



Highlights of [GAO-09-755](#), a report to the Chairwoman, Committee on Small Business, House of Representatives

Why GAO Did This Study

After the Small Business Administration (SBA) was widely criticized for its performance following the 2005 Gulf Coast hurricanes, the agency took steps to reform the Disaster Loan Program and Congress enacted the Small Business Disaster Response and Loan Improvements Act of 2008 (Act). GAO was asked to determine (1) the extent to which SBA addressed the Act's requirements, and (2) how SBA's response to major disasters in 2008 aligned with key components of its June 2007 Disaster Recovery Plan (DRP). GAO reviewed the Act, as well as SBA information on requirements addressed and steps taken, including the DRP, various reports to Congress, and policy memoranda. GAO also conducted site visits to areas affected by major 2008 disasters, reviewed SBA's customer satisfaction survey, and obtained the opinions of relevant stakeholders.

What GAO Recommends

SBA should meet the Act's region-specific marketing and outreach requirements; complete its annual report to Congress; issue an updated DRP; develop an implementation plan for remaining requirements; and develop procedures to further improve the application process. In comments on a draft of this report, SBA generally agreed with the recommendations.

View [GAO-09-755](#) or [key components](#). For more information, contact William Shear at (202) 512-8678 or ShearW@gao.gov.

SMALL BUSINESS ADMINISTRATION

Additional Steps Should Be Taken to Address Reforms to the Disaster Loan Program and Improve the Application Process for Future Disasters

What GAO Found

As of June 2009, SBA met 13 of 26 requirements of the Act, partially addressed 8, and did not take action on 5 which are not applicable at this time (see table). SBA officials told GAO the agency has not yet completely addressed some provisions that require new regulations because to do so, the agency must make extensive changes to current programs or implement new programs. For two requirements that will involve private lenders, SBA plans to implement pilots before finalizing regulations. SBA has not yet addressed the Act's requirements for region-specific marketing and outreach and ensured that Disaster Loan Program information is readily available to regional entities, such as Small Business Development Centers (SBDC). By doing so, SBA could leverage the efforts and capacity of local resources and emergency management groups, and ensure that it and they will be better prepared for future disasters. Also, as of June 2009, SBA had not met deadlines to issue an annual report to Congress or an updated DRP. Failure to do so can lead to a lack of transparency on the agency's progress in reforming the program and limit its ability to adequately prepare for and respond to disasters. Furthermore, SBA did not have an implementation plan for addressing the remaining requirements.

Status of SBA's Efforts to Address Requirements of the Act

Section	Status	Section	Status
Economic injury disaster loans to nonprofits	●	Disaster planning specialist	●
Coordination with Federal Emergency Management Agency	◐	Employees and disaster cadre	●
Public awareness and marketing and outreach	◐	Annual disaster response plan	◐
Consistency of procedures and regulations	●	Sufficient office space	●
Increased loan amount without collateral	●	Major source of employment change	●
Processing disaster loans and Internal Revenue Service coordination	◐	Increased disaster loan amount	●
Information tracking and follow-up system	●	Small business bonding threshold	N/A
Increased deferment period	N/A	Eligibility for additional disaster assistance	N/A
Disaster processing redundancy	●	Additional economic injury disaster loans	N/A
Net earnings clause	●	Private disaster loans	◐
Loans after ice storms and blizzards	●	Immediate disaster assistance program	◐
Disaster response plan and simulations	●	Expedited disaster assistance program	◐
		Gulf Coast disaster loan refinancing program	N/A
		Reports to Congress on disaster assistance	◐

● Addressed (initial or ongoing) ◐ Partially addressed
Source: GAO.

SBA's initial response after the 2008 Midwest floods and Hurricane Ike aligned with certain components of its initial DRP, such as using technology and outreach efforts to ensure timely assistance. The individuals GAO interviewed and results from SBA's 2008 Disaster Loan Program Customer Satisfaction Survey provided some positive feedback about SBA's performance following recent disasters. However, interviewees and survey results indicated areas for improvement; in particular, both indicated that application paperwork was burdensome and that the application process needed improvement. SBA officials told GAO that they have been taking steps to improve the application process, but did not provide documentation of such efforts. As a result, it did not appear to have any formal process for identifying problems in the application process and making needed improvements.