U.S. Small Business Administration

Disaster Area 1 Office
360 Rainbow Blvd. S.
Niagara Falls, New York 14303-1192
Phone: 1-800-659-2955

FACT SHEET ABOUT U. S. SMALL BUSINESS ADMINISTRATION DISASTER LOANS

Disaster: TEXAS/ 10005(physical) 10006 (eidl)
(DISASTER #TX-00001)

Incident: SEVERE STORMS, EXCESSIVE RAIN & FLOODING

Occurring: NOVEMBER 15 through DECEMBER 4, 2004 (AMENDED)

Filing Deadline for applications for physical damage to homes, personal property, businesses: MARCH 7, 2005

Filing Deadline for applications for economic injury: OCTOBER 4, 2005

Types of Disaster Loans:

- Home Disaster Loans. Loans to homeowners or renters to repair or replace disaster damages to real estate or personal property owned by the victim. Renters are eligible for their personal property losses.
- Business Physical Disaster Loans. Loans to businesses to repair or replace disaster damages to property owned by the business, including real estate, machinery and equipment, inventory and supplies. Businesses of any size are eligible. Non-profit organizations such as charities, churches, private universities, etc. are also eligible.
- Economic Injury Disaster Loans (EIDL). Loans for working capital to small businesses and small agricultural cooperatives to assist them through the disaster recovery period. EIDL assistance is available only to applicants with no Credit Available Elsewhere - if the business and its owners cannot provide for their own recovery from non-government sources.

Credit Requirements:

- Repayment. SBA's disaster assistance is in the form of loans. Applicants must show the ability to repay all loans.
- Collateral. Collateral is required for all physical loss loans over $10,000 and all EIDL loans over $5,000. SBA takes real estate as collateral where it is available. Applicants do not need to have full collateral; SBA will take what is available to secure each loan.

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 that 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 can so provide for its own recovery has Credit Available Elsewhere. Generally, SBA determines that over 90% of disaster loan applicants do not have Credit Available Elsewhere.
- Interest rates are determined by formulas set by law, and may vary over time with market conditions. Currently (for disasters which occurred on or after October 20, 2004) the applicable interest rates are:

	No Credit Available Elsewhere	Credit Available Elsewhere
Home Loans	2.937%	5.875%
Business Loans	4.000%	5.800%
Non-profit Organizations	4.000%	4.750%
Economic Injury Loans	4.000%	N/A

Loan Term:

- The law authorizes loan terms up to a maximum of 30 years. However, for businesses with Credit Available Elsewhere, the law limits the loan term to a maximum of 3 years.

- SBA determines the term of each loan in accordance with the borrower's ability to repay. Based on the financial circumstances of each borrower, SBA determines an appropriate installment payment amount, which in turn determines the actual term.

Loan Amount Limits:

- Home Loan amounts are limited by SBA regulation to $200,000 to repair/replace real estate and $40,000 to repair/replace personal property. The actual amount of each loan, up to these maximums, is limited to the verified uninsured disaster loss. Refinancing of existing mortgages on homes is eligible in some cases up to the amount of the loan for real estate repair/replacement. Loan amounts may be increased by up to 20% for devices to mitigate against damage to the real property of the same type as the disaster.
- Business Loan amounts are limited by law to $1,500,000 for real estate, machinery and equipment, inventory and all other physical losses. The actual amount of each loan, up to this maximum, is limited to the verified uninsured disaster loss. Refinancing of existing mortgages or liens on real estate and machinery and equipment is eligible in some cases up to the amount of the loan for real estate and machinery and equipment repair/replacement. Loan amounts may be increased by up to 20% for devices to mitigate against damage to the real property of the same type as the disaster.
- Economic Injury Disaster Loan (EIDL) amounts are limited by law to $1,500,000. The actual amount of each loan, up to this maximum, is limited to the actual economic injury as calculated by SBA, not compensated by business interruption insurance or otherwise, and beyond the ability of the business and/or its owners to provide.

The $1,500,000 statutory limit for business loans applies to the combination of physical and economic injury, and also applies to all disaster loans to a business and its affiliates. If a business is a major source of employment, SBA has authority to waive the $1,500,000 statutory limit.

Loan Eligibility Restrictions:

- 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 is eligible only to the extent of its functional value. Amounts for landscaping, swimming pools, etc. are limited.
- Noncompliance. Applicants who have not complied with the terms of previous loans are not eligible. This includes prior borrowers who did not maintain required flood insurance.

Refinancing:

SBA can refinance all or part of prior mortgages, evidenced by a recorded lien, when the applicant (1) does not have Credit Available Elsewhere, (2) has suffered substantial uncompensated disaster damage (40% or more of the value of the property), and (3) intends to repair the damage. Refinancing of prior debts improves the victim's ability to afford the SBA disaster loan.

Relocation:

Use of SBA disaster loans for relocating is subject to limitations. Generally, victims may relocate where they need to do so for reasons beyond their control. If the victim is forced by state or local authorities to relocate, the amount of eligibility is the replacement cost of the property which must be abandoned.

Insurance Requirements:

To protect each borrower and SBA, SBA requires borrowers to obtain and maintain appropriate insurance. Borrowers of all secured loans (physical loans over $10,000 and economic injury loans over $5,000) must purchase and maintain full hazard insurance for the life of the loan. Borrowers whose property is located in a special flood hazard area must purchase and maintain flood insurance for the full insurable value of the property for the life of the loan.

Rev. 04-03 Previous editions obsolete