

# GAO Highlights

Highlights of [GAO-24-106682](#), a report to congressional committees

## Why GAO Did This Study

Natural disasters cause billions of dollars of damage each year. Underserved communities with low levels of community resilience may be disproportionately affected. SBA's Disaster Loan Program assists homeowners, businesses, and others affected by natural and other disasters.

The Explanatory Statement to the Consolidated Appropriations Act, 2023 includes a provision for GAO to report on delivery of SBA disaster recovery support and how the needs of certain communities are addressed. This report examines (1) steps SBA has taken to improve equitable access to the Disaster Loan Program and (2) loan outcomes in and characteristics of communities in which program applicants and recipients are located.

GAO reviewed SBA policies and procedures and interviewed SBA officials. GAO also analyzed disaster loan application data for all 17 hurricanes in fiscal years 2017–2022 that caused at least \$1 billion in damage. This included calculating loan outcomes and using census data to determine the demographic and socioeconomic characteristics of communities in which applicants were located. Because of the magnitude of the four fiscal year 2017 hurricanes and Puerto Rico's unique demographics, GAO analyzed those applications separately.

## What GAO Recommends

GAO recommends that SBA assess its lending criteria as part of its internal review of the Disaster Loan Program. SBA agreed, stating it would assess its lending criteria and evaluate any relevant gaps in loan outcomes.

View [GAO-24-106682](#). For more information, contact William B. Shear at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov).

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# DISASTER LOAN PROGRAM

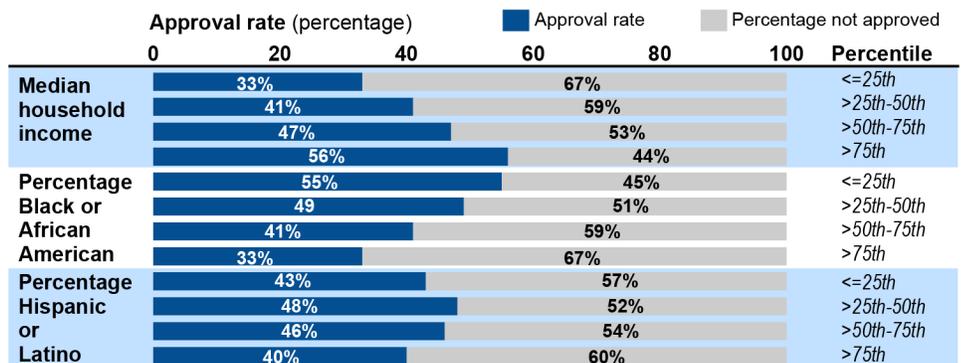
## SBA Should Include Key Issues in Its Review of How the Program Affects Underserved Communities

### What GAO Found

The Small Business Administration (SBA) has taken initial steps to improve access to the Disaster Loan Program for historically underserved communities (such as those with high poverty rates or high percentages of Black or African American, Asian, and Hispanic or Latino residents). In its 2022 Equity Action Plan, SBA identified its lending criteria, such as satisfactory credit score, as a barrier that underserved communities face in accessing the program. SBA plans to conduct a congressionally requested review to determine if any current practices provide unequal outcomes for certain underserved communities and, if so, develop recommendations to improve outcomes. However, SBA does not plan to assess its lending criteria as part of this review. Doing so would help it to better determine if changes to the criteria are needed to reduce unequal outcomes for historically underserved communities, consistent with Congress's direction.

SBA declined about 40 percent of disaster loan applications for 13 hurricanes in fiscal years 2018–2022. Loan outcomes tended to be worse in communities with higher percentages of low-income and Black or African American individuals. Of the 312,916 applications SBA accepted in the first stage of its application review, SBA approved 42 percent and declined 38.6 percent. Applications were declined primarily due to insufficient credit score or lack of repayment ability. The average approval rate in communities with the lowest median household incomes was 23 percentage points lower than in communities with the highest median household incomes. The average approval rate in communities with the highest percentages of Black or African American residents was 22 percentage points lower than in communities with the lowest percentages of Black or African American residents. Results were similar for areas affected by four hurricanes in fiscal year 2017 and for Puerto Rico.

**Disaster Loan Approval Rates by Socioeconomic and Demographic Characteristic in Communities Affected by 13 Hurricanes, Fiscal Years 2018–2022**



Source: GAO analysis of Small Business Administration data. | GAO-24-106682

Note: For each characteristic, GAO ordered the census tracts within the disaster areas from the lowest to the highest prevalence of that characteristic and divided the ordered distribution into four equal groups (quartiles). The tracts with the lowest prevalence of that characteristic fall into the lowest quartile (or <=25th percentile), while those with the highest prevalence fall into the highest quartile (or >75th percentile).