

July 26, 2007

To the editor:

The U.S. Small Business Administration emphatically rejects the suggestion that its employees deliberately cancelled disaster loan applications to eliminate backlogs after the 2005 Gulf Coast hurricanes.

SBA was overwhelmed by the application surge in 2005 which led to unacceptably long delays and much confusion for people who had already suffered too much. In the last year SBA employees have worked tirelessly to eliminate the backlogs and replace its old loan process with one that is dramatically faster, helpful for customers, and able to handle the next major disaster.

Part of the solution was to assign customers to small, responsive teams with an individual case manager. To introduce customers to the new process and their case manager, we called over 90,000 customers. There was a large group whose loans had expired that we were unable to reach. SBA employees were instructed to call these applicants three times within a 24-hour period, although in many cases, one call was made and a message was left. If there was still no answer and no reply, a standard form letter was sent to the address on file indicating the loan was cancelled and could be reinstated within six months. As with any loan program, some applicants chose not to proceed with their loans.

Because of our commitment to speak with these customers, a week later the agency recalled these 7,700 borrowers and was able to track down 5,500. Of that, 1,200 borrowers requested their loans be re-instated, after which they were assigned to teams which expedited their ability to close and get funds.

Today -- two years after Hurricane Katrina -- SBA will allow any cancelled borrowers wishing to proceed to be reinstated upon request.

Far from desiring to deny relief to Gulf residents, SBA employees have worked hard to provide resources and dramatically improved customer support -- \$6 billion to date -- to the region and to reform its Disaster Assistance program for the future.

Steve Preston
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