

SBA LOAN ASSISTANCE

This resource provides an overview of some legal issues individuals may face after a disaster. This material was drafted in January 2025 and we cannot guarantee that all information is current. This resource will not answer all of your questions. It is designed to set out some of the issues you may have to consider, to help you understand the basics about each issue, and to point you in the right direction for help. Much of the information is general, and you may need to contact legal aid organizations or federal, state, city, or county officials to obtain more specific information and advice. This resource was prepared by various law firms, legal aid organizations, and other nonprofit organizations as a free resource. Although the authors hope that it will be helpful by providing background material, we cannot warrant that it is accurate or complete, particularly since circumstances may change. It is not intended to constitute legal advice and should not be relied on as legal advice. Readers should seek tailored advice from their own legal counsel. If you cannot afford to hire a lawyer, you can contact (888) 382- 3406 for referral to a nonprofit legal aid organization.

OVERVIEW

What is the SBA?

Despite its name, when it comes to federally declared disaster areas, the U.S. Small Business Administration (SBA) is one of the key federal agencies that assists homeowners and renters, businesses of all sizes, and private non-profit organizations, in each case, by providing low-interest, long-term loans to (1) repair or replace real estate, personal property, machinery, equipment, and inventory and business assets that are damaged or destroyed by a declared disaster; or (2) offset economic injuries. For more information, see <https://www.sba.gov/funding-programs/disaster-assistance>.

SBA loans are made for uninsured or otherwise uncompensated disaster losses. The SBA does not duplicate benefits that have already been received from other governmental agencies or private insurance companies (with the possible exception of insurance proceeds that are required to be applied against outstanding mortgages). Applying for an SBA loan does not preclude you from applying for and receiving assistance from other federal disaster assistance programs for which you may be eligible (e.g., FEMA assistance program(s) – <https://www.fema.gov/assistance>).

SBA loans are made on a non-discriminatory basis and without regard to an applicant's age. For more information, see <https://www.sba.gov/> and <https://www.disasterassistance.gov/get-assistance/find-assistance>.

What kinds of loans does the SBA provide?

The SBA provides three types of disaster loans:

1. **Home and Personal Property Loans (HPPL):** These loans are available for homeowners, renters, and owners of personal property to repair or replace uninsured damage or loss of property for primary residences and personal property (including automobiles) owned by the victims of a declared disaster.
<https://www.sba.gov/funding-programs/disaster-assistance/physical-damage-loans#section-header-0>;
<https://disasterloanassistance.sba.gov/ela/s/article/Home-and-Personal-Property-Loans>
2. **Business Physical Disaster Loans (BPD):** These loans are available to businesses (regardless of size) and non-profit organizations to repair or replace disaster damage or loss of property, including real estate, machinery, equipment, fixtures, inventory, and leasehold improvements that were lost or damaged as a result of a declared disaster.
<https://www.sba.gov/funding-programs/disaster-assistance/physical-damage-loans#section-header-17>;
<https://disasterloanassistance.sba.gov/ela/s/article/Business-Physical-Disaster-Loans>
3. **Economic Injury Disaster Loans (EIDL):** These loans provide working capital to eligible small businesses, small agricultural cooperatives, small businesses engaged in aquaculture, and private non-profit organizations to assist them through the disaster recovery period. The loans can be used to cover financial obligations and operating expenses (as opposed to physical damage) that the small business would have paid if the disaster had not occurred. The loan amount is determined based on financial need and actual economic injury regardless of whether the business suffered any property damage.
<https://www.sba.gov/funding-programs/disaster-assistance/economic-injury-disaster-loans>;
<https://disasterloanassistance.sba.gov/ela/s/article/Economic-Injury-Disaster-Loans>

What does the SBA look for when considering a disaster loan applicant?

The SBA looks at two principal factors when determining disaster loan eligibility: (i) there must be a reasonable assurance that you can repay the loan (based on SBA's analysis of your credit or personal or business cash flow); and (ii) you must have satisfactory character. The SBA will reject an application if repayment of such loan depends on the sale of collateral through foreclosure or any other disposition of assets. The SBA is prohibited by statute from making a loan if you are engaged in the production or distribution of any product or service that is has been determined to be obscene by a court.

SBA LOAN ASSISTANCE

If you have not complied with the terms of a prior SBA loan, you will likely be ineligible for another SBA loan. For example, this includes borrowers who did not maintain flood and/or hazard insurance as required by a prior SBA loan.

Are there restrictions on how disaster loans can be used?

You may use SBA physical disaster loans only to restore or replace a primary residence (including a mobile home used as a primary residence) and personal or business property, in each case, as nearly as possible to their condition before the disaster occurred, and within certain limits, to protect damaged or destroyed real property from possible future similar disasters. Physical damage loans may only be used for specific and designated purposes. The SBA requires that you obtain receipts and maintain good records of all loan expenditures (including copies of all contracts and receipts) as you restore your damaged property and that you keep these receipts and records for three years from your final disbursement. *(Note: If SBA loan proceeds are misused, you must immediately repay 1.5 times the proceeds disbursed to you under the loan. You may also face criminal prosecution or a civil or administrative action.)*

Does the SBA charge any fees for obtaining a disaster loan?

The SBA does not charge points, closing, or servicing fees for any disaster loan, but you will be responsible for the payment of any closing costs owed to third parties with regard to these loans, such as recording fees and title insurance premiums. If your loan is made with a participating financial institution, the SBA will charge a guarantee fee to the financial institution, which may then recover that fee from you.

Is insurance required to get a loan?

Typically, yes. If you receive a loan from the SBA, they will require you to obtain and maintain appropriate insurance. By law, SBA borrowers whose damaged or collateral property is located in a special flood hazard area must purchase and maintain flood insurance. The SBA requires that flood insurance coverage be the lesser of (1) the total of the disaster loan, (2) the insurable value of the property, or (3) the maximum insurance available.

Should I wait for my insurance settlement before I apply to the SBA?

No. While you must **file** a claim with your private insurance company **before** applying for federal assistance, you should apply for federal assistance immediately after your private insurance company claim has been filed.

<https://www.disasterassistance.gov/get-assistance/find-assistance>

Do not miss the SBA filing deadline by waiting for an insurance settlement to arrive. Final insurance information can be added to the SBA application after an insurance settlement payment is received. The SBA can approve a loan for the total replacement cost up to the SBA's lending limits (described below for each type of loan). Once your insurance settles and makes a payment, if there is a duplication of benefits, the SBA will apply those duplicate funds as a prepayment toward the outstanding balance of your SBA loan.

What do I need to do before I apply for an SBA loan?

If you are an individual homeowner, renter, or owner of personal property applying for an HPPL, you must first register with FEMA and obtain a nine-digit FEMA registration number. To register with FEMA, you or another member of your household (adult or minor) must have a Social Security number and be a U.S. citizen, non-citizen national, or "qualified alien." You can obtain a FEMA registration number by calling FEMA toll free at (800) 621-FEMA / (800) 621-3362 (TTY: (800) 462-7585), seven days a week from 7:00 a.m. – 10:00 p.m. ET, or by registering online at www.DisasterAssistance.gov, which is the quickest way to register with FEMA.

After registering with FEMA, you can then apply directly with the SBA for an HPPL and other disaster assistance loans.

How do I apply for an SBA loan?

There are three ways to apply for an SBA disaster assistance loan:

1. **Online:** You can apply online for all three types of SBA disaster assistance loans. This is the fastest way to receive a decision about loan eligibility. The online application can be found on the SBA's secure website at <https://www.sba.gov/funding-programs/disaster-assistance>.
2. **By mail:** You can submit a paper application by mail. Printable paper forms of the Disaster Home Loan Application can be found at <https://www.sba.gov/document/sba-form-5c-disaster-home-loan-application>, and for the Disaster Business Loan Application at <https://www.sba.gov/document/sba-form-5-disaster-business-loan-application>. All required forms listed on the website must be signed and dated and returned to U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Rd., Ft. Worth, TX 76155-2243.
3. **In person:** You can apply in person at any open FEMA Disaster Recovery Center, where you can receive personal, one-on-one help from an SBA representative. <https://egateway.fema.gov/ESF6/DRCLocator>

SBA LOAN ASSISTANCE

Regardless of whether you submit your application online, by mail, or in person, you must submit a signed and dated IRS Form 4506-C to give permission to the IRS to provide the SBA with your tax return information. The IRS Form 4506-C must be completed and submitted with each SBA disaster loan application, even if you are not required to file a federal income tax return. This form can be found at <https://www.sba.gov/document/support-instructions-completing-irs-form-4506-c-sba-disaster-loan>.

If you need assistance in completing the SBA loan application, you may call the SBA toll-free at (800) 659-2955 (TTY: (800) 877-8339), Monday through Friday from 8:00 a.m. – 8:00 p.m. ET, email the SBA at disastercustomerservice@sba.gov, or seek the assistance of SBA loan officers at FEMA Disaster Recovery Centers or Local Assistance Centers <https://egateway.fema.gov/ESF6/DRCLocator>.

Will the SBA conduct a property inspection?

Yes, for HPPLs and BPDs, after the SBA has reviewed your credit history, it will send an inspector to your property to verify your losses. The SBA inspector will estimate the total physical loss to your disaster-damaged property.

How soon will I know if I qualify for a loan?

The SBA's goal is to decide each application within four weeks from the date the SBA receives a complete application. **(Please note that missing information on an application is often a major cause of delay, so take steps to ensure your application is complete or to address any SBA requests for information necessary for it to deem your application complete.)** To make a loan, the SBA must finalize the estimate of the cost of repairing the damage, be satisfied that the business or individual can repay the loan, and put in place reasonable safeguards to help ensure that the loan is repaid.

What happens if my loan application is denied?

If the SBA denies your loan application, the SBA will notify you in writing and set forth the specific reasons for the denial. Within six months of the date of the denial notice, you may request reconsideration of your application. After six months, a new loan application is required. If the SBA denies your application a second time, you have the right to appeal in writing to the director of the Disaster Assistance Processing and Disbursement Center (DAPDC). All appeals must be received by the processing center within 30 days after the second application has been denied. Generally, decisions by the director of the DAPDC are final.

Denied SBA loan applicants will be referred to FEMA for disaster assistance.

What happens if I miss the filing deadline?

It is very important not to miss the SBA's filing deadline. Applications received after the filing deadline may be accepted only if the SBA determines that the late filing resulted from substantial causes beyond your control, such as a serious illness, serious illness or death of an immediate family member, late receipt of an application due to disaster-related reasons (e.g., frequent moves, remote location, or lack of normal mail service), you were out of the country during a substantial portion of the filing period, damages were hidden and not discovered before the deadline, or other issues during the filing period prevented you from making a timely filing. When submitting an application after the deadline, you should include a letter explaining the reasons why you did not file during the filing period (or the grace period, if applicable). If the reason is deemed by the SBA to be beyond your control, the SBA might accept your application for processing.

What are the consequences of defaulting on an SBA loan?

Defaulting on an SBA loan has similar consequences to defaulting on any other personal or business loan, including negative repercussions on your credit score. You should carefully read all loan disclosure statements and documents provided by the SBA before signing your loan papers.

Where can I get more information about SBA loans?

The SBA releases disaster-specific fact sheets containing information about applicable loan interest rates, deadlines, and other program information specific to that disaster and region. The SBA issues and posts press releases to provide information on available disaster assistance in the disaster-affected areas. These fact sheets and press releases are available at the SBA website and can be found using the search function at <https://lending.sba.gov/search-disaster/>.

HOME AND PERSONAL PROPERTY LOANS

Am I eligible to apply for a Home and Personal Property Loan?

You may be eligible for an HPPL SBA loan if (1) you are a homeowner, renter, or owner of personal property; (2) you have satisfactory credit and character; and (3) the SBA determines you will be able to repay the loan. Generally, home loans over \$50,000 must be secured by collateral to the extent possible. The SBA will not decline a loan if you lack a

SBA LOAN ASSISTANCE

particular amount of collateral, if it is reasonably certain you can repay your loan. But if you refuse to pledge available collateral when requested by the SBA, the SBA may decline or cancel your loan. A first or second mortgage on damaged real estate is commonly used as collateral for an SBA disaster loan. For more information, see <https://www.sba.gov/funding-programs/disaster-assistance/physical-damage-loans>.

What are the amounts of HPPLs?

Loans to repair or replace personal property, such as clothing, furniture, cars, and appliances, are available up to \$100,000 and real property loans to repair or replace your primary residence are available up to \$500,000. Loan amounts cannot exceed the verified uninsured or otherwise uncompensated disaster loss. The amount of each loan depends on individual facts and circumstances, including your ability to repay the loan and your past history with the SBA. For example, if you did not comply with the terms of a prior SBA loan, you likely will not be eligible for another SBA loan. This includes borrowers who did not maintain flood and/or hazard insurance as required by a previous SBA loan.

What interest rate will I pay on my HPPL? What are the repayment terms?

If you can obtain credit elsewhere, your interest rate will not exceed 8.00%. If you are unable to obtain credit elsewhere, your interest rate will not exceed 4.00%. The SBA will determine whether you can obtain credit elsewhere.

The term of the loan will be determined by the SBA based on your needs and your ability to repay the loan. The maximum term is 30 years. The SBA will determine your installment payment amounts based on your ability to repay. Generally, you will pay equal monthly installments of principal and interest, with the first payment deferred and no interest accrual for the first 12 months. The SBA will consider other payment terms if you have seasonal or fluctuating income, and it may allow installment payments of varying amounts over the first two years of the loan. There is no penalty for prepayment of home disaster loans.

Are there any limitations on the use of an HPPL?

Yes. An HPPL is intended to help you return your property to the same condition it was in before the disaster. The loans may not be used to upgrade homes or make additions, unless required by a local building authority or code. Your loan authorization from the SBA will specify the permitted uses of the loan proceeds, and you will be required to maintain records of all HPPL expenditures for three years.

Exclusions: The following types of property are ineligible for an HPPL: second homes, personal pleasure boats, airplanes, recreational vehicles, and similar property (unless used for business purposes, in which case you may be eligible for a BPD or EIDL as described further below). Property such as antiques and collections are eligible only to the extent of their functional value. Amounts for landscaping, swimming pools, etc., are limited.

Is there help with funding mitigation improvements?

Possibly, depending on the nature of the improvements. Your HPPL may be eligible for an additional loan amount of up to 20% of the total amount of physical damage to real property (including leasehold improvements) and personal property, as verified by the SBA to a maximum of \$200,000, to make improvements that will protect the property against future damage. You do not need to submit a description of improvements and cost estimates with your application, but SBA approval of the mitigating measures will be required before any loan increase.

I already have a mortgage on my home. I cannot afford to pay off a disaster loan in addition to my current mortgage payment. Can the SBA refinance my mortgage?

In certain cases, yes. The SBA can refinance all or part of prior mortgages, as evidenced by a recorded lien, provided you: (1) do not have credit available elsewhere; (2) have suffered substantial damage not covered by insurance (40% or more of the home's market value or replacement cost at the time of the disaster, including land value, whichever is less; or 50% or more of its market value or replacement cost at the time of the disaster, not including land value, whichever is less); and (3) intend to repair the damage. Homeowners may be eligible for refinancing of existing mortgages or liens on homes up to the amount of the loan for the real estate repair or replacement. An SBA disaster loan officer can provide more detailed information on your specific situation.

If my home is completely destroyed, can the SBA lend me money to relocate somewhere else?

You may be able to use your SBA disaster loan to relocate. The amount of the relocation loan depends on whether you relocate voluntarily or involuntarily. If you are interested in relocation, an SBA representative can provide you with more details on your specific situation.

I am a farmer and my barns, fences, and some crops were damaged, as well as my home. Can I apply to the SBA for assistance?

You may apply for an HPPL to cover only the damage to your home and its contents. The SBA cannot cover agricultural losses. Contact the U.S. Department of Agriculture for recovery assistance for your farm at www.usda.gov.

SBA LOAN ASSISTANCE

What information should I include with my HPPL application?

The necessary information is specified in the Disaster Home Loan Application (SBA Form 5c) and includes (among other things) your contact information, Social Security number, FEMA registration number, deed or lease information, insurance information, and financial information (e.g., income, account balances, and monthly expenses). In addition to the loan application, you must complete and sign the Tax Information Authorization Form (IRS Form 4506-T) to give permission to the IRS to give your federal tax information directly to the SBA, including information from your last three federal income tax returns. See the **How do I apply for an SBA loan?** section of this chapter.

BUSINESS PHYSICAL DISASTER LOANS

Is my business or non-profit organization eligible for a BPDL?

Almost all businesses and charitable or other non-profit entities located in a declared disaster area that have incurred damage to real or tangible personal property (e.g., real estate, equipment, inventory, machinery, fixtures, and leasehold improvements) as a result of the disaster may apply for an SBA loan to help repair or replace the damaged property. Your business may be a sole proprietorship, partnership, corporation, limited liability company, or other legal entity recognized under California law. The size of your business (average annual receipts or number of employees) will not be taken into consideration in determining your eligibility for a BPDL. Private, non-critical, non-profit organizations such as charities, churches, private universities, food banks, homeless shelters, museums, libraries, community centers, etc., are also eligible for BPDLS. Private non-profit organizations that provide critical services are referred to FEMA. "Critical services" include power, water, sewer services, wastewater treatment, communications, education, emergency medical care, fire department services, emergency rescue, and nursing homes.

BPDLS in excess of \$50,000 require that you pledge collateral (including real estate) to the extent available. The SBA will not decline a loan if you lack a particular amount of collateral, if it is reasonably certain you can repay your loan. But if you refuse to pledge available collateral when requested by the SBA, the SBA may decline or cancel your loan. In addition, personal guarantees by the principals of a business are required for all BPDLS.

For more information, see <https://www.sba.gov/funding-programs/disaster-assistance/physical-damage-loans>.

What are the amounts of BPDLS?

BPDLS are generally capped at \$2 million, and loan amounts cannot exceed the verified uninsured or otherwise uncompensated disaster loss. Although you may receive both a BPDL and an EIDL, the combined assistance is capped at \$2 million for the business and its affiliates for each disaster. The SBA can waive this cap in certain circumstances (for example, if the business is a major source of employment).

What interest rate will I pay on my BPDL? What are the repayment terms?

If your business can obtain credit elsewhere, your interest rate will not exceed 8.00%. If your business is unable to obtain credit elsewhere, your interest rate will not exceed 4.00%. The SBA will determine whether you can obtain credit elsewhere.

The interest rates are fixed. The term of the loan will be determined by the SBA based on your needs and your ability to repay the loan, but it cannot exceed seven years if you can receive credit elsewhere. Otherwise, the repayment term may be up to 30 years.

Generally, you must pay equal monthly installments that include both principal and interest, with the first payment deferred and no interest accrual for the first 12 months. The SBA will consider other payment terms if you have seasonal or fluctuating income, and the SBA may allow installment payments of varying amounts over the first two years of the loan. There is no penalty for prepayment of disaster loans.

Are there any limitations on the use of a BPDL?

Yes. Physical disaster loans are to be used to repair or replace damaged real and personal property to restore it to pre-disaster condition and, under certain conditions, to protect structures from future disasters. Proceeds from the loan can be used to cover items such as real property, machinery, equipment, fixtures, inventory and leasehold improvements. BPDLS to repair or replace real property or leasehold improvements may be increased by as much as 20% to protect the damaged property against possible future disasters of the same type.

A BPDL will only be made for specific and designated purposes, and you will be required to keep records of all BPDL expenditures for three years.

Exclusions: Second homes, personal pleasure boats, airplanes, recreational vehicles, and similar property are *not* eligible for a BPDL unless you can demonstrate that they were used for business purposes. SBA funds cannot be used to expand or upgrade a business, unless city or county building authorities and codes require such upgrades.

SBA LOAN ASSISTANCE

I already have a mortgage or other lien on my business's real estate or other assets, and I can't afford to pay off a disaster loan and my current loan at the same time. Can the SBA refinance my current loan?

In certain cases, yes. The SBA can refinance all or part of prior mortgages or liens on real estate, machinery and equipment that are evidenced by a recorded lien, if you (1) do not have credit available elsewhere; (2) have suffered substantial uncompensated disaster damage (40% or more of the value of the property or 50% or more of the value of the structure); and (3) intend to repair the damage. Business owners may be eligible for refinancing of mortgages or liens on real estate, machinery, and equipment up to the amount of the loan for the repair or replacement of such real estate, machinery, and equipment. An SBA disaster loan officer can provide more detailed information on your specific situation.

What information should I include with my BPD application?

The BPD application form asks for the same information about your business and its principal owners and managers as is generally required for a bank loan. The required information is specified in the loan application and includes (i) Business Loan Application (SBA Form 5); (ii) a separate IRS Form 4506-C signed by the business, each principal owning 20% or more of the applicant business, each general partner or managing member, and any owner who has more than a 50% ownership in an affiliate business (affiliates include parents, subsidiaries, and/or businesses with common ownership or management); (iii) a complete copy of the business's recent federal income tax returns (including all schedules); and (iv) a schedule of liabilities listing all fixed debts (SBA Form 2202 may be used). The SBA may also request (a) a complete copy of the most recent federal income tax returns (including all schedules) of each principal owning 20% or more of the business, each general partner or managing partner, and each affiliate when the owner has more than 50% ownership; (b) if the most recent federal income tax return has not been filed, a year-end profit and loss statement and balance sheet for the tax year; (c) a current year-to-date profit and loss statement; and (d) additional filing requirements (SBA Form 1368), including providing monthly sales figures.

Am I required to submit a personal financial statement with my BPD application?

Yes. The SBA must review your personal financial statements and the financial statements for each partner, officer, director, and stockholder with 20% or more ownership. The SBA requires the principals of the business to personally guarantee repayment of the loan and, in some instances, to secure the loan by pledging additional collateral.

ECONOMIC INJURY DISASTER LOANS FOR SMALL BUSINESSES

Is my business eligible for an EIDL?

Your business may be eligible for an EIDL if the following conditions are met:

1. When the declared disaster commenced, your business is a small business, small agricultural cooperative, small business engaged in aquaculture, or a private non-profit organization of any size (under most circumstances);
2. Your business has suffered "substantial economic injury" (defined on the next page) as a result of the disaster, regardless of physical damage;
3. Your business is located in a declared disaster area or in a jurisdiction located next to a disaster area. <https://lending.sba.gov/search-disaster/>; and
4. The business and its principals do not have credit available and are unable to obtain credit elsewhere as determined by the SBA.

The SBA defines a "**small business**" either in terms of the average number of employees over the past 12 months or average annual receipts over the past three years. In addition, the SBA defines a small business as a concern that:

- (i) is organized for profit;
- (ii) has a place of business in the United States;
- (iii) operates primarily within the United States or makes a significant contribution to the U.S. economy through payment of taxes or use of American products, materials, or labor;
- (iv) is independently owned and operated; and
- (v) is not dominant in its field on a national basis.

The business may be a sole proprietorship, partnership, corporation, or any other legal form. In determining what constitutes a small business, the definition varies to reflect industry differences, such as size standards. For industry size guidelines, see <https://www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards>.

Certain categories of businesses are **not** eligible for an EIDL. These include some non-profits, religious organizations, businesses that derive one-third of their annual income from legal gambling, and agricultural enterprises (other than small nurseries and small agricultural cooperatives). Individuals are **not** eligible for EIDLs.

SBA LOAN ASSISTANCE

The SBA defines “**substantial economic injury**” as the inability of a business to meet its obligations as they come due or to pay its ordinary and necessary operating expenses due to the disaster. Loss of anticipated profits or a drop in sales is not sufficient to establish substantial economic injury. Indicators of economic injury might be a larger than normal volume of receivables, a lower sales volume, or the development of delinquencies in debt payments.

Your business must be located in a declared disaster area or certain counties or other political subdivisions that are contiguous to a declared disaster area.

EIDL working capital loans are meant to help eligible businesses meet their ordinary and necessary financial obligations that cannot be met as a direct result of the disaster and are intended to assist through the disaster recovery period. If the amount of the EIDL loan is over \$50,000, you will be required to pledge collateral (including real estate) to the extent available. The SBA will not decline a loan if you lack a particular amount of collateral, if it is reasonably certain you can repay your loan. But if you refuse to pledge available collateral when requested by the SBA, the SBA may decline or cancel your loan. In addition, the SBA requires the principals of the business to personally guarantee repayment of the loans.

For more information, see <https://www.sba.gov/funding-programs/disaster-assistance/economic-injury-disaster-loans>.

If I can borrow from a bank, am I still eligible for an EIDL?

Private credit sources must be used as much as possible to overcome the economic injury. The SBA can provide EIDL assistance only to the extent the business (and its principals) cannot recover by using its own resources and normal lending channels with non-governmental sources.

What are the amounts of EIDLs?

EIDLs are generally capped at \$2 million, and loan amounts cannot exceed the verified uninsured or otherwise uncompensated disaster loss. Although you may receive both a BPD and an EIDL, the combined assistance is capped at \$2 million for the business and its affiliates for each disaster. The SBA can waive this cap in certain circumstances (for example, if the business is a major source of employment).

You may request an EIDL for the amount of economic injury and operating needs, but not in excess of what your business could have paid had the disaster not occurred. In determining the eligible amount, the SBA will look at (1) the total of your debt obligations; (2) operating expenses that mature during the period affected by the disaster, plus the amount you need to maintain a reasonable working capital position during that period; and (3) expenses you could have met and a working capital position you could have maintained had the disaster not occurred.

The amount of your economic injury does not automatically represent the dollar amount of your loan eligibility; the actual amount of each loan is limited to the economic injury determined by the SBA less business interruption insurance and other recoveries up to the administrative lending limit.

What interest rate will apply to my EIDL? What are the repayment terms?

Your interest rate will not exceed 4.00%.

The maximum term of an EIDL is 30 years. The actual term will be determined by the SBA based on your business needs and your ability to repay the loan. The SBA will determine your installment payment amounts based on your ability to repay. Generally, you will pay equal monthly installments of principal and interest, with the first payment deferred and no interest accrual for the first 12 months.

Are there any limitations on the use of an EIDL?

Yes. An EIDL is intended to help you maintain a secure financial condition until your business is back to normal by, for example, providing operating funds until your business recovers. You may use an EIDL to make payments on short-term notes, accounts payable, and installment payments on long-term notes to the extent you could have made these payments had the disaster not occurred. Your loan will be made for specific and designated purposes, and you will be required to keep records of all EIDL expenditures for three years.

You may **not** use EIDL funds to (1) pay cash dividends or other disbursements to owners, partners, officers, or shareholders not directly related to the performance of services for the business; (2) refinance long-term debts or provide working capital that was needed by the business prior to the disaster; (3) make payments on loans owed to another federal agency or Small Business Investment Company (as defined by the Small Business Investment Act); (4) pay any obligations resulting from a federal, state, or local tax penalty (resulting from negligence or fraud) or any non-tax criminal fine, civil fine, or penalty for non-compliance with a law or regulation; or (5) repair physical damage.

What documents should I use to show my losses when applying for an EIDL?

To enable the SBA to compare your financial condition and operating results before the disaster with those during and after the disaster, you must furnish balance sheets and operating statements for both pre-disaster and post-disaster

SBA LOAN ASSISTANCE

periods of time. The specific requirements are contained in the EIDL application form and include (i) Business Loan Application (SBA Form 5); (ii) a separate IRS Form 4506-C signed by the business, each principal owning 20% or more of the applicant business, each general partner or managing member, and each affiliate when any owner has more than a 50% ownership in the affiliate business (affiliates include parents, subsidiaries, and/or businesses with common ownership or management); (iii) a complete copy of the business's three most recent Federal income tax returns (including all schedules); (iv) a schedule of liabilities listing all fixed debts (SB Form 2202 may be used); and (v) additional filing requirements (SBA Form 1368), including providing monthly sales figures. The SBA may also request (a) a complete copy of the most recent federal income tax returns (including all schedules) of each principal owning 20% or more of the business, each general partner or managing partner, and each affiliate when the owner has more than 50% ownership; (b) if the most recent federal income tax return has not been filed, a year-end profit and loss statement and balance sheet for the tax year; and (c) a current year-to-date profit and loss statement.

Am I required to submit a personal financial statement with my loan application?

Yes. The SBA must review your financial statement and the financial statements of each partner, officer, director, and stockholder with 20% or more ownership in your business. The SBA requires the principals of the business to personally guarantee repayment of the loan and, in some instances, to secure the loan by pledging additional collateral.