



# OREGON OFFICE OF EMERGENCY MANAGEMENT

## SBA Assistance FAQ for Businesses and Individuals

### **What are the Credit Requirements?**

Credit History – Applicants must have a credit history acceptable to SBA.

Repayment – Applicants must show the ability to repay all loans.

Collateral – Collateral is required for loans over \$25,000.

SBA takes real estate as collateral when it is available. SBA will not decline a loan for lack of collateral, but requires applicants to pledge what is available.

### **What are Loan Terms?**

The law authorizes loan terms up to a maximum of 30 years. However, the law restricts businesses with credit available elsewhere to a maximum 7-year term. SBA sets the installment payment amount and corresponding maturity based upon each borrower's ability to repay.

### **What are the Loan Amount Limits?**

#### Business Loans

The law limits business loans to \$2,000,000 for the repair or replacement of real estate, inventories, machinery, equipment and all other physical losses. Subject to this maximum, loan amounts cannot exceed the verified uninsured disaster loss.

#### Economic Injury Disaster Loans (EIDL)

The law limits EIDLs to \$2,000,000 for alleviating economic injury caused by the disaster. The actual amount of each loan is limited to the economic injury determined by SBA, less business interruption insurance and other recoveries up to the administrative lending limit. EIDL assistance is available only to entities and their owners who cannot provide for their own recovery from non-government sources, as determined by the U.S. Small Business Administration.

#### Business Loan Ceiling

The \$2,000,000 statutory limit for business loans applies to the combination of physical, economic injury, mitigation and refinancing, and applies to all disaster loans to a business and its affiliates for each disaster. If a business is a major source of employment, SBA has the authority to waive the \$2,000,000 statutory limit.

#### Home Loans

SBA regulations limit home loans to \$200,000 for the repair or replacement of real estate and \$40,000 to repair or replace personal property. Subject to these maximums, loan amounts cannot exceed the verified uninsured disaster loss.

### **What Restrictions are there on Loan Eligibility?**

#### Uninsured Losses

Only uninsured or otherwise uncompensated disaster losses are eligible. Any insurance proceeds which are required to be applied against outstanding mortgages are not available to fund disaster repairs and do not reduce loan eligibility. However, any insurance proceeds voluntarily applied to any outstanding mortgages do reduce loan eligibility.

### Ineligible Property

Secondary homes, personal pleasure boats, airplanes, recreational vehicles, and similar property are not eligible, unless used for business purposes. Property such as antiques and collections are eligible only to the extent of their functional value. Amounts for landscaping, swimming pools, etc., are limited.

### Noncompliance

Applicants who have not complied with the terms of previous SBA loans may not be eligible. This includes borrowers who did not maintain flood and/or hazard insurance on previous SBA loans.

### **Is There Help with Funding Mitigation (Future Loss Reduction) Improvements?**

If a loan application is approved, an applicant may be eligible for additional funds to cover the cost of improvements that will protect their property against future damage. Examples of improvements include retaining walls, seawalls, sump pumps, etc. Mitigation loan money would be in addition to the amount of the approved loan, but may not exceed 20 percent of total amount of physical damage to real property, including leasehold improvements, and personal property as verified by SBA to a maximum of \$200,000 for home loans. It is not necessary for the description of improvements and cost estimates to be submitted with the application. SBA approval of the mitigating measures will be required before any loan increase.

### **Is There Help Available for Refinancing?**

SBA can refinance all or part of prior mortgages that are evidenced by a recorded lien, when the applicant (1) does not have credit available elsewhere, (2) has suffered substantial uncompensated disaster damage (40 percent or more of the value of the property or 50% or more of the value of the structure), and (3) intends to repair the damage.

### Businesses

Business owners may be eligible for the refinancing of existing mortgages or liens on real estate, machinery and equipment, up to the amount of the loan for the repair or replacement of real estate, machinery, and equipment.

### Homes

Homeowners may be eligible for the refinancing of existing liens or mortgages on homes, up to the amount of the loan for real estate repair or replacement.

### **Are There Insurance Requirements for Loans?**

To protect each borrower and the Agency, SBA may require applicants to obtain and maintain appropriate insurance. By law, borrowers whose damaged or collateral property is located in a special flood hazard area must purchase and maintain flood insurance. 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.

### **What are the Interest Rates?**

By law, the interest rates depend on whether each applicant has Credit Available Elsewhere. An applicant does not have Credit Available Elsewhere when SBA determines the applicant does not have sufficient funds or other resources, or the ability to borrow from non-government sources, to provide for its own disaster recovery. An applicant, which SBA determines to have the ability to provide for his or her own recovery is deemed to have Credit Available Elsewhere. Interest rates are fixed for the term of the loan. Because interest rates vary with time and changes made by the Federal Reserve to Federal Funds Rate and other major factors influencing interest rates, we have not shown any interest rates on this webpage.

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