

# GAO Highlights

Highlights of [GAO-14-760](#), a report to the Ranking Member, Committee on Small Business, House of Representatives

## Why GAO Did This Study

On October 29, 2012, Hurricane Sandy made landfall, causing an estimated \$65 billion in damage. SBA administers the Disaster Loan Program, which provides physical disaster loans (used to rebuild or replace damaged property) and economic injury disaster loans (used for working capital until normal operations resume) to help businesses and individual homeowners recover from disasters. In the aftermath of Hurricane Sandy, Congress passed the Disaster Relief Appropriations Act of 2013, which appropriated \$779 million to SBA for disaster loans and administrative expenses.

GAO was asked to review SBA's assistance to small businesses following Hurricane Sandy. This report examines (1) the timeliness of SBA's disaster assistance to small businesses; (2) the loan approval rates for small businesses and reasons for decline for Hurricane Sandy and previous disasters; and (3) the extent to which SBA has implemented programs mandated by the Small Business Disaster Response and Loan Improvements Act of 2008. GAO analyzed SBA data on application processing; reviewed documentation related to SBA's planning, relevant legislation, and regulations; and interviewed SBA officials.

## What GAO Recommends

GAO recommends that SBA revise its disaster planning documents, conduct a formal documented evaluation of lenders' feedback on IDAP, and report to Congress on challenges to implementing the program. SBA generally agreed with GAO's recommendations.

View [GAO-14-760](#). For more information, contact William B. Shear at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov).

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## SMALL BUSINESS ADMINISTRATION

### Additional Steps Needed to Help Ensure More Timely Disaster Assistance

## What GAO Found

Following Hurricane Sandy, the Small Business Administration (SBA) did not meet its timeliness goal for processing business loan applications. From application receipt to loan decision, SBA took an average of 45 days to process physical business disaster loans and 38 days for economic injury loans, both of which exceed SBA's 21-day application processing goal. SBA said it was challenged by an unexpectedly high volume of loan applications that it received early in its response to the disaster, in addition to other challenges, such as technological issues. SBA estimated that application submissions would peak about 7 to 9 weeks after Hurricane Sandy, but it received a larger volume of applications than were expected prior to that period. While SBA officials told GAO that the agency has taken steps to respond to some challenges, it has not revised its disaster planning documents—including the Disaster Preparedness and Recovery Plan—to reflect the early volume of application submissions received after Hurricane Sandy and the potential impact a similar experience could have on staffing, resources, and forecasting models for future disasters. Federal internal control standards state that management should identify risks and take action to manage them. Without taking its experience with early application submissions after Hurricane Sandy into account in its disaster planning documents and analyzing the potential risk early submissions may pose for timely disaster response, SBA may be unprepared for a large volume of applications to be submitted quickly following future disasters, which may result in delays in loan funds for disaster victims.

SBA approved 42 percent of business loan applications following Hurricane Sandy. This rate was lower than those of Hurricanes Katrina, Rita, and Wilma, higher than that of Ike, and comparable to that of Irene (the five disasters that generated the most SBA disaster loan applications since 2005). For Hurricane Sandy and for previous disasters, SBA declined business loan applications primarily because of applicants' lack of repayment ability and credit history.

SBA has not implemented the guaranteed disaster loan programs Congress mandated in 2008, including the Immediate Disaster Assistance Program (IDAP)—a bridge loan program through private sector lenders providing disaster victims with up to \$25,000 with a 36-hour application approval period. SBA officials told GAO they are trying to implement IDAP but have received feedback from lenders that some program requirements—such as a statutory minimum 10-year time frame for servicing the loan under certain circumstances—may discourage lenders from participating. However, SBA has not conducted a formal documented evaluation of lenders' feedback that would establish the basis for proposed changes to requirements for Congress to consider. Without an appropriately documented evaluation of its outreach to lenders, SBA may not have complete and reliable information on which to base its reporting to Congress about its challenges with implementing the programs required by the act.