Talking Points on H.R. 1361—Relief for Entrepreneurs: Coordination of Objectives and Values for Effective Recovery Act of 2007 (RECOVER)

In the wake of a disaster, time is of the essence, with the timeliness of disaster assistance being as vital as the assistance itself.

- Over 40 percent of small businesses fail to recover following a disaster.
- It is vital that businesses reopen following a disaster, providing communities with jobs, goods, services, and support for the rebuilding effort.
- Small businesses, in particular, require immediate access to financial resources if they are going to restart their enterprise following a disaster.
- SBA disaster loans are the primary form of federal assistance for the repair and rebuilding of private sector losses following a disaster.

Following the 2005 Gulf Coast Hurricanes, SBA assistance was delayed by months, seriously impairing victims' ability to rebuild.

- After Hurricane Katrina, applicants for SBA disaster assistance faced a loan application backlog of 204,400 applications.
- The average time for the SBA to process a loan, not including closing, was 74 days, far above the agency's goal of 21 days.
- As of January 2007, eighteen months after Hurricane Katrina, the SBA still had over 40,000 unfunded loans amounting to over $6 billion.

H.R. 1361 will address specific and recognizable deficiencies in the SBA's disaster assistance program.

Many of the problems that the SBA experienced could have been prevented with better planning and improved disaster readiness.

- Prior to the 2005 Hurricanes, the SBA lacked a comprehensive written disaster plan. To date, the agency has not developed a written plan.

- H.R. 1361 will require the SBA to develop and implement a comprehensive, written disaster plan and regularly update its plan as its disaster program continues to evolve.

- In responding to the 2005 Hurricanes, the SBA failed to coordinate its response efforts with other Federal, state, and local authorities.

- The SBA has no plans to deal with the logistical demands that a large-scale disaster will place on its infrastructure, staff, or systems.

- The bill will require the SBA to assess the various logistical demands that a large-scale disaster will place on its office space, staff, and technical systems and to develop sustainable long-term plans for disaster readiness.

- The bill will also reorganize the agency's Office of Disaster Assistance and require the SBA to engage in annual disaster simulation exercises.

- H.R. 1361 will require the SBA to report on the status of each of the agency's disaster planning and readiness efforts on an annual basis.

H.R. 1361 will enhance the SBA's disaster loan program by improving the manner in which loans are processed, approved, and disbursed.

- H.R. 1361 will require the SBA to develop, implement, and maintain a comprehensive, centralized information tracking and customer follow-up system.

- H.R. 1361 will require the SBA to implement a revised disbursement process with increased minimum disbursement levels that better meet the needs of disaster victims while preserving important agency protections against loan losses.

- H.R. 1361 will require the SBA to maintain a backup disaster processing operation in a separate geographic location from the primary processing operation to mitigate the risks associated with the agency's current practice of maintaining a single loan processing facility.

The SBA cannot continue to pursue a "one-size-fits-all" approach to disaster assistance. The agency needs more tools to respond to the diverse needs of small businesses in a community devastated by disaster.

- H.R. 1361 will establish an bridge loan program to make immediate, short-term loans to small businesses damaged in a disaster, contingent upon the business applying for and meeting basic criteria for a subsequent SBA disaster loan.

- Following catastrophic disasters, many viable small businesses that may not qualify for loans may still provide vital goods or services for their communities' rebuilding efforts. In these situations, grant assistance may provide the most appropriate assistance.

- Grants would enable firms to maintain their payroll, continue to meet their financial obligations, and begin to rebuild more quickly.

H.R. 1361 will provide immediate assistance to victims of the 2005 Gulf Coast Hurricanes who are still trying to rebuild their communities and have yet to receive assistance.

• A small grant program will be established to assist viable small businesses in the most severely damaged communities who may not benefit from loans.

• H.R. 1361 contains a legislative fix for situations where the SBA is required to take state administered grant assistance to repay SBA loans as with the Road Home Grant program administered by the state of Louisiana.

The grant program in H.R. 1361 is narrowly tailored to assist only the most severely affected small businesses that cannot benefit from the loan program.

- The business grant provision is optional for the Administrator, nothing in the act requires him to implement this program if he finds it unnecessary.

- Less than 2,000 businesses will meet the narrowly tailored eligibility requirements.

- The program will cost less than $200 million.

- This program will only be implemented at the Administrator's discretion.

- There is currently no Federal grant program for small businesses.

- The Louisiana Road Home program only helps homeowners.

H.R. 1361 will integrate private lenders into the disaster assistance program to make the program a true public-private partnership.

- Recent hurricanes have displayed SBA's inability to respond effectively when disaster strikes.

- By utilizing the agency's preferred lending program, we can better ensure that future business owners will receive timely and efficient assistance following a major disaster.

- Loans administered through the private lending program will have identical interest rates and repayment terms as conventional disaster loans administered by the SBA.

- Lenders in the private lender program will have the flexibility to participate as little or as much as they wish.

H.R. 1361 will resolve the problem of state administered grant assistance being taken to repay SBA loans.

- In situations where victims have been negatively affected by delays in the SBA's loan processing or disbursement process, the SBA will have discretion to make grants to replace state grant funds that were taken by the agency to repay an SBA disaster loan.

- In situations where an SBA loan does not fully compensate victims for losses, the SBA should be able to replace state grant funds that were taken to repay an SBA disaster loan.

- This provision is optional for the Administrator, nothing in the act requires him to implement this program if he feels it would be inappropriate.

H.R. 1361 is legislation that is urgently needed to prepare the SBA to respond for the next major disaster.

- With the 2007 hurricane season only two months away, this legislation is more relevant than ever.

- H.R. 1361 was developed in cooperation with members from the Gulf Coast region and with bipartisan input. For this reason, the bill enjoys bipartisan support.

- Spending in H.R. 1361 is narrowly tailored and with flexibility for the SBA to implement necessary provisions only in appropriate situations.