

Originally Processed With FOIA(s):

S

FOIA Number:

S

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the George Bush Presidential Library Staff.

Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Speechwriting, White House Office of
Series: Speech File Backup Files
Subseries: Chron File, 1989-1993

OA/ID Number: 13812
Folder ID Number: 13812-010

Folder Title:
SBA [Small Business Administration]--Los Angeles 5/6/92 [OA 7573]

Stack:	Row:	Section:	Shelf:	Position:
G	26	22	5	2



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

ANECDOTE:
KOREAN COMMUNITY

OFFICE OF THE ADMINISTRATOR

MEMORANDUM TO JEANNIE BUNTON
RESEARCH

FROM: ANNE STANLEY
CHIEF OF STAFF

DATE: MAY 5, 1992

We have been informed that an excellent outreach program is being coordinated by Radio Korea (phone # 310-520-1300, located at 2001 West Olympic Blvd., Los Angeles).

They have turned their radio station into a disaster center. So far they have taken 1,700 phone calls of people who have sustained damage. They are organizing food for individuals and merchants. Volunteers have helped SBA translate our disaster application into Korean. They have put SBA's Disaster Director on the radio and translated remarks into Korean. They have suspended all advertising and are running community service information.

It is an "impressive display of community involvement", as stated by SBA's disaster team.

There may be many other helpful centers now in operation, but SBA is familiar with this one.

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC

FAX TRANSMISSION SHEET

Date: 5/5 Time: 8

YOU MUST FILL IN ALL FIELDS
TO ENSURE DELIVERY

Subject: MEMO Total Pages 1 + Cover

<u>Person</u> <u>Full Name</u>	<u>Office/Firm</u>	<u>Fax Number</u>	<u>Voice Number</u>
TO: <u>Jeannie Bunton</u>	<u>WHITE HOUSE</u>	<u>202/456-6218</u>	<u>456-1414</u>
FROM: <u>Anne Stanley</u>	<u>SBA</u>	<u>202/205/6802</u>	<u>205-6605</u>

Optional Message: _____

Call 202/205-6605 if this FAX transmission
was not received in its entirety.

____ Check this box if you would like to receiving office to
confirm receipt of this FAX Transmission

Receiving Office, Firm or Division _____

Received By: _____

Receipt Date: _____

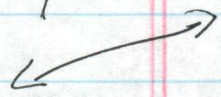
Receipt Time: _____

FEAR

STEVE DOUBTERBY QUEST:

LA → FEMA # PASTORNA 818-425-7281

Frank Kishner guy in charge -
Regional Off. 415-923-7100
Mr. Medigovich → Reg. Dir. of FEMA.



Laurie
Fritts

Paul Amelitt - people change
I have interpreters - help fill paper works

not expects to re Financier's response to fill out paperwork

7 Mis. assistance centers to open on ~~Thursday~~ Thursday
Mrs. Smith

[Korean people offering to be interpreters
were response from Koreans
Korean center already set up by company's of Korea
to help one another

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC

FAX TRANSMISSION SHEET

Date: 5-5-92 Time: 6:20

YOU MUST FILL IN ALL FIELDS
TO ENSURE DELIVERY

Subject: Disaster (SBA) Total Pages _____ + Cover

<u>Person</u> <u>Full Name</u>	<u>Office/Firm</u>	<u>Fax Number</u>	<u>Voice Number</u>
TO: <u>Jeannie Burton</u>	<u>WHITE HOUSE</u>	<u>202/456</u>	<u>456-1414</u>
FROM: <u>Loni Fritts</u>	<u>SBA</u>	<u>202/205/6802</u>	<u>205-6605</u>

Optional Message: my paper # is 202-515-3961

Call 202/205-6605 if this FAX transmission
was not received in its entirety.

_____ Check this box if you would like to receiving office to
confirm receipt of this FAX Transmission

Receiving Office, Firm or Division _____

Received By: _____

Receipt Date: _____

Receipt Time: _____

If you have questions call me, or

Mitchell Stanley at home after 8:00
202-966-3043

or

Al Fudd at home after 6:45
202-244-6651

U. S. Small Business Administration

FACT SHEET

DISASTER LOANS

_____ DISASTER _____ OCCURRED _____

TYPES OF DISASTER LOANS:

- ◆ **Home Disaster Loans:** Loans to homeowners or renters to repair or replace disaster related damage to homes or personal property that is owned by the applicant. Renters are eligible for personal property loans.
- ◆ **Business Physical Disaster Loans:** Loans to businesses to repair or replace disaster related damaged property owned by the business, including inventory and supplies.
- ◆ **Economic Injury Disaster Loans:** Working capital loans (referred to as EIDL) to small businesses and to small agricultural cooperatives to assist them through the disaster recovery period. These loans are available only if the business or its owners cannot obtain this type of assistance from non-government sources. This determination is made by SBA.

CREDIT REQUIREMENTS:

- ◆ These are loans and you must show that you have the ability to repay them. Physical loss loans in excess of \$10,000 and EIDL loans in excess of \$5,000 must be secured with collateral. Generally, for individuals, that will include a lien on the applicant's real estate. However, loans will not be declined for lack of a fixed amount of collateral.
- ◆ There are different interest rates and terms for these loans. They depend on whether or not you could recover from your disaster damage with your own funds or have the ability to borrow through non-government sources. It is called "Credit Available Elsewhere" and "Credit Not Available Elsewhere." This determination is made by SBA.

INTEREST RATES:

	Credit Available Elsewhere	Credit Not Available Elsewhere
Home Loans (Includes personal property loans)	_____ %	_____ %
Business Loans	_____ %	_____ %
Non-profit Organizations	_____ %	_____ %
Economic Injury Loans	N/A %	_____ %

(over)

LOAN AMOUNT:

- ◆ For homeowners and renters, up to \$100,000 for repair or replacement of real estate; up to \$20,000 for repair or replacement of personal property. The loan amount is limited to the amount of uninsured, SBA verified losses, but may be increased by up to 20 percent for mitigating devices for damaged real property.
- ◆ For business physical disaster loans, up to 100 percent of the uninsured, SBA verified loss not to exceed \$500,000. Within this limit, the loan may be increased by up to 20 percent for mitigating devices for damaged real property.
- ◆ Any insurance proceeds that are required to be applied against outstanding mortgages may be included in disaster loan eligibility. Any insurance proceeds that are voluntarily applied against outstanding mortgages by the owner may not be included in disaster loan eligibility.
- ◆ Refinancing of existing mortgages on homes and business property is possible in some circumstances. Consult an SBA representative for further information.
- ◆ For Economic Injury, up to \$500,000.
- ◆ The total loan amount to any one business entity (including affiliates for combined Economic Injury and Business Disaster Loans) cannot exceed \$500,000.

LOAN TERM:

- ◆ For businesses with "Credit Available Elsewhere," the maximum term is up to three (3) years.
- ◆ For all other borrowers, loan terms not to exceed 30 years are available. Loan terms are individually determined based upon what is reasonable in consideration of your repayment capability.

LOAN LIMITATIONS:

- ◆ No loans for damages to secondary homes.
- ◆ No loans for damage to personal pleasure boats, planes, recreational vehicles, antiques, collections, etc.
- ◆ Limitation on loan amounts for landscaping, family swimming pools, etc.

FLOOD INSURANCE REQUIREMENTS:

- ◆ Applicants who have SBA loans that require them to maintain flood insurance are not eligible for loans if they have not maintained their insurance.
- ◆ If your property is located in a special flood hazard area, you must purchase and maintain flood insurance for the insurable value of your property, regardless of the amount of your loan.

LOAN APPLICATION FILING DEADLINES:

- ◆ Applications for physical damage to homes, personal property, businesses: _____.
- ◆ Applications for Economic Injury: _____.

**POTENTIALLY UNUSUAL ASPECTS OF
DELIVERY OF SBA DISASTER ASSISTANCE FOR
LOS ANGELES CIVIL DISORDERS**

1. **Insurance.** Typical hazard insurance policies exclude coverage for damages from riots or civil disorders. Many property owners will find they have no insurance coverage for their losses.
2. **Businesses.** Businesses appear to be a heavy proportion of the victims, unlike the typical disaster which damages about 4 homes for every business.
3. **Repayment Ability.** In relatively poor neighborhoods, many businesses achieve marginal financial success. Ability to repay SBA disaster loans may be limited, especially if the need to fund uninsured losses is large. Accordingly, SBA's approval rate may be low. *
4. **Neighborhood Recovery.** In the past, recovery of neighborhoods after such disorders is often slow. Many businesses never reopen in the neighborhood. Many relocate elsewhere. SBA disaster loans help businesses by allowing a relocation, but this is a very sensitive issue in the affected neighborhoods.
5. **Code Compliance.** Rebuilding after substantial damage will require compliance with current building codes. In the earthquake prone Los Angeles area, this includes meeting modern earthquake standards. Experience demonstrates that this is very costly.

FACTS ABOUT SBA'S DISASTER LOAN PROGRAM

The U.S. Small Business Administration (SBA) is the federal government's designated lender for victims of natural and other physical disasters, including hurricanes, floods, earthquakes and civil disturbances. When disaster victims need to borrow to repair uninsured damages, SBA loans make recovery affordable.

The need for SBA disaster loans is as unpredictable as the weather. During FY 1991, SBA approved 12,451 disaster loans for \$356.3 million. A year earlier, damage from the Loma Prieta Earthquake and Hurricane Hugo pushed the volume to 51,970 loans for \$1.32 billion. Since the program began in 1953, SBA has made more than 1,050,000 disaster loans for more than \$15.3 billion.

When Disaster Strikes

The federal government relies primarily on two agencies to deal with the results of physical disasters: SBA and the Federal Emergency Management Agency (FEMA). SBA makes direct long-term, low-interest loans to businesses, homeowners and renters to help them recover from such disasters. FEMA deals more with damage to public facilities and infrastructure, temporary housing, disaster unemployment insurance and grants for individuals who do not qualify for SBA loans.

If the governor of a state in which a physical disaster occurs determines that his state needs both types of assistance, he or she asks the President for Presidential Disaster Declaration. If the governor feels the SBA loan program is sufficient, he or she asks the SBA Administrator for an SBA Disaster Declaration.

When a disaster declaration is requested, SBA evaluates the situation to determine whether it meets the criteria for such a declaration. If it does, a disaster declaration is made by the Administrator and SBA moves to set up loan application centers in the stricken areas.

Types of Assistance

- Home Disaster Loans: Loans to homeowners or renters to repair or replace disaster-damaged homes and personal property. Renters also are eligible for loans to repair or replace damaged personal property. Loans can be made for up to \$100,000 for repair or replacement of real estate and up to \$20,000 for repair or replacement of personal property.

*Definition of disaster includes Riots and civil disorders.

BASIC FACTS ABOUT SBA DISASTER LOAN PROGRAMS

In the wake of hurricanes, floods, earthquakes, wildfires, tornados and other physical disasters, the U. S. Small Business Administration (SBA) plays a major role. SBA's disaster loans are the primary form of Federal assistance for nonfarm, private sector disaster losses. For this reason, the disaster loan program is the only form of SBA assistance not limited to small businesses. Disaster loans from SBA help homeowners, renters, businesses of all sizes and nonprofit organizations fund rebuilding. SBA's disaster loans are a critical source of economic stimulation in disaster ravaged communities, helping to spur employment and stabilize tax bases.

By providing disaster assistance in the form of loans which are repaid to the Treasury, the SBA disaster loan program helps reduce Federal disaster costs compared to other forms of assistance, such as grants. When disaster victims need to borrow to repair uninsured damages, the low interest rates and long terms available from SBA make recovery affordable. Because SBA tailors the repayment of each disaster loan to each borrower's financial capability, unnecessary interest subsidies paid by the taxpayers are avoided. Moreover, providing disaster assistance in the form of loans rather than grants avoids creating an incentive for property owners to underinsure against risk. Disaster loans require borrowers to maintain appropriate hazard and flood insurance coverage, thereby reducing the need for future disaster assistance.

The need for SBA disaster loans is as unpredictable as the weather. During FY 1991, SBA approved 12,451 disaster loans for \$356.3 million. This compares to 51,970 disaster loans for \$1.32 billion in FY 1990, due largely to the destruction of Hurricane Hugo in the Caribbean and the Carolinas and the Loma Prieta earthquake in the San Francisco Bay area of California. Since the inception of the program in 1953, SBA has approved over 1,050,000 disaster loans for more than \$15.3 billion.

The SBA is authorized by the Small Business Act to make two types of disaster loans:

Physical disaster loans are a primary source of funding for permanent rebuilding and replacement of uninsured disaster damages to privately-owned real and/or personal property. SBA's physical disaster loans are available to homeowners, renters, nonfarm businesses of all sizes and nonprofit organizations.

Economic injury disaster loans help provide necessary working capital until resumption of normal operations after a physical disaster event. The law restricts economic injury disaster loans to small businesses only.

The disaster program is SBA's largest direct loan program, and the only SBA program assisting entities other than small businesses. By law, neither governmental units nor agricultural enterprises are eligible; agricultural producers may seek disaster assistance from specialized programs at the U. S. Department of Agriculture.

Disaster victims must repay SBA disaster loans. SBA can only approve loans to applicants with a reasonable ability to repay the loan and other obligations from earnings. The terms of each loan are established in accordance with each borrower's ability to repay. The law gives SBA several powerful tools to make disaster loans affordable: low interest rates (as low as 4%), long terms (up to 30 years), and refinancing of prior debts (in some cases). As required by law, the interest rate for each loan is based on SBA's determination of whether each applicant does or does not have credit available elsewhere (the ability to borrow or use their own resources to overcome the disaster). Generally, over 90% of SBA's disaster loans are to borrowers without credit available elsewhere and have an interest rate of 4%.

SBA delivers disaster loans through four specialized Disaster Area Offices located in Niagara Falls, NY; Atlanta, GA; Ft. Worth, TX; and Sacramento, CA.



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

ANECDOTE:
KOREAN COMMUNITY

OFFICE OF THE ADMINISTRATOR

MEMORANDUM TO JEANNIE BUNTON
RESEARCH

FROM: ANNE STANLEY
CHIEF OF STAFF

DATE: MAY 5, 1992

We have been informed that an excellent outreach program is being coordinated by Radio Korea (phone # 310-520-1300, located at 2001 West Olympic Blvd., Los Angeles).

They have turned their radio station into a disaster center. So far they have taken 1,700 phone calls of people who have sustained damage. They are organizing food for individuals and merchants. Volunteers have helped SBA translate our disaster application into Korean. They have put SBA's Disaster Director on the radio and translated remarks into Korean. They have suspended all advertising and are running community service information.

It is an "impressive display of community involvement", as stated by SBA's disaster team.

There may be many other helpful centers now in operation, but SBA is familiar with this one.

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC

FAX TRANSMISSION SHEET

Date: 5/5 Time: 8

YOU MUST FILL IN ALL FIELDS
TO ENSURE DELIVERY

Subject: MEMO Total Pages 1 + Cover

<u>Person Full Name</u>	<u>Office/Firm</u>	<u>Fax Number</u>	<u>Voice Number</u>
TO: <u>Jeannie Bunton</u>	<u>WHITE HOUSE</u>	<u>202/456-6218</u>	<u>456-1414</u>
FROM: <u>Anne Stanley</u>	<u>SBA</u>	<u>202/205/6802</u>	<u>205-6605</u>

Optional Message: _____

Call 202/205-6605 if this FAX transmission
was not received in its entirety.

____ Check this box if you would like to receiving office to
confirm receipt of this FAX Transmission

Receiving Office, Firm or Division _____

Received By: _____

Receipt Date: _____

Receipt Time: _____

LEMA

STEVE DOUGHTERY QUEST: LA → FEMA #

PASADENA 818-425-7281

Frank Kripton guy in charge -
Regional Off. 415-923-7100
Mr. Medigovich Reg. Dir. of FEMA.

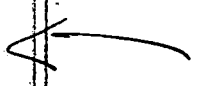


Paul a week it - people change
I have interprinters - help fill paper works

not expects to be finished wants to fix out paperwork

7 Dis. Assistance Centers to open on ~~Monday~~ Thursday
Mrs. Smith

Korean people trying to be interprinters
with response from Koreans
Korean center already set up w/ computers & photos
to help interprinters



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC

FAX TRANSMISSION SHEET

Date: 5-5-92 Time: 6:20

YOU MUST FILL IN ALL FIELDS
TO ENSURE DELIVERY

Subject: Disaster (SBA) Total Pages _____ + Cover

<u>Person Full Name</u>	<u>Office/Firm</u>	<u>Fax Number</u>	<u>Voice Number</u>
TO: <u>Jeannie Burton</u>	<u>WHITE HOUSE</u>	<u>202/456</u>	<u>456-1414</u>
FROM: <u>Loni Fritts</u>	<u>SBA</u>	<u>202/205/6802</u>	<u>205-6605</u>

Optional Message: my paper # is 202-515-3961

Call 202/205-6605 if this FAX transmission
was not received in its entirety.

Check this box if you would like to receiving office to
confirm receipt of this FAX Transmission

Receiving Office, Firm or Division _____

Received By: _____

Receipt Date: _____

Receipt Time: _____

If you have questions call me, or

Mitchell Stanley at home after 8:00
202-966-3043

or

Al Fudd at home after 6:45

202-244-6651

U. S. Small Business Administration

FACT SHEET

DISASTER LOANS

DISASTER _____ OCCURRED _____

TYPES OF DISASTER LOANS:

- ◆ **Home Disaster Loans:** Loans to homeowners or renters to repair or replace disaster related damage to homes or personal property that is owned by the applicant. Renters are eligible for personal property loans.
- ◆ **Business Physical Disaster Loans:** Loans to businesses to repair or replace disaster related damaged property owned by the business, including inventory and supplies.
- ◆ **Economic Injury Disaster Loans:** Working capital loans (referred to as EIDL) to small businesses and to small agricultural cooperatives to assist them through the disaster recovery period. These loans are available only if the business or its owners cannot obtain this type of assistance from non-government sources. This determination is made by SBA.

CREDIT REQUIREMENTS:

- ◆ These are loans and you must show that you have the ability to repay them. Physical loss loans in excess of \$10,000 and EIDL loans in excess of \$5,000 must be secured with collateral. Generally, for individuals, that will include a lien on the applicant's real estate. However, loans will not be declined for lack of a fixed amount of collateral.
- ◆ There are different interest rates and terms for these loans. They depend on whether or not you could recover from your disaster damage with your own funds or have the ability to borrow through non-government sources. It is called "Credit Available Elsewhere" and "Credit Not Available Elsewhere." This determination is made by SBA.

INTEREST RATES:

	Credit Available Elsewhere	Credit Not Available Elsewhere
Home Loans (Includes personal property loans)	_____%	_____%
Business Loans	_____%	_____%
Non-profit Organizations	_____%	_____%
Economic Injury Loans	<u>N/A</u> %	_____%

LOAN AMOUNT:

- ◆ For homeowners and renters, up to \$100,000 for repair or replacement of real estate; up to \$20,000 for repair or replacement of personal property. The loan amount is limited to the amount of uninsured, SBA verified losses, but may be increased by up to 20 percent for mitigating devices for damaged real property.
- ◆ For business physical disaster loans, up to 100 percent of the uninsured, SBA verified loss not to exceed \$500,000. Within this limit, the loan may be increased by up to 20 percent for mitigating devices for damaged real property.
- ◆ Any insurance proceeds that are required to be applied against outstanding mortgages may be included in disaster loan eligibility. Any insurance proceeds that are voluntarily applied against outstanding mortgages by the owner may not be included in disaster loan eligibility.
- ◆ Refinancing of existing mortgages on homes and business property is possible in some circumstances. Consult an SBA representative for further information.
- ◆ For Economic Injury, up to \$500,000.
- ◆ The total loan amount to any one business entity (including affiliates for combined Economic Injury and Business Disaster Loans) cannot exceed \$500,000.

LOAN TERM:

- ◆ For businesses with "Credit Available Elsewhere," the maximum term is up to three (3) years.
- ◆ For all other borrowers, loan terms not to exceed 30 years are available. Loan terms are individually determined based upon what is reasonable in consideration of your repayment capability.

LOAN LIMITATIONS:

- ◆ No loans for damages to secondary homes.
- ◆ No loans for damage to personal pleasure boats, planes, recreational vehicles, antiques, collections, etc.
- ◆ Limitation on loan amounts for landscaping, family swimming pools, etc.

FLOOD INSURANCE REQUIREMENTS:

- ◆ Applicants who have SBA loans that require them to maintain flood insurance are not eligible for loans if they have not maintained their insurance.
- ◆ If your property is located in a special flood hazard area, you must purchase and maintain flood insurance for the insurable value of your property, regardless of the amount of your loan.

LOAN APPLICATION FILING DEADLINES:

- ◆ Applications for physical damage to homes, personal property, businesses: _____.
- ◆ Applications for Economic Injury: _____.

**POTENTIALLY UNUSUAL ASPECTS OF
DELIVERY OF SBA DISASTER ASSISTANCE FOR
LOS ANGELES CIVIL DISORDERS**

1. **Insurance.** Typical hazard insurance policies exclude coverage for damages from riots or civil disorders. Many property owners will find they have no insurance coverage for their losses.
2. **Businesses.** Businesses appear to be a heavy proportion of the victims, unlike the typical disaster which damages about 4 homes for every business.
3. **Repayment Ability.** In relatively poor neighborhoods, many businesses achieve marginal financial success. Ability to repay SBA disaster loans may be limited, especially if the need to fund uninsured losses is large. Accordingly, SBA's approval rate may be low.
*
4. **Neighborhood Recovery.** In the past, recovery of neighborhoods after such disorders is often slow. Many businesses never reopen in the neighborhood. Many relocate elsewhere. SBA disaster loans help businesses by allowing a relocation, but this is a very sensitive issue in the affected neighborhoods.
5. **Code Compliance.** Rebuilding after substantial damage will require compliance with current building codes. In the earthquake prone Los Angeles area, this includes meeting modern earthquake standards. Experience demonstrates that this is very costly.

FACTS ABOUT SBA'S DISASTER LOAN PROGRAM

The U.S. Small Business Administration (SBA) is the federal government's designated lender for victims of natural and other physical disasters, including hurricanes, floods, earthquakes and civil disturbances. When disaster victims need to borrow to repair uninsured damages, SBA loans make recovery affordable.

The need for SBA disaster loans is as unpredictable as the weather. During FY 1991, SBA approved 12,451 disaster loans for \$356.3 million. A year earlier, damage from the Loma Prieta Earthquake and Hurricane Hugo pushed the volume to 51,970 loans for \$1.32 billion. Since the program began in 1953, SBA has made more than 1,050,000 disaster loans for more than \$15.3 billion.

When Disaster Strikes

The federal government relies primarily on two agencies to deal with the results of physical disasters: SBA and the Federal Emergency Management Agency (FEMA). SBA makes direct long-term, low-interest loans to businesses, homeowners and renters to help them recover from such disasters. FEMA deals more with damage to public facilities and infrastructure, temporary housing, disaster unemployment insurance and grants for individuals who do not qualify for SBA loans.

If the governor of a state in which a physical disaster occurs determines that his state needs both types of assistance, he or she asks the President for Presidential Disaster Declaration. If the governor feels the SBA loan program is sufficient, he or she asks the SBA Administrator for an SBA Disaster Declaration.

When a disaster declaration is requested, SBA evaluates the situation to determine whether it meets the criteria for such a declaration. If it does, a disaster declaration is made by the Administrator and SBA moves to set up loan application centers in the stricken areas.

Types of Assistance

- Home Disaster Loans: Loans to homeowners or renters to repair or replace disaster-damaged homes and personal property. Renters also are eligible for loans to repair or replace damaged personal property. Loans can be made for up to \$100,000 for repair or replacement of real estate and up to \$20,000 for repair or replacement of personal property.

*Definition of disaster includes Riots and civil disorders.

BASIC FACTS ABOUT SBA DISASTER LOAN PROGRAMS

In the wake of hurricanes, floods, earthquakes, wildfires, tornados and other physical disasters, the U. S. Small Business Administration (SBA) plays a major role. SBA's disaster loans are the primary form of Federal assistance for nonfarm, private sector disaster losses. For this reason, the disaster loan program is the only form of SBA assistance not limited to small businesses. Disaster loans from SBA help homeowners, renters, businesses of all sizes and nonprofit organizations fund rebuilding. SBA's disaster loans are a critical source of economic stimulation in disaster ravaged communities, helping to spur employment and stabilize tax bases.

By providing disaster assistance in the form of loans which are repaid to the Treasury, the SBA disaster loan program helps reduce Federal disaster costs compared to other forms of assistance, such as grants. When disaster victims need to borrow to repair uninsured damages, the low interest rates and long terms available from SBA make recovery affordable. Because SBA tailors the repayment of each disaster loan to each borrower's financial capability, unnecessary interest subsidies paid by the taxpayers are avoided. Moreover, providing disaster assistance in the form of loans rather than grants avoids creating an incentive for property owners to underinsure against risk. Disaster loans require borrowers to maintain appropriate hazard and flood insurance coverage, thereby reducing the need for future disaster assistance.

The need for SBA disaster loans is as unpredictable as the weather. During FY 1991, SBA approved 12,451 disaster loans for \$356.3 million. This compares to 51,970 disaster loans for \$1.32 billion in FY 1990, due largely to the destruction of Hurricane Hugo in the Caribbean and the Carolinas and the Loma Prieta earthquake in the San Francisco Bay area of California. Since the inception of the program in 1953, SBA has approved over 1,050,000 disaster loans for more than \$15.3 billion.

The SBA is authorized by the Small Business Act to make two types of disaster loans:

Physical disaster loans are a primary source of funding for permanent rebuilding and replacement of uninsured disaster damages to privately-owned real and/or personal property. SBA's physical disaster loans are available to homeowners, renters, nonfarm businesses of all sizes and nonprofit organizations.

Economic injury disaster loans help provide necessary working capital until resumption of normal operations after a physical disaster event. The law restricts economic injury disaster loans to small businesses only.

The disaster program is SBA's largest direct loan program, and the only SBA program assisting entities other than small businesses. By law, neither governmental units nor agricultural enterprises are eligible; agricultural producers may seek disaster assistance from specialized programs at the U. S. Department of Agriculture.

Disaster victims must repay SBA disaster loans. SBA can only approve loans to applicants with a reasonable ability to repay the loan and other obligations from earnings. The terms of each loan are established in accordance with each borrower's ability to repay. The law gives SBA several powerful tools to make disaster loans affordable: low interest rates (as low as 4%), long terms (up to 30 years), and refinancing of prior debts (in some cases). As required by law, the interest rate for each loan is based on SBA's determination of whether each applicant does or does not have credit available elsewhere (the ability to borrow or use their own resources to overcome the disaster). Generally, over 90% of SBA's disaster loans are to borrowers without credit available elsewhere and have an interest rate of 4%.

SBA delivers disaster loans through four specialized Disaster Area Offices located in Niagara Falls, NY; Atlanta, GA; Ft. Worth, TX; and Sacramento, CA.