

§ 123.1

- 123.504 How do you apply for a Military Reservist EIDL?
- 123.505 What if you are both an essential employee and the owner of the small business and you started active duty before applying for a Military Reservist EIDL?
- 123.506 How much can you borrow under the Military Reservist EIDL Program?
- 123.507 Under what circumstances will SBA consider waiving the \$1.5 million loan limit?
- 123.508 How can you use Military Reservist EIDL funds?
- 123.509 What can't you use Military Reservist EIDL funds for?
- 123.510 What if you don't use your Military Reservist EIDL funds as authorized?
- 123.511 How will SBA disburse Military Reservist EIDL funds?
- 123.512 What is the interest rate on a Military Reservist EIDL?

Subpart G—Economic Injury Disaster Loans as a Result of the September 11, 2001 Terrorist Attacks

- 123.600 Are economic injury disaster loans under this subpart limited to the geographic areas contiguous to the declared disaster areas?
- 123.601 Is my business eligible to apply for an economic injury disaster loan under this subpart?
- 123.602 When would my business not be eligible to apply for an economic injury disaster loan under this subpart?
- 123.603 What is the interest rate on an economic injury disaster loan under this subpart?
- 123.604 How can my business spend my economic injury disaster loan under this subpart?
- 123.605 How long do I have to apply for a loan under this subpart?
- 123.606 May I request an increase in the amount of an economic injury disaster loan under this subpart?

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SOURCE: 61 FR 3304, Jan. 31, 1996, unless otherwise noted.

Subpart A—Overview

§ 123.1 What do these rules cover?

This part covers the disaster loan programs authorized under the Small Business Act, 15 U.S.C. 636(b), (c), and (f). Since SBA cannot predict the occurrence or magnitude of disasters, it reserves the right to change the rules

13 CFR Ch. I (1-1-07 Edition)

in this part, without advance notice, by publishing interim emergency regulations in the FEDERAL REGISTER.

§ 123.2 What are disaster loans and disaster declarations?

SBA offers low interest, fixed rate loans to disaster victims, enabling them to repair or replace property damaged or destroyed in declared disasters. It also offers such loans to affected small businesses to help them recover from economic injury caused by such disasters. Disaster declarations are official notices recognizing that specific geographic areas have been damaged by floods and other acts of nature, riots, civil disorders, or industrial accidents such as oil spills. These disasters are sudden events which cause severe physical damage, and do not include slower physical occurrences such as shoreline erosion or gradual land settling. Sudden physical events that cause substantial economic injury may be disasters even if they do not cause physical damage to a victim's property. Past examples include ocean conditions causing significant displacement (major ocean currents) or closure (toxic algae blooms) of customary fishing waters, as well as contamination of food or other products for human consumption from unforeseeable and unintended events beyond the control of the victims.

EFFECTIVE DATE NOTE: At 71 FR 75409, Dec. 15, 2006, § 123.2 was amended by adding a new sentence after the fourth sentence, effective Jan. 16, 2007. For the convenience of the user, the added text is set forth as follows:

§ 123.2 What are disaster loans and disaster declarations?

* * * However, for purposes of economic injury disaster loans only, they do include droughts and below average water levels in the Great Lakes or on any body of water in the United States that supports commerce by small businesses. * * *

§ 123.3 How are disaster declarations made?

(a) There are four ways in which disaster declarations are issued which make SBA disaster loans possible:

(1) The President declares a Major Disaster, or declares an emergency,

Small Business Administration

§ 123.3

and authorizes Federal Assistance, including individual assistance (Assistance to Individuals and Households Program).

(2) If the President declares a Major Disaster limited to public assistance only, a private nonprofit facility which provides non-critical services under guidelines of the Federal Emergency Management Agency (FEMA) must first apply to SBA for disaster loan assistance for such non-critical services before it could seek grant assistance from FEMA.

(3) SBA makes a physical disaster declaration, based on the occurrence of at least a minimum amount of physical damage to buildings, machinery, equipment, inventory, homes and other property. Such damage usually must meet the following tests:

(i) In any county or other smaller political subdivision of a State or U.S. possession, at least 25 homes or 25 businesses, or a combination of at least 25 homes, businesses, or other eligible institutions, each sustain uninsured losses of 40 percent or more of the estimated fair replacement value or pre-disaster fair market value of the damaged property, whichever is lower; or

(ii) In any such political subdivision, at least three businesses each sustain uninsured losses of 40 percent or more of the estimated fair replacement value or pre-disaster fair market value of the damaged property, whichever is lower, and, as a direct result of such physical damage, 25 percent or more of the work force in their community would be unemployed for at least 90 days; and

(iii) The Governor of the State in which the disaster occurred submits a written request to SBA for a physical disaster declaration by SBA (OMB Approval No. 3245-0121). This request should be delivered to the Disaster Assistance Field Operations Center serving the jurisdiction within 60 days of the date of the disaster. The addresses, phone numbers, and jurisdictions served by the field operations centers are published in the FEDERAL REGISTER.

(4) SBA makes an economic injury disaster declaration in response to a determination of a natural disaster by the Secretary of Agriculture.

(5) SBA makes an economic injury declaration in reliance on a state certification that at least five small business concerns in a disaster area have suffered substantial economic injury as a result of the disaster and are in need of financial assistance not otherwise available on reasonable terms. The state certification must be signed by the Governor, must specify the county or counties or other political subdivision in which the disaster occurred, and must be delivered (with supporting documentation) to the Disaster Assistance Field Operations Center serving the jurisdiction within 120 days of the disaster occurrence.

(b) SBA publishes notice of any disaster declaration in the FEDERAL REGISTER. The published notice will identify the kinds of assistance available, the date and nature of the disaster, and the deadline and location for filing loan applications. Additionally, SBA will use the local media to inform potential loan applicants where to obtain loan applications and otherwise to assist victims in applying for disaster loans. SBA will accept applications after the announced deadline only when SBA determines that the late filing resulted from substantial causes beyond the control of the applicant.

[61 FR 3304, Jan. 31, 1996, as amended at 64 FR 13667, Mar. 22, 1999; 67 FR 64518, Oct. 21, 2002; 71 FR 63676, Oct. 31, 2006]

EFFECTIVE DATE NOTE: At 71 FR 75409, Dec. 15, 2006, §123.3 was amended in paragraph (a)(5) by adding four sentences at the end of the paragraph, effective Jan. 16, 2007. For the convenience of the user, the added text is set forth as follows:

§ 123.3 How are disaster declarations made?

(a) * * *

(5) * * * When a Governor certifies with respect to a drought or to below average water levels, the supporting documentation must include findings *which show that conditions during the incident period meet or exceed the U.S. Drought Monitor (USDM) standard of "severe" (Intensity level D-2 to D-4)*. The USDM may be found at <http://drought.unl.edu/dm/monitor>. *With respect to below average water levels, the supplementary information accompanying the certification must include findings which establish long-term average water levels based on recorded historical data, show that current water levels are below long-term average levels, and demonstrate that economic injury has occurred as a direct result of the low water levels.*