

Disaster Assistance Loans for Homes & Personal Property

SBA
U.S. Small Business Administration
America's Small Business Resource

The Facts About...

Disaster Assistance Loans for Homes & Personal Property

If you are in a declared disaster area and are the victim of a disaster, you may be eligible for financial assistance from the U.S. Small Business Administration - even if you don't own a business. As a homeowner, renter and/or personal-property owner, you may apply to the SBA for a loan to help you recover from a disaster.

This brochure describes the type of assistance available and answers the most frequently asked questions about the SBA's disaster-assistance program for individuals. Where practical, assistance with completing the application will be available.

Assistance Available

As an individual, there is one basic loan, with two purposes, available to you:

Personal Property Loan: This loan can provide a homeowner or renter with up to \$40,000 to help repair or replace personal property, such as clothing, furniture, automobiles, etc., lost in the disaster. As a rule of thumb, personal property is anything that is not considered real estate or a part of the actual structure. This loan may not be used to replace extraordinarily expensive or irreplaceable items, such as antiques, collections, pleasure boats, recreational vehicles, fur coats, etc.

Real Property Loan: A homeowner may apply for a loan of up to \$200,000 to repair or restore their primary home to its pre-disaster condition. The loan may not be used to upgrade the home or make additions to it. If, however, city or county building codes require structural improvements, the loan may be used to meet these requirements. Loans may be increased by as much as 20 percent to protect the damaged real property from possible future disasters of the same kind.

Note: A renter may apply only for a personal property loan.

Insurance Proceeds: If you have insurance coverage on your personal property/home, the amount you will receive from the insurance company will be deducted from the total damage to your property in order to determine the amount for which you are eligible to apply to the SBA.

If you are required to apply insurance proceeds against an outstanding mortgage, the amount applied can be included

in your disaster loan. If, however, you voluntarily apply insurance proceeds against an outstanding mortgage, the amount applied cannot be included in your disaster loan.

If you have not made a settlement or are having trouble reaching an agreement with your insurance company, you may apply for a loan in the full amount of your damages and assign any insurance proceeds to be received to the SBA.

Interest Rates on Loans: The law requires a test of your ability to obtain funds elsewhere in order to determine the rate of interest that will be charged on your loan. This credit-elsewhere test also applies to applicants for both personal property and real property loans.

Applicants Who Can Obtain Credit Elsewhere:

The interest rate to be charged is based on the cost of money to the U.S. government, but will not be more than 8 percent per year.

Applicants Determined Unable to Obtain Credit Elsewhere:

The interest rate to be charged will be half of the interest rate charged to applicants determined to be able to obtain credit elsewhere, but will not be more than 4 percent per year.

Term of Loan: The maximum maturity, or repayment term of an SBA loan, is set at 30 years. However, the SBA will determine repayment terms on a case-by-case basis according to your ability to repay.

Frequently Asked Questions About SBA Loans

Q. How much can I borrow?

A. The amount of money that the SBA will lend you will be based upon the actual cost of repairing or replacing your home and/or personal property, minus any insurance settlements or other reimbursements or grants. The total loan amount is subject to the limits set out above.

Q. Must I use my own money or try to borrow from a bank before coming to the SBA?

A. No.

Q. I already have a mortgage on my home. I can't afford a disaster loan plus my current mortgage payment. Can the SBA refinance my mortgage?

A. In certain cases, yes. The 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 percent or more of the value of the property); and 3)

intends to repair the damage. An SBA disaster loan officer can provide more detailed information on your specific situation.

Q. What information do I need to submit for a home and/or personal property loan?

A. The necessary information is specified in the loan application. In all cases, it includes an itemized list of personal property losses with the repair or replacement cost of each item. It also includes permission for the IRS to give the SBA information from your last two federal income tax returns. If you have pictures of the damaged property, you can include them as well.

Q. Will the SBA check the losses I claim?

A. Yes. Once you have returned your loan application, an SBA loss verifier will visit you to determine the extent of the damage and the reasonableness of the loan request.

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

A. That depends on how soon you file a complete SBA loan application. The SBA disaster relief program is not an immediate emergency relief program such as Red Cross assistance, temporary housing assistance, etc. It is a loan program to help you in your long-term rebuilding and repairing. To make a loan, we have to know the cost of repairing the damage, be satisfied that you can repay the loan, and take reasonable safeguards to help make sure the loan is repaid. The SBA loan application asks for the information we need. The faster you return it with all the needed information, the faster we can work on it. We try to make a decision on each complete application within seven to 21 days. Applications filed early can be completed in a much shorter time. We process applications in the order received, so file early. Be sure your application is complete; missing information is the biggest cause of delay.

Q. How soon can I expect the money?

A. Loans over \$10,000 have to be secured. We won't decline a loan just because you do not have enough collateral, but we do ask for whatever collateral is available. This means that after a loan is approved there are other steps you must take. Usually, the security consists of a first or second mortgage on the damaged real estate. After we approve the loan, we will tell you what documents are needed to close the loan. You return the loan-closing documents to us, we can order the checks. You will receive the money in installments as you need it to repair or replace the damage.

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

A. No. If you do not know how much of your loss will be covered by insurance or other sources, the SBA will consider making a loan for the full amount of the loss, up to our loan limits, provided that you assign the insurance check to the SBA to reduce the amount of the loan.

Q. I would like to get a contractor's estimate for the cost of repairing damage to my home, but I'm having trouble finding one. Should I hold up my application until I get the estimate?

A. No. You might miss the deadline for filing your application while waiting for a contractor's estimate. If you have an estimate, include it. The SBA will verify any damage estimates listed on your loan application. Also, the sooner you file a completed application, the sooner the SBA can process it.

Q. If I receive a disaster loan, may I spend the money any way I want?

A. No. The disaster loan is intended to help you return your property to the same condition it was in before the disaster. Your loan will be made for specific and designated purposes. Remember that the penalty for misusing disaster funds is immediate repayment of one-and-a-half times the original amount of the loan. The SBA requires that you obtain receipts and maintain good records of all loan expenditures as you restore your damaged property and that you keep these receipts and records for three years.

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

A. If you are unable to obtain a building permit to rebuild or replace your home at its original site, the cost of relocating your home might be included in the loan amount. If, however, you decide to relocate your home without being required to, an SBA loan can be obtained only for the exact amount of the damage. SBA can not make loans involving some relocations. An SBA disaster loan officer can provide more detailed information on your specific situation.

Q. I am a farmer. My home was damaged, and so were my barns, fences, and some of my crops. Am I eligible to apply for SBA assistance?

A. You may apply to the SBA for a loan to cover the damage to your home and its contents only. But it may be in your interest to seek assistance first from the U.S. Department of Agriculture for all your damage.

Q. Are secondary homes or vacation homes eligible for loans?

A. No, not as homes. They may be eligible for business disaster loans under certain conditions.

Q. Are there any other limitations?

A. Yes. Generally, loans will not be made for damage to personal pleasure boats, planes, recreational vehicles, antiques, collections, etc. Also, amounts for landscaping, family swimming pools, etc., are limited.

Q. Is there a minimum monthly payment, and when would the first payment be due?

A. The SBA does not have a minimum monthly payment. Payments vary depending upon income and expenses, size of family and other circumstances that may affect your repayment ability. Generally, the first payment is not due until five months after the date of the loan.

Q. I had to remove debris from my property after the disaster. Can this expense be included in my loan application?

A. Yes, but your own labor and that of family members cannot be included. Amounts paid to others and any equipment rental can be listed as part of repairs to real estate. Remember that the maximum loan limit on real estate damage is \$200,000, and debris removal is included in the limit.

Q. May people over the age of 65 apply for help from the SBA?

A. Yes. Loans are made without regard to age.

Q. I've heard that SBA loan applications are complicated and hard to complete. Is this true?

A. No. The application form asks you the same information that any bank would request before lending you money. If you need help, SBA disaster personnel are available to explain the forms and give you assistance at no charge. You may use the services of accountants or attorneys if you wish, but be sure they are reliable and that their fees are reasonable. If you choose to use an attorney or an accountant, you must report those fees on your SBA loan application form.

Q. Are damages to cars and mobile homes eligible?

A. Generally, yes. The loan would be only for uninsured losses.

Q. Do I need flood insurance to get a loan?

A. If you are in a special flood hazard area, you must have flood insurance before we can disburse a loan. The

amount of insurance required is the insurable value of the property in the special flood hazard area but not to exceed the maximum flood insurance available under the National Flood Insurance Act.

For More Information

The SBA delivers loans through four disaster area offices located in Niagara Falls, N.Y.; Atlanta, Ga.; Fort Worth, Texas; and Sacramento, Calif. When a disaster occurs, information on SBA assistance is available through a toll-free number published locally.

SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam. For the office nearest you, look under "U.S. Government" in your telephone directory, or contact:

- *Phone: 1-800 U ASK SBA
- *Fax: 202-481-6190
- *E-mail: answerdesk@sba.gov
- *TDD: 704-344-6640
- *Your rights to regulatory fairness: 1-888-REG-FAIR
- *Internet:
 - SBA Home page: <http://www.sba.gov>
 - Gopher:<http://www.sba.gov/gopher>

All of the SBA's programs and services are provided to the public on a nondiscriminatory basis.