



Alabama Small Business Development Center Network

Strengthening Alabama's Economy, One Small Business at a Time.

www.asbdc.org

SBA Disaster Loans: Use of Proceeds

The SBA has specific guidelines regarding how the proceeds of such loans may be used. Disaster loans are designed to help you and your business weather an event which has caused either or both of the following: physical damage to your business or property, or economic injury (meaning you can't meet your current obligations in regard to your business).

What Can Disaster Loan Proceeds Be Used For?

The SBA offers several different types of disaster loans for small businesses and nonprofit organizations. The SBA can provide up to \$2 million in disaster assistance; this includes both economic injury and physical damage assistance. Depending on your loan type, the proceeds may be used for different purposes. Some applicants will qualify for both an economic injury loan and a physical disaster loan.

Physical Disaster Loans

Physical Disaster Loan proceeds may be used for the repair or replacement of the following:

- Real property
- Machinery
- Equipment
- Fixtures
- Inventory
- Leasehold improvements

In addition, disaster loans to repair or replace real property or leasehold improvements may be increased by as much as 20 percent of the total amount of disaster damage to real estate and/or leasehold improvements as verified by the SBA to protect the damaged real property against possible future disasters of the same type.

SBA loans will cover uninsured physical damage. If your property was insured but you are required to apply insurance proceeds to an outstanding mortgage on the damaged property, you can include the amount applied in your disaster loan application.

Economic Injury Disaster Loans

An EIDL can help you meet the normal financial obligations that your business or private nonprofit organization could have met had the disaster not occurred. It permits you to maintain a reasonable working capital position during the period affected by the disaster.



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Alabama SBDC Network

The Alabama Small Business Development Center Network is a statewide, inter-institutional program to enhance economic growth in Alabama by providing management and technical assistance to small businesses. Certified business counselors are available in 12 Small Business Development Centers (SBDC) located at our member university partners across the state. ASBDC Counselors provide no-cost assistance to companies and individuals in Alabama that are interested in starting or growing a business, accessing SBA disaster relief efforts, utilizing SBA loan guarantee programs, selling to the federal government, or exploring international trade.

Take action today: Call us at 877-825-7232, 205-348-1582, visit www.ASBDC.org, or email ASBDC@ua.edu.