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**United States Senate**  
COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP  
WASHINGTON, DC 20510-6350

November 13, 2006

The Honorable Steven C. Preston  
Administrator  
U.S. Small Business Administration  
409 Third Street S.W.  
Washington, D.C. 20416

Dear Steve,

Recently, the U.S. Senate Committee on Small Business & Entrepreneurship sent a staff delegation to Louisiana and Texas to meet with business owners impacted by Hurricanes Katrina and Rita. Thank you for making your staff available during the staff delegation to New Orleans, Cameron Parish, and Lake Charles, Louisiana. The trip, requested by Senator Mary Landrieu, provided the delegation with tremendous insight and information on the continuing recovery efforts in the region.

We also appreciate the SBA welcoming congressional staff to its Fort Worth Processing Disaster Center. The SBA's presentation demonstrated the agency's commitment to reducing the number of undisbursed Katrina and Rita disaster loan applications as part of the SBA's "Accelerated Disaster Response Initiative." Congressional staff witnessed first-hand the operations of the SBA's "90 in 45" campaign to settle all outstanding loan approvals. The Committee looks forward to receiving progress reports on this important SBA initiative.

The trip also yielded significant discussions with your staff regarding observations made in Louisiana's affected regions – including New Orleans, Lake Charles, and Cameron Parish. Your staff was very receptive to the concerns raised, and it was concluded that the SBA and the staff delegation would continue to work together to address them. In keeping with this cooperative spirit, we have highlighted those concerns below.

The staff delegation found that some of the major issues facing small businesses and homeowners in the Gulf Coast region could be addressed through aggressive public outreach and communication. The SBA has done a commendable job reorganizing its disaster loan process to the present consumer-centric model. We request that the SBA incorporate, as part of its "90 in 45" campaign, aggressive outreach through its case management teams to address the following:

- **Loan Modifications:** More than a year after Hurricanes Katrina and Rita hit the Gulf Coast, economic injury continues to stifle business owners in the French Quarter and beyond. For example, tourism has not recovered to a level anywhere near where it was prior to this disaster. Despite this prolonged period of economic injury, business owners seem unaware of the fact that they are able to modify their SBA loans to request additional funds.

*Recommendation:* As part of the “90 in 45” campaign, SBA case management teams should clarify the availability of these loan modifications so that home and business owners will be aware that additional funds are available if needed. This outreach would provide borrowers with options for additional financial assistance and would foster stronger relationships between borrowers and the SBA.

- **Clarification Regarding Interest Accrued:** Borrowers in impacted areas are unclear as to whether they are making payments on the entire approved loan or just on the amount that has been disbursed.

*Recommendation:* We request that the Processing Disaster Center staff conduct aggressive outreach to ensure that all borrowers are aware that they are only accruing interest on amounts that have been disbursed.

- **Clarification Regarding Flood Insurance Requirements:** Many approved borrowers are unaware of the requirements that are in place regarding Federal Emergency Management Agency-imposed building requirements and how they relate to SBA loans. Borrowers need to understand what these requirements are, whether they are in place for their locality, and how they will impact the size of their SBA loan.

*Recommendation:* We request that the SBA engage SBA District Offices in the region, as well as local business and technical assistance groups to compile an updated “Frequently Asked Questions” document for use by SBA disaster processing staff. For impacted borrowers, information on such issues as Flood Insurance requirements and “duplication of benefits” should be included in their communications with borrowers.

In addition, staff found that several small businesses across Louisiana expressed concerns with the initial disbursement of a disaster loan before required collateral was necessary to draw down additional funds. Small businesses and homeowners complained about “only receiving \$10,000 from SBA.” It is our understanding that according to current law, the SBA may not disburse more than \$10,000 on an approved disaster loan without requiring collateral.

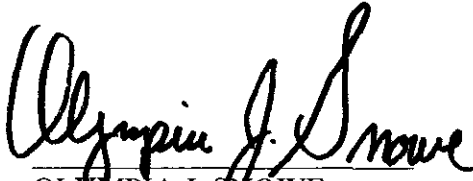
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In July, the Committee unanimously passed the "Small Business Reauthorization and Improvements Act of 2006" (S. 3778) which, among other items, increased the collateral requirement for disaster loans, providing small businesses and homeowners with immediate access to a larger loan amount. Small businesses and homeowners must have access to a larger portion of their disaster loan in order to promote revitalization of a disaster area. To address this vital issue, it is essential that we continue to work together and find a reasonable adjustment to the current collateral ceiling without compromising the SBA's obligation to the taxpayers.

In the coming weeks, the Committee would like to schedule a meeting between relevant SBA staff and trip participants to discuss SBA progress on these issues, as well as what legislative steps may be necessary to better assist disaster victims. Given that some of the issues warrant immediate consideration, we respectfully request such a meeting no later than December 1, 2006. We look forward to working together to address the findings of this recent staff delegation.

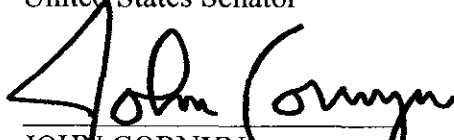
Thank you for your continued efforts to assist disaster victims during this challenging recovery process. If you have any questions or need any additional information, please do not hesitate to call us or have your staff contact Sean Philbin on the Majority staff or Brian Rice on the Minority staff of the Committee, at 202-224-5175.

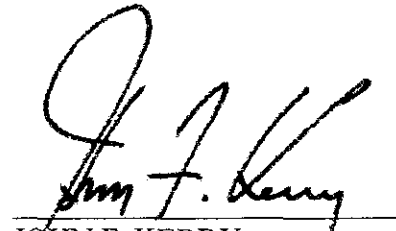
Sincerely,

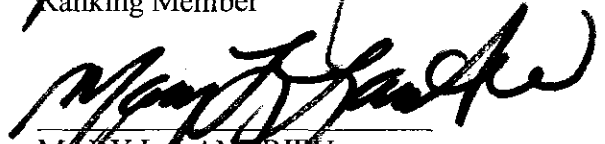
  
OLYMPIA J. SNOWE  
Chair

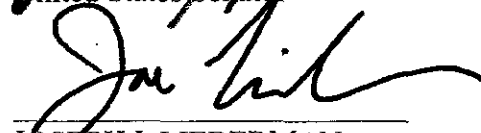
  
DAVID VITTER  
United States Senator

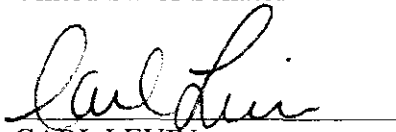
  
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JOHN CORNYN  
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JOHN F. KERRY  
Ranking Member

  
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