

## **SBA Disaster Assistance Hearing-Jaimie Bergeron-Fleur de Lis Car Care Center**

On August 28, 2005, my family enjoyed a measure of financial security. We owned an unencumbered home and a successful business. By August 29<sup>th</sup>, we were homeless, jobless and in debt. In a few hours, the flooding caused by the failure of the levee at the 17<sup>th</sup> Street Canal wiped out over twenty years of work and saving.

My husband Ray and I have operated Fleur de Lis Car Care Center in the Lakeview neighborhood of New Orleans since 1988. We are a family business that, prior to August 2005, employed nine people including myself, my husband and his son.

By early 2005, we'd received several good offers to purchase our business and my husband, who turned seventy years old a few weeks after the flood, was contemplating retirement. Nearly five years later, there are no purchase offers, Ray is working twelve hour days and the SBA holds a \$250,000 mortgage on our home

In October, 2005, as soon as we were cleared to re-enter the area, we began the clean up, making plans to reopen even though there was no one on the street besides news photographers, the NOPD and the National Guard. Back then, many businesses held off, preferring to see if residents would return before they made the commitment to reopen. We looked at it differently. We believed it was up to the business owners to show their confidence in the area and provide essential services so residents felt comfortable coming back. And they have come back—but, so far, not in the numbers we need to stay in business.

Prior to the flood, we served an average of two hundred and fifty customers a day. Our business was one of the few in the city to offer full service gasoline, a labor intensive effort that was much appreciated by our customers. We were the largest tire dealer in the neighborhood and we offered a full range of mechanical services. At one time we employed two mechanics along with a helper.

Our daily customer count has dropped to about one hundred—on a good day. We now have only two employees besides Ray and me. We are doing our best to provide the same level of service we used to, but it is impossible because of the limited staff. We've cut hours and eliminated some of the services we used to provide because we simply do not have the manpower. We'd hoped to be operating with a full staff by now, but since the recession we have been forced to lay off three employees. Our SBA funds have run out.

We submitted our original application for an SBA loan on September 28, 2005 and received notice of approval by phone in late November 2005, with a closing date scheduled for December 21, 2005.

Because we lease the land on which our business is located, our home was used as collateral for both the business loan and the small personal loan we also obtained from SBA. The SBA representative told me to bring a copy of our ownership papers as well as proof of flood and homeowners insurance on the property along with voided checks to allow direct deposit of funds. He assured me these were the only documents we needed to close.

However, at the closing, the SBA representative there informed us that we also needed proof of insurance on the business as well as "mortgages documents" which were supposed to be provided to us by SBA prior to closing. When we asked about rescheduling the closing so that we could obtain the proper documents, she told us that doing that would only slow the process and that we should go ahead sign the closing papers. We were told that, once we actually

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received the documents from SBA, we could take them, along with proof of additional insurance, to one of the SBA Disaster Centers and the funds would be disbursed. That did not happen.

By January 2006, we had obtained the necessary insurance information but, despite several requests, SBA still had not sent us the mortgage documents. We went to a local SBA Disaster Center and spoke with a representative of their legal department who informed us that, since we had been approved, SBA could provide an immediate advance of \$10,000 with the remainder of the proceeds being paid once they received the mortgage document. On January 18, 2006 we received that \$10,000 disbursement and still no documents from SBA. Soon after we did receive the documents and with the help of Carmen Sunda with the Louisiana Small Business Development Center we completed them and returned them to SBA. Contrary to what we had been promised, it was not enough.

Between January and March 2006, I engaged in repeated phone conversations with the SBA Legal department in an effort to determine exactly what documents SBA required before giving us a final disbursement. The requirements changed with every conversation. In addition, SBA forced us to pay \$305.00 to two different title companies for separate title searches on the same piece of property. When I questioned this, I was told that this business is given out to contractors on a strict rotational basis every time a loan comes up. I asked for an exception since the collateral for both the business loan and the home loan was the same piece of property. I was told that there could be no exceptions to this policy and we were forced to pay twice for the exact same work.

In March 2006, because of the long delays involved and the confusion about SBA's ever changing requirements, we chose to reduce the amount of the loan to speed up the process of getting the needed funds, reduce our indebtedness and avoid the additional expense and delay of obtaining a title policy, which SBA had recently decided it needed. We were now three months past closing and only a few weeks from the planned opening of our business. Our employees wanted to come back to work and we were doing our best to reopen. But there was no money for inventory or equipment. Filling our tanks with fuel costs in excess of \$20,000.

In April, 2006 we received a final disbursement on our loan with the first payment due in December, 2006. On May 8, 2006, I requested that the date of first payment be adjusted along with the amount of the monthly payment, since the payment amounts were based on approved amounts—not the amounts actually borrowed. And, although we received no substantial disbursement until April 2006, because we signed the note in December 2005 we were being held to that date as the one year anniversary of the loan.

While SBA undoubtedly took credit for “closing” our loan in December 2005, we did not receive more than a token amount for four months. Had we known this, we would not have closed without having all of the documents in hand. We trusted that SBA would deal fairly with us. Needless to say, we felt as though we'd been duped.

On July 27, 2006, after much discussion with their legal department, SBA agreed to reduce the monthly loan payments by \$200 to \$1123.00 per month. Our request for an extension of the repayment date was denied and they forced us to begin repayment one year from the date of the supposed closing.

I have no complaints about any of the individual SBA employees I dealt with. Each of them worked hard for us. Even when we were given incorrect information, I'm confident they told us what they believed to be the truth. The problems went higher up. There seemed to be no system in place and no direction.

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Now, nearly five years later, the recovery seems to be underway. Recently the streets surrounding our business were closed for repairs. New roads mean better access and, we hope, more customers. In the meantime two of the three points of entry to our business are blocked and we're told that repairs will not be complete until December 2010 at the earliest.

Because of that, we asked for and received a six month deferment from SBA to help us deal with this major business interruption. We are very grateful for the assistance although we know that interest continues to accrue and there will be a large balloon payment due at the end of the term of the loan. That's a bridge we will have to cross when we come to it.

Recently, Senator Landrieu and SBA Administrator Karen Mills visited our business and I had an opportunity to tell them both how much the small businesses affected by Hurricane Katrina need loan relief to keep their doors open and create more jobs. Even in our current situation, we need at least one more employee. And as things improve we hope to again be fully staffed. But as of now, the debt service does not leave us with enough secure funds to hire even one employee and feel certain we can make that payroll. The bill before this committee could give us the confidence to do that.

Small businesses in our areas are dealing with the twin burdens of disaster recovery and the effects of the worst recession in decades. Just last week we were notified that United Fire Group is cancelling our garage liability policy because of an "*overall reduction in exposure in the insured's region of the country*". And now South Louisiana has been hit with another disaster off our coast. We are being attacked from all sides.

Still, we are survivors. Many cities would have become ghost towns after suffering a disaster such as the one that hit New Orleans. Instead we are coming back through citizen-sponsored recovery and the hard work of small business. We're doing what we have to do, but we need help.