

Business Physical Disaster Loans

Eligible Uses

Emergency Repairs, Construction/Capitalization, Operations and Maintenance, Private-for-Profit Systems

Overview (purpose, mechanisms) The Small Business Administration (SBA) offers Business Physical Disaster Loans that can be used for repair or replacement of disaster damaged real property, machinery, equipment, fixtures, inventory, and leasehold improvements. Disaster loans to repair or replace real property or leasehold improvements may be increased by as much as 20 percent of the disaster damage to protect against possible future disasters of the same type. SBA loans will cover uninsured physical damage. If the business is required to apply insurance proceeds to an outstanding mortgage on the damaged property, it can include the amount applied in the disaster loan. The SBA makes physical disaster loans of up to \$2.0 million to qualified businesses.

If the business is in a special flood hazard area, or if the disaster damage was caused by flooding, it must have flood insurance before SBA can disburse a loan. If the business was legally required to maintain flood insurance but did not, the SBA will not make a disaster loan.

If a business or nonprofit organization is unable to obtain credit elsewhere, the maximum interest rate is 4 percent per year. For businesses that are able to obtain credit elsewhere, the interest rate cannot exceed 8 percent. The maturity of a loan for a business able to obtain credit elsewhere cannot exceed three years. The maximum maturity for a loan where the business is unable to obtain credit elsewhere is 30 years. However, the actual maturity is based on the ability of the business to repay the loan.

Recipients Large or small businesses and nonprofit organizations may apply.

Eligibility Any business that is in a declared disaster area and has incurred damage during the disaster may apply for a loan to help repair or replace damaged property to its pre-disaster condition.

Cost Sharing None

Application Requirements The loan application specifies the required information and includes: (1) an itemized list of losses with an estimate of the repair or replacement cost of each item, (2) a copy of certain federal income tax information (as specified on the application), (3) a brief history of the business, and (4) personal and business financial statements.

SBA generally makes a decision on each application within seven to 21 days. After the loan is approved, SBA will notify the applicant of documents that need to be submitted. The loan may be disbursed in increments, as the applicant needs it to make repairs or replacements.

Small Business Administration

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Additional Sources/Contact Information

For additional information contact SBA's Customer Service Center at 800-659-2955 or by email at disastercustomerservice@sba.gov.

Physical Disaster Business Loans Overview

<http://www.sba.gov/content/business-physical-disaster-loans>