

HMA Webinar (11-16-17): The Ins and Outs of SBA Disaster Loans for Mitigation – Q&A Sheet

General notes:

- U.S. Small Business Administration's (SBA's) Disaster Assistance is determined on a case-by-case basis. The answers outlined below should provide a general understanding of the Disaster Assistance program. However, each loan applicant's circumstances are different and are considered during the application review process.
- SBA provides mitigation assistance by increasing the amount approved for a physical disaster home or business loan. SBA does not provide stand-alone mitigation loans. Also, the agency does not add mitigation assistance to economic injury loans.
- For more information about the SBA Disaster Assistance program, please contact SBA's Customer Service Center at 800-659-2955.

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1. **QUESTION:** If an individual who is attempting to receive money from the acquisition grant has registered for flood insurance, will that affect their FEMA grant eligibility?
 - **Answer:** No. An individual's FEMA grant eligibility is not affected by a flood insurance payment. However, it may affect the total value of the FEMA grant once a duplication of benefits analysis has been conducted.
 2. **QUESTION:** Is there a regulatory restriction preventing SBA mitigation loans to be available under Public Assistance declarations?
 - **Answer:** Under Presidential Public Assistance declarations, SBA will provide physical and economic injury disaster loans for "non-critical" (as defined by FEMA) private nonprofit entities only. As part of a physical disaster loan, mitigation assistance is an option for eligible protective measures.
 3. **QUESTION:** To verify, SBA loans are only for mitigating the disaster that was declared? - i.e., no flood mitigation if the disaster is a wildfire, correct?
 - **Answer:** Correct. The proposed device or measure must protect or mitigate against damage from the same type of occurrence as the declared disaster (e.g., protection against future flood damage when the disaster was caused by rising water).

4. **QUESTION:** Does SBA provide mitigation loans to municipalities with rivers and streams running through business districts?
- **Answer:** SBA can provide low-interest Federal disaster loans to help those affected recover from disaster losses that are not already covered by insurance or other forms of compensation. SBA can only provide disaster loans to private property owners, such as individual homeowners, renters, businesses of all sizes, landlords and rental property owners, and private nonprofit organizations, including homeowner and condominium associations. SBA does not provide disaster loans (and, in turn, mitigation assistance) to publicly owned institutions and public entities such as cities, counties, etc.
5. **QUESTION:** Last year I was approved for an SBA loan, but declined it. I continued to ask a question that NO ONE could answer, which was shocking. If I pay off the loan faster than 30 years, let's say 15 years...what is the total interest I would pay? Amortization calculator? Is this used? Please can you get me in touch with the correct dept. that can answer this for me?
- **Answer:** Like most bank loans, SBA disaster loans are calculated on a simple interest basis. However, unlike other loans, SBA disaster loans are not generally disbursed on the same date the documents are signed. Nor are they disbursed all at once, but rather in increments over a period of time. In that respect, SBA disaster loans are more like construction loans from a bank. Interest on SBA disaster loans accrues only on the outstanding principal balance of the loan that has been disbursed; however, it accrues until the actual date the loan payment is received.
- Because of this, the amount of the borrower's payment that is applied to principal and interest each month will vary depending on the actual date the payment is received. This is further complicated because SBA gives disaster borrowers at least five months from the date of the first disbursement before payments are scheduled to begin. Because of these numerous variables, it is difficult to provide a standard amortization schedule to borrowers.
- In general, the best resource for answering questions about a **specific** loan will be the applicable SBA Disaster Loan Servicing Center representative. Contact information can be found at: <https://www.sba.gov/tools/local-assistance/disasteroffices>.
6. **QUESTION:** Is there a time limit or deadline on any SBA mitigation loan?
- **Answer:** Yes. Mitigation assistance must be added to a physical disaster loan within two years from the time of the disaster declaration.

7. **QUESTION:** Are there income requirements for individuals to receive SBA home loans?
- **Answer:** An applicant's income is considered, among other factors, to determine the applicant's ability to repay a proposed loan.

The three primary considerations to approve a disaster loan are that the applicant has 1) an eligible loss in a declared disaster area, 2) acceptable credit, and 3) the ability to repay the loan.

8. **QUESTION:** Could a homeowner replace an existing seawall/retaining wall using SBA mitigation monies?

- **Answer:** Yes. Protective devices or mitigation measures in place before the disaster are eligible as a verified loss. If not in place before the disaster, eligibility is based on the need for adding such a device or measure. Examples of the devices or measures include, but are not limited to: retaining walls, sea walls, grading and contouring land, elevating floodprone structures, relocating utilities, and retrofitting structures.

9. **QUESTION:** Can you have damages that insurance covers, but apply for a loan for mitigation?

- **Answer:** Yes. The maximum eligible cost is 20 percent of the verified physical loss before any duplicated benefits (i.e., insurance proceeds) are deducted, with a maximum of \$200,000 for home loans. For business loans, the 20 percent is subject to the \$2 million legislative limit.

10. **QUESTION:** Regarding the loan up to \$200,000, it can be used to "repair or replace." Can they use it to purchase another home or does that mean rebuild a new property on site?

- **Answer:** SBA can provide assistance to any applicant (home or business) for a voluntary relocation within the confines of the business area where the disaster occurred.

To receive assistance for a move outside the confines of the business area, the relocation must be mandatory as defined by predetermined criteria or involuntary due to "special or unusual circumstances" or "uncontrollable or compelling reasons."

11. **QUESTION:** So there could be three or four inspections? Home owner insurance, flood insurance inspector, FEMA inspector, and an SBA inspector?

- **Answer:** In most cases, SBA will make contact by phone with the applicant to complete a desktop verification and estimate of the damages. Generally, approved SBA physical disaster loans will require an on-site inspection. The number of inspections required by other entities is at the discretion of those entities, but disaster survivors should be aware that Federal employees inspecting disaster losses will always have proper photo identification and will not request payment for services.

12. **QUESTION:** How might safe room funding be affected if the State approves a safe room with a matching fund grant? Ohio has a program for safe room building in which only so many home owners are approved and there are matching funds. How could the funding under these types of programs affect funding in the midst of disaster recovery?

- **Answer:** There is a potential duplication of benefits issue if other Federal assistance such as Hazard Mitigation Grant Program funding is used for the same purpose in addition to any SBA mitigation loans granted.

13. **QUESTION:** What if the small business is done from a home office?

- **Answer:** A small business operating from a home office is eligible for both SBA physical and economic injury disaster loans as long as the home/office is located in a declared disaster area and meets other eligibility requirements. The applicant will need to provide a completed and signed IRS Form 4506-T.

It is notable that hobbies, even though they may be organized as businesses, are not eligible for physical loss or economic injury assistance.

14. **QUESTION:** What percent of loans includes mitigation?

- **Answer:** The percentage of loans that include mitigation assistance depends on the disaster. An average or range is not available at this time.

15. **QUESTION:** How does a Substantially Damaged letter from the local community affect the process for SBA?

- **Answer:** A Substantially Damaged letter is likely to result in a borrower requesting additional funds to complete repairs. For example, if a substantially damaged property must elevate to the base flood elevation to be in compliance, the borrower may need to request an increase in SBA disaster loan funds to help with the increased cost of elevation.

Additionally, since SBA verifiers inspect disaster-damaged properties to estimate total physical loss, an SD letter would help the damage estimate process.

16. **QUESTION:** Knowing loan availability is currently contingent on a FEMA or SBA disaster declaration, is there any discussion of making mitigation loans available in any pre-disaster situations to reduce the possibility of loss rather than being tied to some level of loss having already occurred?

- **Answer:** A pilot pre-disaster mitigation loan program was established previously. However, the program is no longer available and there are no plans currently underway to restore the pre-disaster mitigation loan program.

17. **QUESTION:** Is flooding itself enough for a business to pursue a loan for a drainage project?
- **Answer:** More information is needed to provide a complete answer to this question. However, if the business is eligible for a physical disaster business loan, mitigation assistance may be available. Protective devices or mitigation measures in place before the disaster are eligible as a verified loss. If not in place before the disaster, eligibility is based on the need for adding such a device or measure. Examples of the devices or measures include, but are not limited to: retaining walls, sea walls, grading and contouring land, elevating flood prone structures, relocating utilities, and retrofitting structures.
18. **QUESTION:** Are there any best practice, one-page write-ups/articles on SBA-funded mitigation projects that can be shared?
- **Answer:** This is an excellent idea and one that SBA will take into consideration as it develops new material to inform disaster survivors about disaster loan assistance for mitigation. Unfortunately, there are no SBA best practice write-ups available at this time.
19. **QUESTION:** Can you list some types of mitigation that are applicable to wildfires?
- **Answer:**
 - Defensible Space: Creating perimeters around homes, structures, and critical facilities through the removal or reduction of flammable vegetation
 - Ignition-Resistant Construction: Applying ignition-resistant techniques and/or using non-combustible materials on new and existing homes, structures, and critical facilities
 - For additional information regarding wildfire mitigation see: <https://www.fema.gov/wildfire-mitigation-faqs-and-resources> or the HMA Guidance: https://www.fema.gov/media-library-data/1424983165449-38f5dfc69c0bd4ea8a161e8bb7b79553/HMA_Guidance_022715_508.pdf
20. **QUESTION:** What about section 106 consultation?
- **Answer:** Information regarding Section 106 consultation is available at: <http://www.achp.gov/index.html>.