



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

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Before the
U.S. Senate Committee on Small Business & Entrepreneurship

“The SBA Disaster Assistance Program and the Impact of the Deepwater Horizon Oil Spill on Small Businesses”

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Good afternoon Chair Landrieu, Ranking Member Snowe, and members of the Committee. Thank you for inviting me to discuss the SBA Disaster Assistance Program and the impact of the Deepwater Horizon oil spill on small businesses. I would also like to thank the Administrator, Karen Mills, for providing me with the opportunity to lead the Disaster Program as the Associate Administrator for Disaster Assistance.

SBA’s Role in Disaster Assistance

Through our Office of Disaster Assistance (ODA), the SBA is responsible for providing affordable, timely and accessible financial assistance following a disaster to businesses of all sizes, to homeowners, and to renters. Many disaster survivors have insurance, which covers part or all of the physical property losses due to a disaster, but for disaster losses not covered by insurance, an SBA loan is a critical form of federal financial assistance. This financial assistance is available in the form of low-interest loans. Since the SBA’s inception in 1953, we have provided 1.9 million disaster loans for more than \$48.5 billion.

SBA is not a first responder agency. Rather, SBA is focused on providing low-interest, long-term loans as part of the recovery effort in coordination with other government partners at the Federal, state, and local levels. In addition to SBA’s disaster loan program, we help small businesses recover through our guaranteed lending, technical assistance, and government contracting and business development programs.

Disaster loans are a vital source of economic assistance in areas affected by a disaster. As part of our overall effort to help victims get back on their feet, SBA’s disaster home loans of up to \$200,000 help members of the local community return to and rebuild their homes. We also make loans to non-profits and businesses of all sizes for up to \$2 million to assist with any uninsured and otherwise uncompensated physical losses sustained during a disaster.

Additionally, SBA offers Economic Injury Disaster Loans (EIDL) to small businesses, small agricultural cooperatives, and non-profit organizations that have suffered economic injury caused by a disaster and cannot obtain credit in the conventional market. If a small business or organization is unable to meet obligations and to pay its ordinary and necessary operating expenses, an EIDL loan may help. These loans provide working capital to businesses or organizations. The maximum loan amount is \$2 million combined for both physical and economic injury.

In 2009, ODA responded to a number of disaster-related events, including disasters resulting from the Midwest floods and Hurricanes Gustav and Ike. We successfully responded to 25 Presidential Individual Assistance declarations, 40 Agency declarations, 15 Economic Injury and 148 Secretary of Agriculture disaster declarations. We issued over 218,000 applications within one day of receipt from FEMA. We processed over 96,643 loan applications with an average approval time of 8 days. In total, during 2009 SBA approved 21,780 disaster loans for over \$1.1 billion.

Recent Disaster Assistance Efforts

As a result of the Deepwater BP oil spill, small business owners in the Gulf Region who earn their living fishing in these waters, as well as seafood retailers, boat yards, shipping companies, processing plants and other coastal small businesses may face significant financial losses from having to shut down operations because of the oil spill.

SBA is ready to assist these small businesses by making Economic Injury Disaster Loans available for small businesses in Louisiana, Mississippi, Alabama and Florida.

These Economic Injury Disaster Loans offer working capital of up to \$2 million, with a 4 percent interest rate and terms up to 30 years. These loans will provide vital “bridge financing” to fishing and fishing-dependent businesses to assist with the temporary loss of revenue they are experiencing.

Currently, SBA has staff in over a dozen disaster loan outreach centers in the impacted areas to meet individually with small business owners and answer questions about SBA loans. Small business owners interested in applying for one of these loans can visit one of the disaster loan outreach centers or apply online. SBA is also being supported by the Small Business Development Centers who have provided staff to assist fisherman and other small businesses impacted by the Deepwater Horizon BP oil spill in filing potential claims.

Another step we are taking to help small business owners in these affected areas is to allow existing SBA disaster borrowers to request a deferment. Additionally, the SBA is strongly encouraging its participating private lenders to strongly consider deferment relief for borrowers with SBA-guaranteed 7(a) loans and 504 loans.

While we are working in the Gulf Coast today, SBA is currently responding to 38 other disaster declarations, including the flooding in Tennessee where we currently have 12 disaster loan centers responding to that crisis.

Significant Improvements Since Katrina

Since 2005, we have seen a great deal of success in our disaster program. While we fortunately had a light 2009 hurricane season, in fiscal year 2009 we had the highest

disaster loan approval level in five years. Following the 2005 Gulf Coast Hurricanes, SBA faced severe challenges in providing disaster assistance in a timely fashion. As a result, we made dramatic improvements to our operations. Today, by incorporating lessons learned and process improvements, SBA's Disaster Assistance Program has overhauled the processes and improved response times. SBA is now better prepared to process loans faster, provide a better quality of service and be more helpful to disaster victims.

To ensure overall preparedness the Disaster Program has increased the number of workstations for these employees from 300 to over 2,100 (in Fort Worth) and we have brought online a "surge" center (in Sacramento) with 350 additional workstations. We are currently staffed at approximately 1,300 employees with a reserve force of over 2,000 employees. Additionally, SBA has the ability to use regular employee staff and also the ability to get assistance from Small Business Development Centers and other SBA resource partners.

SBA has also improved its Disaster Credit Management System, which now gives the Agency the technology to serve many users, with increased disaster recovery capacity from 1,500 to 12,000 concurrent users.

In regards to loan processing, we are currently meeting our processing goals by turning around applications within 7 days for disaster home loans (our goal is 14 days) and within 14 days for disaster business loans (our goal is 18 days). To put this into perspective, the average processing time during the 2005 Gulf Coast Hurricanes was **74 days** for disaster home loans and **66 days** for disaster business loans. Additionally, in August of 2008, SBA introduced an electronic loan application which allows disaster survivors to apply for assistance online. Currently, this mechanism accounts for 1/3 of all applications submitted.

SBA has also revamped the post-approval process, improving the processes and tools for loan closings and funding disbursements. Our emphasis is on customer service and accountability, with each approved loan being assigned an individual case manager.

In regards to marketing and outreach, SBA has developed an aggressive plan to reach all potential applicants in an area before a disaster strikes. We are concentrating on areas that are vulnerable to recurring similar disasters to provide expanded outreach efforts before disaster strikes. Additionally, we have provided all SBA employees with access to an online "Disaster Tool Kit" with detailed information on the agency's role in preparedness, outreach, and disaster assistance.

We have also instituted annual disaster trainings for SBA's Regional Administrators, District Directors, and Disaster Public Information Officers on disaster assistance responsibilities. And finally, we are currently involved in an overall assessment of our Disaster Assistance messaging, branding, and outreach. This assessment includes focus groups with individuals who have been impacted by a disaster. The outcome of this assessment helped us strengthen the effectiveness of both our preparedness and post-disaster communications and outreach efforts.

In closing, we appreciate the opportunity to share with the Committee the role SBA plays in small business disaster recovery efforts. We firmly believe that the reforms we have

instituted have enabled us to be prepared to effectively and efficiently respond to the needs of our nation's disaster victims. I look forward to further describing these efforts and to answering your questions. Thank you.