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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

WASHINGTON, DC 20510-6350

May 11, 2007

Support the Small Business Disaster Response and Loan Improvements Act of 2007

Dear Colleague:

Following the Gulf Coast hurricanes in 2005, the country became keenly aware of the lack of preparedness at all levels of government for responding to large-scale disasters. Regrettably, the Small Business Administration (SBA), which administers the Federal government's long term disaster assistance program, was a key culprit in the inadequate Federal response.

The SBA, like many other Federal agencies, did not have sufficient planning and staffing levels prior to Hurricanes Katrina and Rita, leading to an inefficient response from the Agency. According to a July 2006 Government Accountability Office (GAO) report, investigators found that almost four months after Hurricane Katrina, the SBA had a backlog of 204,000 disaster applicants. As of May 26, 2006, the SBA was still averaging 74 days to process a disaster loan application. Many of these applicants grew frustrated with the SBA's slow response and sought other assistance from the states or private firms to rebuild their businesses and homes.

The devastation wrought by the 2005 Hurricanes, and the subsequent effects stemming from deficiencies in the Federal government's response, remain evident today in New Orleans, Biloxi, and across the Gulf Coast. In Louisiana alone, over 81,000 small businesses were damaged or economically impacted by Hurricane Katrina, including 18,000 businesses that were completely destroyed by the storms. In St. Bernard Parish, only about 400 of the 1,400 businesses that were in operation before the storm have reopened their doors.

Following the Gulf Coast hurricanes, the SBA, under the leadership of Administrator Steven Preston, launched an "Accelerated Disaster Response Initiative." This initiative improved the SBA's procedure for processing disaster loans. However, we believe that Congress must provide the SBA with the necessary tools to ensure that this type of failed response does not happen again. To address these concerns, we have introduced the "Small Business Disaster Response and Loan Improvements Act of 2007" (S. 163). This bill was recently marked up and unanimously reported out of the Senate Committee on Small Business and Entrepreneurship. This comprehensive, bipartisan proposal is the product of twenty months of thorough negotiations between Committee Members and the SBA. This measure will enable the SBA to provide expedited, coordinated disaster assistance to business owners in need of immediate access to capital in the wake of future disasters.


Attached is a summary of this legislation for your review. Similar legislation has passed the House of Representatives and awaits action by the Senate. We urge you to support this legislation and provide disaster victims with the opportunity they need to get back on their feet and keep their businesses thriving. **If you would like to cosponsor this legislation, please contact Brian Rice of Senator Kerry's staff at 224-5175 or Jackie Ferko of Senator Snowe's staff at 224-7884.**

Sincerely,


John F. Kerry
Chairman


Olympia Snowe
Ranking Member


Mary Landrieu
U.S. Senator


David Vitter
U.S. Senator

**The Small Business Disaster Response and Loan Improvements Act of 2007
Highlights**

Catastrophic National Disaster Declaration

- Creates a new, elevated level of disaster declaration referred to as a Catastrophic National Disaster, that triggers nationwide economic injury disaster loans for adversely affected small businesses.

Expedited Disaster Assistance

- Requires the SBA to create an expedited disaster assistance business loan program to provide businesses with expedited access to short-term loans.

Private Disaster Loans

- Authorizes the SBA to guarantee private disaster loans, made to disaster victims by banks, at an 85% guarantee level.

Improvements to Existing Loan Programs

- Increases the maximum size of an SBA disaster loan from \$1.5 million per loan to \$2 million per loan.
- Increases disaster loan amount that the SBA can disburse without collateral from \$10,000 to \$14,000.
- Authorizes the SBA to enter into agreements with qualified private contractors to process disaster loans as well as to procure loss verification services.

Improved Agency Coordination and Marketing

- Directs the SBA to coordinate with FEMA on disaster application periods
- Provides for adequate lodging to the maximum extent practicable for disaster assistance employees of the SBA.
- Directs the SBA to create a proactive marketing plan to make the public aware of disaster response services.
- Directs the SBA and the IRS to ensure that all necessary tax records are shared in an expedited manner as they apply to the application process.

Improved Planning and Oversight

- Directs the SBA to update its hurricane response plan to address all future disasters and to develop simulation exercises that demonstrate the viability of the plan.
- Creates a full-time disaster planning specialist in the SBA's Office of Disaster Assistance
- Requires the SBA to provide regular reports detailing activity and funding levels for the disaster loan program.

Disaster Assistance Staffing

- Authorizes the SBA Administrator to permit district offices to process disaster loans in the event of a major disaster declaration.
- Designates a district office staff member to act as a disaster loan liaison between victims and centralized disaster processing staff.
- Establishes floors for disaster assistance staff, with a permanent disaster assistance staff at 800 and for disaster cadre at 750.

Emergency Energy Relief

- Authorizes energy disaster loans through the SBA and the United States Department of Agriculture to companies dependent on fuel during times when the price of fuel is 40 percent higher than the average price from the previous two years.