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# SBA Overhauls Disaster Lending Program, Doubles Home Loan Limits and Waives First-Year Interest

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The Small Business Administration announced this week a series of major changes to its disaster lending program to provide enhanced support to disaster survivors and small businesses. The finalized rule, effective for all federally declared disasters on or after July 31, 2023, aims to offer more flexible and affordable disaster loans.

SBA Administrator Isabella Casillas Guzman said that the agency is committed to providing maximum resources to help communities recover from increasing numbers of natural disasters fueled by climate change. "These modifications will help small businesses, nonprofits, renters, and homeowners focus on recovering quickly so their communities can survive and thrive again," said Ms. Guzman.

Bailey DeVries, associate administrator for investment and innovation and acting associate administrator for capital access, stated that the changes are the first of their kind in nearly three decades. "We are more than doubling the caps for home disaster loans, ensuring that communities have sufficient funding to rebuild and recover," she said.

Francisco Sánchez Jr., associate administrator of SBA's Office of Disaster Recovery and Resilience, added that these new actions continue to reshape SBA's disaster strategies, allowing more capital to help rebuild communities and improve resilience against future disasters.

### **Key Changes Include:**

- **Increased Loan Limits:** Home disaster loans for primary residences will now cap at \$500,000, up from \$200,000. Personal property loan limits have increased from \$40,000 to \$100,000.
- **Removal of Administrative Limit on Landscaping:** The \$5,000 cap on landscaping has been eliminated, now limited only to the overall real estate repair limit.
- **Extended Payment Deferral:** The initial payment deferment period for all disaster loans has been extended from 5 to 12 months, allowing disaster survivors more time to recover before making payments.
- **Interest Waiver:** Interest will be waived for the first 12 months from the date of the initial disbursement for all disaster loans. This change ensures that the payment deferment provides genuine relief.
- **Mitigation Disaster Loans:** Restrictions have been lifted, allowing property owners to use disaster loan funds to mitigate against multiple types of disasters.
- **Collateral Requirements:** The SBA will no longer require blanket liens on business assets that offer no liquidity during default.
- **Reduced Documentation for Reconsideration:** Businesses will no longer need to submit financial statements with every reconsideration or appeal request for a previously declined application.
- **Expanded Eligibility:** Consumer or marketing cooperatives are now eligible to apply for the Economic Injury Disaster Loan (EIDL) and Military Reservist Economic Injury Disaster Loan (MREIDL) programs.

Tuesday's announcement follows a decision in 2022 by Ms. Guzman to waive the interest rate for the first year and to automatically extend the initial payment deferment period to 12 months for disasters declared between Sept. 21, 2022, and Sept. 30, 2023. These changes are now permanent and will apply to all disaster loans beyond Sept. 30, 2023.

