



Highlights of [GAO-04-885](#), a report to the Administrator, Small Business Administration

Why GAO Did This Study

The Small Business Administration (SBA) played a key role in assisting small businesses affected by the September 11, 2001 terrorist attacks by providing over \$1 billion in disaster loans to businesses that sustained physical damage or economic injury. Small businesses in the immediate areas of the attacks and others nationwide that suffered related economic injury were eligible to apply for disaster loans. SBA declined or withdrew about half of these loan applications. SBA's disaster loans are direct federal government loans provided at a subsidized interest rate.

In response to concerns that more small businesses impacted by September 11 could have benefited from SBA's disaster loans, GAO conducted a review of its Disaster Loan Program. Specifically, GAO addressed the following questions: (1) Are the disaster program policies consistent with the law and the overall mission of SBA's Disaster Loan Program? (2) What were SBA's underwriting policies and criteria for September 11 Economic Injury Disaster Loans (EIDL) and how did they compare with those applied by nonprofit lenders that were active in New York City after September 11? (3) Did SBA correctly apply its policies and procedures in its disposition of September 11 EIDLs?

GAO makes no recommendations in this report.

www.gao.gov/cgi-bin/getrpt?GAO-04-885.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Davi M. D'Agostino at (202) 512-8678 or dagostinod@gao.gov.

SMALL BUSINESS ADMINISTRATION

SBA Followed Appropriate Policies and Procedures for September 11 Disaster Loan Applications

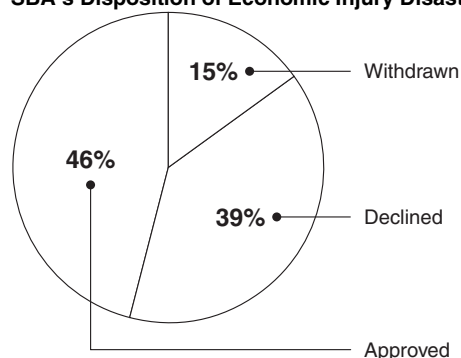
What GAO Found

SBA's policies and procedures for providing EIDLs are consistent with the Small Business Act: applicants must have suffered substantial economic injury as a result of a declared disaster, and SBA must determine that they are not able to obtain credit elsewhere. The act addresses some loan terms, such as length of maturity, but it does not specify underwriting criteria for SBA to follow. However, SBA's regulations contain underwriting criteria such as assessing an applicant's ability to repay the loan and obtaining collateral.

SBA's underwriting requirements for September 11 EIDLs generally followed program guidelines and were similar to those of selected nonprofit organizations in New York City. Small businesses that were eligible to apply for SBA assistance were expected to meet standard requirements for documentation, creditworthiness, repayment ability, collateral, and character. These requirements are generally consistent with best practices published by lending industry experts and guidance issued by federal regulators. Changes made to address the unusual circumstances of the September 11 disaster were to eligibility and loan terms and not to loan underwriting criteria. The three nonprofit organizations in New York City that made September 11 disaster loans had requirements similar to SBA, but the nonprofits had some additional flexibility to address the needs of their small business constituents.

GAO found that SBA followed its policies and procedures in making decisions for September 11 EIDLs. All of the files in our random, representative sample of declined or withdrawn applications contained documentation and analysis to support the SBA's determination. GAO's review of this sample also indicated that SBA followed its procedures for processing applications—such as supervisory review and notifying applicants of its decision and their right to have the application reconsidered. GAO's review of a small sample of approved loans also indicated that SBA followed its policies and procedures.

SBA's Disposition of Economic Injury Disaster Loan Applications for September 11



Source: GAO.