Congressional Research Service
Informing the legislative debate since 1914

SBA Disaster Loans Program Account: Overview and Policy Options

June 4, 2025

Congressional Research Service
https://crsreports.congress.gov
R48558

CRS REPORT
Prepared for Members and
Committees of Congress

SUMMARY

R48558

June 4, 2025

Bruce R. Lindsay
Specialist in American National Government

Anthony A. Cilluffo
Analyst in Public Finance

SBA Disaster Loans Program Account: Overview and Policy Options

The Small Business Administration (SBA) operates the disaster loan program to provide low-interest loans to homeowners, renters, businesses of all sizes, and non-profit organizations to assist them with recovering from declared disasters. This report provides an overview of the operations of the SBA Disaster Loan *Program Account*, the primary budgetary account that supports the disaster loan program. The report also provides background information on a supporting account, the SBA Disaster Loans *Financing Account*, and provides illustrative policy options related to recent challenges with the disaster loan program.

The SBA Disaster Loans *Program Account* is the primary budgetary account for the disaster loan program. That account receives appropriations—typically "no year" funds that do not expire at the end of the fiscal year—from both annual appropriations acts and occasional supplemental appropriations acts, such as those passed after a large-scale disaster. The program account supports the budgetary cost of making disaster loans (the credit subsidy) as well as the cost of administering the disaster loan program. In FY2024, SBA reported that disaster loan credit subsidies cost $347 million, while program administration cost $672 million (41% of this amount was for ongoing administration of COVID Economic Injury Disaster Loans [COVID EIDLs]).

The SBA Disaster Loans *Financing Account* is an off-budget account that records the day-to-day operations of the disaster loan program. The financing account borrows from the Department of the Treasury and receives credit subsidy payments from the program account. It uses those funds to originate disaster loans to borrowers. In return, the financing account receives borrower repayments as well as collections on defaulted loans. The financing account also records certain accounting transactions for the disaster loan program, such as paying and receiving interest from the Treasury and making certain credit subsidy payments.

The Small Business Disaster Response and Loan Improvements Act of 2008 (Subtitle B of Title XII of P.L. 110-234) requires the SBA Administrator to provide several reports to Congress (15 U.S.C. §636k). For example, the Administrator must provide monthly reports on the status of the disaster loan program, weekly reports on the program during presidentially-declared major disasters, and a report to the small business committees if SBA requests supplemental appropriations for the disaster loan program.

From October to December 2024, the SBA Disaster Loans Program Account experienced its first lapse of credit subsidy funds in program history. In October 2024, SBA exhausted funds available for the cost of making disaster loans, and did not make additional disaster loans until additional funds were provided by the American Relief Act, 2025 (P.L. 118-158) in December 2024. Several Members of Congress raised concerns that SBA may not have fulfilled its statutory reporting requirements, thereby catching Congress unawares with an urgent funding request during a congressional recess.

This report provides an overview of the SBA Disaster Loans Program Account and discusses the disaster loan program reporting requirements. The report concludes with a discussion of several policy options that were proposed following this episode, including changing SBA reporting requirements, and potential changes to Federal Emergency Management Agency (FEMA) programs that could affect the SBA Disaster Loan Program.

Contents

Figures

Tables

Appendixes

Contacts

Introduction

The Small Business Administration's (SBA's) Disaster Loan Program becomes available when the president declares an emergency or major disaster under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act; P.L. 93-288, as amended; 42 U.S.C. §§5121 et seq.); or when the SBA Administrator issues a disaster declaration pursuant to the Small Business Act (P.L. 83-163, as amended; 15 U.S.C. §§631 et seq.).[1]

The disaster loan program provides direct disaster loans to eligible households, businesses, and nonprofit organizations to help them rebuild and recover after a disaster. SBA disaster loans include: (1) Personal Property Disaster Loans; (2) Real Property Disaster Loans; (3) Business Physical Disaster Loans; and (4) Economic Injury Disaster Loans (EIDL).[2] As described in this report, each type of loan has a maximum limit that has changed over time.[3]

- **Personal Property Disaster Loans** provide creditworthy homeowners or renters located in a declared disaster area with up to $100,000 to repair or replace personal property owned by the survivor;
- **Real Property Disaster Loans** provide creditworthy homeowners located in a declared disaster area with up to $500,000 to repair or restore the homeowner's primary residence to its pre-disaster condition;
- **Business Physical Disaster Loans** provide businesses and private non-profit organizations located in a declared disaster area with up to $2 million to repair or replace damaged physical property, including machinery, equipment, fixtures, inventory, and leasehold improvements; and
- **Economic Injury Disaster Loans (EIDLs)** provide small businesses located in a declared disaster area with up to $2 million to help meet financial obligations and operating expenses that could have been met had the disaster not occurred. EIDL proceeds can only be used for working capital necessary to enable the business or organization to alleviate the specific economic injury and to resume normal operations. Loan amounts for EIDLs are based on actual economic injury and financial needs, regardless of whether the business suffered any property damage.

The disaster loan program is supported by a pair of SBA accounts: the SBA Disaster Loans *Program Account* and the SBA Disaster Loans *Financing Account*. The program account is the main budgetary account for the program. It receives appropriations from Congress to fund the budgetary cost of making disaster loans and pays the administrative costs of the program. The financing account is an off-budget account that performs several accounting functions for the program, including borrowing money from the Department of the Treasury to fund disaster loans and receiving loan payments from borrowers.

The Small Business Disaster Response and Loan Improvements Act of 2008 (Subtitle B of Title XII of P.L. 110-234) requires the SBA Administrator to provide several reports to Congress (15 U.S.C. §636k), including monthly reports on the status of the SBA disaster loan program, weekly

---

[1] Declaration types and designations determine what types of SBA disaster assistance becomes available, as well as what type of entities are eligible for the assistance. For more about declarations see CRS Report R44412, *SBA Disaster Loan Program: Frequently Asked Questions*, by Bruce R. Lindsay.

[2] For general information about the SBA Disaster Loan Program, see CRS Report R44412, *SBA Disaster Loan Program: Frequently Asked Questions*, by Bruce R. Lindsay.

[3] For more information about SBA disaster loan amounts, see CRS Report R47245, *SBA Disaster Loan Limits: Policy Options and Considerations*, by Bruce R. Lindsay, R. Corinne Blackford, and Daniela E. Lacalle.

reports on the program during presidentially-declared major disasters, and a report to the small business committees if SBA requests supplemental appropriations for the disaster loan program.

In October 2024, SBA exhausted funds available for the cost of making disaster loans, and did not make additional disaster loans until additional funds were provided by the American Relief Act, 2025 (P.L. 118-158) in December 2024. This is the first lapse of credit subsidy funds in the program's history. Several Members of Congress raised concerns that SBA may not have fulfilled its statutory reporting requirements, thereby catching Congress unawares with an urgent funding request during a congressional recess.

This report provides an overview of the SBA Disaster Loans Program Account and discusses the account's reporting requirements. The report concludes with a discussion of several policy options that were proposed following this episode, including changing SBA reporting requirements, and potential changes to Federal Emergency Management Agency (FEMA) programs that could affect the SBA Disaster Loan Program.

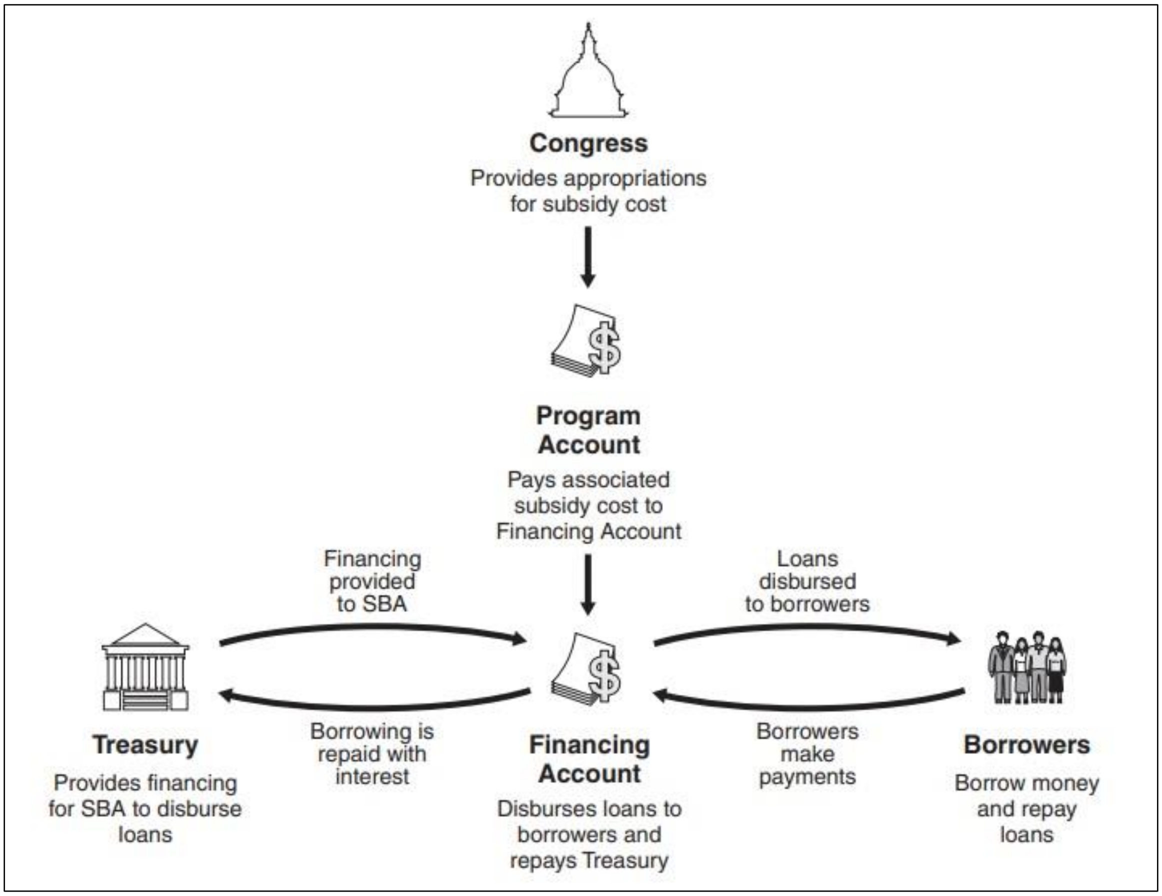
SBA Disaster Loans Program Account

The SBA Disaster Loans Program Account funds the budgetary cost[4] of disaster loans and administrative expenses for the program. This cost equates to the cost of the annual *credit subsidy* required in a fiscal year, which depends in part on borrower default rates, among other factors. Historically, appropriations to the program account are "no year" appropriations, meaning that funds do not expire at the end of the fiscal year. Rather, any remaining funds are rolled over to the next fiscal year. In addition to rolled over funds (if available), the program account may receive annual appropriations, supplemental appropriations, and re-estimates of credit subsidy costs (see **Figure 1**).[5]

[4] The *budgetary cost* of a disaster loan is the cost that is recorded in the federal budget. This cost is equal to the credit subsidy, which is explained in more detail in "Lending Operations and Credit Subsidies."

[5] Generally, under the Federal Credit Reform Act of 1990 (Subtitle B of Title XIII of P.L. 101-508), agencies must annually reestimate subsidy rates for each annual cohort of loans. The reestimates use information on the actual performance of the loan cohort, as well as updated economic assumptions. Annual reestimates can increase or decrease the subsidy cost. For subsidy increases, the Federal Credit Reform Act of 1990 provides permanent, indefinite authority for the agency to receive mandatory appropriations to cover the increased cost. For more about the Federal Credit Reform Act of 1990, see CRS Report R44193, *Federal Credit Programs: Comparing Fair Value and the Federal Credit Reform Act (FCRA)*, by Raj Gnanarajah.

Figure 1. Federal Budget Accounting for SBA's Disaster Loan Program



Source: Reproduced from U.S. Government Accountability Office, "SBA Disaster Loan Program: Accounting Anomalies Resolved but Additional Steps Would Improve Long-Term Reliability of Cost Estimates," GAO-05-409, April 2005, p. 7, https://www.gao.gov/products/gao-05-409.

Note: This figure is a stylized illustration of the major flows of funds between the accounts and participants of the SBA disaster loan program. Certain program features are simplified. For example, borrowers receive an initial deferral period after loan origination before payments are required. Additionally, borrower payments include both interest and loan principal.

Inflows to the Program Account

The program account typically starts each fiscal year with funds carried forward from the previous fiscal year. Appropriations for the disaster loan program are often available until expended ("no year" funds), and that SBA has access to until used—they do not expire at the end of each fiscal year. In addition to amounts carried forward from previous fiscal years, the program account may also receive inflows from annual or supplemental appropriations, and recoveries of obligations from earlier fiscal years. For the program account, these recoveries can refer to a variety of actions, such as the de-obligation of previously approved but undisbursed loans or cancelled program administration funds.

Annual Appropriations

In general, Congress provides annual appropriations to the program account through the Financial Services and General Government appropriations bill. This funding is often for "administrative expenses to carry out the direct loan program,"[6] which supports personnel, equipment, and systems needed to run the program. In some fiscal years, however, Congress has not provided annual appropriations to the account because the account had enough funding to last the entire fiscal year (see **Table 1**).

Supplemental Appropriations

In some cases, additional funding may be needed to support the disaster loan program. This has previously occurred when a large-scale disaster, or series of disasters, create high demand for disaster loans. The supplemental funding request is often for "an additional amount … for the cost of direct loans,"[7] or, the credit subsidy payments from the program account to financing account when disaster loans are obligated (see **Table 1**).

Table 1. SBA Disaster Loan Program Appropriations, FY2000-FY2025

Millions of dollars

Fiscal Year	Disaster Assistance Annual Appropriations	Disaster Assistance Supplemental Appropriations
2025[a]	$406	$2,249
2024	$175	—
2023	$179	$858
2022	$178	$1,189
2021	$168	$35,460
2020	$177	$70,582
2019	$10	—
2018	—	$1,659
2017	$186	$450
2016	$187	—
2015	$187	—
2014	$192	—
2013	$111	$740
2012	$117	—
2011	$45	—
2010	$78	—
2009	—	—
2008	—	$1,053
2007	$115	—
2006	—	$1,700
2005	$112	$929
2004	$199	—

[6] See, inter alia, Title V of Division B, Further Consolidated Appropriations Act, 2024 (P.L. 118-47; 138 Stat. 564).

[7] See, inter alia, Title V of Division B, American Relief Act, 2025 (P.L. 118-158; 138 Stat. 1744).

Fiscal Year	Disaster Assistance Annual Appropriations	Disaster Assistance Supplemental Appropriations
2003	$190	—
2002	$210	$75
2001	$184	$100
2000	$276	$41

Source: Table created by CRS using information from annual and supplemental appropriations acts for each fiscal year.

Notes: Amounts in this table include amounts required to be transferred to the SBA Office of Inspector General or provided for indirect expenses for the disaster loan program. Therefore, the full amount of these appropriations may not have been available to the SBA Disaster Loans Program Account.

a. FY2025 appropriations are current as of May 15, 2025, but may change before the end of the fiscal year (September 30, 2025).

Outflows from the Program Account

The program account supports both the lending operations and the administrative expenses of the disaster loan program. Therefore, the major outflows from the account are for program administrative expenses and for lending costs (credit subsidies).

Administrative Expenses

The disaster loan program's administrative expenses include both personnel costs and the costs of disaster loan-related facilities, information technology (IT) systems, and similar expenses. As of September 30, 2024, the SBA reported having 3,942 employees supporting the disaster loan program.[8] Those employees included staff in the Office of Capital Access supporting disaster loan processing, disbursing, and servicing as well as staff in the Office of Disaster Recovery and Resilience who support disaster-related field operations.[9]

Lending Operations and Credit Subsidies

Under the Federal Credit Reform Act of 1990 (Subtitle B of Title XIII of P.L. 101-508),[10] SBA records the expected lifetime cost of a disaster loan in the fiscal year that the loan is obligated. This amount, also known as a credit subsidy, is the amount that the federal government's

[8] Small Business Administration, "Small Business Disaster Response and Loan Improvement Act of 2008 Monthly Report—09/30/2024," updated November 7, 2024, p. 12, https://www.sba.gov/document/report-small-business-disaster-response-loan-improvement-act-reports.

[9] During an SBA reorganization from July 2022 through February 2023, SBA transferred the disaster lending program from the then-Office of Disaster Assistance to the Office of Capital Access (which also manages SBA's small business lending programs). The remaining functions in the Office of Disaster Assistance were renamed the Office of Disaster Recovery and Resilience. In March 2025, after the publication of the September 2024 personnel data, SBA announced that disaster lending would be returning to the Office of Disaster Recovery and Resilience. See Small Business Administration, "Administrator Guzman Transforms SBA's Disaster Enterprise to Strengthen Support for Disaster-Impacted Communities," Archived News Release 23-03, February 3, 2023, https://www.sba.gov/article/2023/feb/01/administrator-guzman-transforms-sbas-disaster-enterprise-strengthen-support-disaster-impacted; Small Business Administration, "Small Business Administration Announces Agency-Wide Reorganization," News Release 25-38, March 21, 2025, https://www.sba.gov/article/2025/03/21/small-business-administration-announces-agency-wide-reorganization.

[10] 2 U.S.C. §§661 et seq.

disbursements exceed amounts received over the loan's lifetime (on a net present value basis).[11] This calculation is largely based on assumptions of the difference between the federal government's cost of borrowing funds and the interest rate charged to disaster loan borrowers, the expected disaster loan default rate, and how much of the defaulted balance the government will eventually recover.[12] When SBA obligates a disaster loan, it must transfer that loan's subsidy cost from the program account to the financing account (see "Disaster Loans Financing Account" for more about the financing account). Therefore, the amount of credit subsidy remaining in the program account and the subsidy rate for the current fiscal years largely govern how much total additional lending SBA can make from available funds.

Consider the following examples of the relationship between subsidy funds, the subsidy rate, and possible lending. Suppose SBA has $100 million in appropriations in the program account available for the cost of direct loans. At a subsidy rate of 10%, this $100 million could support $1 billion in disaster lending to borrowers ($100 million / 0.1). If the subsidy rate were 25%, then the $100 million could support $400 million in disaster lending ($100 million / 0.25). (See **Figure 2** for an illustration of this calculation using a subsidy rate near the actual FY2025 amount of 22.22%.)

This subsidy rate represents a cost share between borrowers and the federal government. If borrowers take on more of the costs (through higher interest rates and/or a lower default rate), then the subsidy rate is lower and the government does not need to obligate as much for expected loan costs. If borrowers are expected to take on less of the loan costs (through subsidized interest rates and/or a higher default rate), then the government must obligate more funds for the expected costs of the loans.

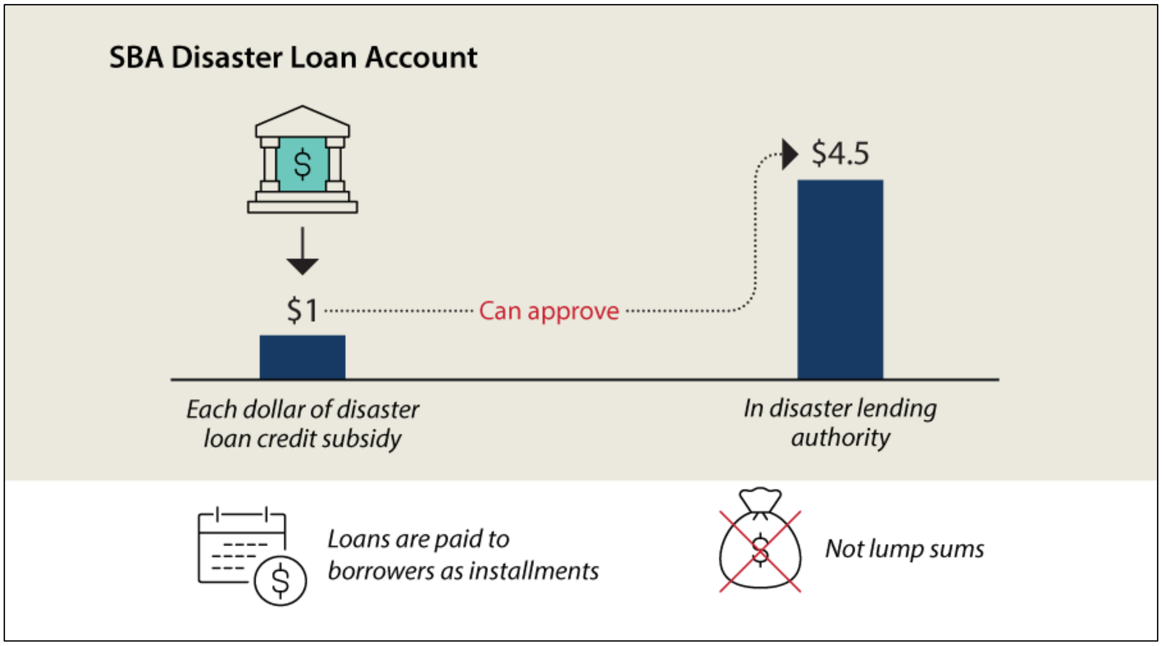
---

[11] A net present value basis calculation adjusts for time differences in the value of money. Generally, due to factors such as the possibility of earning interest on savings and inflation, a dollar will be worth more today than it will be far into the future.

[12] The expected lifetime cost of the loan generally does not include the principal of the loan. A hypothetical loan with no default risk that charges an interest rate similar to the Treasury's cost of borrowing would have no subsidy cost. Disaster loans differ from this hypothetical by both (1) having an interest rate below the Treasury's cost of borrowing and (2) having a default rate above zero.

Figure 2. SBA Disaster Loans Program Account Lending Authority

Lending Authority Illustration Assumes a Subsidy Rate of 22.22%



Source: Graphic created by CRS Visual Information Specialist Mari Lee.

Notes: The lending authority illustration assumes an annual credit subsidy rate of 22.22%, near the actual FY2025 amount. This is for illustrative purposes only.

Table 2 summarizes the "initial subsidy rate estimates" used for the disaster loan program for FY2016 through FY2025, along with the components of the subsidy rate and assumptions about loan characteristics and performance. The three components of the subsidy rate sum to the initial subsidy rate estimate for each fiscal year. The loan assumptions are key inputs to the subsidy rate model, and illustrate SBA's expectations about loan terms and performance for each fiscal year. The subsidy rate during this time period varies from a low of 8.92% in FY2021 (when $1 in credit subsidy could support $11.21 in lending) to a high of 22.03% in FY2025 (when $1 in credit subsidy could support $4.54 in lending). Over this period, the "defaults, net of recoveries" component has generally decreased. Since the default rate assumption has been fairly constant between 25%-30%, the improvement in the subsidy rate is due to expected higher post-default recoveries,[13] rising from 18% in FY2016 to 29% in FY2025. The "interest subsidy" component was more variable over time, but is higher in FY2025 than any other year of this period. Because the average borrower interest rate in each year is around 2%-3%,[14] the differences in the interest

[13] Neither default nor charge-off (an accounting action) generally release borrowers from needing to repay their disaster loans. The Debt Collection Improvement Act of 1996 (P.L. 104-134) requires federal agencies to pursue collections on defaulted federal debt. Following default, SBA may refer a disaster loan borrower to the Department of the Treasury's debt collection programs, including Treasury Cross-Servicing and the Treasury Offset Program. For more about these programs, see CRS In Focus IF11671, *Overview of the Treasury Department's Federal Payment Levy and Treasury Offset Programs*, by Gary Guenther.

[14] Borrowers may be offered different interest rates on their SBA disaster loans depending upon factors such as the type of borrower (individual or business), the type of disaster loan, and whether the borrower has access to other, non-SBA sources of credit. Interest rates on SBA disaster loans are not set to account for each borrower's individual risk.

subsidy component are due to the Treasury's borrowing costs, which have been higher in recent years than earlier in this period.[15]

Table 2. SBA Disaster Loan Credit Subsidy Rate, FY2016-FY2025

Numbers Are Percentages

		Components of Subsidy Rate			Loan Assumptions		
Fiscal Year	Initial Subsidy Rate Estimate	Defaults, Net of Recoveries	Interest Subsidy	All Other	Borrower Interest Rate	Default Rate	Post-Default Recovery Rate
2025	22.03	9.52	15.67	-3.15	3.16	29.39	29.17
2024	20.55	10.34	12.67	-2.46	2.93	28.22	27.76
2023	12.91	11.57	1.66	-0.32	2.23	25.38	28.69
2022	8.96	12.61	-3.88	0.23	1.82	25.68	32.01
2021	8.92	11.22	0.72	-3.02	2.23	24.82	29.89
2020	13.62	10.35	7.58	-4.31	2.91	26.11	24.57
2019	12.29	12.74	2.56	-3.02	2.67	27.85	23.22
2018	12.54	13.01	3.45	-3.91	2.73	28.51	21.59
2017	14.42	13.30	5.62	-4.49	2.81	29.65	19.81
2016	12.10	13.64	2.56	-4.11	2.90	27.88	18.13

Source: Table created by CRS using data from President's Budget, Federal Credit Supplements, FY2017-FY2025, available at https://www.govinfo.gov/app/collection/budget/. Each fiscal year is from the following fiscal year's budget document (for example, FY2016 data are from the FY2017 President's Budget), except FY2025, which is from the FY2025 President's Budget.

Note: The three components of subsidy rate sum to the initial subsidy rate estimate. (Any differences are due to rounding.) The initial subsidy rate estimate is that estimated before the beginning of the fiscal year and does not incorporate any annual reestimates of the subsidy rate. The initial subsidy rate is the rate used for determining the cost of loans made during the fiscal year, as well as reinstatements of loans for each respective fiscal year after the end of the year. A reinstatement is a loan or part of a loan initially approved in a prior fiscal year that was cancelled but subsequently reapproved by SBA.

SBA must obligate credit subsidy funds when it originates new loans and when it approves modifications to existing loans. SBA does not need to obligate any additional subsidy funds from annual or supplemental appropriations when it revises the subsidy rate estimate for existing, unmodified loans.[16] Instead, SBA receives mandatory appropriations under permanent, indefinite authority provided by the Federal Credit Reform Act of 1990 for the cost of upward reestimates (when the loans are more expensive than expected). SBA returns funds released by a downward reestimate (when the loans are less expensive than expected) to the Treasury.

[15] As mentioned earlier, SBA funds disaster loans by borrowing from the Treasury, which in turn funds SBA's borrowing by issuing debt to the public. The interest rate on Treasury debt is set by market conditions, including the Federal Reserve's monetary policy. As a simplified illustration, imagine a 30-year SBA disaster loan with an interest rate of 3%. If the Treasury funds that loan by issuing debt at a 3% interest rate, then the government may expect to about break even on the interest portion (it receives as much from the borrower as it pays its own lenders). If, however, the Treasury funds that loan by issuing debt at 5% interest, then the government is subsidizing that loan by lending the funds at a lower rate (3%) than it is itself paying to use those funds (5%).

[16] The Federal Credit Reform Act of 1990 (Subtitle B of Title XIII of P.L. 101-508) requires agencies to revise credit subsidy estimates annually using the latest available information on loan performance and economic conditions.

Recent Program Account Activities (FY2024)

Table 3 summarizes the amounts of SBA Disaster Loans Program Account actions in FY2024, related to either disaster loan credit subsidies or program administration. On the credit subsidy side, SBA had a total of $446.8 million available for the cost of disaster loans, mostly from amounts carried forward from FY2023. SBA did not receive annual or supplemental appropriations for credit subsidies in FY2024. SBA primarily used existing funds to support disaster loans originated in FY2024. The $1.7 billion in FY2024 disaster lending had a subsidy cost of $341.4 million (20.55% subsidy rate). After also accounting for recoveries and reinstatements related to prior fiscal years, SBA carried forward $99.8 million for credit subsidy costs to FY2025. (This amount was insufficient to support increased disaster loan demand following several major hurricanes, up until the credit subsidy funding lapse discussed below in "Funding Lapses and Low Account Balances.")

SBA's disaster loan administration activities in FY2024 included both general disaster loan administration, as well as administration for SBA's COVID EIDL portfolio.[17] SBA carried forward $689.1 million from FY2023 for general disaster loan administration, and $312.4 million for COVID EIDL-related administration. SBA received $165 million for this account through the annual appropriations process. These sources, together with some recoveries, gave SBA a total of nearly $1.2 billion for disaster loan administration in FY2024. SBA reported spending $395.2 million on general disaster loan administration and $276.8 million on COVID EIDL-related administration. SBA carried $520.8 million in administrative funds forward to FY2025.

Table 3. SBA Disaster Loans Program Account Activities, FY2024

Function	Dollar Amount
Credit Subsidy Amounts	
Carried forward from FY2023	$406,162,830
Cost modification	-$5,175
Realized recoveries from prior years	$40,646,830
Total available for FY2024	**$446,804,485**
Cost of reinstatements of prior year loans[a]	-$5,600,369
Cost of FY2024 disaster lending	-$341,355,683
Credit subsidy carried forward to FY2025	**$99,848,433**
Program Administration	
Carried forward from FY2023 (general)	$689,123,236
Carried forward from FY2023 (COVID)	$312,414,191
Annual appropriations (P.L. 118-47)[b]	$165,000,000
Recoveries	$26,245,137
Total available for FY2024	**$1,192,782,564**
Program administration (general)	-$395,182,174
Program administration (COVID)	-$276,766,565

[17] For more about the COVID EIDL program, see CRS Report R47509, *SBA COVID-19 EIDL Financial Relief: Policy Options and Considerations*, coordinated by Bruce R. Lindsay.

Function	Dollar Amount
Administrative funds carried forward to FY2025	**$520,833,826**

Source: Table created by CRS using information from Small Business Administration, "Small Business Disaster Response and Loan Improvement Act of 2008 Monthly Report—09/30/2024," updated November 7, 2024, p. 9, https://www.sba.gov/document/report-small-business-disaster-response-loan-improvement-act-reports.

Notes: Figures may not add to totals indicated due to rounding.

a. The cost of a prior year reinstatement is calculated at the relevant fiscal year's subsidy rate. A reinstatement is a loan or part of a loan initially approved in a prior fiscal year that was cancelled but subsequently reapproved by SBA.

b. This amount differs from the FY2024 amount in **Table 1** because this amount excludes $1.6 million transferred to the SBA Office of Inspector General and $8.4 million for "indirect administrative expenses for the disaster loan program."

Disaster Loans Financing Account

The SBA Disaster Loans Financing Account is an off-budget account[18] that records the day-to-day transactions of the disaster loan program. When SBA makes a disaster loan, the program account only records the subsidy cost of the loan. The financing account will borrow the loan principal from the Department of the Treasury and lend that amount to the borrower. The financing account receives the subsidy payment from the program account and receives monthly payments from borrowers. The financing account also receives collections from defaulted loans (such as from loans referred for enhanced collection activities through the Department of the Treasury Cross-Servicing or Treasury Offset programs).[19]

Recent Financing Account Activities (FY2024)

Table 4 shows the status of the SBA Disaster Loans Financing Account for FY2024. The financing account started FY2024 with $324.6 billion in disaster loans outstanding. SBA disbursed $1.5 billion in disaster loans during FY2024, received $8.8 billion in payments, wrote off $17.2 billion in defaulted loans, and made net -$2.8 billion in unspecified other adjustments. The net result of these activities was $297.2 billion in disaster loans outstanding at the end of FY2024.

Table 4. SBA Disaster Loans Financing Account, FY2024

Millions of Dollars

Function	Amount
Outstanding direct loans, start of FY2024	**$324,578**
Loan disbursements	$1,451
Loan repayments	-$8,848
Write-offs for defaulted loans	-$17,228
Other adjustments	-$2,798
Outstanding direct loans, end of FY2024	**$297,155**

[18] An off-budget account is an account that is not included in the federal budget.

[19] For more on these Department of the Treasury debt collection programs, see CRS In Focus IF11671, *Overview of the Treasury Department's Federal Payment Levy and Treasury Offset Programs*, by Gary Guenther.

Source: "Small Business Administration," *President's Budget* (FY2026) Budget Appendix, p. 1032, https://www.whitehouse.gov/wp-content/uploads/2025/05/appendix_fy2026.pdf.

Notes: This table shows the disaster loan-related activities of the financing account. This account also has ancillary transactions, such as interest paid and received from the Treasury and accounting transactions related to subsidy reestimates.

SBA Disaster Loan Program Reporting Requirements[20]

SBA is statutorily required to submit several reports on the status of the disaster loan program to the Senate Committee on Small Business and Entrepreneurship, the House Committee on Small Business, the Senate Committee on Appropriations, and the House Committee on Appropriations.[21] The required reports on the disaster loan program include: (1) monthly reports;[22] (2) weekly reports for presidentially declared major disasters pursuant to the Stafford Act;[23] and (3) a notice of the need for supplemental funds.[24]

Monthly Reports

SBA is required to submit a report not later than the fifth business day of each month on the operations of the disaster loan program that includes:

- the daily average lending volume, in number of loans and dollars, and the percent by which each category has increased or decreased since the previous report;
- the weekly average lending volume, in number of loans and dollars, and the percent by which each category has increased or decreased since the previous report;
- the amount of funding spent over the month for loans, both in appropriations and at the program level, and the percent by which each category has increased or decreased since the previous report;
- the amount of funding available for loans, both in appropriations and at the program level, and the percent by which each category has increased or decreased since the previous report; and
- an estimate of how long the available funding for such loans will last, based on the spending rate.[25]

Weekly Reports

SBA is required to submit a weekly report when the disaster loan program is in operation due to a presidentially-declared major disaster. The contents of the report must include:

- the daily dollar amount of applications approved by SBA from applicants in the declared disaster area;

[20] A detailed description of reporting requirements is in the **Appendix**.

[21] 15 U.S.C. §636k.

[22] 15 U.S.C. §636k(a).

[23] 15 U.S.C. §636k(b).

[24] 15 U.S.C. §636k(d).

[25] A complete list of report requirements can be located in the **Appendix** of this report.

- the daily number of loans dispersed by SBA, both partially and fully, to the declared disaster area;
- the daily dollar amount of loans disbursed by SBA, both partially and fully, to the declared disaster area; and
- the number of applications approved, including dollar amount approved, as well as applications partially and fully disbursed, including dollar amounts, since the last report.

Supplemental Funding Notifications

When SBA determines the SBA Disaster Loans Program Account is in need of supplemental funding, SBA is required to notify, in writing, the Senate Committee on Small Business and Entrepreneurship and the House Committee on Small Business regarding the need for supplemental funds for SBA Disaster Loan Program, on the same date that the SBA Administrator notifies any other committee of the Senate or the House of Representatives that supplemental funding is necessary.[26]

Funding Lapses and Low Account Balances

As mentioned previously, the SBA Disaster Loans Program Account is usually funded by no-year appropriations. Disaster loan activities are therefore not subject to a lapse in annual appropriations.

A funding lapse has only occurred once since SBA began issuing disaster loans (in 1953). In October 2024, SBA announced it had exhausted credit subsidy funds for its disaster loan program following increased demand from Hurricane Helene.[27] During the funding lapse, SBA continued to accept and process disaster loan applications despite not being able to issue new loans, queuing eligible applicants for approval and disbursement once new credit subsidy funds were made available. During the credit subsidy funding lapse, SBA continued to service existing disaster loans and process certain loan modifications. SBA was also able to approve a limited number of new disaster loans as subsidy funds were de-obligated following loan cancellations.[28]

The American Relief Act, 2025 (P.L. 118-158) was enacted on December 21, 2024. It provided a total of $2.25 billion for the disaster loan program. Of that amount, $50 million was to be transferred to the SBA Office of Inspector General for disaster loan program-related audits and reviews, and up to $613 million was for program administration (leaving at least $1.6 billion for credit subsidy costs). SBA announced that, following enactment of the American Relief Act,

[26] While the statute requires this notice to the small business committees upon SBA's request to "any other committee," it may be focused on requests for supplemental funding made to appropriations committees. Indeed, a letter to the SBA Administrator from several Senate Committee on Small Business and Entrepreneurship members specifically mentioned timing inconsistencies between SBA's public announcements and formal congressional requests. "Despite several news stories, the SBA failed to follow the law and only provided the statutorily required written notification of a need for supplemental funding on October 10, 2024, days after news stories broke." U.S. Congress, Senate Small Business and Entrepreneurship Committee, *Letter to U.S. Small Business Administrator: Isabel Casillas Guzman*, 118th Cong., 2nd sess., October 16, 2024, https://www.ernst.senate.gov/imo/media/doc/sbc_disaster_letter.pdf.

[27] Small Business Administration, "SBA Exhausts Funds for New Disaster Loans," Archived News Release 25-04, October 15, 2024, https://www.sba.gov/article/2024/10/15/sba-exhausts-funds-new-disaster-loans.

[28] SBA, "SBA Exhausts Funds for New Disaster Loans."

2025, individuals and businesses in the loan application queue would receive their official loan offer within 48 hours.[29]

Policy Options and Considerations

The following policy options and considerations for Congress. These include (1) improving congressional oversight and preventing shortfalls; and (2) broadening the reach of the SBA Disaster Loan Program.

Improving Congressional Oversight and Preventing Shortfalls

As mentioned previously, from October to December 2024, the SBA Disaster Loans Program Account experienced its first lapse of credit subsidy funds in program history. In October 2024, SBA exhausted funds available for the cost of making disaster loans, and did not make additional disaster loans until additional funds were provided by the American Relief Act, 2025 (P.L. 118-158) in December 2024. The funding lapse delayed assistance to disaster survivors, including some of those recovering from Hurricanes Helene and Milton. The following sections discuss policy options that could assist Members conducting congressional oversight of the disaster loan program and potentially prevent funding shortfalls in the account.

SBA Disaster Loan Program: Reports to Congress

As previously mentioned, SBA provides reports on the status of the disaster loan program to the Senate Committee on Small Business and Entrepreneurship, House Committee on Small Business, Senate Committee on Appropriations, and House Committee on Appropriations. The limited distribution may leave some Members of Congress unaware of the funding status of the program. When the lapse occurred in October 2024, some Members expressed concern that SBA had failed to provide Congress with required information about the status of the program. For example, a letter to the SBA Administrator, some Members of the Senate Committee on Small Business and Entrepreneurship stated:

> Pursuant to 15 U.S.C. 636k, the SBA is required to transmit various reports on disaster assistance to Congress. Despite the SBA providing some information on a monthly basis, critical statutorily required components failed to be included, such as “an estimate of how long the available funding for such loans will last, based on the spending rate” and “an estimate of how long the available funding for salaries and expenses will last, based on the spending rate.” Had the SBA shared this information with the authorizing committees each month, as required by law, a clear picture of the disaster loan account’s spend rate would have allowed Congress to take steps to ensure disaster victims would receive all necessary federal assistance.[30]

Recently, SBA elected to make a series of monthly reports from 2024 available on the agency’s website.[31] At the time of this publication, the most recent report on this website is dated

[29] Small Business Administration, “President Biden Signs Law to Deliver Funding to SBA to Reopen its Disaster Loan Program and Support Recovery in Communities Across the Country,” December 21, 2024, Archived News Release 25-19, https://www.sba.gov/article/2024/12/21/president-biden-signs-law-deliver-funding-sba-reopen-its-disaster-loan-program-support-recovery.

[30] U.S. Congress, Senate Small Business and Entrepreneurship Committee, *Letter to U.S. Small Business Administrator: Isabel Casillas Guzman*, 118th Cong., 2nd sess., October 16, 2024, https://www.ernst.senate.gov/imo/media/doc/sbc_disaster_letter.pdf.

[31] U.S. Small Business Administration, *Small Business Disaster Response and Loan Improvement Act Reports*, (continued...)

September 30, 2024 (the end of FY2024). Congress could require SBA to make the most recent disaster loan program report available on its website with current reports. Doing so could help ensure transparency and situational awareness of the account's status.

In a comparable situation, Congress wanted greater transparency and a better understanding of the funding status of the FEMA's Disaster Relief Fund (DRF).[32] The DRF is the primary source of funding for the federal government's domestic general disaster relief programs as authorized under Stafford Act. Since reporting requirements enacted by P.L. 112-74, Congress has received regular publicly-available reports on the DRF.[33] The FEMA Administrator is required to publish a report on DRF obligations to the agency's website by not later than the fifth business day of each month. The report must include:

- information on appropriations made available, transfers, recovered funds, commitments, allocations, and obligations, as well as projected future obligations;
- a table of disaster relief activity; a summary of allocations, obligations, and expenditures associated with catastrophic events (those costing more than $500 million each);
- selected breakdowns of obligation information for several exceptionally large incidents;[34] and
- the date on which funds appropriated will be exhausted.

When the DRF funding for the costs of major disasters approaches exhaustion, FEMA may take administrative action to prioritize its initial response work and assistance for individuals over longer-term recovery and mitigation efforts. Doing so greatly slows the rate of obligation of funds, giving time for Congress to provide additional resources. When enacted legislation provides the needed DRF funding, obligations for the delayed projects resume.[35]

Transfers Within or Between SBA Accounts

In the context of a funding lapse for credit subsidy appropriations, potential policy responses include either reprogramming funds provided for disaster loan administration or transferring funds provided to SBA for some purpose other than the disaster loan program.[36] These options would potentially allow SBA to continue making disaster loans without additional appropriations. However, doing so would result in reducing the funding that Congress provided for some other

---

Monthly reports about SBA's disaster response, from the Office of Disaster Recovery and Resilience, https://www.sba.gov/document/report-small-business-disaster-response-loan-improvement-act-reports.

[32] For more information about the 2005 and 2008 hurricane seasons see, CRS Report R43139, *Federal Disaster Assistance After Hurricanes Katrina, Rita, Wilma, Gustav, and Ike*, coordinated by Bruce R. Lindsay and Jared C. Nagel.

[33] For more information about the DRF, see CRS Report R45484, *The Disaster Relief Fund: Overview and Issues*, by William L. Painter; and CRS Report R47676, *Disaster Relief Fund State of Play: In Brief*, by William L. Painter.

[34] Hurricanes Sandy, Harvey, Irma, and Maria, as well as the COVID-19 pandemic.

[35] FEMA, "Immediate Needs Funding Fact Sheet," August 2024, https://www.fema.gov/sites/default/files/documents/fema_ocfo-inf-fact-sheet.pdf.

[36] This report does not determine if either a reprogramming or a transfer was possible during the October-December 2024 credit subsidy appropriations lapse. SBA was operating under a continuing resolution at the time of the lapse, which may (or may not) change the analysis of transfer and reprogramming authorities available at the time. Even when operating under regular appropriations, there may be questions about authorities to make a transfer or reprogram funds. For more about appropriations reprogramming and transfers generally, see CRS Report R47600, *Transfer and Reprogramming of Appropriations: An Overview*, by Taylor N. Riccard and Dominick A. Fiorentino.

purpose. For example, a reprogramming of program administration funding within the SBA Disaster Loans Program Account could result in SBA needing to operate fewer recovery centers in a disaster area or having a smaller disaster program staff. Additionally, a reprogramming or transfer of funds may result in congressional oversight delays, as requests for additional credit subsidy funding are times when Congress may examine operations and program performance. If funding requests and congressional actions are postponed, oversight may be deferred as well. Finally, reprogramming and transfer authorities, when available, are usually limited.[37] Because of these limits, reprogrammed or transferred funds may not continue disaster loan-making for long, especially during times of heightened demand for disaster loans following a major disaster.

Changes to the Reach of the SBA Disaster Loan Program

The following sections discuss policy options that could change the reach of the SBA Disaster Loan Program. For example, Congress might consider changes to the terms or amounts of disaster loans to change the number of borrowers who could receive funding from a given amount of funding. Congress might also consider changes to the disaster loan program if the Federal Emergency Management Agency's (FEMA's) disaster recovery programs become unavailable or limited. The sections below include a discussion on the potential impacts of changing the reach of the program.

Temporary Modifications to Disaster Loan Terms

Reducing the amount of individual disaster loans could allow SBA to lend to more borrowers. According to the Office of Disaster Recovery and Resilience monthly report for September 30, 2024, SBA had $99.8 million available at the beginning of FY2025 for the credit subsidy cost of disaster loans. At the FY2025 subsidy rate of 22.03%, this could support $453.2 million. At an average loan size of $61,300 (around the FY2024 average[38]), SBA could make around 7,400 disaster loans. If the average loan size fell by 10% to around $55,200, then SBA could make around 8,200 disaster loans.[39] Some ways to reduce disaster loan amounts include approving only a portion of the qualified loan amount, restricting the ability of borrowers to use the optional 10% loan amount increase for post-disaster mitigation expenses, and lowering the maximum amount that SBA can lend without requiring collateral (the unsecured loan cap).

Reducing loan amounts may, in certain cases, undermine the goals of the disaster loan program.[40] Certain projects cannot be meaningfully divided without risking the project and possible repayment. For example, reducing funds to a homeowner seeking a loan to replace a destroyed roof could result in the borrower not having enough funds to buy the new roof. In that case, the borrower may use a lower-cost and lower-quality substitute to replacing the whole roof. This

[37] For example, Section 540 of Title V of Division B of the Further Consolidated Appropriations Act, 2024 (P.L. 118-47) provides limited transfer authority, provided that the amount transferred is "not to exceed 5 percent of any appropriation," that "no such appropriation shall be increased by more than 10 percent by such transfers," and that other conditions are met.

[38] Small Business Administration, "Disaster Summary Report: FY2024," accessed April 21, 2025, https://careports.sba.gov/views/DisasterSummary/Report?%3Aembed=yes&%3Atoolbar=no.

[39] Dollar and loan numbers are rounded to the nearest hundred.

[40] When the U.S. Government Accountability Office evaluated the (now terminated) SBA Economic Opportunity Loan program, one of GAO's rationales for what they perceived as poor results in the program was inadequate consideration of "the appropriateness of loan amounts." In GAO's estimation, this failure to consider whether the loan amount was appropriate may have led to borrowers receiving insufficient amounts to provide a reasonable chance for success. U.S General Accounting Office, "Most Borrowers of Economic Opportunity Loans Have Not Succeeded in Business," Report CED-81-3, December 8, 1980, pp. 34-37, https://www.gao.gov/products/ced-81-3.

would not return the property to its pre-disaster condition and could also risk SBA's collateral—likely the house itself—by failing to restore the home's value.[41] Even reducing some seemingly divisible projects—such as a small business replacing lost inventory—could be counterproductive. Reducing a loan for lost inventory may result in the small business not being able to replace enough of its pre-disaster inventory and services to regain economic competitiveness, increasing the business's risk of failure and SBA's risk of loss on the loan.

Additionally, temporary modifications to loan terms may raise fairness concerns. Two borrowers who suffered similar damages from disasters and have similar credit profiles might receive different offers from SBA based on something unrelated to either of those factors and instead on the financial status of the SBA Disaster Loans Program Account at the time of their respective applications.

Potential Changes to FEMA Programs

There have been recent discussions about abolishing FEMA, or eliminating some of the agency's existing programs, such as FEMA's Individual Assistance (IA) program and Public Assistance (PA) program.[42] These discussions include providing a state block funding to administer its own programs, or in some cases, eliminating federal funding altogether in an effort to shift the burden of disaster relief back on to the states.

Another potential policy change that could shift the burden of disaster relief to the states is reducing the number of Stafford Act declarations and/or limiting the number of relief programs made available. An emergency or major disaster declaration issued by the President pursuant to the Stafford Act triggers various FEMA programs depending on the nature and scope of the incident.[43] States and localities cannot access these programs without a presidential declaration under the Stafford Act.

Abolishing FEMA or eliminating some of the agency's programs, or limiting Stafford Act declarations could place more demand on the SBA Disaster Loan Program to meet unmet recovery needs. If FEMA programs become limited or unavailable, Congress may consider the need to increase disaster loan program appropriations to meet disaster recovery demands. Additionally, Congress could require SBA to revise its disaster loan criteria to increase the likelihood of an applicant getting a disaster loan, in order to meet unmet recovery needs. However, adjusting the criteria to serve more disaster survivors could increase disaster loan default rates, which would increase the subsidy rate for the disaster loan program and require a larger credit subsidy appropriation to support a given amount of lending.

[41] For more information about SBA disaster loan limits, see CRS Report R47245, *SBA Disaster Loan Limits: Policy Options and Considerations*, by Bruce R. Lindsay, R. Corinne Blackford, and Daniela E. Lacalle.

[42] Will Weissert, Chris Megerian, and Makiya Seminera, "Trump Proposes 'Getting Rid of FEMA' While Touring Disaster Areas," *Associated Press*, January 24, 2025, https://apnews.com/article/trump-first-trip-california-north-carolina-nevada-b906880254ce7bf249c3dcefa45bf846#. For more information about FEMA's Individual Assistance Program, see CRS In Focus IF11298, *A Brief Overview of FEMA's Individual Assistance Program*, by Elizabeth M. Webster.

[43] For more information about Stafford Act declarations, see CRS Report R42702, *Stafford Act Declarations 1953-2016: Trends, Analyses, and Implications for Congress*, by Bruce R. Lindsay.

Appendix. Disaster Loan Program Reporting Requirements[44]

The following provides information on the required contents of the monthly and weekly SBA Disaster Loan Program reports.

Monthly Reports

SBA Disaster Loan Program monthly reports must include:

- the daily average lending volume, in number of loans and dollars, and the percent by which each category has increased or decreased since the previous report;
- the weekly average lending volume, in number of loans and dollars, and the percent by which each category has increased or decreased since the previous report;
- the amount of funding spent over the month for loans, both in appropriations and program level, and the percent by which each category has increased or decreased since the previous report;
- the amount of funding available for loans, both in appropriations and program level, and the percent by which each category has increased or decreased since the previous report;
- an estimate of how long the available funding for such loans will last, based on the spending rate;
- the amount of funding spent over the month for staff, along with the number of staff, and the percent by which each category has increased or decreased since the previous report;
- the amount of funding spent over the month for administrative costs, and the percent by which such spending has increased or decreased since the previous report;
- the amount of funding available for salaries and expenses combined, and the percent by which such funding has increased or decreased since the previous report under paragraph (1), noting the source of any additional funding; and
- an estimate of how long the available funding for salaries and expenses will last, based on the spending rate.

Weekly Reports

SBA Disaster Loan Program weekly reports must include:

- the number of Administration staff performing loan processing, field inspection, and other duties for the declared disaster, and the allocations of such staff in the disaster field offices, disaster recovery centers, workshops, and other Administration offices nationwide;
- the daily number of applications received from applicants in the relevant area, as well as a breakdown of such figures by state;

[44] These requirements are generally at 15 U.S.C. §636k, "Reports on disaster assistance."

- the daily number of applications pending application entry from applicants in the relevant area, as well as a breakdown of such figures by state;
- the daily number of applications withdrawn by applicants in the relevant area, as well as a breakdown of such figures by state;
- the daily number of applications summarily declined by the Administration from applicants in the relevant area, as well as a breakdown of such figures by state;
- the daily number of applications declined by the Administration from applicants in the relevant area, as well as a breakdown of such figures by state;
- the daily number of applications in process from applicants in the relevant area, as well as a breakdown of such figures by State;
- the daily number of applications approved by the Administration from applicants in the relevant area, as well as a breakdown of such figures by state;
- the daily dollar amount of applications approved by the Administration from applicants in the relevant area, as well as a breakdown of such figures by state;
- the daily amount of loans dispersed, both partially and fully, by the Administration to applicants in the relevant area, as well as a breakdown of such figures by state;
- the daily dollar amount of loans disbursed, both partially and fully, to the relevant area, as well as a breakdown of such figures by state;
- the number of applications approved, including dollar amount approved, as well as applications partially and fully disbursed, including dollar amounts, since the last weekly disaster update report; and
- the declaration date, physical damage closing date, economic injury closing date, and number of counties included in the declaration of a major disaster.

Author Information

Bruce R. Lindsay
Specialist in American National Government

Anthony A. Cilluffo
Analyst in Public Finance

Acknowledgments

The authors gratefully acknowledge assistance from the following individuals at CRS: Corinne Blackford, Analyst in Small Business and Economic Development Policy; Grant Driessen, Acting Section Research Manager and Specialist in Public Finance; Raj Gnanarajah, Analyst in Financial Economics; Mari Lee, Visual Information Specialist; Shelley Harlan, Editor; Brent Mast, Acting Deputy Assistant Director; William Painter, Specialist in Homeland Security and Appropriations; and Elizabeth Webster, Specialist in Emergency Management and Disaster Recovery.

Disclaimer