SMALL BUSINESS ADMINISTRATION

Actions Taken to Help Improve Disaster Loan Assistance

Statement of William B. Shear, Director, Financial Markets and Community Investment
SMALL BUSINESS ADMINISTRATION

Actions Taken to Help Improve Disaster Loan Assistance

What GAO Found
The Small Business Administration (SBA) implemented most requirements of the Small Business Disaster Response and Loan Improvements Act of 2008 (2008 Act). For example, in response to the 2008 Act, SBA appointed an official to head the disaster planning office and annually updates its disaster response plan. SBA also implemented provisions relating to marketing and outreach; augmenting infrastructure, information technology, and staff; and increasing access to funds for nonprofits, among other areas. However, SBA has not yet implemented provisions to establish three guaranteed loan programs. In 2010, SBA received an appropriation to pilot one program and performed initial outreach to lenders. However, in 2014, GAO found that SBA had not implemented the programs or conducted a pilot because of concerns from lenders about loan features. GAO recommended that SBA evaluate lender feedback and report to Congress about implementation challenges. In response, SBA sought comments from lenders and sent a letter to Congress that explained remaining implementation challenges.

After Hurricane Sandy, SBA further enhanced its planning for disaster response, including processing of loan applications. In a 2014 report on the Disaster Loan Program, GAO found that while SBA encouraged electronic submissions of loan applications, SBA did not expect early receipt of a high volume of applications after Sandy and delayed increasing staffing. SBA also did not update key disaster planning documents to adjust for the effects of such a surge in future disasters. GAO recommended SBA revise its disaster planning documents to anticipate the potential impact of early application submissions on staffing and resources. In response, SBA updated its planning documents to account for such impacts.

SBA has taken some actions to enhance information resources for business loan applicants but could do more to improve its presentation of online disaster loan-related information. In 2016, GAO found that SBA took or planned to take various actions to improve the disaster loan program and focused on promoting disaster preparedness, streamlining the loan process, and enhancing online application capabilities. However, GAO found that SBA had not effectively presented information on disaster loans (in a way that would help users efficiently find it), had not consistently described key features and requirements of the loan process in print and online resources, or clearly defined financial terminology used in loan applications. Absent better integration of, and streamlined access to, disaster loan-related information, loan applicants may not be aware of key information and requirements for completing the applications. Therefore, GAO recommended that SBA (1) integrate disaster loan-related information into its web portals to be more accessible to users, (2) ensure consistency of content about the disaster loan process across information resources, and (3) better define financial terminology used in the loan application forms. In January 2017, SBA indicated it was working on a glossary for the application. GAO plans to follow up with SBA about the other two open recommendations.
Chairman Chabot, Ranking Member Velázquez, and Members of the Committee:

Thank you for the opportunity to discuss the Disaster Loan Program of the Small Business Administration (SBA) and actions the agency has taken to help ensure timely disaster assistance in response to major disasters. While SBA is known primarily for its financial support of small businesses, the agency also plays a critical role in assisting the victims of natural and other declared disasters through its Disaster Loan Program.

After SBA was widely criticized for its performance following the 2005 Gulf Coast hurricanes (Katrina, Rita, and Wilma), the agency took steps to reform the Disaster Loan Program and Congress enacted the Small Business Disaster Response and Loan Improvements Act of 2008 (2008 Act).¹ In the wake of Hurricane Sandy in 2012, there were questions on the extent to which the program had improved since the 2005 Gulf Coast hurricanes and whether previously identified deficiencies, such as delays in processing disaster loan applications, had been addressed. We reported in 2014 that following Hurricane Sandy, business owners found documentation requirements for disaster loan applications to be onerous, and we found SBA did not meet its timeliness goals for processing such applications.²

In this statement, I will discuss SBA’s efforts in recent years to improve disaster planning and response to loan applicants for the Disaster Loan Program. Specifically, this statement discusses (1) SBA implementation of provisions from the 2008 Act; (2) additional improvements to agency planning following Hurricane Sandy; and (3) SBA’s recent and planned actions to improve information resources for business loan applicants. In preparing this statement, we relied on the body of work we issued


between July 2009 and November 2016. Our prior work includes examinations of SBA’s efforts to address requirements of the 2008 Act; the timeliness of SBA’s disaster assistance to small businesses and factors that affected timeliness in response to Hurricane Sandy; and the steps SBA took to improve information resources for business loan applicants. More detailed information on our scope and methodology can be found in each of the reports cited in this statement. In addition, in April 2017 we met with SBA officials to discuss the status of open recommendations and other aspects of the program. We also reviewed updated documentation related to SBA’s disaster planning efforts.

The work on which this statement is based was performed in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Administered by SBA’s Office of Disaster Assistance (ODA), the Disaster Loan Program is the primary federal program for funding long-range recovery for nonfarm businesses that are victims of disasters. It is also the only form of SBA assistance not limited to small businesses.

Small Business Development Centers (SBDC) are SBA’s resource partners that provide disaster assistance to businesses. SBA officials said that SBDCs help SBA by doing the following:

Background

Administered by SBA’s Office of Disaster Assistance (ODA), the Disaster Loan Program is the primary federal program for funding long-range recovery for nonfarm businesses that are victims of disasters. It is also the only form of SBA assistance not limited to small businesses.

Small Business Development Centers (SBDC) are SBA’s resource partners that provide disaster assistance to businesses. SBA officials said that SBDCs help SBA by doing the following:

• conducting local outreach to disaster victims,
• assisting declined business loan applicants or applicants who have withdrawn their loan applications with applications for reconsideration or re-acceptance,
• assisting declined applicants in remedying issues that initially precluded loan approvals, and
• providing business loan applicants with technical assistance, including helping businesses reconstruct business records, helping applicants better understand what is required to complete a loan application, compiling financial statements, and collecting required documents.

SBA can make available several types of disaster loans, including two types of direct loans: physical disaster loans and economic injury disaster loans.

• Physical disaster loans are for permanent rebuilding and replacement of uninsured or underinsured disaster-damaged property. They are available to homeowners, renters, businesses of all sizes, and nonprofit organizations.

• Economic injury disaster loans provide small businesses that are not able to obtain credit elsewhere with necessary working capital until normal operations resume after a disaster declaration.

Businesses of all sizes may apply for physical disaster loans, but only small businesses are eligible for economic injury loans.

SBA has divided the disaster loan process into three steps: application, verification and loan processing, and closing. Applicants for physical disaster loans have 60 days from the date of disaster declaration to apply for the loan and applicants for the economic injury disaster loan applicants have 9 months.4 Disaster victims may apply for a disaster business loan through the disaster loan assistance web portal or by paper

4SBA publishes notices of disaster declarations in the Federal Register, which generally include the application deadline and location for filing a loan application. 13 C.F.R. § 123.3(b). According to SBA officials, for major disasters, SBA adopts the same deadline for physical disaster loans that the Federal Emergency Management Agency sets for disaster victims to register for assistance (generally, 60 days after the Federal Register notice). If the Federal Emergency Management Agency extends the registration period, SBA grants the same extension. For SBA-declared disasters, officials said that SBA sets its own application deadlines for physical disaster loans and economic injury disaster loans.
The information from online and paper applications is fed into SBA’s Disaster Credit Management System, which SBA uses to process loan applications and make determinations for its disaster loan program.

**SBA Implemented Most Provisions of the 2008 Act, but Has Not Yet Implemented New Disaster Loan Programs**

SBA has implemented most of the requirements of the 2008 Act, which comprises 26 provisions with substantive requirements for SBA, including requirements for disaster planning and simulations, reporting, and plan updates (see app. I for a summary of the provisions).

For example, SBA made several changes to programs, policies, and procedures to enhance its capabilities to prepare for major disasters.

- **Section 12063** states that SBA should improve public awareness of disaster declarations and application periods, and create a marketing and outreach plan. In 2012, SBA completed a marketing and outreach plan that included strategies for identifying regional stakeholders (including SBDCs, local emergency management agencies, and other local groups such as business and civic organizations) and identifying regional disaster risks. SBA’s plan stated that it would (1) develop webinars for specific regional risks and promote these before the traditional start of the season for certain types of disasters such as hurricanes; and (2) establish a recurring schedule for outreach with stakeholders when no disaster is occurring. Furthermore, the most recent Disaster Preparedness and Recovery Plan from 2016 outlines specific responsibilities for conducting region-specific marketing and outreach through SBA resource partners and others before a disaster.

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5SBA implemented the Electronic Loan Application online portal in August 2008. In 2008, 17 percent of loan applications were submitted electronically. In 2016, 90 percent of loan applications were submitted electronically.
• **Section 12073** states that SBA must assign an individual with significant knowledge of, and substantial experience in, disaster readiness and planning, emergency response, maintaining a disaster response plan, and coordinating training exercises. In June 2008, SBA appointed an official to head the agency’s newly created Executive Office of Disaster Strategic Planning and Operations. SBA officials recently told us that the planning office, now named the Office of Disaster Planning and Risk Management, is under the office of the Chief Operating Officer. Although the organizational structure changed, the role of the director remains the same: to coordinate the efforts of other offices within SBA to execute disaster recovery as directed by the Administrator. Among the director’s responsibilities are to create, maintain, and implement the comprehensive disaster preparedness and recovery plan, and coordinate and direct SBA training exercises relating to disasters, including simulations and exercises coordinated with other government departments and agencies.

• **Section 12075** states that SBA must develop, implement, or maintain a comprehensive written disaster response plan and update the plan annually. SBA issued a disaster response plan in November 2009 and the agency has continued to develop, implement, and revise the written disaster plan every year since then. The plan, now titled the Disaster Preparedness and Recovery Plan, outlines issues such as disaster responsibilities of SBA offices, SBA’s disaster staffing strategy, and plans to scale disaster loan-making operations. The plan is made available to all SBA staff as well as to the public through SBA’s website.

SBA has taken actions to fully address other provisions, such as those relating to augmenting infrastructure, information technology and staff as well as improving disaster lending. For example, to improve its infrastructure, information technology, and staff, SBA put in place a secondary facility in Sacramento, California, to process loans during times when the main facility in Fort Worth, Texas, is unavailable. SBA also improved its Disaster Credit Management System, which the agency uses to process loan applications and make determinations for its disaster loan program, by increasing the number of concurrent users that

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6Small Business Administration, 2016 *Disaster Preparedness and Recovery Plan.*
SBA Has Not Yet Implemented Three Guaranteed Disaster Loan Programs

SBA has not piloted or implemented three guaranteed disaster loan programs. The 2008 Act included three provisions requiring SBA to issue regulations to establish new guaranteed disaster programs using private-sector lenders:

- **Expedited Disaster Assistance Loan Program (EDALP)** would provide small businesses with expedited access to short-term guaranteed loans of up to $150,000.

- **Immediate Disaster Assistance Program (IDAP)** would provide small businesses with guaranteed bridge loans of up to $25,000 from private-sector lenders, with an SBA decision within 36 hours of a lender's application on behalf of a borrower.

- **Private Disaster Assistance Program (PDAP)** would make guaranteed loans available to homeowners and small businesses in an amount up to $2 million.

In 2009, we reported that SBA was planning to implement requirements of the 2008 Act, including pilot programs for IDAP and EDALP. SBA requested funding for the two programs in the President’s budget for fiscal year 2010 and received subsidy and administrative cost funding of $3 million in the 2010 appropriation, which would have allowed the agency to pilot about 600 loans under IDAP. SBA officials also told us that they performed initial outreach to lenders to obtain reactions to and interest in the programs. They believed such outreach would help SBA identify and address issues and determine the viability of the programs. In May 2010, SBA told us its goal was to have the pilot for IDAP in place by September 2010. Furthermore, the agency issued regulations for IDAP in October 2010.

In 2014, we reported on the Disaster Loan Program (following Hurricane Sandy) and found that SBA had yet to pilot or implement the three programs for guaranteed disaster loans. In July 2014, SBA officials told us that the agency still was planning to conduct the IDAP pilot. However, based on lender feedback, SBA officials said that the statutory requirements, such as the 10-year loan, made a product like IDAP undesirable and lenders were unwilling to participate unless the loan term was decreased to 5 or 7 years. Congressional action would be required to
revise statutory requirements, but SBA officials said they had not discussed the lender feedback with Congress. SBA officials also told us the agency planned to use IDAP as a guide to develop EDALP and PDAP, and until challenges with IDAP were resolved, it did not plan to implement these two programs. As a result of not documenting, analyzing, or communicating lender feedback, SBA risked not having reliable information—both to guide its own actions and to share with Congress—on what requirements should be revised to encourage lender participation. Federal internal control standards state that significant events should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.7

We concluded that not sharing information with Congress on challenges to implementing IDAP might perpetuate the difficulties SBA faced in implementing these programs, which were intended to provide assistance to disaster victims. Therefore, we recommended that SBA conduct a formal documented evaluation of lenders’ feedback on implementation challenges and statutory changes that might be necessary to encourage lenders’ participation in IDAP, and then report to Congress on these topics.

In response to our recommendations, SBA issued an Advance Notice of Proposed Rulemaking in October 2015 to seek comments on the three guaranteed loan programs. In July 2016, SBA sent a letter to the Ranking Member of the House Committee on Small Business that discussed how the agency evaluated feedback on the three programs and explained the remaining challenges to address the statutory provisions for the three programs. Based on this action, we closed the recommendations for SBA to develop an implementation plan, formally evaluate lender feedback, and report to Congress on implementation challenges. SBA has yet to announce how it will proceed with the statutory requirements to establish these loan programs.

SBA made several changes to its planning documents in response to recommendations in our 2014 report about the agency’s response to Hurricane Sandy. In 2014, we found that after Hurricane Sandy, SBA did not meet its goal to process business loan applications (21 days from receipt to loan decision). SBA took an average of 45 days for physical disaster loan applications and 38 days for economic injury applications. According to SBA, the agency received a large volume of electronic applications within a few days of the disaster. While SBA created web-based loan applications to expedite the process and encouraged their use, the agency noted that it did not expect early receipt of such a high volume of loan applications early in its response and delayed increasing staffing.

At the time of our 2014 report, SBA also had not updated its key disaster planning documents—the Disaster Preparedness and Recovery Plan and the Disaster Playbook—to adjust for the effects a large-volume, early surge in applications could have on staffing, resources, and forecasting models for future disasters. According to SBA’s Disaster Preparedness and Recovery Plan, the primary goals of forecasting and modeling are to predict application volume and application receipt as accurately as possible. Federal internal control standards state that management should identify risk (with methods that can include forecasting and strategic planning) and then analyze the risks for their possible effect.

Without taking its experience with early application submissions after Hurricane Sandy into account, SBA risked being unprepared for such a situation in future disaster responses, potentially resulting in delays in disbursing loan funds to disaster victims. We therefore recommended that SBA revise its disaster planning documents to anticipate the potential impact of early application submissions on staffing, resources, and timely disaster response.

In response to our recommendation, SBA updated its key disaster planning documents, including the Disaster Preparedness and Recovery Plan and Disaster Playbook, to reflect the impact of early application submissions.
submissions on staffing for future disasters. For example, the documents note that the introduction of the electronic loan application increased the intake of applications soon after disasters. SBA received 83 percent of applications electronically in fiscal year 2015 and 90 percent in 2016. The documents also note that the electronic loan application has reduced the time available to achieve maximum required staffing and that SBA has revised its internal resource requirements model for future disasters to activate staff earlier based on the receipt of applications earlier in the process. Furthermore, our review of the most recent Disaster Preparedness and Recovery Plan from 2016 shows that SBA continues to factor in the effect of electronic loan application submissions on staffing requirements.

In our November 2016 report, we reviewed the actions SBA took or planned to take to improve the disaster loan program, as discussed in its Fiscal Year 2015 Annual Performance Report. SBA focused on promoting disaster preparedness, streamlining the loan process, and enhancing online application capabilities (see table 1).

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SBA Took Some Actions to Improve Information for Business Loan Applicants but Could Improve Presentation of the Information

SBA Implemented Some Actions and Planned Others to Improve Information Resources for Business Loan Applicants

In our November 2016 report, we reviewed the actions SBA took or planned to take to improve the disaster loan program, as discussed in its Fiscal Year 2015 Annual Performance Report. SBA focused on promoting disaster preparedness, streamlining the loan process, and enhancing online application capabilities (see table 1).

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10The Recovery Improvements for Small Entities after Disaster Act of 2015 included a provision for us to evaluate SBA’s compliance with the Paperwork Reduction Act in administering the Disaster Loan Program. See GAO-17-67. For the report, among other things, we reviewed SBA documentation on recent and planned actions relating to improving the application process for disaster business loans and interviewed a nongeneralizable sample of eight SBDCs that provided disaster-related assistance to businesses, among other things.

11Small Business Administration, Fiscal Year 2017 Congressional Budget Justification and Fiscal Year 2015 Annual Performance Report.
### Table 1: Small Business Administration (SBA) 2015 Performance Report: Implemented and Planned Actions to the Disaster Business Loan Program, Fiscal Years 2015–2017

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Strategy 1: Promote disaster preparedness in targeting of pre-disaster outreach by region and type of disaster.</strong></td>
<td>Co-sponsored monthly disaster business preparedness webinars. Published a reference guide that summarizes the loan program and promotes disaster preparedness, assistance, and recovery. Tailored preparedness outreach by region and by disaster type.</td>
<td>Continue encouraging preparedness and continue the Technical Assistance Loan Approval Initiative (an effort implemented by the Small Business Development Centers).</td>
</tr>
<tr>
<td><strong>Strategy 2: Strengthening disaster operations to enhance effectiveness and efficiency.</strong></td>
<td>Continually reviewed and implemented improvements. For example, the electronic loan application improves data integrity and speeds up loan processing. Established approximate loan processing time standards, with goals ranging from 2 weeks to more than 4 weeks. Streamlined operating procedures and removed redundancies. Created separate tracks for home and business loan processing and expedited processing for both loan types.</td>
<td>Modify loan-processing procedures to establish standard 15- and 30-year fixed loan terms. Release new web portal with more features, including general information and questions, loan notifications, upload documents, live chat and secure messaging, electronic signature, and mobile application.</td>
</tr>
<tr>
<td><strong>Strategy 3: Utilize SBA’s nationwide infrastructure for short- and long-term recovery.</strong></td>
<td>Continued to promote SBA’s “three-step process” to explain the loan process to disaster victims; the process is: victims apply. SBA verifies and processes applications, and the parties close on loans. SBA also shared the reference guide with resource partners.</td>
<td>Continue long-term outreach efforts with resource partners and continue expanding the Technical Assistance Loan Approval initiative outreach.</td>
</tr>
</tbody>
</table>

Legend: SBA = Small Business Administration  
Source: SBA. | GAO-17-566T

We also reported in November 2016 that, according to SBA officials, the agency made recent enhancements to the disaster loan assistance web portal, such as a feature that allows a loan applicant to check the status of an application and the application’s relative place in the queue for loan processing. The web portal also includes a frequently asked questions page, telephone, and e-mail contacts to SBA customer service, and links to other SBA information resources. These enhancements may have had a positive impact on the agency’s loan processing. For example, we reported that an SBA official explained that information from online applications is imported directly into the Disaster Credit Management System, reducing the likelihood of errors in loan applications, reducing follow-up contacts with loan applicants, and expediting loan processing.
As we found in our November 2016 report, SBA published information (print and electronic) about the disaster loan process, but much of this information is not easily accessible from the disaster loan assistance web portal. SBA’s available information resources include the following:

- **Disaster business loan application form** (Form 5) lists required documents and additional information that may be necessary for a decision on the application.

- **Fact Sheet for Businesses of All Sizes** provides information about disaster business loans, including estimated time frames, in a question-and-answer format.

- **2015 Reference Guide to the SBA Disaster Loan Program and Three-Step Process Flier** describe the three steps of the loan process, required documents, and estimated time frames.

- **Partner Training Portal** provides disaster-loan-related information and resources for SBDCs (at https://www.sba.gov/ptp/disaster).

However, we found SBA had not effectively integrated these information resources into its online portals; much of the information was not easily accessible from the loan portal's launch page or available on the training portal. For example, when a user clicks on the “General Loan Information” link in the loan portal, the site routes the user to SBA’s main website, where the user would encounter another menu of links. To access the fact sheet, the reference guide, and the three-step process flier, a site user would click on three successive links and then select from a menu of 15 additional links. Among the group of 15 links, the link for Disaster Loan Fact Sheets contains additional links to five separate fact sheets for various types of loans.

According to SBA officials, SBA plans to incorporate information from the three-step loan process flier in the online application, but does not have a time frame for specific improvements. SBA officials also said that disaster-loan information is not prominently located on SBA’s website.
because of layout and space constraints arising from the agency's other programs and priorities. We concluded that absent better integration of, and streamlined access to, disaster loan-related information on SBA's web portals, loan applicants—and SBDCs assisting disaster victims—may not be aware of key information for completing applications. Thus, we recommended that SBA better integrate information (such as its reference guide and three-step process flier) into its portals.\textsuperscript{12}

In response to our report, SBA stated in a January 2017 letter that the disaster loan assistance portal includes links to various loan-related resources and a link to SBA.gov, where users can access the SBA Disaster Loan Program Reference Guide and online learning center. However, SBA did not indicate what actions it would take in response to our recommendation. We plan to follow up with SBA on whether the agency plans to centrally integrate links to loan-related resources into its disaster loan assistance web portal and Partner Training Portal.

We also found in our November 2016 report that SBA has not consistently described key features of the loan process in its information resources, such as the application form, fact sheet, and reference guide, and none of these resources include explanations for required documents (see table 2). The Paperwork Reduction Act has a broad requirement that an agency explain reasons for collecting information and use of the collected information.\textsuperscript{13}

\textsuperscript{12}GAO-17-67.

\textsuperscript{13}44 U.S.C. § 3506(c)(1)(B)(iii).
Table 2: Key Information Featured in Small Business Administration (SBA) Disaster-Related Resources, as of October 2016

<table>
<thead>
<tr>
<th>Resource/Resource Title</th>
<th>Key information about disaster loans</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Three-step loan process</td>
</tr>
<tr>
<td>Disaster Business Loan Application Form (Form 5)</td>
<td>✗</td>
</tr>
<tr>
<td>Fact Sheet for Businesses of All Sizes</td>
<td>✗</td>
</tr>
<tr>
<td>2015 Reference Guide to the SBA Disaster Loan Program</td>
<td>✓</td>
</tr>
<tr>
<td>Three-Step Process Flier</td>
<td>✓</td>
</tr>
<tr>
<td>Partner Training Portal: Disaster Loans Vignette Video</td>
<td>✗</td>
</tr>
<tr>
<td>Partner Training Portal: Disaster Tips Document</td>
<td>✗</td>
</tr>
<tr>
<td>Partner Training Portal: SBA Disaster Loans Document</td>
<td>✗</td>
</tr>
<tr>
<td>Partner Training Portal: Disaster Loan Procedure Document</td>
<td>✗</td>
</tr>
<tr>
<td>Partner Training Portal: Disaster Assistance Program Video</td>
<td>✓</td>
</tr>
<tr>
<td>Electronic Loan Application</td>
<td>✗</td>
</tr>
</tbody>
</table>

Legend: ✓ = yes ✗ = no
Source: SBA. | GAO-17-566T

According to SBDCs we interviewed and responses from SBA and American Customer Satisfaction Index surveys, some business loan applicants found the process confusing due to inconsistent information about the application process, unexpected requests for additional
We concluded that absent more consistent information in print and online resources, loan applicants and SBDCs might not understand the disaster loan process. As a result, we recommended SBA ensure consistency of content about its disaster loan process by including information, as appropriate, on the (1) three-step process; (2) types of documentation SBA may request and reasons for the requests; and (3) estimates of loan processing time frames and information on factors that may affect processing time.

In response to our report, SBA stated in a January 2017 letter that the agency provides consistent messaging about the time frame for making approval decisions on disaster loan applications: SBA’s goal is to make a decision on all home and business disaster loan applications within 2–3 weeks. However, SBA did not indicate that what actions it would take in response to our recommendation. We plan to follow up with SBA on whether the agency will take any action to ensure content is consistent across print and online resources, among other things.

In our November 2016 report, we further found that some business loan applicants were confused about the financial terminology and financial forms required in the application. Three SBDCs we interviewed mentioned instances in which applicants had difficulty understanding the parts of the loan application dealing with financial statements and financial terminology. For example, applicants were not familiar with financial statements, did not know how to access information in a financial statement, and did not know how to create a financial statement. Although the loan forms include instructions, the instructions do not define the financial terminology. According to SBA officials, the agency’s customer service representatives can direct applicants to SBDCs for help. Two of the three SBDCs said these difficulties arose among business owners who did not have formal education or training in finance or related

14The American Customer Satisfaction Index (ACSI) is a national indicator of customer evaluations of the quality of goods and services available in the United States. According to SBA officials, not every loan applicant and recipient is surveyed (SBA provides a sample list of loan applicants and recipients for ACSI). For example, for fiscal year 2015, among the 33,743 loan applicants, SBA selected a sample size of about 17 percent of applicants who were contacted by a third party to take the survey. The final response rate was 12 percent.
disciplines—and were attempting applications during high-stress periods following disasters.

The Plain Writing Act of 2010 requires that federal agencies use plain writing in every document they issue.\textsuperscript{15} According to SBA officials, although the agency does not provide a glossary for finance terminology in loan application forms, the disaster loan assistance web portal has a “contextual help” feature that incorporates information from form instructions. SBA customer service representatives and local SBDCs also can help explain forms and key terms. SBA has taken other actions to inform potential applicants about its loan program, including holding webinars and conducting outreach. However, these efforts may not offer sufficient assistance or reach all applicants. We concluded that without explanations of financial terminology, loan applicants may not fully understand application requirements, which may contribute to confusion in completing the financial forms. Therefore, we recommended that SBA define financial terminology on loan application forms (for example, by adding a glossary to the “help” feature on the web portal).

In response to our report, SBA stated in a January 2017 letter that the agency has been developing a glossary of financial terms used in SBA home and business disaster loan applications and in required supporting financial documents. Once completed, SBA stated that it will make the glossary available through the agency’s disaster loan assistance portal and the SBA.gov website. We plan to follow up with SBA once the agency completes the glossary.

\textsuperscript{15}Plain writing is defined as clear, well-organized writing that follows best practices appropriate for the intended audience. Pub. L. No.111-274, § 4, 124 Stat. 2861, 2862 (codified at 5 U.S.C. § 301 note).
Chairman Chabot, Ranking Member Velázquez, and Members of the Committee, this concludes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

For further information on this testimony, please contact William B. Shear at (202) 512-8678 or shearw@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony are Marshall Hamlett (Assistant Director), Christine Ramos (Analyst in Charge), John McGrail, and Barbara Roesmann.

<table>
<thead>
<tr>
<th>Section</th>
<th>Description of requirement</th>
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<tbody>
<tr>
<td>12061</td>
<td>Small Business Administration (SBA) permitted to make economic injury disaster loans to nonprofits.</td>
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<td>12062</td>
<td>SBA must ensure its disaster assistance programs are coordinated to the maximum extent practicable with Federal Emergency Management Agency programs.</td>
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<td>12063</td>
<td>Better public awareness of disaster declaration, application periods, and creation of a marketing and outreach plan.</td>
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<td>12064</td>
<td>SBA must conduct a study looking at the consistency between standard operating procedures and regulations of the Disaster Loan Program.</td>
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<td>12065</td>
<td>SBA increased loan amounts from $10,000 to $14,000 without requiring collateral.</td>
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<tr>
<td>12066</td>
<td>SBA authorizes private contractors to process disaster loans and coordinate efforts with the Internal Revenue Service to expedite loan processing.</td>
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<tr>
<td>12067</td>
<td>SBA must develop, implement, or maintain a centralized information system to track and follow up with disaster loan applicants.</td>
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<td>12068</td>
<td>SBA is authorized to increase the deferment period of loans, but the deferment may not exceed 4 years.</td>
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<td>12069</td>
<td>SBA must put in place a secondary facility for processing disaster loans in case the primary facility is unavailable.</td>
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<td>12070</td>
<td>SBA cannot require the borrower to pay any non-amortized amount for the first 5 years after repayment begins.</td>
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<td>12071</td>
<td>SBA is authorized to make economic injury disaster loans in cases of ice storms and blizzards.</td>
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<td>12072</td>
<td>SBA must develop and implement a major disaster response plan and conduct a disaster simulation exercise at least once every 2 years.</td>
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<td>12073</td>
<td>SBA must assign an individual the disaster planning responsibilities and report to Congress.</td>
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<tr>
<td>12074</td>
<td>SBA should ensure that the number of full-time equivalent Office of Disaster Assistance employees is not fewer than 800 and in the disaster cadre not fewer than 1,000.</td>
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<tr>
<td>12075</td>
<td>SBA must develop, implement, or maintain a comprehensive written disaster response plan and update the plan annually.</td>
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<tr>
<td>12076</td>
<td>SBA must develop long-term plans to secure sufficient office space to accommodate an increased workforce in times of disaster.</td>
</tr>
<tr>
<td>12077</td>
<td>SBA may not rely solely on the loan applicant’s status as a major source of employment prior to the disaster to qualify for disaster loans beyond the current statutory limit.</td>
</tr>
<tr>
<td>12078</td>
<td>Maximum disaster loan amount increased from $1.5 to $2 million.</td>
</tr>
<tr>
<td>12079</td>
<td>SBA may guarantee any surety against loss on a bid, payment, performance, or ancillary bond on any work order or contract that at the time of the bond execution does not exceed $5 million.</td>
</tr>
<tr>
<td>12081</td>
<td>If the President declares a major disaster, SBA may declare eligibility for additional disaster assistance.</td>
</tr>
<tr>
<td>12082</td>
<td>SBA permitted to make economic injury disaster loans to eligible small business concerns located anywhere in the United States (including outside the disaster area) when the SBA declares eligibility for additional disaster assistance.</td>
</tr>
<tr>
<td>12083</td>
<td>SBA must establish and implement a Private Disaster Assistance Program. SBA may guarantee timely payment of principal and interest on private disaster loans issued to eligible small businesses and homeowners within an eligible disaster area.</td>
</tr>
<tr>
<td>12084</td>
<td>SBA must establish an Immediate Disaster Assistance Program to provide immediate small dollar loans through private lenders.</td>
</tr>
</tbody>
</table>
Appendix I: Summary of Provisions in the
Small Business Disaster Response and Loan
Improvements Act of 2008

<table>
<thead>
<tr>
<th>Section</th>
<th>Description of requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>12085*</td>
<td>SBA must establish an Expedited Disaster Assistance Business Loan Program.</td>
</tr>
<tr>
<td>12086</td>
<td>SBA is allowed to institute a program to refinance Gulf Coast disaster loans resulting from Hurricanes Katrina, Rita, or Wilma up to an amount no greater than the original loan.</td>
</tr>
<tr>
<td>12091</td>
<td>SBA must submit reports to Congress on disaster assistance.</td>
</tr>
</tbody>
</table>

Source: GAO analysis. | GAO-17-566T

Note: The Act explicitly establishes appropriation requirements for procurements related to a major disaster for Section 12079.

*The Act requires SBA to issue regulations for these provisions.
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