

**SENATE SMALL BUSINESS AND ENTREPRENEURSHIP COMMITTEE
HEARING REGARDING
A YEAR LATER: LESSONS LEARNED AND PROGRESS MADE AFTER
HURRICANE IKE**

SEPTEMBER 25, 2009

Testimony of
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Good afternoon Senator Landrieu, Senator Hutchinson, Senator Cornyn, and members of the Texas Congressional Delegation. Thank you for inviting me to discuss how SBA applied the lessons learned from Hurricanes Katrina, Rita and Wilma to better assist the survivors of Hurricane Ike. The process improvements that had been put into place allowed SBA to assist these survivors in an effective manner.

My name is Manuel Gonzalez and I am the District Director of the Houston District Office. I am proud to lead the local team of dedicated staff in Houston.

Through our Office of Disaster Assistance (ODA), the SBA is responsible for providing affordable, timely and accessible financial assistance following a disaster to businesses of all sizes, private non profit organizations, homeowners, and renters. Many disaster survivors have insurance, which covers part or all of their losses after a declared disaster, but for uncompensated losses, an SBA loan is the primary form of long-term Federal financial assistance. This financial assistance is available in the form of low-interest loans, and since the SBA's inception in 1953, it has provided 1.9 million loans for more than \$47 billion dollars.

The damage to the Gulf Coast from Hurricane Ike elicited a strong and proactive response from the U.S. Small Business Administration. The agency was prepared to undertake a multi-faceted, aggressive approach in response to the storm, and provided millions of dollars of relief to the victims.

The SBA approved more than \$638 million in disaster loans to help more than 10,000 Texas homeowners, renters, businesses and non profit organizations recover and rebuild from the damage caused by Hurricane Ike.

The SBA approved over \$432 million in disaster loans for 8,473 Texas residents to repair or replace their disaster-damaged or destroyed homes and personal possessions. SBA approved over \$206 million for 1,574 Texas businesses and private, non-profit organizations to repair or replace their real estate, machinery, equipment, inventory, and other business assets and provide working capital to help meet disaster related needs. The SBA disaster loan program also provided funds to help residents and businesses with the

cost of making improvements to prevent or minimize the same type of disaster damage from occurring in the future.

Additionally, SBA responded to the needs of Texas residents and business owners by deploying 503 SBA disaster assistance workers to Texas to provide one-on-one service to disaster victims. SBA representatives staffed 72 Disaster Recovery Centers, 29 Mobile Disaster Recovery Centers, 9 SBA Disaster Loan Outreach Centers and 8 SBA Business Assistance Centers. At these centers, SBA representatives personally met with more than 88,400 disaster victims to answer questions, explain SBA's disaster loan program, help complete disaster loan applications and close disaster loans.

SBA's Role in Responding to a Disaster:

The Small Business Administration is not a first responder agency, but rather SBA is focused on the long-term economic recovery efforts in coordination with its government partners at the Federal, state, and local levels. In addition to its disaster loan program, SBA helps small businesses recover through its guaranteed lending, technical assistance, and government contracting and business development programs.

Disaster loans are a critical source of economic stimulation in the affected areas following a disaster. As part of an overall effort to assist survivors to get back on their feet, SBA's disaster home loans of up to \$200,000 help those employed in the local community return and rebuild their homes. Moreover, businesses of all sizes and non profit organizations are eligible for loans of up to \$2 million to assist with any uninsured and otherwise uncompensated physical damage losses sustained during a disaster to repair or replace damaged physical property.

Additionally, SBA offers Economic Injury Disaster Loans (EIDL) to small businesses, small agricultural cooperatives, and most private non-profit organizations who have suffered economic injury caused by a disaster. If a small business or organization is unable to meet obligations and to pay its ordinary and necessary operating expenses, an EIDL loan can help. These loans provide working capital to a business or organization until normal operations can resume following a disaster.

An EIDL can help meet necessary financial obligations that a business or private, non-profit organization would have met, had the disaster not occurred. It provides relief from economic injury caused directly by the disaster and permits a reasonable level of working capital during the period affected by the disaster. The maximum loan amount is \$2 million combined for both physical and economic injury.

SBA's Key Improvements to Disaster Assistance since Hurricane Katrina:

Following the 2005 Gulf Coast Hurricanes, SBA experienced significant challenges in responding to a natural disaster of such a large scale. The cumulative result of the Gulf Coast disasters caused damage that was so extensive that the number of resulting disaster loan applications overwhelmed SBA's capacity to process them.

SBA recognized the severe challenges that hindered its efforts to aid recovery in a timely way, and has made dramatic improvements to its process operations. Today by incorporating lessons learned and process improvements, SBA's Disaster Assistance Program and our sister Federal agencies have overhauled the processes and response protocols. We learned important lessons from the '05 hurricanes and have effectively executed our role to support the post-disaster economic recovery following Hurricane Ike. SBA is better prepared than ever to process loans faster, provide better quality service and be more helpful to our customers, disaster survivors.

SBA's Office of Disaster Assistance has re-engineered the process by which the Agency responds to disasters and disaster survivors. All of these enhancements have been incorporated into the Agency's Disaster Response Plan. The DRP was created to become a comprehensive "playbook" to ensure a broad scope of coordination, awareness, and support throughout the Agency.

Under SBA's Disaster Response Plan, during all levels of disaster response and long term economic recovery, SBA leverages existing resource partners (Small Business Development Centers, Women Business Centers and SCORE) primarily to help with local outreach as well as collaborate to distribute disaster recovery training materials and information to small businesses and non-profit organizations in the impacted areas. Additionally, SBA's resource partners are available for management and technical assistance to those businesses who are recovering from a disaster, and we strongly urge them to access these services by contacting their local chapter.

SBA has made significant improvements in our application processing since 2005. The average processing time during Hurricane Katrina was 66 days for disaster business loans and 74 days for disaster homes loans. Today, the average processing time is 14 days for disaster business loans and 6 days for disaster home loans. Additionally, on August 4, 2008, SBA introduced an electronic loan application which is currently in use and has a capacity of 5,600 applications per hour.

Furthermore, we have revamped the post-approval process, improving processes and tools for loan closing and fund disbursement by creating case management teams with staff from each key area, such as loan processing and legal. The emphasis is on customer service and accountability, with each approved loan assigned to a team and an individual case manager.

On top of this, we have increased the Disaster Credit Management System's capacity from 1,500 to 12,000 concurrent users; expanded our workforce to include over 2,000 reservists along with enhanced training and quality assurance to ensure consistent adherence to policies and procedures; expanded infrastructure including 210,000 square

feet of surge space and equipment; and better coordination between non-disaster field staff and improved harmonization across disaster center operations.

In closing, we appreciate the opportunity to share with the Committee the role SBA plays in small business disaster recovery efforts, and we believe that the reforms we have instituted and the new tools Congress has provided will allow us to more effectively and efficiently respond to the needs of our nation's citizens. I look forward to further describing these efforts and answering your questions. Thank you.