SBA
A Helping Hand In The Face Of Disaster

In the Small Business Act of July 30, 1953, Congress created the Small Business Administration, whose function was to "aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns." The charter also stipulated that the SBA would ensure small businesses a "fair proportion" of government contracts and sales of surplus property.

By 1954, SBA already was making direct business loans and guaranteeing bank loans to small businesses. They also made loans to victims of natural disasters, worked to get government procurement contracts for small businesses, and helped business owners with management, technical assistance and business training. Thus, as early as 1953, the SBA was beginning to work with businesses who had issues related to disasters.

Garth MacDonald, Public Information Officer SBA Office of Disaster Assistance

"There's a couple different types of declarations. When FEMA makes a declaration, that's generally called a 'Presidential Major Declaration.' The state will have requested the type of declaration when there's a severe catastrophic disaster. That's when the President declares a major declaration for a number of counties that are impacted. Depending on what's requested from the state, they can ask for individual assistance [IA] or public assistance that's for the municipalities' infrastructure, or a combination of both individual and public. Each county will be assessed to determine what their individual needs are. They may be one or both.

IA AND EIDL LOANS

"When the President makes an IA, our programs here at SBA become activated. FEMA [is] the lead Federal logistical agency, and SBA deploys and works hand in hand with FEMA to help get federal assistance to individuals. The SBA's programs include low interest disaster loans and make them available to all business sizes—including private, non-profit organizations and homeowners and ranchers. Loan amounts can range all the way up to two million dollars. These loans can be used to repair or replace business property or even rebuild inventory. The objective is to try and get a business back in pre-disaster condition.

"One aspect of these low interest loans is EIDL, Economic Injury Disaster Loans. These are in the form of working capital funds. If a business has been disrupted due to a catastrophic disaster, they still have their fixed costs, lease payments, payroll—things that don't go away, disaster or not. So these funds can be targeted for those types of items. The funds are available to small businesses, as determined by North American Industry Classification System (NAICS).

Garth continues: "If they qualify, many small businesses would be eligible for both the IA loans and the EIDL loans, so to be clear, any business can apply for IA loans, but to get a EIDL loan, you must first be classified as a small business. The two million dollars is a combination amount for IA and EIDL loans.

"The state makes the determination on what type of request to make on behalf of the counties—including the counties that touch the directly affected counties—all the programs are made available to these counties. In fact, sometimes the disaster is not large enough to get a FEMA-declared declaration, but they could meet an SBA-declared declaration, an Administrative Declaration, in which case the same type of loans are available under this declaration.

"Since this money is for specific things, SBA will conduct an assessment to verify the losses of a business. We will send out a loss verifier to meet with the owners to determine the extent to which they have losses that they are eligible for including, but not limited to, inventory, physical damage, etc. We then can make a loan for those specific needs, but we also take into account any other recoveries they may have gotten. Since these are tax dollars, we don't want to loan for something they've already been compensated for.

"The funds are dispersed similar to a construction loan. As the business gets back in business, the money is dispersed as the business needs it after the approval process.

"The first step in a person's thinking

should be to file claims with all insurance companies. Simultaneously, they should go online or go to one of the recovery centers and fill out an application. They should file an application with [the] SBA with basic information such as address, business name, etc. SBA will also pull tax transcripts to verify income. SBA recommends that even though a business will be recommended by FEMA automatically, that the business registers with FEMA so the scope of the disaster can be ascertained. This requires about a 15-minute phone call at the most.

RECOVERY

"We recommend people take pictures, keep receipts, and any other expenditures of their loss. We want businesses to get back on their feet as soon as possible. Please don't wait around for our loss verifiers to come by before you start the recovery process. Once we have gathered all our necessary information, our loan officers will evaluate insurance settlements, if any, they have received so far. We will make arrangements with their insurance companies to see if payments have been made yet. This way, we can make the adjustment to their eligible losses that they have already gotten secondary funds for. It's important to remember that dealing with your insurance company may take quite a bit of time. SBA can get money in their hands in as little as two or three weeks.

"If a company receives money for items, they borrowed money from us on those items, and then later, if those items were paid by insurance, SBA can adjust the loan amount appropriately, or the business could use the money from insurance to pay down their SBA loan. If an owner has significant assets, they may fall into a higher market rate, like 6 percent—still below market. But most people will be looking at something as low as 4 percent."

These will fluctuate depending on current markets. A business should always ascertain for themselves what is a good deal.

I then wondered why a business shouldn't just go to their bank and get a loan.

Garth: "We aren't like a bank. There's no cost to apply, obligation to take the loan, and what's unique, we can look at what the business was doing pre-disaster and make the assumption that they will get back to those levels again. We will loan the money to do so. If, for example, they're closed for three weeks, the bank is going to wonder how you'll make any payments. Since we are a government organization, we don't have a profit motive built into the loan. Things like no points and below market rates for a business loan make these different than [what] a bank would take into account."

SBA also offers business owners a central point to talk to. The people staffing the loan centers are uniquely trained people and are there to help.

There is no question that SBA gets it and is there to assist. Don't miss an opportunity to reach out and accept the hand they offer the next time you experience an emergency. N