

FACT CHECK FEMA Fact Sheet: Why should I return the SBA disaster loan application published by FEMA

FACT CHECK

FEMA & SBA

Published: 7-18-2018 Revised: 9-29-2018

Get the facts about the SBA loan before you complete the application and sign the closing documents. You may be putting your disaster recovery in financial risk and you may be putting your home at risk if you can not make the payments required.

Many state and local governments are recommending that all disaster victims apply for the SBA Disaster Loan program. This program was designed to allow those that have the ability to repay their debt the opportunity to borrow money to rebuild.

FACT CHECK: Many state agencies and FEMA claim you will receive the SBA Disaster Loan prior to receiving your NFIP Insurance or homeowners insurance check. This is FALSE, the insurance payment times vary and could be nearly the same time it takes to process the SBA loan.

FACT CHECK: Homeowners with NFIP or Insurance that covers the disaster will have their insurance funds collected by the SBA Disaster Loan Program and used to pay down the SBA loan as applied advanced payments. You will still owe interest.

Using the Austin Joint Field Office of FEMA (FEMA-DR-4332) 9-10-2017 letter and our experience with FEMA-DR-4277 8-13-2016.

[START LETTER 9-10-2017 DR-4332 from FEMA Field Office Austin TX]

"Why Should I Return the SBA Loan Application?"

After you apply for disaster assistance from the Federal Emergency Management Agency (FEMA), you may

be contacted by the U.S. Small Business Administration (SBA). If you are asked to submit an application for a low-interest SBA disaster loan, don't hesitate.

If SBA determines you are eligible for a loan, you don't have to accept it. If you don't qualify for a loan, SBA will refer you back to FEMA and you could be considered for other FEMA grants for Other Needs Assistance, which covers items like disaster-related car repairs, clothing, household items and other expenses. You can't be considered for these grants unless you complete and return the SBA loan application.

Some types of Other Needs Assistance do not depend on completing the SBA application. These include, medical, dental and funeral expenses. So it's not necessary to submit the application for those kinds of grants.

In planning your recovery, give yourself the widest possible set of options. Submitting the application makes it possible for you to be considered for additional grants, and if you qualify for a loan you will have that resource available if you choose to use it.

Applicants may apply online using SBA's secure website at <https://disasterloan.sba.gov/ela>. Applicants may receive additional disaster assistance information by visiting www.sba.gov/harvey. Applicants may also call SBA's Customer Service Center at 800-659-2955 or email disastercustomerservice@sba.gov for more information on SBA disaster assistance.

Individuals who are deaf or hard-of-hearing may call 800-877-8339.

Homeowners may borrow up to \$200,000 from SBA to repair or replace their primary residence. Homeowners and renters may borrow up to \$40,000 to repair or replace personal property.

Businesses may borrow up to \$2 million for any combination of property damage or economic injury. The filing deadline to return applications for property damage is Oct. 24, 2017. The deadline to return economic injury applications is May 25, 2018."

[END LETTER 9-10-2017 DR-4332 from FEMA Field Office Austin TX]

Our experience with the SBA Loan program lead to us researching the requirements for an SBA loan and the doing the math to identify the true costs of taking an SBA Disaster Loan.

We feel you should take the loan if any of the following apply.

- **Ability to repay** the loan without increasing your monthly fixed debt burden for housing beyond 40% of your total income. This is your mortgage, fixed expenses utilities, home insurance, flood insurance etc.

That's it, if you have the ability to repay the loan based on your income to expense reports then you should be financially suited for the SBA Disaster Loan Program.

Please download and complete the [Living on Percentages spreadsheet](#) to identify your debt percentage.

According to the [SBA SOP 50 30 revision 9](#) the ability to "Repay" is based on the persons Credit History.

"If SBA determines you are eligible for a loan, you don't have to accept it."

You don't have to accept the SBA Loan. You don't have to sign the closing documents and return them. You don't have to even read the closing documents. You can do was we did and toss the whole offer into the "Fire Pit" and let it burn.

FACT CHECK: SBA will tell you that you have 30 or 60 days to sign and return all the documents. If you read the SOP they will allow you up to 6 months and even after 6 months they will consider a reinstatement of the loan if you ask and nothing has really changed since your first application processing date.

FACT CHECK: FEMA will tell you that you have to apply for the SBA Loan program to be able to qualify for the ONA grants to assist with vehicles and other needs. This is not true, based on your income and your needs FEMA can offer you the ONA Grants without applying for SBA.

We found that people that did not qualify for SBA did qualify for ONA. We do not have the numbers of people that applied to the SBA Disaster Loan Program and were declined by SBA and then received ONA. The two cases of being denied by the SBA did not lead to the ONA grant. In fact they were not offered the max that FEMA could offer. So we find the FEMA suggestion that they make at the disaster center to apply for SBA and then apply for ONA is not correct. You would actually need to be denied by SBA and then specifically apply for the ONA grants and demand them from FEMA.

FACT CHECK: "You can't be considered for these grants unless you complete and return the SBA loan application." this is FALSE, and clearly in the FEMA letter it states you don't have to apply but then claims if you don't apply you can not be considered for other needs assistance grants. Because FEMA is a completely different agency than the SBA and they have their own policies which most do not enhance the other we find this statement to be false. FEMA claims you do not have to apply to the SBA but does not clearly state you are "Disqualified" from any FEMA grant if you don't apply for an SBA Loan.

Our experience again points to the ability to take on the additional debt burden of the loan. If you are currently at 90% of your Income to Expense based on the "[Living on Percentages](#)" workbook linked here you will most likely not be able to handle additional debt.

Read the processing rules and read all the documents, loans are being offered to individuals with \$18,000 pre-tax income and offering loans to households based on collateral.

Please, you are a disaster victim, do not put your home on the line to rebuild after the disaster unless you clearly can make the debt burdened household SBA monthly payments.

Read our published letter of SBA demanding money from a homeowner for over payment of loan. You should be warned that collection practices do not guarantee you will still have a home after they collect their debt from you when you find it impossible to manage your household debt.

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Original location: https://www.truckandtools.com/disaster/fact_check.asp?gdyk=112

Published: 7-18-2018 Revised: 9-29-2018

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