



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

Testimony of Mr. James Rivera
Associate Administrator for Disaster Assistance
U.S. Small Business Administration

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House Committee on Small Business
Storm Watch: Making Sure SBA's Disaster Loan Program is Prepared

Good morning Chairman Chabot, Ranking Member Velázquez, and distinguished members of the Committee. Thank you for inviting me here today to discuss SBA's Disaster Loan Program. SBA appreciates your strong support of the agency's disaster assistance mission and your continued leadership to ensure as a country we are prepared to meet the challenges of future large natural disasters.

I am James Rivera, the Associate Administrator for the SBA's Office of Disaster Assistance (ODA). ODA provides affordable, timely and accessible financial assistance following a declared disaster to businesses of all sizes, private non-profit organizations, as well as homeowners and renters. This financial assistance is available in the form of low-interest loans, and since SBA's inception in 1953, we have provided over two million loans for more than \$56 billion dollars.

Role in Responding to a Disaster

Even though SBA is on the ground immediately following a disaster, we are not a "first responder" agency. Our primary focus is to provide low-interest, long-term loans for privately-owned property losses as part of the recovery effort in coordination with other Federal, state, local, Indian Tribal and territorial government partners. The SBA and the Federal Emergency Management Agency (FEMA) partner to ensure disaster survivors obtain the maximum amount of assistance for which they are eligible. SBA and FEMA share information to ensure no benefits are duplicated when providing assistance. In events where a Presidential disaster declaration including Individual Assistance is authorized, disaster survivors should first contact FEMA since in order to apply for an SBA loan, they will need to obtain a FEMA Registration ID Number.

As part of an overall effort to assist disaster survivors to get back on their feet, SBA provides loan assistance up to \$200,000 to help homeowners repair or replace their damaged or destroyed primary residence. We also provide up to \$40,000 in loans to help homeowners and renters replace damaged or destroyed personal property such as furniture, clothing, appliances, and vehicles. For businesses of all sizes and private non-profit organizations, SBA provides up to \$2 million dollars in loans to repair or replace damaged real estate, leasehold improvements, furniture and fixtures, inventory, and machinery and equipment.

Additionally, SBA offers Economic Injury Disaster Loans (EIDL) to small businesses, small agricultural cooperatives, and most private non-profit organizations that have suffered economic injury caused by a

disaster. These loans provide working capital to a business or organization until normal operations can resume following a disaster.

I should also note that SBA provides additional loan funds for mitigation – up to 20 percent of the total physical losses as verified by SBA – to help prevent damages from similar disaster events which may occur in the future. SBA disaster loan funds can only be used for uninsured, underinsured or uncompensated losses.

Preparedness and SBA's Key Improvements to the Disaster Assistance Program

Over the past several years, SBA has made a number of key improvements that help us to better respond to disaster survivors. We have this committee to thank for some of the most meaningful improvements, which are a result of legislation that SBA worked with this committee to pass. For example, the Recovery Improvements for Small Entities After Disaster Act of 2015 (RISE Act) included several measures that SBA was quick to implement such as re-opening the application period for Hurricane Sandy, increasing the unsecured loan limit from \$14,000 to \$25,000, expanding mitigation assistance to include safe rooms and storm shelters that will save lives, and the creation of a Disaster Loan Assistance Portal that provides disaster survivors with quick and easy access to their loan application status, filing requirements, document uploads, and includes some electronic signature capability.

The re-opening of the application period for Hurricane Sandy resulted in 1,151 approved business, homeowners and renters loans totaling \$58.5 million, which is in addition to the original 36,918 approved business, homeowners and renters loans for a total of \$2.5 billion that SBA approved in response to Sandy.

Increasing the unsecured loan limit up to \$25,000 for physical damages and economic injury makes a real difference to the disaster survivor who is rebuilding a home or business. SBA typically makes an initial disbursement within five days of receiving the borrower's signed loan closing documents, but instead of a homeowner only receiving \$14,000, he or she can now receive \$25,000, helping to speed up the reconstruction project.

Similarly, a small business that has both physical damages and economic injury can now receive \$50,000 in an initial disbursement – \$25,000 for the physical repairs and \$25,000 for working capital – within five days of returning the signed loan closing documents. This increase in the unsecured loan limit translates into SBA getting more disaster loan funds into the hands of disaster survivors faster. The increase in the unsecured loan limit included in the RISE Act is temporary authority that expires in November 2018.

The creation of the Disaster Loan Assistance Portal is changing the way SBA interacts with disaster survivors. Prior to the launch of the portal, the primary way for disaster survivors to check on the status of their loan application was to call the customer service center. While our customer service representatives are helpful and quick to respond, disaster survivors deserve more options and expect online access in these technological times. The portal provides disaster survivors with online communications regarding the status of their application, access to filing requirements and SBA forms, even the ability to electronically sign the IRS Form 4506-T, which is needed to verify income and repayment ability. To maintain pace with the lending industry online advancements, SBA plans to continue enhancing the portal so that disaster survivors receive the best customer service experience possible when applying for SBA disaster assistance.

Response to August 2016 Louisiana Flooding

The August 2016 Louisiana Flood is the largest disaster event that SBA responded to since Hurricane Sandy in 2012. As of April 17, 2017, SBA approved 17,468 disaster loans to businesses, homeowners and renters for a total of \$1.2 billion.

Following that event in the same year, SBA responded to Hurricane Matthew, which resulted in disaster declarations for Florida, Georgia, North Carolina, South Carolina, and Virginia. As of April 17, 2017, for Hurricane Matthew, SBA has approved 7,517 disaster loans to businesses, homeowners and renters totaling more than \$262 million.

For fiscal year 2017, I am pleased to report that we have maintained low processing times – seven days for home loans and 12 days for business loans – while responding to periods of increased activity for the Louisiana Floods and Hurricane Matthew.

As reflected in SBA’s “Disaster Preparedness and Response Plan”, ODA currently maintains 1,750 workstations in the Fort Worth processing and disbursement center and 350 more surge workstations in our Sacramento disaster center. During Hurricane Sandy, the third largest disaster event in SBA’s history, we peaked at 2,451 employees. To meet this demand, SBA ODA not only used the Fort Worth center and the Sacramento surge space, we also expanded the loan processing footprint to include 50 workstations at the Buffalo call center.

In closing, I appreciate the opportunity to update this Committee on SBA’s disaster recovery efforts. We firmly believe that the reforms we instituted enable us to be better prepared to efficiently and effectively respond to the needs of our nation’s disaster survivors. I look forward to answering any questions. Thank you.