *Natural Disaster Damage Assessment for Local Government* (January 1998) which is available from the Ohio EMA Disaster Recovery branch.