

# United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP  
WASHINGTON, DC 20510-6350

June 28, 2010

The Honorable Karen G. Mills  
Administrator  
U.S. Small Business Administration  
409 Third Street, SW  
Washington, D.C. 20416

Dear Administrator Mills:

The tragic explosion of the *Deepwater Horizon* took the lives of 11 men and unleashed an uncontrolled torrent of oil and gas into the Gulf of Mexico. This disaster threatens our environment, our economy and the health of America's wetlands, which underpin the way of life and viability of the entire Gulf Coast. As such, Gulf Coast small businesses are now nervously monitoring response operations at the *Deepwater Horizon* disaster site as well as cleanup efforts closer to Gulf Coast shorelines. For this reason, I write to you regarding SBA disaster loan applications in the Gulf Coast.

In particular, as of June 25, 2010, SBA had denied almost 70 percent – 243 of 352 disaster loan applications – from Gulf Coast small businesses. 189 of these denials were from Louisiana businesses. It is my understanding that SBA had denied a majority of these businesses because of concerns over the credit and repayment ability of the companies. While I recognize that it is still early in the disaster loan process and that many businesses are taking a 'wait and see' approach, these decline numbers are troubling and could discourage other impacted businesses from seeking SBA assistance. This is because, as you know, many local businesses are still having trouble navigating the BP claims process and are generally hesitant to take on additional debt with the difficult economic conditions in the area right now.

With this in mind, I encourage SBA to review its internal policies from previous disasters, especially the *Exxon Valdez* disaster, in the event that they provide a model for how to better respond to this disaster. For example, SBA could examine different types of collateral, including BP claims, which could be used to not further burden businesses that are now, in some cases, facing their second or third disaster since 2005. I also believe that greater transparency on the SBA disaster loan process helps both businesses currently in processing or those which have yet to apply. To assist in that effort, I have enclosed a set of common questions on these loans that I have received from my constituents. I respectfully request a written response to these questions and, in your response, encourage SBA to include any additional information that may be helpful to borrowers.

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In closing, I thank you for your consideration of these suggestions to enhance SBA's disaster response in the Gulf Coast. For my part, I remain committed to ensuring that SBA has sufficient resources and tools necessary to provide timely and effective assistance for this and other future disasters. Please do not hesitate to contact me if you require additional resources or legislative authority to assist businesses impacted by the *Deepwater Horizon* disaster.

Sincerely,



Mary L. Landrieu  
Chair

MLL:brv



**Senate Committee on Small Business and  
Entrepreneurship**  
**Senator Mary L. Landrieu, Chair**  
***U.S. Small Business Administration Economic Injury Disaster Loans***  
***BP Deepwater Horizon Oil Spill***  
Frequently Asked Questions  
June 28, 2010

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1. SBA has indicated that you accept the “best available collateral” for disaster loans. Please explain what specific types of collateral SBA looks for when securing disaster loans.
  - a. What is the current collateral requirement for the amount of funds SBA can disburse without requiring collateral?
  - b. Will SBA currently accept a claim from BP as collateral for an SBA disaster loan?
2. What information is typically needed from a business owner for SBA to certify economic injury from a disaster?
3. Which types of businesses or industries are ineligible for SBA Economic Injury Disaster Loans?
  - a. What is a borrower required to provide to SBA to show eligibility for an SBA Economic Injury Disaster Loan (EIDL)?
  - b. Are all aquaculture-related businesses ineligible for SBA disaster loans?
4. What are the typical issues resulting in a decline for SBA disaster loans?
  - a. If an applicant is declined for a disaster loan, do they have an opportunity to appeal?

- b. If an applicant is declined for a disaster loan because of problems with another Federal loan (student loan or SBA loan), can they address the problem and reapply?
5. The current rate of loan applications which have been declined for the *Deepwater Horizon* disaster is overwhelmingly high. What is the history of decline rates for SBA Economic Injury Disaster Loans for other disasters?
  - a. What is the average default rate for these loans?
6. What is the current time frame for SBA to make an eligibility determination and disburse the EIDL loan (if the loan is approved)?
7. On SBA disaster loans, are borrowers required to pay interest on the entire approved SBA disaster loan amount or just the amount of the loan that has been disbursed?
8. Are there currently any other Federal programs providing assistance for this disaster which may result in a duplication of benefits with SBA disaster loans?
9. SBA has announced that you are able to defer loan payments on a case-by-case basis. What are the criteria that SBA considers in reviewing a loan deferment request?
  - a. What are eligible reasons for requesting a loan deferment?
  - b. What documents are required for a borrower to qualify for a loan deferment, and where should a borrower make his/her request?
  - c. What amount of time can a loan be deferred for?
  - d. What is the current time frame for SBA to process and approve a loan deferment request?
  - e. If a deferment is granted, when will the borrower be required to pay off the deferred principle and interest payment?
    - i. Will the payment be due immediately when the deferment period has expired, or will it be due as a balloon payment at the end of the lease term?
    - ii. If a borrower's loan term is already at the maximum amount of years, will the deferred payment be due in one payment, or will the borrower be allowed to pay smaller payments, included in the current monthly statement?