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SUBCOMMITTEE HEARING: ON THE SMALL BUSINESS ADMINISTRATION'S RESPONSE TO THE JULY 5 FLOODS IN BEAVER COUNTY, PENNSYLVANIA

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SUBCOMMITTEE HEARING ON THE SMALL BUSINESS ADMINISTRATION'S RESPONSE TO THE JULY 5 FLOODS IN BEAVER COUNTY, PENNSYLVANIA

Thursday, August 23, 2007

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON INVESTIGATIONS & OVERSIGHT
Aliquippa, PA

The Subcommittee met, pursuant to call, at 10:00 a.m., in Aliquippa City Hall, Aliquippa, Pennsylvania, Hon. Jason Altmire [chairman of the Subcommittee] presiding.

Members Present: Representative Altmire.

OPENING STATEMENT OF CHAIRMAN ALTMIRE

ChairmanALTMIRE. The meeting will come to order. I want to thank everybody for being here today. This is, as the witnesses have been told, this is an official hearing for the U.S. House of Representatives. We have a stenographer here representing the U.S. House and I appreciate the assistance from the Committee Chair, Nydia Velázquez, in allowing us to hold this field hearing today. She was unable to be here. She is back in her district in New York. But I do want to thank the Committee for allowing us to hold this hearing today.

I am fortunate, as Chairman of the Subcommittee on Investigations and Oversight, in the wake of what happened here in Aliquippa, to be able to hold this hearing here and my goal is to bring the witnesses up and let them say firsthand what took place here and the aftermath and the needs that are necessary to help recover from this flooding. And we have two panels today; the first is Mr. Herb Mitchell, and I am very thankful that he came all the way up from Washington, D.C.

He is the Associate Administrator for Disaster Assistance for the Small Business Administration. And the Small Business Administration came here almost immediately after the flood. They were very helpful in surveying the scene, making damage assessments and offering the low-interest loans that are available. Now, we are going to talk about that issue and maybe some other alternatives are available. I thank Mr. Mitchell for being here. And then we have a second panel of community leaders and businesses that were affected by the flooding and I am going to introduce them at the time of the second panel.

I want to thank everybody for being here today. Today's hearing we will examine the role that SBA has in responding to the recent flooding here in Beaver County and I will also talk about Millvale and some of the flooding that took place in Ross and Shaler, Millvale and Etna in more recent weeks. But on the night of Thursday, July 5th, Beaver County and other parts of western Pennsylvania experienced violent isolated thunderstorms that caused some of the heaviest rainfall in recent memory. Official estimates report that at its height, the storms dumped as much as three and a half inches of rain in only two hours. Here in Aliquippa, a town of only 11,000 people, which is in the heart of the Fourth Congressional District, they took the worst of it.

By late evening, July 5th, most of the waters had receded and on the morning of July 6th, residents got their first look at the damage the storms had left behind. I also walked through Aliquippa at that point and looked at some of the residences and the businesses, and I saw firsthand what had happened. Over 500 homes and businesses were damaged. Ninety percent of the storms' damage occurred in Aliquippa alone. Downtown Aliquippa was covered in ankle deep mud; dozens of downtown businesses, the vast majority of which were small businesses, were forced to shut down for weeks. The damage was so extensive that some owners chose to close their doors for good rather than face the costly cleanup expenses required to reopen their businesses.

These storms are yet another blow for the town already suffering from poor economic conditions. Ensuring that businesses of Aliquippa experience a speedy and effective recovery is essential to the region's overall prosperity and it is in this respect that the SBA can play a vitally important role. Since its inception in 1953, the SBA has included a disaster assistance component. The SBA's disaster assistance program provides timely financial assistance in the form of low-interest loans and working capital businesses and home owners devastated by a disaster.

Today, the SBA's disaster loans are the primary form of Federal assistance for the repair and rebuilding of private sector losses and are not limited to small businesses. SBA loans can also help homeowners rebuild their homes and can help every disaster victim replace damaged personal possessions. SBA loans can even help businesses cover the economic losses they experience as a result of the disaster. By July 13th, a week after the storm, the SBA formally declared that SBA assistance would be available for the victims affected by the flooding and set up a disaster loan outreach center at Aliquippa Elementary School.

We need to make sure that everyone affected by the flooding has had the chance to rebuild their lives and their community, and these loans will be an important step in that direction. In the days following SBA's announcement, many small business owners and homeowners expressed frustration about the fact that only loans, not grants, would be available. Due to the financial resources necessary to reopen a business following a disaster, such as the flooding that occurred right here in Aliquippa, many owners hoped that grants would be available, in addition to the loans, to help alleviate the financial burden to them.

Unfortunately, rather than apply for SBA loans, some Aliquippa small businesses found it was more financially viable to close up businesses completely. As of August 7th, 120 loan applications have been submitted to the SBA by homeowners and small businesses from Aliquippa. The SBA has approved only four of the 120 applications that were submitted and provided a total of $204,300 in financial assistance. Of the four approved applications, out of the 120 total applications, one was a small business and three were homeowners.

It is my hope that we will be able to receive guidance today on why more grants are not available or any grants are available for small business owners, as well as why the vast majority of applications for loan assistance for denied by the SBA. Despite this early progress, however, more can and should be done to ensure the people of Aliquippa receive the assistance they need to rebuild their community. The SBA has a great deal of discretion in deciding the terms of its disaster loans and should take every opportunity to give disaster victims as much flexibility as it can in repaying disaster assistance.

The agency must also work to maintain its presence of the ground to ensure that disaster victims have the support they need when they receive loan applications, get answers to their questions and have help in the application process. The SBA must provide an adequate number of personnel to assist in its outreach mission and must also ensure the application deadlines are adequate for all victims from the disaster. As circumstances dictate, the SBA must maintain flexibility in its application deadlines.

And while the focus of today's hearing is on the flooding that occurred in Aliquippa on July 5th, communities in Allegheny County and Westmoreland County, like Export, Millvale, Murrysville, Ross and Shaler, to name a few, were also severely damaged as a result of heavy rain and flooding on the nights of August 6th and the day of August 9th. More than 1,000 single family homes and over 200 businesses were affected at an estimated loss of $4 million. Unfortunately, as was the case with the flooding in Aliquippa, the damage to those areas was not severe enough to warrant financial relief from FEMA, since the region did not sustain at least $15 million in damage to state-owned assets.

The only agency that can provide Federal assistance to flood victims in this case is the Small Business Administration. I encourage the SBA to consider the testimony provided here today as it prepares to help the residents and small business owners in Allegheny County and Westmoreland County, as well as right here in Beaver County, and that all efforts are made to provide flood victims with the support they need at this critical time. We must also remain vigilant to ensure that the mistakes that plagued the SBA following Hurricane Katrina and Rita in 2005 are not revisited upon the people of Aliquippa. This community will be watching and will hold the agency to task for ensuring that loan applications are processed in a timely manner and that approved loans are dispersed to victims who are waiting for assistance. We must never again witness the problems and delays that we saw following the 2005 Gulf Coast hurricanes.

We have often said that small business is the backbone of our community and nowhere is this more true than for our small communities. This is why it is important that we are here today to consider to SBA's role in providing disaster assistance in smaller communities. The overwhelming majority of disasters occur on smaller scales and SBA's response to these types of disasters goes to the heart of the disaster assistance mission.

I look forward to hearing this and want to talk to the witnesses and I am thankful to Mr. Mitchell for being here today. And I would say, in turning it over to Mr. Mitchell, that the crux of the issue here is that these are small businesses that took a chance on Aliquippa. This is a town that has fallen on hard times recently. A lot of these business owners put their life savings into the effort to revitalize the downtown area, right here on Franklin Avenue, and unfortunately, they were wiped out in this flood. So it is devastating to think about the fact that the impact could have on this community if we lose those businesses and that is the focus of this hearing today.

ChairmanALTMIRE. At this point, I would turn it over to Mr. Mitchell.

STATEMENT OF HERB MITCHELL, ASSOCIATE ADMINISTRATOR FOR DISASTER ASSISTANCE U.S. SMALL BUSINESS ADMINISTRATION

Mr.MITCHELL. Good morning, Chairman Altmire, and thank you for the invitation to come today and certainly, obviously, the walking tour this morning was certainly enlightening in terms of actually staying and talking to individuals that have been personally impacted, but I also have to express, too, that the enthusiasm of the individuals to want to rebuild their community and the commitment to get the job done and we ought to be looking for ways of how we help individuals and business owners basically get back on their feet after such a devastating event.

On July 5th, Beaver County experienced flash flooding caused by over four and a half inches of rain in a two-hour period. The rainfall filled streams and creeks and overflowed rivers, causing overland flooding throughout the area. On the following Monday, July 9th, SBA received the request from Governor Rendell to declare Beaver County a disaster area so that low-interest loans could be made available to affected businesses and homeowners.

SBA arranged a damage assessment with the Commonwealth, which was conducted on the following day, July 10th. The assessment concluded that there was enough damage to support the declaration request and it met the agency requirements for declaration, and Administrator Preston signed the declaration on July 12th. SBA opened a temporary local office on Saturday, July 14th, with four employees on site. Within five days of receiving the Governor's request, SBA was on-site providing one-on-one help to disaster victims.

In the first four days of operation, disaster personnel conducted 71 home and business interviews. SBA is still on-site providing assistance to victims at the Disaster Loan Outreach Center in the Aliquippa Fire House located at 1499 Kennedy Boulevard. And for those who are not able to get in, and we try to make the hours as

flexible as possible, they certainly can call us on our customer service line at 1-800-659-2955.

Regardless of the size of a disaster, each victim's need for assistance following a disaster is of the foremost importance and concern. As a result of this declaration, SBA can provide assistance to residents in the form of disaster loans to those affected by the severe storms and flooding. Loans up to $200,000 are available to homeowners to repair or replace damaged or destroyed real estate. Homeowners and renters are also eligible for up to $40,000 to repair or replace damaged or destroyed personal property.

For businesses, SBA can offer loans for physical damage, as well as Economic Injury, and this is working capital to sustain the operation, for up to $1.5 million. Economic Injury loans, as I have already stated, are for working capital for small businesses and small agricultural cooperatives to assist them through the disaster recovery period. It is only available to applicants and their owners who cannot provide for their own recovery from non-government sources.

Businesses of all sizes, and that is, I guess, one of the misnomers about the disaster loan program and I guess that the message we want to get out, is not obviously limited to small business, but it is available to homeowners, renters and businesses of all sizes, non-profits, as well, that have suffered physical damage. The staff assigned to the Disaster Loan Outreach Center assists in the initial application process and provides guidance to the applicant. Once the application is filed and submitted to our processing center in Fort Worth, it is assigned to a loan officer and case managers there, again, working with the applicant so that folks understand the process, what they are entitled to and what is needed to process the application.

For applications that are declined, and certainly we will talk more about that, and I certainly will answer any questions relative to the decline process so we can address those issues, but once they are declined, they receive a letter that outlines all of the reasons for decline, the process for reconsideration and what information they need to submit to be reconsidered in the process.

For applications that are approved, they receive a closing package and instructions on how to get the loan closed. Generally, they can either call in or come in to the assistance center for assistance on how to basically close the package, if they need assistance with closing. Generally, the way we disburse, depending on the amount of the loan, we disburse as the repairs are being made, so once you get a contract and a permit to rebuild, the disbursement process can start. But initially, we can disburse up to $10,000 just by the borrower signing the note and the loan agreement, just basically agreeing to the terms and conditions, then they can follow up with the additional paperwork in order to get additional disbursements.

One of the challenges here, and we are focusing on and obviously, you have already raised the issue, the number of applications versus the number that have been approved, from our numbers and the numbers that I have gotten updated as of yesterday, we have interviewed about 150 individuals who actually have contacted us. Most of these folks, I guess, about half of them, actually come in to the center; the others by phone. We have issued 132 ap-

plications. We haven't gotten all of those back yet. We have gotten back 47 applications and all of those have been processed except one. There have been five approvals. I think three home loans and only two business loans for a total of about $377,000.

The challenge here is that if there is a balance between obviously providing disaster assistance and providing that in the form of a loan. What we try to do is be as flexible as possible in terms of taking—what is the criteria. Obviously, we have the ability to go to 30 years irregardless of the amount of the loan. What we try to do is determine what that individual or business can afford to pay, first of all, and then we back in to the term of the loan. Generally, in the marketplace, terms of the loans are tied to the life of the asset. You are going to go get a car loan, a car loan generally could be anywhere from three to seven years, depending on the model and make. Well, if you can only afford to pay $50 a month and it is going to take you 30 years to pay it, we can make you a 30 years loan.

What we have seen so far, and obviously you are certainly aware of the low-income and in most cases, the initial applications we have seen, folks just can't afford a loan. You know, there are situations where we look at the cash flow and individuals only have $15 or $20 left over at the end of the day and that is after they paid their debt. That is before they even address just the cost of living. So it wouldn't serve any of us well to put people in that kind of a situation and obviously, you know, we just can't make a loan, even with the most flexible criteria.

And so certainly, we should have a discussion around what is needed; how do we basically bring the resources of the local, State and Federal, if there are the resources available in a situation like that where people's basic needs can be addressed. And I certainly would be willing to answer any questions and have a discussion in terms of where do we go from here to make sure people get the help that they need.

[The prepared statement of Herb Mitchell may be found in the Appendix on page 32.]

ChairmanALTMIRE. Thank you, Mr. Mitchell. I would ask you to start. Now, we toured the downtown area here with the time available before the hearing and I was curious what maybe your impressions were for seven, going on eight weeks after the flood, now what you saw.

Mr.MITCHELL. Well, I am surprised, though, we have got a lot of applications still out and a lot of that may be attributed to the fact that folks know that they can't afford loans, so it certainly wouldn't serve them to submit applications in a situation where they know that they can't or they are not willing to certainly take on debt if they are in business and don't see the process of how do I basically make my business successful at the same time I am burdened with additional debt. It doesn't add any value. And so I think there needs to be some discussion around what resources are there or may be available that can be brought to bear to at least start addressing some of the basic needs.

On the individual side, obviously, the charities are here and they certainly show up in every disaster and I think that is what we

need to make sure that those big ticket items like refrigerators and stoves and those kind of things, people have the ability to get those, that they are not able to basically get on their own.

ChairmanALTMIRE. And I appreciate the updated numbers, too, that we now have one more business is qualified and it is five out of approximately 158, I think you said.

Mr.MITCHELL. Yes. I think there were only—so far we have only got eight business applications and like I said, two of those have been approved.

ChairmanALTMIRE. It would seem to me that the circumstance that you described, low-income businesses can't afford to qualify for the loans, obviously, they are not going to be able to afford helping their own business and paying to clean out and reopen. What options are available? It would seem to me those are exactly the kind of people, exactly the kind of businesses that you would want to assist. They are the ones that need the help the most, and as a result of the way the system works, they aren't able to qualify and they are the ones that need the help the most. What would your advice be to those folks?

Mr.MITCHELL. Well, I can tell you, from my experience in terms of other situations and what some other communities have done, I mean, obviously some States, in terms of where they have certainly prone to disasters, have brought funds to bear with revolving loan pools where basically part of it is a grant, part of it is a loan. There is forgiveness, obviously, if you stay in a community for a certain period of time. It is tied not only just to helping that business, but it is also tied to how that business can make a commitment to that community.

I mean, the last thing you want to do is provide a grant and then somebody moves out of that community. And I don't know what discussions are taking place in that regard, you know, short of Federal assistance. I know sometimes there are CDDG funds and there are challenges there if you don't get any emergency supplemental to get additional funding, how do you basically reallocate what you have and obviously, you know, Allegheny County and some of the others, there are competing demands throughout the State.

ChairmanALTMIRE. Is it fair to assume that if there is no supplemental funding that becomes available, that the other funding for your agency and other disaster agencies has already been allocated somewhere, it is already budgeted to go somewhere else?

Mr.MITCHELL. Well, that is correct. And here, as you all know, Katrina and some other major events, supplementals are not made available for every disaster. I mean, that is generally on an exception basis. So generally, most of the Federal agencies are operating under the existing authority and existing funding that has been made available through the annual appropriation process and in this case, the criteria was not there for a Federal major declaration through FEMA and obviously, by the president, and so the only thing that was available is the SBA, which places, even with that, places the responsibility for recovery on the individual because it is in the form of a loan, so you know, it is a demonstration of the ability to repay.

ChairmanALTMIRE. And I would point out to those that are watching this hearing that the SBA is the only Federal organiza-

tion that came to assistance and there might be some disenchantment with folks who were denied and declined, but I do think—I want to thank you for the fact that you are the only Federal agency that came in here and offered assistance. But these businesses that can't afford to take on the additional burden of a loan, why, and I know you don't speak for FEMA, but if you could comment on that and also, certainly, the SBA's role, why are there no grants available? Why is there no funding along those avenues available to these people?

Mr.MITCHELL. SBA doesn't have the authority. It doesn't have the authority to provide grant assistance and even if FEMA was involved at this point, FEMA doesn't have the authority to provide assistance to business. FEMA's assistance goes to the individual and obviously, in terms of in the public sector, in terms of the emergency response. Generally, the way grants come about is through the emergency supplemental process where oftentimes community development block grant funds are made available to the State and localities to then shape a program that best fits its need, so you don't have a lot of limitations or restrictions and obviously, that didn't happen in this case.

ChairmanALTMIRE. Right. Do you think—is that a policy change that you think Congress should explore, to give you the authority to offer grants? What is the upside or the downside if that were to be the case?

Mr.MITCHELL. Well, certainly not in a position to answer that today, but certainly, I think there needs to be a discussion around this issue of how do we respond to disasters at every scale, you know, when it is not large enough for a Federal declaration, but certainly on an individual basis, the needs are the same as in a catastrophic event, as well.

ChairmanALTMIRE. And you said eight businesses have applied, so I mean, theoretically, there are eight businesses here that had an issue and felt like they would seek assistance, so the vast majority of the people who have applied are residences, individuals, 90 plus percent?

Mr.MITCHELL. Right. There have been 38 applicants that have been individual home owners or renters.

ChairmanALTMIRE. Okay, 30. So you said that the grants were not available to businesses. Is there any other avenue for those individuals, for homeowners, residences that have suffered damage? Is there anything else you can think of that they could seek out assistance from?

Mr.MITCHELL. Well, my understanding already, and this happens in most disasters and we are fortunate in this country to have charitable organizations. In my experience, they are here already in this community and have had some discussion with them and they are providing and they are doing some intake in working with individuals already. That certainly— obviously, people can have the ability to do the cleanup, but the big ticket items like, you know, the refrigerators, the stoves and that kind of thing, the basic things people need to live on but don't have the resources just to go out and buy, so the charities are certainly trying to address those needs.

ChairmanALTMIRE. And we are going to hear from some of them today.

Mr.MITCHELL. Right.

ChairmanALTMIRE. And I am thankful that they are here, so hopefully, you will be able to stick around and hear what they have to say, too.

Mr.MITCHELL. Sure, absolutely.

ChairmanALTMIRE. You toured with me the library before we came in here and that is obviously not a for-profit enterprise, it is not a residence. It is unique to this community, having been built in the 1920s, and what are the types of assistance that is available for an organization like that, that doesn't fit neatly into the business or residential side?

Mr.MITCHELL. And obviously we have already received an application. The challenge there is, as I understand, and I have just been briefed on it last night and so we will go back and take a look at it to really try to determine what is the ownership. We are limited—by authorization, we can only make loans to the private sector or a non-profit, a private non-profit. The initial report that I have gotten back so far is that the library is owned by the city, which would make it ineligible for SBA assistance. Now, in obviously, discussions this morning, it is my understanding that the city provides a minimal amount of funding and that there is an organization that operates it and the question is can we basically establish that there is a legal private non-profit that is in there and what would they be entitled to and how is the property deeded and structured. And so we will take a look at that to see if there is a way that we can provide assistance.

ChairmanALTMIRE. Well, anything that I can do and certainly, the local community can do to help you make that determination, we are available to do that.

Mr.MITCHELL. Sure.

ChairmanALTMIRE. The last question I would have and again, I very much appreciate you being here today, is there any advice, and I know you are hesitant to offer advice, but I am asking you for it, as the chairman, is there any advice you have on potential legislation, regulatory changes that we could recommend that would make it easier for the SBA to help people in need, especially in low-income communities like this? Is there anything that Congress could do that you are prevented from helping us, in a way that we could change the law and offer more assistance?

Mr.MITCHELL. Well, the challenge is when the primary assistance for long-term recovery—I mean, obviously, emergency assistance is pretty much all grant funds and the funds are made available, but the way disaster response is structured today, the primary responsibility in long-term recovery falls on the individual and the primary assistance is in the form of a loan and I think we have a great deal of flexibility. The unfortunate part is that it is still a loan and at some point, you have to show repayment ability, you know, and we can take that out. But again, I think there needs to be a joint discussion around what is going to be the Federal role in response in particularly, long-term recovery, you know, how do we basically structure something that is really helpful where you

don't get in a situation where, in this case, 90 percent of the folks who basically have been impacted are not being helped.

ChairmanALTMIRE. I know I said that was my last question, but I thought of one more. You cover, your agency, your department covers the whole country, right?

Mr.MITCHELL. Correct.

ChairmanALTMIRE. It is not just a region. So from your experience, knowing the scale of what happened here in Aliquippa, how often, around the country, how many times does something on this scale—what are you dealing with, exactly?

Mr.MITCHELL. I have actually been amazed. I have been in the disaster office for a little over 12 years. I have been with the agency now close to 29 years. Almost every day of the week something happens somewhere in this country. I mean, obviously, a lot of disasters don't make the news and front page, but I can tell you that almost every day of the week something happens somewhere, if it is not a flood, it is a fire or it is an explosion or whatever the event is. There is probably not a day that doesn't go by in the last 12 years that I have been in this job that something doesn't happen.

ChairmanALTMIRE. Well, I really appreciate you being here. If it is okay with you, I would like you to listen to what the next panel has to say and if you wanted to make any comments after that panel, you are welcome to do so.

Mr.MITCHELL. Sure. Sure, I would be glad to.

ChairmanALTMIRE. Thank you.

Mr.MITCHELL. Thank you for the opportunity.

ChairmanALTMIRE. I will call the second panel up now. Do you have name tags? We are going to have three witnesses right now and then there are going to be two others. Commissioner Spanik is going to join us a little bit later, then there will be one more person following these three. We have before us, and we will go in this order, because this is the order I have on the list, Mr. Patrick Geho, who is the president of the Beaver County Chamber of Commerce and has certainly been very active in helping some of the businesses in this area recover and receive assistance. We have Mary Elizabeth Colombo, Executive Director of the BF Jones Memorial Library, right next door where we toured right before this hearing. I very much appreciate her being here. And Mr. John Feher, owner of Boulevard Sports, and he is going to talk about the damage that took place with his business. So at this point, I welcome Mr. Geho.

STATEMENT OF PATRICK GEHO, PRESIDENT, BEAVER COUNTY COMMISSIONERS

Mr.GEHO. Yes. Thank you, Congressman Altmire. I want to thank you for arranging this today and congratulations on your chairmanship. It is already paying dividends for the district. Unfortunately, it brings us to this unfortunate incident today that we are speaking about. But I just want to thank you and the SBA for being here today. I know, and certainly want to allow one of our chamber members and a few of our chamber members to talk about their specific instances, but one of the opportunities we saw, at the Chamber, as we moved forward from this situation is to talk about how we move forward from this is, I think, is a big issue is emer-

gency preparedness and how do we move forward from this incident. This community has done battle on the gridiron on the steel mills industry and certainly, with Mother Nature. No matter what is seemingly thrown at this community, it rises to the occasion.

But this recent battle with Mother Nature, this is one game that no one saw in the schedule. One lesson that we all must take away from this is that we must be prepared. Ironically, weeks prior to the July 5th flood, our chamber, in conjunction with our 911 center, and Wes Hill, the director, who is here this morning, began working with the Pittsburgh Regional Business Coalition for Homeland Security and Region 13 task force to identify and catalog business assets, including trucks, pumps, warehouse space and subject matter experts. Our emergency responders would call upon these assets in times of need.

I applaud the SBA for its informative web site and information regarding emergency preparedness. The Institute of Business and Home Safety web site also includes a section called Open for Business that includes the kind of things a small business should consider in preparing for a disaster and it can be found at www.ibhs.org. As a chamber and SBA, we need to encourage small business owners to develop a disaster preparedness plan. Just as important as developing—it is just as important as developing a business plan. Having a disaster plan in place can make a difference between being shut down for a few days and losing your livelihood.

Getting back to business after a disaster depends on preparedness planning done today. Small business owners invest a tremendous amount of time, money and resources to make their ventures successful and yet, while the importance of emergency planning may seem self-evident, it may get put on a back burner in the face of more immediate concerns. For small business owners, being prepared can mean the difference between staying open following a disaster.

An estimated 25 percent of businesses do not open following a major disaster, according to the Institute of Business and Home Safety, and according to some of those statistics we heard here today regarding the applications, I sure hope that is not the case for our friends in Aliquippa. We believe our businesses should have recovery communications plans in place. Key employees need to be assigned as spokespeople so they can contact suppliers, creditors and other employees, customers, media and utility companies to get the word out that their business is still viable. Also, a spokesperson can keep the public informed of rebuilding efforts, if necessary.

Aliquippa doesn't need a Monday morning quarterback or any football player, for that matter. They do well enough on their own. However, all business and homeowners can learn a lesson from the misfortune of our neighbors not only here in Aliquippa, but in Millvale, that are recovering from another flood. We should all be better prepared for emergencies.

I would like to thank the SBA for quickly establishing the SBA Disaster Loan Outreach Center in Beaver County to provide assistance to those residents and businesses that were affected by the flooding. I understand that 120 applications have been filed by residents and business owners and I sure hope there is more good

news to come from those. Much of our responses at the Chamber has been referring business owners to the SBA, the Small Development Business Center at Duquesne University and Pitt, that we work closely with. We assisted the community action group, ARISE, which I am sure you will be hearing from, in fundraising and seeking dumpsters for garbage removal and also, the Chamber is looking to be active in hosting upcoming events for Aliquippa business owners so they become more engaged in the Chamber and work on our resources to network with other Chamber members.

We believe with working with not only our members, but our banks and others within the community of our chamber, hopefully they can be strengthened and pick themselves up from this unfortunate turn of events. But I guess those are my initial comments and I certainly want to open up to those that lived it day to day and want to yield the remainder of my time, Mr. Chairman, to those that were directly affected.

[The prepared statement of Patrick Geho may be found in the Appendix on page 38.]

ChairmanALTMIRE. Thank you. Now, let us go to Ms. Colombo.

STATEMENT OF MARY ELIZABETH COLOMBO, EXECUTIVE DIRECTOR, BF JONES MEMORIAL LIBRARY

Ms.COLOMBO. Good morning, Congressman Altmire, Mr. Mitchell and other invited guests. Thank you for granting me time to testify on our recent experiences with the Small Business Administration. I am Mary Elizabeth Colombo, director of the BF Jones Memorial Library, a not-for-profit corporation serving the residents of the greater Aliquippa as its public library. I am representing the Board of Directors and the many citizens who are customers of the public library. We are located at 663 Franklin Avenue in Aliquippa.

As you are aware, just seven weeks ago the Aliquippa community experienced a devastating event. Within a few short hours, excessive rain brought devastating flooding to the Franklin Avenue corridor, the valley between the hills upon which this great industrial community was built. The lives of many individuals, businesses, organizations and city government were changed as the flood waters roared down Franklin Avenue. Anyone who knows the library's national historic landmark building and its stately position well above street level, would have thought that we escaped the flooding. However, we took the hit when more than six inches of water, mud and assorted debris rolled in every below-grade door as a result of runoff from the hillside behind the library.

In less than two hours the library sustained over $200,000 worth of damage to the building and its contents. Our 7500 square foot lower level is, by Federal flood insurance definition, a basement. This basement is home to our Children's Learning Center and Children's Library, as well as many other library functions, including all the mechanicals for the building. In 2006, following some very aggressive grant writing to secure the funds and with careful planning, we renovated the space to create the Children's Learning Center. The cost was over $240,000.

The library did have minimal flood insurance coverage, but as I already mentioned, because of it being categorized as a basement,

many of the losses will not be covered, including anything that is defined as contents. This catastrophic event has been and will continue to be a learning experience for all of us at the library.

I would now like to direct my comments to our experiences with the SBA Disaster Loan procedure. I want to commend Congressman Altmire and his staff for their prompt action in securing the services of the SBA at a field office in Aliquippa. Having knowledgeable staff available locally that we could consult with was extremely helpful to us. While we had hoped that there would be a FEMA declaration for Beaver County as a result of the flooding with opportunities for grants, the library board realized that we needed to be proactive in securing a loan to make the necessary repairs to the building and its mechanical equipment. We also needed funds to replace the more than 3,000 books and other learning materials that were lost. To return the library to its pre-flood status, we determined, would require over $200,000.

Within days of the opening of the field office, a representative of the library board made his first of several visits to consult the SBA staff. Each visit was informative. We came away with both written instructions and verbal advice as to what we needed to do to apply for a loan. If the field office had not been available, I am certain that we would still be floundering around trying to figure out who to call and what to do.

On July 25th, we again went to the field office with our application in hand. The staff reviewed our application for completeness and requested some additional information, which we were able to supply that day. Our application was overnighted to the loan processing unit in Texas. Two days later, an estimator for the SBA was on site to prepare the necessary reports to document our loss and our need. During the following week we received a series of phone calls from our assigned loan officer as he reviewed our application. We continued to supply requested documentation to determine our eligibility for a loan. The process moved very quickly and efficiently, in large part due to the support and technical advice from the field office representatives.

On August 9th, just four weeks following the flood, when we got the call from the SBA, we thought we got the news we wanted to hear, your loan is approved for $183,400. However, a few hours later we received another phone call that brought us the news that upon further review, the library was not eligible because it was viewed as a city agency rather than a not-for-profit corporation. We do have the right to appeal the decision. On August 20th we submitted a letter from the mayor of the City of Aliquippa to the SBA loan office that we are hopeful will clarify our status as a not-for-profit corporation. We are waiting a decision on that appeal.

Our overall impression of the work of the SBA is a positive one. Before closing, I would like to offer some suggestions for making a good process even better.

Proved the loan reviewers with up-to-date information regarding the status of FEMA declarations. While it was useful to have a loan officer suggest we delay the process of our application review until we applied for a FEMA grant, it would have only delayed the process because we knew Congressman Altmire's staff, that there were no grants possible.

As a librarian and a purveyor of information, it would be useful for the SBA to have more of an informational presence in public libraries. Had it not been for the announcement in the media that the SBA loans would be available, I am not sure that the library board would have thought of the SBA as a source of help in this disaster. It would be useful for the general public to know more about the SBA and its services in a disaster. It would be good for SBA services to come to the public's mind at a time of disaster, just as the Salvation Army, the Red Cross and FEMA.

I would like to conclude my remarks with sincere appreciation to Congressman Altmire, his staff, the SBA field office staff and public information officer and the SBA staff in Texas who have worked with us to secure a loan to restore the library to its pre-flood condition. Thank you all.

[The prepared statement of Mary Elizabeth Colombo may be found in the Appendix on page 41.]

ChairmanALTMIRE. Thank you. Mr. Feher.

STATEMENT OF JOHN FEHER, OWNER, BOULEVARD SPORTS

Mr.FEHER. Yes. Thank you, Congressman, for allowing me to be here. It is a privilege to be here to discuss this.

Back whenever this flood started, this wasn't like the first time I ever got water in my basement. I have had water in my basement on three other occasions due to the fact that the creek that runs beside not only my property, but other people's property on Kennedy Boulevard, has been totally neglected since all hurricanes have come through, whether it was Katrina, Rita, Ivan or just go backwards in time. This last time, I had 11 feet of water in the basement. Water came through my front door, it came through all of my doors and I don't think a lot of people understand the severity of the damage that was done. I have already filled three dumpsters. I have no idea what the financial losses are. I shall be able—I will be able to comment.

I am disappointed with the SBA. I filled out an application. I never got a declining letter. I never got anything back in writing from SBA and today, I believe we are at August 23rd. I filled the paperwork out, I believe it was about the 8th of July. So I found, as one of these business people that I guess I am out in limbo here where the SBA doesn't care about me, because if they did, they would have written to me. I had contacted someone by telephone. The individual I talked to on the phone said I would be receiving a letter in about 10 days. Well, over a month has gone by and I have not received anything.

The people up on Kennedy Boulevard, where I am at, the water backed up from the creek. Whether it came through where the tunnel was down below, if it was blocked or whatever seemed to be the problem, no one said anything. I have heard people talk about how clean the tunnel is. If it is clean, where is the video? Let me see something that says it is clean as a whistle. I have heard other people say there was a gate blocking the entrance where mattresses piled up, everything else piled up and it just back dropped completely up.

I mean, where I am at, on my business, up on Boundary Street, the water from the city just comes rolling down over the hillside. All the debris ends up in the creek. The creek bed, itself, has probably risen eight feet since I bought the building in 1985. I used to do my work in my basement. Now I have enough that I could have mud baths in there. And as far as any aid goes here, I mean, I know Wes Hill was sitting here. Back in a meeting we held up at the Aliquippa Middle School, they were going to form committees to see what was going to be done. Well, you know what? There hasn't been a damn thing done.

Up to this date, there have been people walking up and down the street, supposedly surveying. You know, we don't need anybody on a recreational survey. The money should be used to start excavating the debris in the creek and not everybody out there looking to see what it looks like. It is just the whole scenario is just, I think, beyond comprehension, that all this time has gone by and there hasn't been anything done and it doesn't leave much hope for the people up above on Kennedy Boulevard. Everybody had said they didn't know there was water up there. I have photos with me that show water coming through my front door.

The water coming up out of the creek exceeded over four feet. I have photos of all the water marks. Besides what money I had lost in my business, I have a gentleman that owns Emerald Productions. He prints all his paperwork, everything on the floor was thrown into a dumpster. There is a guy next door to me, he has Center for Storage. He received all kinds of flood damage and his buildings down below, they have been undercut, the asphalt and everything from the creek not being taken care of. You know, I just need to hear someone give me real answers and I don't want to hear spins. I am too old anymore to hear spins. And I would just like to see someone give me something positive from all this, you know, whether it is from you, the SBA or anything. And that is really all I have to say.

[The prepared statement of John Feher may be found in the Appendix on page 44.]

ChairmanALTMIRE. Thank you. Thank you. I will give Mr. Mitchell, since you brought up the situation with your specific case, you applied on July 8th, you still have not heard a response. Do you want to respond to that, Mr. Mitchell, since you are here?

Mr.MITCHELL. Has the inspector been out to—

Mr.FEHER. I haven't received anything. I haven't even received a letter saying you have been declined. So when you have nothing, where do you go? You can't go forward with anything. Like, I heard, you know, Mary Elizabeth mention the fact that she was able to appeal it. How can you appeal something if you don't even have a letter to say this is my docket number, this is my loan number, this is something?

Mr.MITCHELL. I have already e-mailed them to get me an answer.

ChairmanALTMIRE. Do you think this is a mistake that took place or is that a typical type—

Mr.MITCHELL. We are going to find out, but this shouldn't be happening. I mean, somebody should have been in contact, at least

at this point. The inspection of the property should have taken place, but we will find out.

ChairmanALTMIRE. Okay. Well, thank you. Hopefully that is something that can come out of this. Just going in the order, Mr. Geho, you represent the whole county for the Chamber. Have you seen any similar situations like this take place anywhere else in the county and do you have any comments on SBA and activities throughout the county?

Mr.GEHO. I think, not to rehash a lot that was said, I think, you know, I share some of their—you know, when Mary brought up about it is always about getting information out and letting people know about these opportunities, I think we all can do a better job and I know the SBA and the administrator said they are dealing with crises every day. I think, until someone gets into that situation, it is always such a Catch-22, that no one thinks about it until it lands on your doorstep and you got to react to it and it is just one of those tough situations and I think that has a lot to do with it. We haven't heard much activity from our business owners, I think, and that is a result of the few people that have filed, unfortunately, for the SBA, like, you know, encourage and see many more people do that. I know John did, actually.

I was at the store and what he is saying, I mean, it is just unbelievable and I encourage you to go over there. I mean, the amount of damage and you just cannot believe what 11 feet of water reaching his basement looks like, because I saw where the line went and I mean, it is just unbelievable. So he is rightly frustrated and if it is something that is reoccurring and it sounds more of an environmental issue with the creek over there, you know, the micro bursts that occurred, you know, that we talked about on Franklin Avenue. There must be a real issue with the creek bed over there that needs to be looked at.

ChairmanALTMIRE. Can you talk about specific Aliquippa and the Kennedy and Franklin Avenue corridor, talk about the importance of small business to this neighborhood and how devastating it would be if we lost these businesses as a result of this?

Mr.GEHO. I think, as you said in your opening remarks, that so many people put their livelihood, you know, for so many years these stores remained vacant, boarded up and now we are seeing some rebirth down here, from coffee shops and daycare centers and so much good has happened and the tremendous streetscape project that has just transpired down here and you know, when I first heard the news of all this happening here, that ran through my mind, not only the businesses, but I thought oh my God, all that beautiful streetscape and all that money and thankfully, many of the sidewalks and Federal monies that had happened, that the sidewalks and all that had survived and sustained so much damage. But we know this is a resilient town and I hope that resiliency holds.

You know, it is going to be a tough road for many of these people because I think, exactly like you said, many people put it all on the line the first go-around and it is a grave concern to think if they are going to have that backing and I applaud Governor Rendell and all our legislators and yourself, you know, having those opportunity grants to take care of the interest portion of those SBA loans be-

cause even if someone could get a loan, once again, that interest portion would kill them on there, so I mean, that was a very creative and great way our State stepped in to aid these individuals that I think needs to be applauded, as well. So I think that was a very great hand-up to help individuals, as well.

ChairmanALTMIRE. And you talked about preparedness planning and how important it is. Do you have any ideas on how what types of planning you are talking about to prepare for this? Is the Chamber in any way available to help folks with this type of planning?

Mr.GEHO. Sure. And I think, as I pointed out, Wes Hill, he is working with Region 13 and the SBA has a lot of great information on their sites that are really the, you know, pretty much the tools and resources, the how-tos for not only homeowners, but individuals, because I think a lot of people down here never saw the situation occurring down here in Aliquippa, so there is a lot of tools and the how-tos and what to think about, you know, not keep all your records on-site and back up your computer files off-site because if you lose them, I mean, you are going to lose them and there are some startling statistics and I think when you learn that 25 percent of businesses don't recover from a situation like that, a lot of it is financial, some of it is just because they lose it all.

They lose all those records that they are never able to recover from, so I applaud Wes and he was ahead of the curve because he was working on, you know, with the Region and they are really taking an inventory of like, all our resources from what does all the other communities have, what do our businesses have, that if something like this happens, that they could step up and who has dumpsters, who has street sweepers, who has some trucks that could come in when we have a situation like this that can bring immediate needs and immediate help and I think we are getting smarter. It always is very frustrating that it takes a situation like this to make us smarter and brighter, but I think it is another situation that is causing that, but you know, hopefully we are smarter for it.

ChairmanALTMIRE. And I do want to publicly recognize Wes Hill, who you mentioned a couple of times, who did just incredible work that day and the succeeding days. If he could stand up and let everybody take a good look at you.

Mr.HILL. I am Wes Hill.

ChairmanALTMIRE. Yes. I can't tell you the countless ways that he helped our office work our way through this and helped the community, so I am glad that Wes Hill is here today.

Ms. Colombo, what happens if the funding doesn't arrive? What is the difference between you getting the funding that you are requesting and you not getting it? What is going to be the difference a year from now at the library?

Ms.COLOMBO. I think we are probably going to see that a lot of the things that we lost were not replaced. There are some things, as I mentioned when you were on the tour today, we have a sump pump that we need to replace, probably $25,000 or more. We have to do this whether we get funding or not and if we don't get an SBA loan, we are going to have to look at a loan someplace else, which will be more of a debt because the interest rates will be so much higher and probably we would not be able to qualify for any

of the State help that came in that Pat mentioned, to help us pick up the loan.

While we have to be reactive to what happened, I think all of us need to be proactive, too, and say what is it that we can do to prevent this from happening another time and in our situation, it is going to be looking at the infrastructure within the library, such as the sump pump, that needs to be replaced because we need to get that out of there, as well as looking at what we can do to divert and control water that is coming from hillsides that are behind the library so that we keep that water out of the building. As far as with replacing materials, computers, those are going to be things that depend upon how responsive people in the private sector are going to be to our fundraising to try to do that, so it is certainly something that we need help to be able to do.

And if I can just comment a little bit about the need to be with disaster plans, well, we have a plan that we wrote at the library quite a long time ago because it was something that was encouraged in our profession. We realized that was good. It probably helped us prevent our loss from being half a million dollars as opposed to where we are at 200 and some thousand because we were able to know what we had to do within that first 24 hour period to make the building as safe as we could from all of the, what I call the evils that lurk in mold and mildew and whatever, aside from the mechanicals that have to be done, so I encourage whomever can have training on disaster preparedness, even if it is just up in your head rather than on a piece of paper, it is very good.

ChairmanALTMIRE. And I want to thank you for the advice that you gave both for Congress and the SBA based on your experience. It is unfortunate that you had to go through the process of having that experience. But it sounds like, with the exception of the final result, which is still up in the air, you had a relatively smooth experience with the SBA?

Ms.COLOMBO. Yes, we did.

ChairmanALTMIRE. Except for the hiccup with the notification.

Ms.COLOMBO. Yes, and we are going to get past that. We are very confident that we can work through that.

ChairmanALTMIRE. And I was going to give Mr. Mitchell the opportunity, if he wanted to comment on she got the $184,000 approval letter and then gets notified no, it was a mistake and then what happens now?

Mr.MITCHELL. Well, if—and I haven't seen the letter that she submitted for reconsideration, but I suspect where it is right now, it is with an attorney to look at the legal aspects, where is the ownership and what is the status of the private non-profit, what the private non-profit is responsible for and what you control, you know, are the assets controlled by the city or the structure and how far do we go with the private non-profit in terms on the eligibility and that is how we basically take a look at it.

ChairmanALTMIRE. And without commenting on the specifics of the library, itself, but private non-profits are eligible for SBA assistance, correct?

Mr.MITCHELL. Private non-profits are eligible. In this case, the city is somehow in there and we just need to figure that out,

whether or not it is a private non-profit or the city actually owns and controls the assets.

ChairmanALTMIRE. Right. Thank you. And thank you, Ms. Colombo.

Ms.COLOMBO. You are welcome.

ChairmanALTMIRE. Mr. Feher, you talked about the dollars that we should use to prevent this from happening again and I just wanted to assure you that we are doing two things, at least with what I am involved in, and one is trying to get to the bottom of what did happen on July 5th and why it happened. Was it a situation where it could have bee prevented, that there was a blockage that could have been removed and wasn't? Was it just a 100-year occurrence, which you are seeing, unfortunately, more and more around the region due to the antiquated infrastructure that exists?

And perhaps nobody is at fault, but we are going to get to the bottom of it and I just don't want you to think that there is any—anyone that is ignoring this issue and moving forward, so we are trying to figure that part out. But more importantly, to prevent this from ever happening again, we are, at the Federal level, trying to provide the funding to this region, and I am trying to direct it here to Beaver County, to do the infrastructure improvements that are necessary to update our waterway system and our sewage system. And this is a situation that has not been dealt with over time due to the expense, more than anything else.

We just passed a water resources bill out of the House that has $90 million for this region, specifically dedicated to this region, through the Army Corps of Engineers for them to come in here and resolve some of these issues because we can't have a situation in Aliquippa, anywhere in Beaver County, or Millvale, Ross and Shaler, where every time it rains, the next day we are having a question on where is the Federal aid going to come because of the flood. We want to prevent the floods from happening in the first place and I think that is the point that you are making.

So I want to assure you that we are working with the Army Corps of Engineers and I am working with them on a personal basis to get their attention and get them in here as quickly as possible and do the infrastructure improvements on a permanent basis that is going to prevent this type of situation from happening. And while we are doing that, we are trying to figure out what happened and who is responsible and what is the accountability that is necessary because of what happened, specifically, on July 5th.

So you are a big part of why that is happening, because of the story you have to tell. Unfortunately, you have to tell it. I wish it hadn't happened. But I do want to thank you for coming today and give you the opportunity to respond, if you want.

Mr.FEHER. You know what, I am glad she mentioned sump pumps. I have only had to replace three. It seems the creek has risen higher than the bed of my basement and I know—it seems kind of strange. I am standing in my own business and watching water come through the front door and through my floors in the basement. Never in my wildest dreams did I think it would happen. One of the sad things that I had encountered, there were some volunteer groups coming to help me clean out the basement area and I had about 14 inches of water in the basement about 10 days

ago and I went down to see the local fire department. It seems the local fire department doesn't pump anybody's basements. And I sit there and I think to myself, I am taxpayer here; they don't pump basements, but at the same time, when you walk in, they got a wide screen TV.

I don't even have a wide screen TV. And I find it hard that they can enjoy all these nice benefits, but they couldn't afford to buy a pump, a submergible pump, just drop it in my basement to get the water out so that these wonderful people that have come from all over the area to help me clean up could have come to work. And it just seems that the people that have come to help, none of them were from around this area. People have come from Somerset to help me, people from Greensburg, people from Zelienople, people I will probably never see again, but it is a shame that you couldn't get any of the help from your own locals. That is where the big disappointment falls into.

ChairmanALTMIRE. Well, thank you for telling your story and I am going to ask the panel to stay here while Commissioner Spanik gives his remarks because he may something that I would like you to comment on, so at this time, we will introduce the chairman of the Beaver County Commissioners, the Honorable Joe Spanik. Thank you.

STATEMENT OF JOE SPANIK, CHAIRMAN, BEAVER COUNTY COMMISSIONERS

Mr.SPANIK. Thank you. I apologize that I am late. It has just been a busy morning. I had a public meeting today, so I have been rushing around, but I think this is important. This is something that, as John had indicated, something that is going to be ongoing for quite some time if we don't take care of some of these issues that are out there, but good morning. On behalf of my fellow Beaver County Commissioners, Dan Donatella and Charlie Camp, I would like to thank Congressman Altmire for holding these hearings in Aliquippa today and for bringing much needed attention to the needs of those impacted throughout Beaver County by the July 5th storm.

First, I would like to commend the Pittsburgh office of the Small Business Administration for the quick and effective response. Working in close cooperation with the SBA, our local teams were able to assess damages to homes and businesses and secure the SBA disaster declaration that, to date, has provided over $376,000. I can tell you, when I was there on Thursday, when we first got the call to sign off on a declaration on a county and moving it forward to the State level, our assessment folks, Mike Coleman and his folks, were out there trying to assess those damages and trying to meet those guidelines to do that and the SBA helped us out quite a bit throughout that series and I just want to commend them for coming in. We truly appreciate their work and want you, Congressman Altmire, to know that his Federal agency did a great job.

One of the biggest surprises of the storm was where it caused the problems, primarily on Franklin Avenue. I never thought, anybody thought Franklin Avenue would be flooded with three to four feet of water. Over the past 10 years this region has seen several ter-

rible flooding events, but most of these occurred along rivers, streams or other bodies of water, an area that we almost expected flooding to occur. For instance, in 2004, as you well remember, the flood at the Green Garden Plaza, not once but twice in Aliquippa flooded two times, in a short period of time, in part because of stream that overflowed its banks during a heavy rain storm.

When these rains started in July, there was some concern that Green Garden would again flood, but nobody was really paying attention to Franklin Avenue. And I believe this shows that more areas are prone to this type of flash flooding then we previously thought and that all of our communities need to be increasingly aware of places where problems could occur.

Because of this, I am hoping that the Federal government begins to look at creating more programs that will allow local governments to identify issues such as stream beds that need to be cleaned out before they back up and fix them. It is not only Aliquippa or Beaver County that faces this problem. As you well know, Millvale in Allegheny County, and I know the county has gone through this issue several times with Millvale and I know the Army Corps of Engineers started to—clean that out. Hopefully, that might happen here in Beaver County at the same time to some of these stream beds.

While I understand that FEMA and PEMA both have mitigation funds that we have used successfully in Beaver County to try to resolve some of these problems in advance, I am asking Congress to take a look at expanding these programs, increasing their funding and making them easier to access by local governments. As they say in football, the best offense is a good defense and we all need to start looking for problem areas before they occur.

The other issue that I would like to address is the need for more flexibility in determining eligibility for State and Federal disaster declaration. It appears to me that many of the Federal programs are designed to respond to major flooding disasters where rivers overflow and damage large land areas, not to respond to more localized flooding like we experienced along Franklin Avenue.

And I believe one of the issues SBA had told us, because that flash flood occurred in Beaver County, an isolated area, and then several weeks later, in Allegheny County, he says if it would have happened all of southwestern Pennsylvania, well, we don't wish it on anybody, but these are the ways of floods that are occurring on these flash floods, because it is isolated areas that doesn't create enough of the dollars to meet those guidelines to help the residents and the business owners. And so I would like the Federal government to take a better look at how these floods occur and the equation of where it meets the guidelines to get the Federal funding help available; we are just not meeting those.

When we struggle to find enough damage to qualify for Federal assistance, even after checking again and again, we were just able to meet the minimum standards for SBA loans, but no grants or no assistance for public property that was damaged. Nevertheless, the people, business and public agencies throughout Beaver County did suffer great losses. Whether it is 10 homes or a thousand, the effects of the damage who live there is devastating and often long-

term. Some businesses may never reopen or reopen with a larger debt than before.

Most homeowners will receive no government help and as you are well aware, the City of Aliquippa's police department and municipal buildings were affected but again, do not qualify for Federal government assistance. Thankfully, the Commonwealth and the governor was able to provide the police department with replacement police cars and some additional aid, but in general, this community is forced to deal with the loss of its government infrastructure on its own.

Congressman Altmire, I am asking you to examine the minimum standards that any community across the country must meet to qualify for additional Federal assistance and see if these programs can be adjusted to account for small disasters that have an equally big impact on families, businesses and local government. As county commissioners, we are grateful for the many organizations and people who did help. Police and fire departments from across the county showed up immediately to help local departments and once again, I know Wes Hill, our EMS director and his staff was on the job immediately.

Region 13, southwestern Pennsylvania's 13 counties, I think, John, you indicated, where they come from all over, this is something that we talk about, regionalization, we talk about cooperation. As you can see, on Thursday and Friday, the type of assistance we got, this is immensely needed when we have these type of smaller disasters and I just want to thank Region 13 and all those emergency—and county commissioners who represent that, to pitch in when communities like ours needed help.

Our own county department assisted local responders with expertise and assistance. The Commonwealth also stepped forward with those special grants and a program to pay interest for the businesses who qualified for SBA loans. And of course, we cannot forget the many private groups that helped; the Red Cross, the Salvation Army, churches, community organizations, others. As you well know, they are still ongoing. I believe there is a project out there called ARISE who is still out there in the community trying to raise funds to help these businesses and homeowners to get over these damages that have occurred.

We, as a community, did pull together and I am really proud of that. In conclusion, I would once again like to thank you, Congressman Altmire, for holding these hearings in Beaver County, and I know that you are well aware of the challenges we face every day and have continued to provide advice and advocacy in Washington, D.C. I do hope that what you have heard today from our community will help you go back into Washington and work with your colleagues in Congress and the appropriate Federal agencies to continue to develop new programs and new funding sources to help all Americans in these situations. Thank you very much.

[The prepared statement of Joe Spanik may be found in the Appendix on page 45.]

ChairmanALTMIRE. Thank you, Commissioner Spanik, and I really appreciate you not only coming today, but all the work that you have done on this issue from July 5th forward. I don't think there

was anyone that was on the scene more often than you were. I know every time I was here and every time I had some of my staff here, you were there, too, and you really deserve a lot of credit.

Mr.SPANIK. I appreciate that. And just to say, you know, you elect me as county commissioner. I believe that is our role and responsibility, taking care of the needs of our community. And if we are not there to me, that just shows that we don't care and I can honestly tell you, we do care about our community, whether it is Aliquippa Center, Big Beaver, Freedom, Economy, Ambridge, no matter where it is at in this county, we do want to be there to help assist businesses and homeowners in their plight of what is going on.

ChairmanALTMIRE. And you talked about the minimum standards and asking that I go back to Washington, which I will, and review the minimum standards. The purpose of this hearing is specific to the SBA, as you know, and I wonder if you could comment on your experience. You touched on it, but maybe go into some more detail with the SBA, in particular, as you went around the community after the disaster.

Mr.SPANIK. Well, just like anything else, when this disaster hit, it was called upon the local government of Aliquippa to sign off on a declaration and we were called in to sign off on a declaration, but then the county assessed the damage and as you know, floods hit, five inches of rain in two hours, you just can't get around. The first responder was to make sure the needs of the people, getting to safety, was the first thing on everybody's mind and I can honestly tell you, that did happen, because there could have been some tragic losses.

Some experiences that I heard when I was out and about within those damaged areas, that there could have been some loss of life and I got to agree that the first responders who were there on a local side, county side, made sure the safety of the public was at hand first. Secondly, it was the part beginning the cleanup and as you all know, we only have a small group of folks to go out and assess these damages with the Red Cross and our assessors team, when, in fact, that these declarations happen, then that puts on place the SBA. And when I believe Jim Bachman came in, he had his team ready to go and he assisted us immensely to create and help us get to that minimum limit to make sure that we are able to meet those standards.

And once again, this is not the first time that SBA has been in there. Just last year, I believe it was last year, I know—would say this at any time we have any type of disasters, the SBA, at a local region and also on the national level, has always been there. We had a terrible train wreck in New Brighton which created some hazardous material and they were on the spot immediately that evening. And once again, I cannot say enough about the staff that does it. And once again, it is not their hands that are making us tied up with these limits that we have to meet, it is just regulations that are imposed by the Federal government to meet these criteria.

As far as the SBA is concerned, I can go back to when I first started out with the United Way. I was on the job for 10 days and we had a Category 4 tornado that hit all of western Pennsylvania.

It actually was less than a mile from the home where I lived in North Sewickley and they were there and as you can see, a tornado, the damage it creates, was a lot more extensive and we are basing these criteria on would it be a Hurricane Ivan or a Hurricane Katrina or Hurricane Dean or a Category 4, Category 5 tornado, where they cause immense damages.

Well, we have these spot floods. When it hits certain areas, there is no way they are going to create the type of damage, the amount of money that is needed to meet these criteria. These are a different type of operation, but at the same time, the homeowners, the businesses, the government entities, non-profits, are still impacted, whether it is a huge disaster or a small one. We got to meet a higher level than expected and I don't think anybody wants a Category 5 or the type of devastation that happens, but I think assistance coming from SBA, FEMA that understands that we need to change the regulations when these type of disasters hit because it is happening time and time again, that these homeowners, who, like I said, some are staying, some aren't; businesses staying, some are not, that is devastating to them to keep on going, dipping into their pockets.

As you all know, this is not a flood prone area and if you had flood insurance, it still never would have been covered. So people are trying to make do and as you know, our economy isn't back to where it once, 10, 15, 20, 25 years ago, when the great town of Aliquippa and Midland and Beaver Falls and Ambridge and the great steel mills and the type of economy that was thriving, it is not like that anymore and we have a large community of senior citizens that are on fixed income and this has impacted them. And so once again, I think the SBA steps in, no doubt, on a first responder basis. They are there to help us out, but their hands are tied. We need a change of regulation in trying to assist our community or any community in America to try to help these folks out and get by through the problem.

ChairmanALTMIRE. Well, thank you. I want to thank the panel, thank Commissioner Spanik, Mr. Geho, Ms. Colombo and Mr. Feher. I really appreciate you telling your story. I know it is not easy to do, in many cases, but it is critical to our mission of trying to improve the situation for what happened and make sure that it doesn't happen again. So thank you and if we could make room, we will have one more—a couple of people speak here. I wanted to bring up one renter who applied for an SBA loan and was rejected, and if she could very briefly tell her story, Ms. Terica Pope, and I am going to ask—Commissioner Spanik mentioned ARISE, the community organization that has been just fantastic in working with the community and trying to help some of the people who have been harmed by this flood, so I am going to ask Felicia Mycyk to come up and introduce Ms. Pope. And again, I would remind you this is an official hearing for the U.S. House, so what you say is being recorded and will be entered into the record for the U.S. House and if you could keep the introduction to two minutes and then Ms. Pope's remarks to five minutes, that would be appreciated.

STATEMENT OF FELICIA MYCYK

Ms.MYCYK. Well, I wanted to make mention, first, thank you for allowing me to speak. We came together, working with Wes Hill, actually, with the voluntary organizations, all the organizations; Salvation Army, Beaver County Behavioral Health, Lutheran Services. There is a number of organizations that we are working with and to make sure that all of those organizations and their donations get allotted properly, we put together a long-term recovery group which is called ARISE. We are based at Common Grounds and we have a caseworker on board with us who is actually going into the homes and seeing what actually is needed and with these loans being denied and without the help, as Bill was saying from, Boulevard Sports, it is not immediate. People aren't seeing the people out on the street and just because they are surveying it is not immediate, so what we are trying to do is show them that we are putting a long-term recovery process together for them. I wanted to make sure that the people heard from a renter, because that is what the majority of the residents here are that are getting denied.

STATEMENT OF TERICA POPE

Ms.POPE. Hello. My name is Terica Pope. My family and I lost our home as a result of the flood on July 5th. I went seeking help from many organizations trying to get help for me and my family. I went to the elementary school two or three times to apply for the SBA loan. The first time I went, the representative there discouraged me and my husband and telling us that we didn't make enough money and that our credit was not good enough. She told us all of that without even knowing what our financial situation was. She only had our address and she got a paper from in the box for people who would be denied for the SBA loan. So me and my husband turned around and walked away, looking for answers to our many questions.

A few days later, my husband and I decided to go back to apply for the loan. We did get to fill out the application this time, but the second representative that we talked to said that it was likely that we wouldn't get approved, but we could fill out the application, anyway. About two weeks later, we received a denial letter for the SBA loan. So here we are, homeless with four children, wondering what we are supposed to do now. The second representative from the SBA loan did, however, inform us that if we were denied the loan, that they would give us names of organizations that would be able to help people like us.

We have not received any information concerning this matter. My husband and I applied for the loan because we lost everything, including our pet dog. Some things that we lost are replaceable; however, we lost a lot of things, such as my wedding dress, pictures of our deceased loved ones, that are not replaceable. This money was going to help us get a new start in the right direction. So my husband and I still have many questions, but the biggest one of them all is what happens now and what do people in our condition do.

My prior landlord contacted me two weeks after the flood. At that time, he had informed me that he was going to do the repairs in the house so we could move back in. He contacted me and told

me, later, that we could move back in, but that we knew that the house had to be inspected, so I asked him at that time if the house was inspected and he told me that it was up to me. We had a lot of electrical stuff, our whole entire basement was under water. Our first floor, our living area, our dining area, everything was under water, so we had to have an inspector come in and the house had to be tagged for us to move back in and that wasn't done. So not only did I have to find someone to inspect the house, but I had to pay for it, too.

About a week later, he again contacted me and told me that he would give me my deposit and he recommended that I find another place to live because this was costing him too much money. I did find another house only to find out that he gave me a bad reference, saying that me nor my husband had paid him rent for July, which was the month of the flood, nor August. But me and my family was not able to live in the house because it is not in livable condition. I called him to see what the problem was and he told me just to get what we could salvage out of the house and just to basically just leave the house. I asked him about my deposit and he hung up the phone. Since then, me and my family have gone from living in hotels to living with my mother-in-law. So I stand here in front of you, asking you what are people in my condition supposed to do now?

ChairmanALTMIRE. Thank you for telling your story and specific to the SBA and your process, you mentioned that you were told you were going to receive a list of other organizations that could help you.

Ms.POPE. Yes.

ChairmanALTMIRE. Who told you that?

Ms.POPE. Whoever, the second time that we went out there to the elementary school, the second representative, I can't remember her name. It was weeks ago. But she did say that we would be provided with—

ChairmanALTMIRE. That was a representative from the SBA?

Ms.POPE. Yes.

ChairmanALTMIRE. Or was it—

Ms.POPE. No, it was a representative from the SBA loans.

ChairmanALTMIRE. Okay. And before you applied, before you sent in your application and they discouraged you from doing so, why did they say that you shouldn't apply?

Ms.POPE. She didn't have any of our financial information. Basically, all she had was our address and that was it. She had, like, just our names. That was it. She didn't know—I mean, I work, I pay tax dollars, you know. My husband, again, he works, too. She did not know our financial situation at all, but she went on, you know, and drew her own conclusion without knowing anything.

ChairmanALTMIRE. And I don't want to get into your personal financial situation, but do you feel like you and your husband are in a position to take on additional debt and repay a loan over time?

Ms.POPE. Yes, I do. Yes, I do.

ChairmanALTMIRE. Okay. Well, thank you for telling your story. I would ask Mr. Mitchell if he maybe wanted to step up and respond to what you have heard.

Mr.MITCHELL. Well, obviously we want to make sure you have a better experience and I surely can't speak to the specifics, but I can tell you how the process should work. When you come into the center, you should be explained what is available to you, what is the eligibility criteria and how to apply. Nobody can keep you from applying, okay? You can apply. And no matter what you are told, you have a right to fill out the application and submit the application and get an official decision.

What normally should happen is, in the interview process there should be some questions about what is your family size, what is your income and obviously, we don't have credit information. What they are trying to do is determine whether or not you can afford a loan, which is we have what we call minimum income guidelines. If you, for example, you have a family of three and your only annual income is $5,000 a year, it is reasonable to assume that you are not going to be able to take on any debt. And generally, what happens in a situation where there is a Federal declaration, we can take that information and without putting somebody through an application process, we can get them to FEMA immediately, okay? That is the goal.

Hopefully, and maybe we need to do a better job in making sure we don't discourage people through that interview process, but I am telling you, your rights, as a citizen, you have the right to file an application no matter what you are told and we can make sure we get the application, we can make sure we get the information we have on available other resources that are available to you, as well, in the community in terms of charitable organizations.

ChairmanALTMIRE. And Ms. Pope, you did end up filing an application, is that correct?

Ms.POPE. Yes, we went back and we did file.

ChairmanALTMIRE. Okay.

Mr.MITCHELL. Okay.

ChairmanALTMIRE. And that you were denied?

Ms.POPE. Yes.

Mr.MITCHELL. Okay.

ChairmanALTMIRE. Okay. Well, I would ask Mr. Mitchell, if you could maybe take a second look at that particular application and give it a second review and do the appropriate thing.

Mr.MITCHELL. Absolutely.

ChairmanALTMIRE. But I am happy that you were here to at least hear some of the concerns. I know that the SBA does the best they can in these situations, but there are some examples where it doesn't go as smoothly as I am sure you would like and certainly not the community would like.

Mr.MITCHELL. And usually I get most of those. I don't see it when it goes right.

ChairmanALTMIRE. Good. Well, thank you, Mr. Mitchell, and thank you both for coming up here. Did you have something else?

Ms.MYCYK. Yes, one of the things that the group is doing, we are going out and we are cleaning creek beds, businesses—this past week we had about 60 people go out and actually help and we have a video that we want to pass on to you.

ChairmanALTMIRE. Oh, great. I will take a look at it.

Ms.MYCYK. Thank you.

ChairmanALTMIRE. Thank you. Thank you to the SBA for coming here. Thank you to our second panel. Thank you to the two of you. And I very much appreciate Aliquippa for allowing us the use of the space here in the town hall to hold this hearing. I am going to go back to Washington and incorporate some of these things, as we move forward. And again, as you know, my office is here in Aliquippa and I put it here for a reason, because I want to be part of this community and I want you to use that office when you have any questions about this issue or any other issue of concern to you. Please be in touch with us. We are here to help. So with that, the meeting is adjourned.

[Whereupon, at 11:35 a.m., the Subcommittee was adjourned.]

STATEMENT
of the
Honorable Jason Altmire, Chair
House Committee on Small Business
Subcommittee on Oversight and Investigations

Hearing on the Status of the Small Business Administration's Response to the Beaver County Floods – August 23, 2007

I am pleased to call this hearing to order.

Thank you all for being here today. Today's hearing will examine the role of the Small Business Administration in responding to the recent flooding in Beaver County Pennsylvania.

On the night of Thursday, July 5, 2007, Beaver County and other parts of western Pennsylvania experienced violent, isolated thunderstorms that caused some of the heaviest rainfall in recent memory. Official estimates report that at its height, the storms dumped as much as three-and-a-half inches of rain in only two hours. Aliquippa, Pennsylvania, a town of approximately 11,000 people in the heart of my district, took the worst of it.

By late evening on July 5, most of the waters had receded, and on the morning of July 6, residents got their first look at the damage the storms had left behind. Over 500 homes and businesses were damaged. Over 90 percent of the storm's damage occurred in Aliquippa alone. Downtown Aliquippa was covered in ankle-deep mud. Dozens of downtown businesses, the vast majority of which were small businesses, were forced to shut down for weeks. The damage was so extensive that some owners chose to close their doors for good rather than face the costly clean up expenses required to re-open their businesses.

These storms were yet another blow for a town already suffering from poor economic conditions. Ensuring that the businesses of Aliquippa experience a speedy and effective economic recovery is essential to the region's overall prosperity, and it is in this respect that the Small Business Administration can play a very important role.

Since its inception in 1953, the SBA has included a disaster assistance component. The SBA's disaster assistance program provides timely financial assistance in the form of low interest loans and working capital for businesses and homeowners devastated by a disaster. Today, the SBA's disaster loans are the primary form of federal assistance for the repair and rebuilding of private sector losses, and are not limited to small businesses. SBA loans also help homeowners rebuild their homes and can help every disaster victim replace damaged personal possessions. SBA loans can even help businesses cover the economic losses they experience as the result of a disaster.

By July 13, only seven days after the storms, the SBA formally declared that SBA assistance would be available for victims affected by the flooding and set up a Disaster Loan Outreach Center at the Aliquippa Elementary School. We need to make sure that everyone affected by the flooding has the chance to rebuild their lives and communities, and these loans will be an important step in that direction.

In the days following SBA's announcement, many small business owners and home owners expressed frustration about the fact that only loans – and not grants – would be available. Due to the financial resources necessary to re-open a business following a disaster, such as the flooding that occurred in Aliquippa, many owners hoped that grants would also be made available in addition to the loans to help alleviate the financial burden imposed on them. Unfortunately, rather than apply for SBA loans, some Aliquippa small business owners found it was more financially viable to close their businesses completely. As of August 7, 120 loan applications have been submitted to the SBA by homeowners and small business owners. The SBA has approved only 4 of the 120 applications that were submitted and provided a total of $204,300 in financial assistance. Of the 4 approved applications, one was a small business and three were home owners. It is my hope that we will be able to receive guidance today on why grants are not available for small business owners, as well as why the vast majority of applications for loan assistance were denied by the SBA.

Despite this early progress, however, more can and should be done to ensure that the people of Aliquippa receive the assistance they need to rebuild their community. The SBA has a great deal of discretion in deciding the terms of its disaster loans, and should take every opportunity to give disaster victims as much flexibility as it can in repaying disaster assistance.

The agency must also work to maintain its presence on the ground to ensure that disaster victims have the support they need receive loan applications, get answers to their questions, and have help in the application process. The SBA must provide an adequate number of personnel to assist in its outreach mission and must also ensure that application deadlines are adequate for all victims. As circumstances dictate, the SBA must maintain flexibility in its application deadlines.

While the focus of today's hearing is on the flooding that occurred in Aliquippa, Beaver County on July 5, communities in Allegheny County – Export, Millvale, Murrysville, Ross, and Shaler, to name a few – were also severely damaged as a result of recent heavy rain and flooding on August 6 and 9. More than 1,000 single family homes and over 200 businesses were affected at an estimated total loss of $4 million. Unfortunately, as was the case with the flooding in Aliquippa, the damage to the area was not severe enough to warrant financial relief from the Federal Emergency Management Agency since the region did not sustain at least $15 million in damage to state owned assets. The only agency which could provide federal assistance to flood victims is the Small Business Administration. I encourage the SBA to consider the testimony provided here today as it prepares to help the residents and small business owners in Allegheny County, and that all efforts are made to provide the flood victims with the support they need at this time.

We must also remain vigilant to ensure that the mistakes that plagued the SBA following Hurricanes Katrina and Rita in 2005 are not revisited upon the people of Aliquippa. This committee will be watching and will hold the agency to task for ensuring that loan applications are processed in a timely manner and that approved loans are disbursed to victims who are waiting for assistance. We must never again witness the problems and delays that we saw following the 2005 hurricanes.

We have often said that small business is the backbone of our economy, and nowhere is this more true than for our small communities. This is why it is so important that we are here today to consider the SBA's role in providing disaster assistance in smaller communities. The overwhelming majority of disasters occur on smaller scales, and the SBA's response to these types of disasters goes to the heart of the disaster assistance mission. I look forward to this hearing and want to thank all of the witnesses for their testimony.

TESTIMONY OF
HERB MITCHELL
ASSOCIATE ADMINISTRATOR FOR DISASTER ASSISTANCE
BEFORE THE
HOUSE SMALL BUSINESS COMMITTEE
SUBCOMMITTEE ON INVESTIGATIONS AND OVERSIGHT
AUGUST 23, 2007

Good morning Chairman Altmire, Ranking Member Gohmert and members of the Committee. Thank you for inviting me to discuss the recent flooding in the Beaver County Pennsylvania region and more specifically the role the Small Business Administration plays in providing assistance to disaster victims. My name is Herb Mitchell and I am the Associate Administrator for Disaster Assistance.

On July 5, Beaver County experienced flash flooding caused by 4.5" of rain in a two hour period. The rainfall filled streams and creeks and over flowed rivers causing overland flooding throughout the area.

The following Monday, July 9, SBA received a request from Governor Rendell to declare Beaver County a disaster area so that low interest loans could be made available to the affected business and home owners. SBA is just one of a number of agencies which can provide assistance at the federal level following a request from the states governor.

SBA arranged a damage assessment with the Commonwealth which was conducted on the following day, July 10. The assessment concluded that there was enough damage to support the declaration request and meet the Agency requirements for a declaration. Administrator Preston signed the declaration on July 12 and the SBA opened a temporary local office on Saturday, July 14 with four employees.

Within five days of receiving the Governor's request, SBA was onsite providing one-on-one help to disaster victims. In the first four days of operation disaster personnel conducted 71 home and business interviews. SBA is onsite providing assistance to

disaster victims at the Disaster Loan Outreach Center in the Aliquippa Fire House located at 1499 Kennedy Boulevard, Aliquippa, Pennsylvania. Victims that are unable to visit the center can contact SBA's Customer Service Center toll-free at 1-800-659-2955.

Regardless of the size of a disaster, each victim's need for assistance following a disaster is of foremost importance and concern. As a result of this declaration, SBA can provide assistance to residents in the form of disaster loans to those affected by the severe storms and flooding. Loans up to $200,000 are available to homeowners to repair or replace damaged or destroyed real estate. Homeowners and renters are eligible for up to $40,000 to repair or replace damaged or destroyed personal property.

For small businesses, SBA can offer loans for physical damage as well Economic Injury Disaster Loans (EIDLs). The SBA can provide up to $1.5 million in disaster assistance to a business. This loan cap includes both economic injury and physical damage assistance.

EIDL loans are working capital loans to small businesses and small agricultural cooperatives to assist them through the disaster recovery period. EIDL assistance is only available to applicants and their owners who cannot provide for their own recovery from non-government sources. Farmers, ranchers, nurseries, religious and nonprofit organizations are not eligible for an EIDL.

Businesses of any size and private non-profit organizations may borrow up to $1.5 million to repair or replace damaged or destroyed real estate, machinery, equipment, inventory and other business assets.

The amounts that can be borrowed are based on the amount of their loss and their ability to repay the loan. Ability to repay is based on their financial position just prior to the disaster. Each applicant's situation is different and evaluated individually.

Staff assigned to the Disaster Loan Outreach Center in Aliquippa, Pennsylvania assist in the initial application process and provide guidance to the applicant. Once the application is filed the recently updated disaster processing system assigns applicants to a disaster loan processing team assigned to assist them throughout the process. Recent experience has proven that using teams whose members are familiar with the applicant's case, can more readily relate requirements to the individual's circumstances and provide better customer service.

Once SBA receives a completed loan application, a summary review of their eligibility, credit and repayment ability is done. Depending on the outcome of this review the file will either be declined or moved forward to the next phase of processing. Applicants that are declined will receive notification in writing from the SBA. The letter will provide the reasons for the decline and advise the applicant of their reconsideration rights.

Applications that are not declined will then be moved to the loss verification phase. An SBA loss verifier will contact each applicant to make an appointment to verify the physical losses sustained by the disaster and estimate a dollar value for the real estate and personal property losses.

Once the inspection is completed the file is assigned to a case manager on the processing team in our loan processing department. This is when the SBA loan officer underwrites the loan application and thoroughly reviews the applicant's credit history, repayment ability and eligibility. Unless the application is withdrawn, SBA will process each application to an approval or decline. Declined applications will receive notification in writing from the SBA. The letter will provide the reasons for the decline and advise the applicant of their reconsideration rights.

Applications that are approved will be notified and arrangements will be made to execute the loan closing documents. It's important to note that before SBA can make any disbursements the loan closing documents will have to be executed by the borrower and returned to SBA.

Upon receipt of the loan closing documents the SBA will issue and unsecure disbursement of up to $10,000 to the borrower. SBA will require collateral, if it i available, on all physical loans over $10,000 and EIDL loans over $5,000. Once SBA has verified that the lien has been perfected on the collateral property SBA disburse funds as the borrower needs them to complete their construction project. SBA carefully monitors the disbursements of these funds to insure that the loan funds are being used in accordance with loan authorization and agreement. SBA often requires receipts for funds previously disbursed and spent, prior to releasing additional loan funds.

I appreciate the opportunity to address the members of the committee. I have provided a copy of a fact sheet regarding Disaster #PA-00010 that we provide to applicants. Hopefully you will also find this informational and useful. I will be able to address any specific questions you may have.

Thank you.

U. S. SMALL BUSINESS ADMINISTRATION
FACT SHEET - DISASTER LOANS

PENNSYLVANIA #10942 & #10943
(Disaster #PA-00010)

For Beaver County *and contiguous counties of Allegheny, Butler, Lawrence and Washington, in the* ***Commonwealth of Pennsylvania****; contiguous Columbiana County in the* ***State of Ohio****; and contiguous Hancock County in the* ***State of West Virginia.***

Result of damages caused by Severe Storms and Flooding
Occurred July 5, 2007

Filing Deadline for applications for Physical Damage to homes, personal property, businesses: **September 10 , 2007**

Filing Deadline for applications for Economic Injury: **April 14, 2008**

Whether you rent or own your own home, own your own business, or own a small agricultural cooperative located in a declared disaster area, and are the victim of a disaster, you may be eligible for financial assistance from the U.S. Small Business Administration (SBA)

What Types of Disaster Loans are Available?

- Home Disaster Loans – Loans to homeowners or renters to repair or replace disaster damaged real estate or personal property owned by the victim. Renters are eligible for their personal property losses, including automobiles.
- Business Physical Disaster Loans – Loans to businesses to repair or replace disaster-damaged property owned by the business, including real estate, inventories, supplies, machinery and equipment. Businesses of any size are eligible. Non-profit organizations such as charities, churches, private universities, etc., are also eligible.
- Economic Injury Disaster Loans (EIDL) – Loans for working capital to small businesses and small agricultural cooperatives to assist them through the disaster recovery period. EIDL assistance is only available to applicants and their owners who cannot provide for their own recovery from non-government sources. Farmers, ranchers, nurseries, religious and nonprofit organizations are not eligible for an EIDL.

What are Mitigation Loans?
If your loan application is approved, you may be eligible for additional funds to cover the cost of improvements that will protect your property against future damage. Examples of improvements include retaining walls, seawalls, sump pumps, etc. Mitigation loan money would be in addition to the amount of the approved loan, but may not exceed 20 percent of the approved loan amount. It is not necessary for the description of improvements and cost estimates to be submitted with the application. SBA approval of the mitigating measures will be required before any loan increase.

What are the Credit Requirements?

- Credit History – Applicants must have a credit history acceptable to SBA.
- Repayment – Applicants must show the ability to repay all loans.
- Collateral – Collateral is required for physical loss loans over $10,000 and all EIDL loans over $5,000. SBA takes real estate as collateral when it is available. SBA will not decline a loan for lack of collateral, but requires you to pledge what is available.

What are the Interest Rates?
By law, the interest rates depend on whether each applicant has Credit Available Elsewhere. An applicant does not have Credit Available Elsewhere when SBA determines the applicant does not have sufficient funds or other resources, or the ability to borrow from non-government sources, to provide for its own disaster recovery. An applicant, which SBA determines to have the ability to provide for his or her own recovery is deemed to have Credit Available Elsewhere. Interest rates are fixed for the term of the loan, are determined by formulas set by law, and may vary from disaster to disaster with market conditions. Currently (for disasters, which occurred on or after April 10, 2007) the applicable interest rates are:

	No Credit Available Elsewhere	Credit Available Elsewhere
Home Loans	2.875%	5.750%
Business Loans	4.000%	8.000%
Non-Profit Organizations	4.000%	5.250%
Economic Injury Loans	4.000%	N/A

What are Loan Terms?

The maximum term is 30 years. However, the law restricts businesses with credit available elsewhere to a maximum 3-years term. SBA sets the installment payment amount and corresponding maturity based upon each borrower's ability to repay.

What are the Loan Amount Limits?

- Home Loans – SBA regulations limit home loans to $200,000 for the repair or replacement of real estate and $40,000 to repair or replace personal property. Subject to these maximums, loan amounts cannot exceed the verified uninsured disaster loss.
- Business Loans – The law limits business loans to $1,500,000 for the repair or replacement of real estate, inventories, machinery, equipment and all other physical losses. Subject to this maximum, loan amounts cannot exceed the verified uninsured disaster loss.
- Economic Injury Disaster Loans (EIDL) – The law limits EIDL(s) to $1,500,000 for alleviating economic injury caused by the disaster. The actual amount of each loan is limited to the economic injury determined by program standards, less business interruption insurance and other recoveries up to the administrative lending limit. SBA also considers potential contributions that are available from the business and/or its owner(s) or affiliates.
- Business Loan Ceiling – The $1,500,000 statutory limit for business loans applies to the combination of physical and economic injury, and applies to all disaster loans to a business and its affiliates for each disaster. If a business is a major source of employment, SBA has the authority to waive the $1,500,000 statutory limit.

What Restrictions are there on Loan Eligibility?

- Uninsured Losses – Only uninsured or otherwise uncompensated disaster losses are eligible. Any insurance proceeds which are required to be applied against outstanding mortgages are not available to fund disaster repairs and do not reduce loan eligibility. However, any insurance proceeds voluntarily applied to any outstanding mortgages do reduce loan eligibility.
- Ineligible Property – Secondary homes, personal pleasure boats, airplanes, recreational vehicles and similar property are not eligible, unless used for business purposes. Property such as antiques and collections are eligible only to the extent of their functional value. Amounts for landscaping, swimming pools, etc., are limited.
- Noncompliance – Applicants who have not complied with the terms of previous SBA loans are not eligible. This includes borrowers who did not maintain flood and/or hazard insurance on previous SBA or Federally Insured loans.

Is There Help Available for Refinancing?

- SBA can refinance all or part of prior mortgages that are evidenced by a recorded lien, when the applicant (1) does not have credit available elsewhere, (2) has suffered substantial uncompensated disaster damage (40 percent or more of the value of the property), and (3) intends to repair the damage.
- Homes – Homeowners may be eligible for the refinancing of existing liens or mortgages on homes, in some cases up to the amount of the loan for real estate repair or replacement.
- Businesses – Business owners may be eligible for the refinancing of existing mortgages or liens on real estate, machinery and equipment, in some cases up to the amount of the loan for the repair or replacement of real estate, machinery, and equipment.

What if I Decide to Relocate?

You may use your SBA disaster loan to relocate. The amount of the relocation loan depends on whether you relocate voluntarily or involuntarily. If you are interested in relocation, an SBA representative can provide you with more details on your specific situation.

Are There Insurance Requirements for Loans?

To protect each borrower and the Agency, SBA may require you to obtain and maintain appropriate insurance. By law, borrowers whose damaged or collateral property is located in a special flood hazard area must purchase and maintain flood insurance for the full insurable value of the property for the life of the loan.

For More Information Contact:
SBA Disaster Assistance Customer Service Center
1-800-659-2955
http://www.sba.gov

Statement of
Mr. Patrick Geho
President
Beaver County Chamber of Commerce
August 23, 2007

"Small Business Administration's Response to the July 5 Floods in Beaver County, Pennsylvania"

Good morning. I'm Patrick Geho, President of the Beaver County Chamber of Commerce. For 35 years, the Chamber has been the leading organization that represents the interests of Beaver County businesses.

Today, the Chamber provides leadership opportunities, volunteer programs and business-building initiatives that focus on the critical priorities of our community. And, by leveraging the talents and resources of members, Chambers improve economic opportunities for all.

As the leading local advocate for over 600-member business, the Chamber helps create a climate of growth and success in which all companies – regardless of size or industry – can prosper.

I would like to thank Congressman Altmire for this opportunity and welcome Mr. Preston to our community that is home to many accomplished individuals. This community has done battle on the gridiron, in the steel mills and most recently with Mother Nature. No matter what is seemingly thrown at this community, it rises to the occasion. This recent battle with Mother Nature was one game that no one saw on the schedule. One lesson that we all must take away from this is that we must be better prepared.

Ironically, weeks prior to July 5th flood our Chamber in conjunction with our 911 Center (Wes Hill, Director) began working with the Pittsburgh Regional Business Coalition for Homeland Security and the Region 13 Task Force to identify and catalog business assets including trucks, pumps, warehouse space, and subject matter experts. Our regions emergency responders would call upon these assets in time of need.

I applaud the SBA for its informative website and information regarding emergency preparedness. As a Chamber and SBA we need to encourage small business owners to develop a disaster preparedness plan. It's just as important as developing a business plan. Having a disaster plan in

place could make the difference between being shut down for a few days, and losing your livelihood.

Getting back to business after a disaster depends on preparedness planning done today. Small business owners invest a tremendous amount of time, money and resources to make their ventures successful, and yet, while the importance of emergency planning may seem self-evident, it may get put on the back burner in the face of more immediate concerns. For small business owners, being prepared can mean staying in business following a disaster. An estimated 25 percent of businesses do not reopen following a major disaster, according to the Institute for Business and Home Safety

Meet with an insurance agent (preferably a Chamber member) who understands the needs of your business. Business-interruption insurance—which replaces income lost when a business suffers downtime becomes of a covered peril—should be a consideration. Normal hazard insurance doesn't cover floods, so business owners need to be sure to have the right kind of insurance. Simply put – they need to be what their insurance does not cover.

Your business should also have a "recovery communications" plan in place. Key employees can be assigned as spokespersons that will contact suppliers, creditors, other employees, customers, media and utility companies to get the word out that the business is still viable. Also, that spokesperson can keep the public informed of rebuilding efforts, if necessary.

Aliquippa doesn't need a Monday morning quarterback – or any football player for that matter – they do well enough on their own. However, all business and homeowners can learn a lesson from their misfortune or from our neighbors in Millvale that are recovering from another flood. We all should be better prepared for emergencies.

I would like to thank the SBA for quickly establishing a SBA Disaster Loan Outreach Center in Beaver County to provide assistance to those residents and businesses that were affected by the storm and flooding.

I understand over 120 applications have been filed by residents and business owners for assistance. Much of our responses at the chamber have been referring business owners to the SBA and the (SBDC) Small Business Development Center at Duquesne University. We assisted the community action group ARISE in fundraising and seeking dumpsters for garbage removal. The chamber is planning to host an event in the coming weeks to invite all Aliquippa business owners affected by the

flood to network and create relationships with our fellow chamber members.

Closing Remarks

B. F. JONES MEMORIAL LIBRARY
ALIQUIPPA DISTRICT LIBRARY CENTER
663 FRANKLIN AVENUE
ALIQUIPPA, PA 15001
724-375-2900
724-375-3274 (FAX)

MARY ELIZABETH COLOMBO, EXECUTIVE DIRECTOR

LISTED ON THE
NATIONAL REGISTER OF HISTORIC PLACES

www.beaverlibraries.org/bfjones.htm

Testimony to be presented on August 23, 2007

Good Morning Congressman Altmire, Mr. Mitchell and other invited guests.

Thank you for granting me time to testify on our recent experiences with the Small Business Administration.

I am Mary Elizabeth Colombo, Executive Director of the B. F. Jones Memorial Library, a not-for-profit corporation serving the residents of the greater Aliquippa area as its public library. I am representing the Board of Directors and the many citizens who are customers of the public library. We are located at 663 Franklin Avenue in Aliquippa.

As you are aware, just seven weeks ago, the Aliquippa community experienced a devastating event. Within a few short hours excessive rain brought devastating flooding to the Franklin Avenue corridor - the valley between the hills upon which this great industrial community was built. The lives of many individuals, businesses, organizations and city government were changed as the flood waters roared down Franklin Avenue.

Anyone who knows the Library's National Historic Landmark building and its stately position well above street level would have thought that we escaped the flooding. However, we took the "hit" when more than six inches of water, mud and assorted debris rolled in every below grade door as a result of runoff from the hillside behind the Library. In less than two hours the Library sustained over $200,000 worth of damage to the building and its contents. Our 7,500 square foot lower level is by Federal Flood Insurance definition a basement. This "basement" is home to our Children's Learning Center and Children's Library as well as many other library functions including all of the mechanicals for the building. In 2006 following some very aggressive grant writing to secure the funds and with careful planning we renovated the space to create our Children's Learning Center. The cost was over $240,000.

The Library did have minimal flood insurance coverage. But as I already mentioned, because of it being categorized as a basement – many of the losses will not be covered including anything that is defined as contents.

This catastrophic event has been and will continue to be a learning experience for all of us at the Library.

I would now, like to direct my comments to our experiences with the SBA Disaster Loan procedure.

I want to commend Congressman Altmire and his staff for their prompt action in securing the services of the SBA at a field office in Aliquippa. Having knowledgeable staff available locally that we could consult with was extremely helpful to us.

While we had hoped that there would be a FEMA declaration for Beaver County as a result of the flooding with opportunities for grants, the Library Board realized that we needed to be proactive in securing a loan to make the necessary repairs to the building and its mechanical equipment. We also needed funds to replace the more than 3000 books and other learning materials that were lost. To return the library to its pre-flood status we determined would require over $200,000.

Within days of the opening of the Field Office, a representative of the Library Board, made his first of several visits to consult with SBA staff. Each visit was informative. We came away with both written instructions and verbal advice as to what we needed to do to apply for a loan. If the Field Office had not been available, I'm certain that we would still be "floundering" around trying to figure out who to call and what to do.

On July 25th we again went to the Field Office with our application "in hand". The staff reviewed our application for completeness and requested some additional information which we were able to supply that day. Our application was "overnighted" to the loan processing unit in Texas. Two days later – an estimator for the SBA was on site to prepare the necessary reports to document our loss and our need.

During the following week we received a series of phone calls from our assigned Loan Office as he reviewed our application. We continued to supply requested documentation to determine our eligibility for a loan.

This process moved very quickly and efficiently in large part due to the support and technical advice from the Field Office representatives.

On August 9th – just 4 weeks following the flood when we got the call from the SBA we thought we got the news we wanted to hear --- your loan is approved for $183,400. However, a few hours later we received another phone call that brought us the news that upon further review, the Library was not eligible because it was viewed as a city agency rather than a not-for-profit corporation.

We do have the right to appeal the decision. On August 20th we submitted a letter from the Mayor of the City of Aliquippa to the SBA loan office that we are hopeful will clarify our status as a not-for profit corporation. We are awaiting a decision on our appeal.

Our overall impression of the work of the SBA is a positive one.

Before closing, I would like to offer some suggestions for making a good process even better:

- Provide the loan reviewers with up to date information regarding the status of FEMA declarations. While it was useful to have the loan office suggest that we delay the process of our application review until we applied for a FEMA grant – it would have only delayed the process because we knew from Congressman Altmire's staff that there were no grants possible.

- As a librarian and a "purveyor of information" - it would be useful for the SBA to have more of an informational presence in public libraries. Had it not been for the announcement in the media that SBA loans would be available – I'm not sure that the Library Board would have thought of the SBA as a source of help in this disaster. It would be useful for the general public to know more about the SBA and its services a disaster. It would be good for the services SBA's services to come to the public's mind at a time of disaster just as does the Salvation Army, the Red Cross and FEMA.

I would like to conclude my remarks with sincere appreciation to Congressman Altimre and his staff, the SBA Field Office Staff and Public Information Officer and the SBA staff in Texas who have worked with us to secure a loan to restore the Library to its pre-flood condition.

August 23, 2007

Congressman Altmeier,

I would like to start out saying that myself and others are disappointed with the way the flooding disaster was handled. We on the upper end of Kennedy Boulevard, were and still are being ignored when it comes down to getting any type of aid.

We have been completely ignored when it comes to the condition of the creek behind our buildings. Aliquippa road department has thrown in dirt and debris, never giving it a single thought, that this may come back to haunt the tax paying businesses in their community. The Fire Department, unlike other Fire departments in the surrounding areas, did not, and will not pump basements as other communities do. Where are pumps for the community, in emergency situations???

Where is the SMALL BUSINESS ADMINISTRATION????? Phone calls are not returned. Questions are not answered. Money is not being distributed.

If the surrounding governments, along with the County government would have tried doing some clean up and preventive measures, after Katrina and Ivan, then we the people of Aliquippa, would not be in the quagmire that we are in today.

It is time for the Leaders of Aliquippa, the Leaders of Beaver County, and the Leaders of the Commonwealth of Pennsylvania, and the Leaders in Washington D.C. to stand up for us, and take care of us tax paying citizens.

John A Feher

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Testimony before the
U.S. House of Representatives
Small Business Subcommittee on Investigations and Oversight

Joe Spanik, Chairman
Beaver County Board of Commissioners

23 August 2007
Aliquippa, Pennsylvania

Good morning.

On behalf of my fellow Beaver County Commissioners Dan Donatella and Charles A. Camp, I would like to thank Congressman Altmire for holding these hearings in Aliquippa today and for bringing much needed attention to the needs of those impacted throughout Beaver County by the July 5 storm.

First, I would like to commend the Pittsburgh office of the Small Business Administration for their quick and effective response. Working in close co-operation with the SBA, our locals teams were able to assess damages to homes and businesses and secure the SBA disaster declaration that to date has provided over $376,000.00 in aid to our community. We truly appreciate their work and want you, Congressman Altmire, to know that this federal agency did its job well.

One of the biggest surprises of this storm was where it caused the problems: primarily on Franklin Avenue. Over the past ten years, this region has seen several terrible flooding events, but most of these occurred along rivers, streams, or other bodies of water – in areas that we almost expected flooding to occur. For instance, in 2004 the Green Garden Plaza in Aliquippa flooded two times in a short period of time in part because of a

stream that overflowed its banks during a heavy rain storm. When these rains started in July, there was some concern that Green Garden would again flood, but nobody was really paying attention to Franklin Avenue. I believe this shows that more areas are prone to this type of flash flooding than we previously thought and that all of our communities need to be increasingly aware of places where problems could occur.

Because of this, I am hoping that the federal government begins to look at creating more programs that will allow local governments to identify issues such as streambeds that need to be cleaned out before they back up, and fix them. It is not only Aliquippa or Beaver County that faces this problem – Millvale in Allegheny County finds itself in a similar situation.

While I understand that FEMA and PEMA both have mitigation funds that we have used successfully in Beaver County to try to resolve some of these problems in advance, I am asking the Congress to take a look at expanding these programs, increasing their funds, and making them easier to access by local governments. As they say in football, the best offense is a good defense and we all need to start looking for problem areas before we occur.

The other issue that I would like to address is the need for more flexibility in determining eligibility for state and federal disaster declarations. It appears to me that many of the federal programs are designed to respond to major flooding disasters – where rivers overflow and damage large land areas – not to respond to more localized flooding like we experienced along Franklin Avenue. We struggled to find enough "damage" to qualify for federal assistance. Even after checking again and again, we were just able to meet the minimum standards for SBA loans, but no grants and no assistance for the public property that was damaged.

Nevertheless, the people, businesses, and public agencies throughout Beaver County did suffer great losses. Whether it is ten homes or a thousand, the effects on those families who live there is devastating and often long-term. Some businesses may not reopen, or will reopen with a larger debt than before. Most homeowners will receive no government help and as you are aware, the City of Aliquippa's police department and municipal building were effected but again do not qualify for federal government assistance. Thankfully, the Commonwealth was able to provide the police department with replacement police cars and some additional aid, but in general this community is forced to deal with the loss of its government infrastructure on its own.

Congressman Altmire, I am asking you to examine the minimum standards that any community across this country must meet to qualify for additional federal assistance and see if the programs can be adjusted to account for smaller disasters that have an equally big impact on families, businesses, and local governments.

As county commissioners, we are grateful for the many organizations and people who did help. Police and fire departments from across the county showed up immediately to help the local departments. Region 13 showed it efficiency by sending crews and equipment to Aliquippa so that the clean up could happen so much quicker. Our own county departments assisted the local responders with expertise and assistance. The Commonwealth also stepped forward with both special grants and a program to pay the interest for businesses who qualify for SBA loans. And of course, we cannot forget the many private groups that helped: the Red Cross, churches, community organizations, and others. We as a community did pull together and I am proud of that.

In conclusion, I would once again like to thank you, Congressman Altmire, for holding this hearing in Beaver County.

I know that you were aware of the challenges we faced on the day it happened and have continued to provide advice and advocacy in Washington, D.C.

I do hope that what you have heard here today from our community will help you to go back to Washington and work with your colleagues in Congress and the appropriate federal agencies to continue to develop new programs and new funding sources to help all Americans in these situations.

Thank you.

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