



Highlights of [GAO-10-735T](#), a testimony before the Committee on Small Business and Entrepreneurship, U.S. Senate

## 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 its Disaster Loan Program. Congress also enacted the Small Business Disaster Response and Loan Improvements Act of 2008 (Act), which places new requirements on SBA to ensure it is prepared for catastrophic disasters.

This testimony discusses (1) the extent to which SBA has 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).

In completing this statement, GAO reviewed and updated, as appropriate, the July 2009 report, *Small Business Administration: Additional Steps Should Be Taken to Address Reforms to the Disaster Loan Program and Improve the Application Process for Future Disasters* (GAO-09-755). In that report, GAO recommended that SBA should fulfill 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 for the Disaster Loan Program.

View [GAO-10-735T](#) or key components. For more information, contact William Shear at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov).

## SMALL BUSINESS ADMINISTRATION

### Continued Attention Needed to Address Reforms to the Disaster Loan Program

#### What GAO Found

SBA has made some progress since GAO's July 2009 report in addressing provisions of the Act and continued attention to certain provisions will be important for sustained progress. As of May 2010, SBA met requirements for 15 of 26 provisions of the Act and partially addressed 6. Five provisions do not require any action at this time. Since July 2009 SBA has taken a number of actions. For example, SBA issued an updated DRP in November 2009. In addition, SBA issued regulations on coordinating with the Federal Emergency Management Agency on timely submission of disaster assistance applications. SBA also has taken steps to address the Act's requirements for region-specific marketing and outreach. For example, SBA has begun a dialogue with the Small Business Development Center state directors in the Gulf Coast about disseminating disaster planning information in the five most hurricane-prone states before the hurricane season. However, these steps have not been discussed in public documents or venues, such as in the DRP or on the SBA Web site, which would make the information more transparent and easily accessible to the public and Congress. SBA officials told GAO the agency has not yet completely addressed some provisions because the agency must make extensive changes to current programs or implement new programs. In particular, for two requirements that will involve private lenders, SBA plans to implement pilots before finalizing regulations. SBA officials recently said that they had formed a cross-functional work group and began reaching out to lenders about the planned pilots. SBA has not yet developed an implementation plan with milestone dates for addressing the remaining requirements, but recently said it would provide a plan or report that included milestone dates for addressing the Act's requirements.

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 better ensure timely assistance. The individuals GAO interviewed and results from SBA's 2008 Disaster Loan Program Customer Satisfaction Survey provided somewhat positive feedback about SBA's performance following the 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. The agency did not appear to have a formal process for identifying problems in the application process and making needed improvements. SBA officials told GAO that they have been taking steps to improve the application process. However, SBA has not provided information to GAO on how it would implement a formal process to address identified problem areas in the disaster loan application process.