

Issue Overview

Nonprofit organizations are eligible for some forms of federal disaster relief assistance if they are located in a county declared a Major Disaster Area (within Alabama, Louisiana, and Mississippi) or in a state that is hosting evacuees from Hurricane Katrina (Arkansas, Colorado, District of Columbia, Florida, Georgia, Oklahoma, North Carolina, Tennessee, Texas, Utah, and West Virginia).

Background & Status

The US Small Business Administration (SBA) can make federally subsidized *physical disaster loans* to nonprofit organizations to repair or replace disaster-damaged property not covered by insurance, including inventory and supplies, but nonprofit organizations are NOT eligible for *economic injury loans* from SBA that help with operations costs. Under current federal rules, economic injury loans appear to be only available to for-profits.

The limitation to nonprofit eligibility for economic injury loans appears to be in SBA regulations (defined by agency), not the statute (legislation passed by Congress). Specifically, the statute provides that the SBA may make such loans as it determines necessary to any "small business concern" located in an area affected by a disaster if the SBA determines that the concern has suffered a substantial economic injury as a result of the disaster¹. In regulations, the SBA defines a "small business concern" as a business entity organized for profit². This needlessly restricts some crucial nonprofits from qualifying for assistance.

Therefore, we are requesting the SBA amend their regulations to support the original intent of the statute and allow certain charitable organizations to qualify as "small business concerns" for the purposes of receiving economic injury disaster loans.

Talking Points

- Thank them for Congress' leadership and commitment to assisting those impacted by Hurricane Katrina.
- Share the attached letter and ask for their assistance in requesting SBA revise their regulations to allow nonprofits to qualify for economic injury loans, not just physical disaster loans.
- In times of disaster, nonprofit organizations clearly demonstrate their value to society. We are on the frontlines providing relief and support to the thousands of individuals and families affected by Hurricane Katrina, as well as providing housing, support, volunteers and staging areas for relief activities and workers.
- Society expects nonprofit human service organizations to step up during times of crisis, but disasters like Hurricane Katrina, severely affect our ability to serve. Complicating this task is our dependence on a strong local base of charitable giving to sustain programs and services and the utter devastation of so many contributing communities. It is therefore critical we are given the tools to get back on our feet.
- We willingly shoulder the responsibility of providing needed recovery services to our impacted citizens, but we ask our government to help the nonprofit sector in this extensive effort.

¹ See 15 U.S.C. § 636(b)(1)(B)(2).

² See 13 C.F.R. § 121.105.