

DISASTER RELIEF FOR BUSINESSES

Small Business Administration Loans

The U.S. Small Business Administration (the “SBA”) provides long-term, low-interest loans to businesses and non-profit organizations affected by the severe storms and tornadoes in Alabama. There are two categories of SBA loans for businesses: Physical Disaster Loans and Economic Injury Disaster Loans.

Physical Disaster Loans

Businesses of any size as well as private non-profit organizations such as charities, churches, private universities, hospitals, etc. are eligible.

These loans are for the repair and replacement of disaster-damaged property including real estate, machinery, equipment, inventory and other business assets. The loan money must be spent to return the property to its pre-disaster condition, not to upgrade or expand the business. In certain cases, SBA loan money can be used to relocate a business. A business may receive a loan in the amount of the uninsured loss, up to \$2,000,000. The approved loan may be increased by up to 20% of the total damage to provide funds for the implementation of mitigation measures to help protect the business from a future disaster. Collateral is required for loans over \$14,000. The SBA will not deny a loan because of lack of collateral, but you must pledge what is available.

Interest rates can be as low as 4 percent for applicants who do not have “credit available elsewhere,” and, in some cases, SBA can refinance existing loans. Generally, 90 percent of applicants do not have credit available elsewhere and are eligible for the lowest rate. The maximum loan term for applicants without credit available elsewhere is 30 years.

Economic Injury Loans

Small businesses as well as certain private non-profit organizations are eligible.

An Economic Injury Disaster Loan (“EIDL”) is a working capital loan available to eligible small businesses and certain private, non-profit organizations of all sizes that cannot meet their current obligations because of the disaster. These loans may be awarded only to the extent that the business cannot obtain necessary funds elsewhere. A business may receive a loan in the amount of the uninsured loss, up to \$2,000,000. Interest rates depend on the type of business and the availability of credit elsewhere and range from 3 to 4 percent. Collateral is required for loans over \$5,000. The SBA will not deny a loan because of lack of collateral, but you must pledge what is available. The maximum loan term is 30 years.

The Application Process

1. Register with FEMA online at www.fema.gov or by calling 1-800-621-FEMA. This is recommended for all businesses. FEMA will then mail you a copy of the SBA Loan Application.
2. Collect the following documents and information that will be required for your application: itemized list of losses and estimate of replacement cost, copies of the last three federal income tax returns and the most recent federal income tax return for each affiliate, and personal and business financial statements.

3. Apply online at www.sba.gov or by mail. **You do not have to wait for an insurance settlement to apply for a SBA loan. The deadline to apply for Physical Disaster Loans is June 27, 2011. The deadline to apply for Economic Injury Disaster Loans is January 30, 2012.** A SBA Loan Verifier will visit you to determine the extent of your damage.
4. The SBA's review of your application will be similar to a bank's. The SBA will consider your credit history and ability to repay.
5. The SBA will make a decision on the loan within approximately 21 days. When a decision is reached, SBA will contact you and let you know what documents are needed to close the loan.