

The Food, Conservation and Energy Act of 2008

Summary of Small Business Disaster Loan Provisions

- **CREATES BRIDGE LOAN PROGRAMS:** The bill creates two programs for the private sector to administer small-dollar, short-term disaster loans for businesses. In a catastrophic disaster, the SBA can authorize private lenders to make 180 day loans of up to \$150,000 at not more than 1 percent over the prime rate to businesses that are otherwise eligible for a disaster loan. In all disasters, private lenders can make loans of up to \$25,000 and receive an SBA guaranty within 36 hours for up to 85 percent of the loan amount. Both loans would be rolled into a standard SBA disaster loan once it has been made. These bridge loans will get financial assistance to businesses while they await processing or disbursement of their conventional SBA loan or insurance payments.
- **UTILIZES THE PRIVATE SECTOR:** This bill creates a program to allow private lenders to make disaster loans after a catastrophic disaster. These loans will carry the same terms and benefits as conventional SBA disaster loans. All lenders would be eligible to make loans to small businesses, but only lenders who are preferred lenders in the 7(a) program could make loans to individuals. The bill also provides the SBA with authority to pay a fee to private lenders to process loans during times when the SBA's processing capabilities are overwhelmed in order to prevent application backlogs and ensure timely approval and disbursement of loan proceeds.
- **EXPANDS DISASTER ASSISTANCE TO AFFECTED BUSINESSES NATIONWIDE:** The bill authorizes the SBA to make economic injury disaster loans to businesses located outside the geographic area of a catastrophic disaster, if they suffer economic injury as a direct result of the disaster. The businesses must have suffered identifiable economic injury as a direct result of the disaster, and this program will only be available in periods for which the Administrator has declared eligibility for additional disaster assistance.
- **RAISES LOAN AMOUNTS AND INCREASES DEFERMENT PERIODS:** The bill raises the maximum amount of an SBA disaster loan from the current level of \$1,500,000 to \$2,000,000, and raises the maximum amount of unsecured disaster loans from \$10,000 to \$14,000. It also gives the SBA Administrator the authority to make new disaster loans and refinance existing loans from Hurricanes Katrina and Rita with a four year deferment period.

- **ENHANCES DISASTER PREPAREDNESS, COMMUNICATION, AND COORDINATION:** The bill adds several requirements to improve the SBA's coordination with FEMA. The agency will also be required to conduct biennial disaster simulation exercises and create a comprehensive disaster response plan for various disaster scenarios. The SBA will be required to improve its communication with the public when disaster assistance is made available. The bill also creates a new position for a high-level disaster planning expert who will operate independently from the Office of Disaster Assistance and will oversee the disaster planning and readiness of the agency. Finally, the bill will ensure that the SBA maintains adequate loan processing staff and reserve cadre.