

Disaster Assistance Loan Guarantee Program

The Small Business Disaster Loan Guarantee Program helps agriculture-related enterprises and other small businesses obtain financing needed to recover from losses caused by natural disasters. The Governor may activate the program in areas declared to be in a State of Emergency.

Eligible Applicants:

For non-agricultural small businesses, an applicant must qualify and apply for disaster assistance from the U. S. Small Business Administration (SBA). Assistance through the Small Business Disaster Assistance Loan Guarantee Program will be in the form of a "bridge" loan guarantee to provide the borrower with working capital until its SBA financing is approved.

For farm enterprises, an applicant must be engaged in the production of food or fiber, or ranching and raising livestock; nurseries engaged in the wholesale or retail selling of plants; and agriculture related enterprises such as packing shed co-ops, feed yards, cotton gins, and food processors. An applicant must have suffered physical damage or economic injury as a result of the disaster. "Physical damage" means real or personal property damaged or lost, including structural losses. "Economic injury" means an economic loss resulting in the inability of a business to meet its obligations and to pay its ordinary and necessary operating expenses, including production losses. In addition, the applicant must not be able to obtain credit on their own.

Guarantee Amount: Normally 80 to 95 percent of the loan is guaranteed, with the guaranteed portion of the loan not exceeding \$500,000 for farm enterprises, and \$200,000 for small businesses.

Eligible Uses: Physical damage and economic costs related to the disaster. For farm enterprises, an applicant may apply for a physical disaster loan to help repair or replace damaged property to its pre-disaster condition, or may apply for a loan to sustain farm production equal to one year of normal operational costs.

Loan Term: For farm enterprises, the term may be a maximum of seven years; for small businesses the term of a bridge loan may be up to 12 months.

Interest Rates and Fees: Interest rates range from Prime to Prime plus three percent, depending upon the amount of the loan that is guaranteed. Lenders may charge loan fees. For farm enterprises, the FDC may charge a guarantee fee of up to one percent of the guarantee amount.

Collateral: Collateral is typically required, but each loan is tailored to meet the borrower's financial situation.