

September 12, 2012

The Honorable Mary L. Landrieu
United States Senate
Washington, DC 20510

Dear Senator Landrieu:

Administrator Mills has asked me to respond to your recent letter requesting that the U.S. Small Business Administration (SBA) consider raising the administrative loan limits on home and personal property disaster loans. I have taken your request into careful consideration and asked the Office of Disaster Assistance to provide me with historical data on SBA's real estate and personal property disaster loans.

As you are aware, Section 7(b)(1) of the Small Business Act authorizes SBA to make physical disaster loans provided that the damage is not compensated for by insurance or other recoveries. Accordingly, SBA disaster loans are limited to the underinsured or uncompensated losses required to return the eligible property to its predisaster condition.

The SBA's disaster loan limit for repair or replacement of a disaster damaged primary residence is \$200,000, and the limit for replacement of personal property is \$40,000. Based on data from 2004 to date, the average approved loan amounts for real estate damages and personal property are substantially lower than those limits. The average disaster home loan for real estate damage in Louisiana since 2004 is approximately \$58,000, and the average personal property loan amount is approximately \$22,000. The national averages are even lower at \$39,000 for real estate damage and \$17,000 for personal property. Our data of the average loan amounts for real estate and personal property indicates that the administrative loan limits appear sufficient.

We appreciate your continued support of the SBA Disaster Assistance Program. If you and your staff have additional questions, please contact our Office of Congressional and Legislative Affairs at (202) 205-6700. A similar response is being sent to Representative Richmond.

Sincerely,

James E. Rivera
Associate Administrator
Office of Disaster Assistance