



Highlights of [GAO-12-253T](#), a testimony before the Committee on Small Business, House of Representatives

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 better ensure it is prepared to respond to catastrophic disasters.

This testimony discusses SBA's progress in addressing certain requirements of the Act and recommendations in a 2009 GAO report to improve the Disaster Loan Program.

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 Disaster Recovery Plan; develop an implementation plan for remaining requirements; and develop procedures to further improve the application process for the Disaster Loan Program. SBA generally agreed with the recommendations and stated the agency's plan to incorporate them into its ongoing efforts to implement the Act and improve the application process.

View [GAO-12-253T](#). For more information, contact William Shear at (202) 512-8678 or shearw@gao.gov.

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SMALL BUSINESS ADMINISTRATION

Progress Continues in Addressing Reforms to the Disaster Loan Program

What GAO Found

SBA has continued to make progress in addressing provisions of the Act, although continued attention to certain provisions will be important for sustained progress. As of November 2011, SBA met requirements for 16 of 26 provisions of the Act and partially addressed 6. Four provisions do not require any action at this time. For example, SBA updated its Disaster Recovery Plan annually, most recently in June 2011, consistent with our prior recommendation. SBA also has taken steps to address the Act's requirements for region-specific marketing and outreach. The agency has begun a dialogue with the state directors of Small Business Development Centers in the Gulf Coast about disseminating disaster planning information in the five most hurricane-prone states before the hurricane season. Additionally, SBA officials told GAO they have issued some public service announcements in disaster-prone areas. SBA has issued annual reports to Congress on disaster assistance in 2009, 2010, and 2011, as required by the Act and as GAO recommended. However, to fully address statutory requirements the agency must make extensive changes to current programs or implement new programs. In particular, SBA plans to implement pilots before finalizing regulations for two programs that would involve private lenders making short-term loans to applicants awaiting assistance. As GAO reported in May 2010, SBA officials told GAO that they formed a work group to develop these pilots.

SBA has taken steps to implement three of five recommendations from GAO's 2009 report. However, in 2009 GAO recommended the agency develop an implementation plan and report to Congress on its progress in addressing all of the Act's requirements. In November 2011 GAO met with SBA officials, but they did not provide evidence indicating that the agency had begun implementing this recommendation. In 2009, GAO also recommended that SBA develop and implement a formal process to identify problems in the disaster loan application process and make improvements for future applicants. SBA agreed with the recommendation to improve the application process and according to its 2011 annual report on disaster assistance, the loan process has been streamlined and the agency continues to enhance the electronic loan application so it has greater functionality with the Disaster Credit Management System. SBA officials told GAO that results in customer satisfaction surveys relating to the application process have improved over time, but SBA has not provided information on how it would implement a formal process to address identified problem areas in the disaster loan application process. In its 2009 report, GAO interviewed individuals and reviewed results from SBA's 2008 Disaster Loan Program Customer Satisfaction Survey which provided some positive feedback about SBA's performance following disasters such as the 2008 Midwest floods and Hurricane Ike. However, interviewees and survey results indicated areas for improvement such as reducing the paperwork burden. Agency officials told GAO they listened to customer feedback, but the agency still appears not to have a formal process for identifying problems in the application process and making needed improvements.