

Small Business Administration (SBA)

Hurricane Fiona Assistance

DR- 4671

Grants Management Advisory | October 17, 2022

Background

On September 21, 2022, President Biden granted a Major Disaster Declaration (FEMA-4671-DR) for the Commonwealth of Puerto Rico triggering the release of federal funds to help individuals and communities recover from the Hurricane Fiona that occurred on September 17, 2022.

As a result, the Small Business Administration gave notice that the entire Commonwealth of Puerto Rico is eligible for disaster assistance. The SBA offers disaster assistance in the form of low interest loans to businesses, nonprofit organizations, homeowners, and renters located in regions affected by declared disasters. SBA also provides eligible small businesses and nonprofit organizations with working capital to help overcome the economic injury of a declared disaster.

The following applications may be filed for the following disaster assistance loans:

- Business Physical Disaster Loans - Loans to businesses to repair or replace disaster-damaged property owned by the business, including real estate, inventories, supplies, machinery and equipment. Businesses of any size are eligible. Private, non-profit organizations such as charities, churches, private universities, etc., are also eligible.
- Economic Injury Disaster Loans - Working capital loans to help small businesses, small agricultural cooperatives, small businesses engaged in aquaculture, and most private, non-profit organizations of all sizes meet their ordinary and necessary financial obligations that cannot be met as a direct result of the disaster. These loans are intended to assist through the disaster recovery period.

The application filing deadlines are the following:

- Business Physical Disaster Loans: November 21, 2023
- Economic Injury Disaster Loans (EIDL): June 21, 2023

Note: Loan applicants should check with agencies/organizations administering any grant or other assistance program under this declaration to determine how an approval of SBA disaster loan might affect their eligibility

Business Physical Disaster Loan

Amount - Up to \$2 million

The interest rate will not exceed 4 percent if you cannot obtain credit elsewhere. For businesses and nonprofit organizations with credit available elsewhere, the interest rate will not exceed 8 percent. SBA determines whether the applicant has credit available elsewhere. Repayment terms can be up to 30 years, depending on your ability to repay the loan.

Eligibility - Business or private nonprofit organization must be in a declared disaster area and incur damage during the disaster.

Use - Replace or repair real property and other business assets of qualified businesses and most private nonprofit organizations not fully covered by insurance.

These loan proceeds may be used for the repair or replacement of the following:

- Real property
- Machinery
- Equipment
- Fixtures
- Inventory
- Leasehold improvements

The SBA Business Physical Disaster Loan covers disaster losses not fully covered by insurance. If you are required to apply insurance proceeds to an outstanding mortgage on the damaged property, you can include that amount in your disaster loan application.

If you make improvements that help reduce the risk of future property damage caused by a similar disaster, you may be eligible for up to a 20 percent loan amount increase above the real estate damage, as verified by the SBA.

You may not use the disaster loan to upgrade or expand a business, except as required by building codes.

Economic Injury Disaster Loans (EIDL)

Amount - Up to \$2 million

The interest rate on EIDLs will not exceed 4 percent per year. The term of these loans will not exceed 30 years. The repayment term will be determined by your ability to repay the loan.

Eligibility - Business or private nonprofit organization must be in a declared disaster area and incur damage during the disaster.

If you have suffered substantial economic injury and are one of the following types of businesses located in a declared disaster area, you may be eligible for an SBA Economic Injury Disaster Loan (EIDL):

- Small Business
- Small agricultural cooperative
- Most private nonprofit organizations

Substantial economic injury means the business is unable to meet its obligations and to pay its ordinary and necessary operating expenses. EIDLs provide the necessary working capital to help small businesses survive until normal operations resume after a disaster.

EIDL assistance is available only to small businesses when SBA determines they are unable to obtain credit elsewhere.

A business may qualify for both an EIDL and a physical disaster loan. The maximum combined loan amount is \$2 million.

Use - To help meet financial obligations and operating expenses that could have been met had the disaster not occurred. Your loan amount will be based on your actual economic injury and your company's financial needs, regardless of whether the business suffered any property damage

Credit Requirements

- All applicants must have a credit history acceptable to SBA
- All applicants must show the ability to repay all loans
- Collateral is required for physical loss loans and EIDL over \$25,000

Frequently Ask Questions (FAQs)

What information must I submit for a disaster loan?

Submit a completed loan application and a signed and dated IRS Form 4506-C giving permission for the IRS to provide the SBA your tax return information.

To process your application we need current financial information such as a personal financial statement, a current profit-and-loss statement, balance sheet and a list of debts.

How do I begin the loan application process?

Homeowners and Renters: Submit a completed loan application and a signed and dated IRS form 4506-C giving permission for the IRS to provide SBA your tax return information. Businesses in addition to the application and the IRS Form 4506-C we will also need current information such as a personal financial statement, a schedule of liabilities and a copy of your most recently filed Federal income tax return. Additional information may be required depending on individual circumstances.

I have registered with the Federal Emergency Management Agency (FEMA) and was referred to the U.S. Small Business Administration (SBA). I don't have a small business, so why do I need to apply to SBA?

For disaster damage to private property that is not fully covered by insurance, the basic form of Federal disaster assistance is an SBA disaster loan. SBA is the primary source of Federal money for long-term disaster recovery. Non-farm businesses (including rental properties) of all sizes as well as homeowners, and renters, whose property was damaged as a result of a declared disaster, should apply for a low-interest SBA disaster loan.

I have already received money from FEMA. Does that mean I still need to apply to SBA for a disaster loan?

If your home was destroyed or was not habitable, you may have received money to pay for temporary accommodations elsewhere. If your home was not livable, you may have received money to pay for essential repairs so you could stay there. In both cases, FEMA funds were not intended to pay for all the costs of repairing your damaged home, or for replacing your personal property. SBA disaster loans are available to cover the amount of your repair costs that have not already been fully compensated.

I don't think I can afford a loan. Why should I apply?

If you are a homeowner or renter and SBA determines you cannot afford a loan, SBA will automatically refer you to FEMA's Other Needs Assistance (ONA) program. The FEMA program is a safety net available only to individuals and families, and is not available to businesses. It is intended to help meet essential needs not met by any other form of assistance, including SBA disaster loans. Please note that if you were referred to SBA for assistance and do not complete the SBA loan application you cannot be referred to FEMA even if SBA were to determine you cannot qualify for a loan.

Should I wait for my insurance settlement before I file my loan application?

No. Do not miss the filing deadline by waiting for an insurance settlement. SBA can approve a loan for the total eligible losses within the administrative guidelines and later adjust the loan eligibility or balance if insurance funds are received.

How much can I borrow?

The amount SBA will lend depends on the cost of repairing or replacing your business and business contents or home and personal property, minus any insurance settlements or grants. SBA may send an inspector to estimate the cost of your damage once you have submitted your loan application. Renters and homeowners alike may borrow up to \$40,000 to repair or replace personal property. Homeowners may apply for up to \$200,000 to repair or replace their disaster damaged residence. Businesses of all sizes may apply for a Physical Disaster Loan and small businesses, small agricultural cooperatives and private non-profit organizations may be eligible for economic injury. These loans could not exceed \$2

million to repair or replace damaged property or economic injury. SBA can also lend additional funds up to 20 percent of the verified losses to help make improvement to the property (both real and contents) that protect, prevent or minimize the same type of disaster damage from occurring in the future (mitigation).

What is the interest rate and how long do I have to pay off this loan?

The interest rate on these loans is determined by law. SBA assigns an interest rate to a loan based on the resources available to an applicant. The lower interest rate will not exceed 4 percent and the interest rate associated with current market rate will not exceed 8 percent. The rates are fixed for the term of the loan. Please refer to the [Fact Sheet link for the declared disaster](#) for which you are applying.

Is collateral required for these loans?

Loans which exceed \$25,000 must be secured to the extent possible. SBA will not decline a loan if you don't have enough collateral, but will ask for whatever collateral is available which may include real estate owned by a business' principals. We may also take a lien on the damaged residential property.

Can I use the disaster loan to expand my business?

The disaster loan helps restore property to pre-disaster condition, and, under certain circumstances, protects the structure from future disasters. It cannot upgrade or expand a business unless required by local building codes.

I already have a mortgage on my business. Can the SBA refinance my mortgage?

The SBA can refinance all or part of a previous mortgage in some cases when the applicant does not have credit available elsewhere, has suffered uninsured damage (40 percent or more of the property value), and intends to repair the damage. SBA disaster loan officers can provide additional details.

How soon before I know I've been approved for a loan?

The sooner you return the completed loan application, the sooner the SBA can process it. The SBA tries to make a decision within two to three weeks. Make sure the application is complete. Missing information is a major cause of delays.

Is collateral required for these loans?

Physical business loans over \$25,000 and EIDL loans over \$25,000 must be secured to the extent possible.

Should I wait for my insurance settlement before I file my loan application?

No. Don't miss the filing deadline by waiting for an insurance settlement. Final insurance information can be added when a settlement is made. The SBA can approve a loan for the total replacement cost, but any insurance proceeds that duplicate SBA's loan must be applied to your SBA loan.

How may I use an Economic Injury Disaster Loan?

The loan provides working capital for disaster-related needs until your business or private, non-profit organization recovers. You may request an EIDL for the amount of economic injury but not in excess of what your business or private, non-profit organization could have paid if the disaster had not occurred. EIDL loans cannot refinance long term debts or provide working capital needed before the disaster. EIDL loans do not replace sales or lost profits.



Must I submit a personal financial statement with my loan application?

Yes. The SBA must review a financial statement for each owner and one for each partner, officer, director and stockholder with 20 percent or more ownership. The SBA requires the principals of the business to personally guarantee repayment of the loan, and in some instances to secure the loan by pledging additional collateral.

Plan to Stay in Business

Continuity planning assures your business will function as soon as possible after a natural or man-made disaster.

Review Insurance Coverage

Inadequate insurance coverage can lead to major financial loss if your business is damaged, destroyed or simply interrupted. Store records your insurance provider will want to see after an emergency in a safe place.

Prepare for Utility Disruptions

Examine which utilities are vital to your business's day-to-day operation. Identify back-up options such as portable generators to power the vital aspects of your business in an emergency.

Secure Facilities, Buildings and Plants

Identify what production machinery, computers, custom parts or other essential equipment is needed to keep your business open. Plan how to replace or repair vital equipment. Store extra supplies for use in an emergency. Plan what you will do if your building, plant or store is not usable.

Back-up Financial Records

Back-up financial records and other vital information stored on computer hard drives. Files should be stored in a portable lockbox office, at least 500 miles away.

For more information:



Albeniz Brea, CPA
abrea@falcon-sanchez.com



Rebecca Silva, CGMS
rsilva@falcon-sanchez.com