

The Honorable Kirsten E. Gillibrand
United States Senate
Washington, DC 20510

Dear Senator Gillibrand:

Administrator Mills has asked me to respond to your recent letter regarding the effectiveness of the U.S. Small Business Administration (SBA) Disaster Business Loan Program in New York. We appreciate your concerns regarding SBA's processes, underwriting standards and loan decisions in connection with Hurricane Sandy, as we are well aware that the rebuilding and recovery process is truly a daunting task for Sandy survivors in your state.

For background purposes, I would like to provide an updated summary of SBA disaster activities in New York. We currently have 36 assistance centers open throughout the Sandy-affected areas of New York, with a total of 133 SBA disaster employees on the ground to assist disaster victims through the entire phase of the disaster loan process. And as of January 30, we have approved 11,461 disaster loans totaling \$787.9 million for homes and businesses in your state.

Our approval rate for business loans currently stands at 30 percent; however, we expect that percentage to increase as businesses continue to apply and, in many cases, reapply for SBA assistance. We have found that in similar disaster events—including Hurricane Irene and Tropical Storm Lee—we receive an influx of applications toward the end of our disaster loan application period. We believe this occurs because in these later stages of the application period, many businesses have a clearer picture of their financial needs (e.g., insurance claims have been processed and applications for other state, local, and federal disaster assistance have been completed). Thus, it is during these later stages when many businesses find that other resources will not provide the complete funding necessary to rebuild their businesses. And generally, we also find that these “late stage” applicants have the requisite financial capacity to repay a loan, which typically results in a higher overall approval rate for SBA disaster business loans.

In terms of SBA's underwriting standards, there are a number of specific factors that contribute to our decisions to fund disaster loans; however, the overarching standard for each loan decision is whether the applicant can provide SBA with a reasonable assurance that the loan can and will be repaid. This general principle is driven by the fact that SBA must balance its role as a critically important resource for disaster victims and SBA's duty to serve as a steward of the taxpayer dollars that fund our loans.

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With respect to our loan processing times, our goal is to process completed loan applications within 21 days. We anticipate running slightly over that target, with the average timeline between 21 and 25 days. This is, however, a significant improvement from prior large-scale disasters such as Hurricanes Katrina, Rita and Wilma, where our processing times averaged between 66 to 74 days.

I can assure you that our Processing and Disbursement Center in Fort Worth, Texas, have dedicated, highly skilled commercial loan officers who understand that timely loan decisions are critical to the victims of Hurricane Sandy in New York and the neighboring states that are struggling to recover from this devastating storm. These loan officers also understand that SBA's underwriting standards must be fair, consistent, and transparent. If you or one of your constituents believes a loan application was incorrectly or arbitrarily denied, I would be happy to have the matter investigated promptly by me or my staff.

We appreciate your continued support of the SBA Disaster Assistance Program in New York. If you and your staff have additional questions, please contact the SBA Office of Congressional and Legislative Affairs at (202) 205-6700.

Sincerely,

James E. Rivera
Associate Administrator
for Disaster Assistance