AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

SMALL BUSINESS RECOVERY FROM THE MIDWEST DISASTERS OF 2008

HEARING BEFORE THE
SUBCOMMITTEE ON CONTRACTING AND TECHNOLOGY

COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

HEARING HELD
SEPTEMBER 24, 2008

Small Business Committee Document Number 110-114
Available via the GPO Website: http://www.access.gpo.gov/congress/house

U.S. GOVERNMENT PRINTING OFFICE

44–253 PDF WASHINGTON : 2008

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

HOUSE COMMITTEE ON SMALL BUSINESS

NYDIA M. VELÁZQUEZ, New York, *Chairwoman*

HEATH SHULER, North Carolina
CHARLES GONZALEZ, Texas
RICK LARSEN, Washington
RAUL GRIJALVA, Arizona
MICHAEL MICHAUD, Maine
MELISSA BEAN, Illinois
HENRY CUELLAR, Texas
DAN LIPINSKI, Illinois
GWEN MOORE, Wisconsin
JASON ALTMIRE, Pennsylvania
BRUCE BRALEY, Iowa
YVETTE CLARKE, New York
BRAD ELLSWORTH, Indiana
HANK JOHNSON, Georgia
JOE SESTAK, Pennsylvania
BRIAN HIGGINS, New York
MAZIE HIRONO, Hawaii

STEVE CHABOT, Ohio, *Ranking Member*
ROSCOE BARTLETT, Maryland
SAM GRAVES, Missouri
TODD AKIN, Missouri
BILL SHUSTER, Pennsylvania
MARILYN MUSGRAVE, Colorado
STEVE KING, Iowa
JEFF FORTENBERRY, Nebraska
LYNN WESTMORELAND, Georgia
LOUIE GOHMERT, Texas
DAVID DAVIS, Tennessee
MARY FALLIN, Oklahoma
VERN BUCHANAN, Florida

MICHAEL DAY, *Majority Staff Director*
TIM SLATTERY, *Chief Counsel*
KEVIN FITZPATRICK, *Minority Staff Director*

SUBCOMMITTEE ON CONTRACTING AND TECHNOLOGY

Subcommittee on Finance and Tax

BRUCE BRALEY, IOWA, *Chairman*

HENRY CUELLAR, Texas
GWEN MOORE, Wisconsin
YVETTE CLARKE, New York
JOE SESTAK, Pennsylvania

DAVID DAVIS, Tennessee, *Ranking*
ROSCOE BARTLETT, Maryland
SAM GRAVES, Missouri
TODD AKIN, Missouri
MARY FALLIN, Oklahoma

CONTENTS

OPENING STATEMENTS

	Page
Braley, Hon. Bruce	1
Davis, Hon. David	3

WITNESSES

Carranza, Hon. Jovita, Deputy Administrtator, U.S. Small Business Administration	6
Tully, Mr. Mike, President and CEO, Aerial Services Inc., Cedar Falls, Iowa	18
Wilke, Mr. David, Wilke's Grocery Store, Elkader, Iowa	20
Bowers, Mr, Don, Owner, Tapken's Convenience Store, Anamosa, Iowa	23
Monnahan, Mr. Mike; President, the Blue Strawberry Coffee Company, Cedar Rapids, Iowa	27
Pilkington, Mr. Randy, Executive Director, Business and Community Services, the University of Northern Iowa	29

APPENDIX

Prepared Statements:

Braley, Hon. Bruce	44
Davis, Hon. David	49
Carranza, Hon. Jovita, Deputy Administrtator, U.S. Small Business Administration	50
Tully, Mr. Mike, President and CEO, Aerial Services Inc., Cedar Falls, Iowa	55
Wilke, Mr. David, Wilke's Grocery Store, Elkader, Iowa	59
Bowers, Mr, Don, Owner, Tapken's Convenience Store, Anamosa, Iowa	63
Monnahan, Mr. Mike; President, the Blue Strawberry Coffee Company, Cedar Rapids, Iowa	73
Pilkington, Mr. Randy, Executive Director, Business and Community Services, the University of Northern Iowa	75

SMALL BUSINESS RECOVERY FROM THE MIDWEST DISASTERS OF 2008

Wednesday, September 24, 2008

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONTRACTING &TECHNOLOGY
Committee on Small Business,

WASHINGTON, DC.

The Subcommittee met, pursuant to call, at 2:00 p.m., in Room 1539 Longworth House Office Building, Hon. Bruce Braley [chairman of the Subcommittee] presiding.

Present: Representatives Braley, Cuellar and Davis.

Also Present: Representative Loebsack.

Chairman BRALEY. I now call this hearing to order. This hearing on the SBA's response to the 2008 Midwest flooding and tornadoes is now called to order.

I would like to thank all of the witnesses who have taken time out of their busy schedules to come from Iowa to testify on how these disasters have affected their lives.

This is the Subcommittee's last hearing of the year. And I would also like to take a moment to thank my friend the honorable David Davis for all of the insight and hard work he has brought to the table as Ranking Member. Thank you, David.

In today's era of modern technology and abundant creature comforts, it is easy for Americans to feel beyond Mother Nature's reach. But the truth is we are not.

In my own home State of Iowa, we are keenly aware of that fact. And I am personally aware of that fact because my brother Brad and his wife, Rhonda, had five and a half feet of the Cedar River in their home as part of this flooding event.

This past spring and summer, the series of storms and flooding tore through the entire region that I represent. And while much of the nation's focus has since shifted to the aftermath of Gulf Coast hurricanes, Iowa and the rest of the Midwest are still recovering.

Natural disasters do much more than knock down trees and level homes. They devastate local economies. In addition to considerable human cost, the flooding in Iowa reeked serious financial havoc. In fact, the damage is expected to rank among the costliest in our nation's history.

Preliminary estimates show that the destruction in my state alone will cost billions of dollars. SBA's Disaster Assistance Program has helped Iowa to weather some of this financial storm. However, much still remains to be done.

In this afternoon's hearing, we will evaluate SBA's response to the Midwest flooding and address some of the program's limitations. We will also discuss other potential avenues for recovery assistance.

It is estimated that between 40 and 60 percent of businesses fail to recover from natural disasters. This is largely because of the cost of damage when paired with lost revenue is simply too great for most firms to sustain.

In Iowa, for example, total damages to small and intermediate firms will run upwards of $5.36 billion. And the unmet need for damages is at $2.78 billion, over half of the total.

While all businesses suffer from natural disasters, small firms, in particular, are generally the hardest hit. This is primarily the result of a weakened ability to generate profits, paired with revenue gaps and a basic lack of capital.

Altogether 4,800 non-manufacturing small firms were affected in Iowa alone while another 800 medium-sized businesses also suffered losses.

In the wake of a natural disaster, SBA is trusted to dispatch a number of relief programs. In keeping with this charge, the administration provided Midwest businesses and homeowners with working capital in a number of low-interest loans. As of the beginning of this month, SBA had issued 77,993 disaster assistance applications throughout the Midwest region.

SBA has already granted 3,359 loans, worth $222 million to Iowans. The administration has come a long way since the aftermath of hurricane Katrina. But while SBA has managed to fulfill its standard policies in the Midwest, it is clear that the system is still flawed in some respects.

Unfortunately, much of the money marked for the Midwestern flood relief is still tied up in bureaucratic red tape, out of the reach of thousands of flood victims.

Additionally, of the $46.8 million awarded in rebuilding contracts so far, only one million, or less than 2 percent, of these contracts has been awarded to small Iowa firms.

What is more, nearly ten percent of the rebuilding contracts were miscoded and given to large corporations, like Northrop Grumman, instead of small businesses.

Because of all of the challenges small businesses are facing trying to recover from these disasters, I recently introduced, along with Congressman Steve King and other members of the Iowa delegation, H.R. 6641, the Small Business Owner Disaster Relief Act of 2008. This bill would amend the Stafford Act to allow emergency assistance grants for small businesses with 25 or fewer employees. And I should add that a hearing was held on this recently in the Transportation Committee. These grants could be used to repair, restore, or replace damaged facilities in small businesses.

I have also co-introduced a bill, along with my colleague from Iowa Congressman Dave Loebsack, who is seated to my right, H.R. 6587, the Midwestern Disaster Tax Relief Act. It is a tax package that would help homeowners and small business owners affected by the storms and flooding get back on their feet.

Among other things, it reduces the 2008 tax burden for small and midsized businesses by substantially increasing allowable deductions for the depreciation and expensing of business property.

Small businesses are the glue that hold local economies together. When they suffer, entire regions suffer along with them. In the case of the Midwest floods, we are also seeing reverberations across

the region. And while we are grateful for the assistance that SBA has provided, certain aspects of the system need to be reassessed. Meanwhile, more help is needed in the Midwest. It is critical that the rebuilding continue and that our nation's and region's economy get back on track.

I urge both my colleagues and the President to pass additional disaster assistance before we adjourn. And we took a very major step just before we came here to this hearing by passing $22.3 billion in additional disaster assistance funding for Iowa, the Midwest, and other parts of the country.

I also encourage the administration to expedite the release of already appropriated funds so the communities in my district and throughout Iowa and the Midwest can get back on track.

I now yield to my colleague and friend from Tennessee, Ranking Member Davis for his opening statement.

Mr. DAVIS. Thank you, Mr. Chairman. I would like to say I have enjoyed working with you as well. Thank you for your friendship and leadership on the Committee.

In 2005, hurricanes Katrina, Rita, and Wilma devastated the Gulf Coast region. No one disputes the response by various governmental entities was inadequate. The failures included problems with Small Business Administration, the agency tasked with providing disaster loans to homeowners and small businesses that are vital to the recovery of regions that have suffered natural disasters.

Former Administrator Preston recognized that the SBA's disaster response operations needed updating and streamlining to assure that the agency would become part of the solution to rebuilding communities suffering from disasters, rather than being a hindrance. Today's hearing examines whether the efforts of the Administrator Preston and Deputy Administrator Carranza were successful.

Earlier this year floods devastated the upper Midwest, particularly southeast Iowa. This represented the SBA's first test of its new disaster-planning procedures in response to large-scale disasters.

I will be interested in hearing from our witnesses whether SBA's responses were adequate and whether any action of Congress is needed in providing the agency with appropriate resources to answer the call to those in need after a disaster.

I know that the Deputy Administrator is very busy working on the response to hurricane Ike. Given those very important responsibilities, I would like to thank Deputy Administrator Carranza for taking time out of her schedule to be with us today. And I look forward to working with the rest of the members on this panel for solutions.

And, with that, I yield back the balance of my time.

Chairman BRALEY. Thank you, Mr. Davis.

We are fortunate to have with us today, sitting in by special agreement of the Chairman and Ranking Member of the Small Business Committee, my friend and colleague from Iowa Congressman Dave Loebsack, who represents the Second District of Iowa, which experienced the worst of the flooding. And at this time, I would recognize him for an opening statement.

Mr. LOEBSACK. Thank you.

I would like to thank Chairman Braley and Ranking Member Davis for inviting me to join the Small Business Subcommittee on Contracting and Technology for this very important meeting.

I have never been on this Committee, obviously. I serve on two other committees. But it's my pleasure to be here and to be here, obviously, as well with Ms. Carranza, whom I last saw in the district a number of months ago now.

Also, if I may take a point of personal privilege, I want to introduce a couple of other folks from the audience. Is that okay, Mr. Chairman? Thank you.

First of all, my wife, Terri, is here, sitting in the back. And she has quite a stake in this as well since she also lives in the Second District of Iowa.

And, second, Chuck Peters is here. He is the President and CEO of the Cedar Rapids Gazette, the largest newspaper in my congressional district. But that is a big reason why he is important.

He is also very important because he is playing an incredibly active role in the reconstruction, the redevelopment of the Second District of Iowa; in particular, Cedar Rapids and the Iowa City area, that whole corridor. And he has been a leader in the efforts to take a more regional approach to the recovery efforts in the area. So I am really happy that Chuck is able to sit in today on this meeting.

I would also like to thank all of the witnesses who have traveled from Iowa to inform us of their experience in coping with the disasters that hit Iowa and nine other Midwestern states this year.

I know that you each have faced incredible hardship over the past few months. And your willingness to travel to Washington, even as you attempt to clean up, rebuild, and reopen as a demonstration of Iowans' resiliency and tenacity of spirit, your testimony today will help to assure that Congress provides proper support and assistance to small businesses in Iowa and in all areas affected by disasters, past, present, and future.

My district, as Congressman Braley mentioned, was particularly hard hit by the floods of June of 2008. Over 1,300 businesses in Cedar Rapids alone were damaged by the floods. And the damage estimates for the downtown businesses top $366 million.

We will hear from a witness from Cedar Rapids today, Mr. Mike Monnahan, President of the Blue Strawberry Coffee Company. Mr. Monnahan, welcome. I know you are behind that pillar somewhere.

The impact of the floods on Cedar Rapids' economy is yet to be determined. It is the second largest city in Iowa. The revenue loss for the first year of recovery alone will exceed $600 million. Meanwhile, small rural cities in my district experience complete devastation of their local economies.

The City of Palo, with a population under 1,000, lost not only every one of its businesses but also all but 2 of its homes. The city estimates that its business district saw $1.75 million in damage, this in a city that has already spent its entire budget on flood recovery and is currently operating in a deficit.

Sadly, stories such as these are all too common in the Midwestern areas affected by the severe storms, tornadoes, and flooding in this past year. Yet, the Small Business Administration has disbursed only $16 million out of the $225 million in loans that

have been approved for Iowa. In other words, only 53 percent of loans approved by the SBA have been closed since their approval, and only 26 percent have been fully disbursed to disaster victims.

Furthermore, in an apparent response to an Office of Management and Budget directive, SBA has dramatically increased the disbursement of high interest loans in the place of the traditional low interest rate small business loans. These loans are often above market value and are all but useless to businesses and homeowners, who are able to get better deals at their local banks.

What is deeply troubling to me is that only two percent of the loans distributed after hurricane Katrina were high-interest. In Iowa, apparently in compliance with the OMB directive, they make up 30 percent of SBA loans.

Deputy Administrator Carranza, it is my hope that you will be able to provide some explanation for the delay in disbursement of funding and the 15-fold increase in high-interest rate loans. And, more importantly, I hope you will provide information regarding SBA's plans to speed up the disbursement process and to provide Iowans with loans that will help them to recover and rebuild.

Small businesses, as we know, are the heart and soul of the Iowa economy. In 2006, Iowa had some 258,000 small businesses that employed about 650,000 people. That is out of a population of three million. Clearly the recovery of the small businesses impacted by this year's disasters is a crucial component of the recovery of Iowa's economy.

Again I would like to thank Chairman Braley for holding this important hearing. And I look forward to hearing from the witnesses and from Deputy Administrator Carranza. Thank you.

Chairman BRALEY. Thank you, Congressman. We appreciate your remarks. And, Chuck, I just want to acknowledge you and commend you for the fabulous photographic display of flooding that is on display at the Cedar Rapids Museum. When we were touring the state with the Speaker and had an opportunity to see the photographic evidence of the devastation, especially in your leadership area, it was very impressive. And I know it made an impact on her. So thank you.

We will now move on to testimony from our witnesses. And for all of the witnesses, this is just a general reminder that you will be allowed five minutes to deliver your opening statements.

There is a light display in front of you. And the light will go on with one minute remaining. The yellow light will come on. And when your time is up, the red light will come on. So you will have a short amount of time to wrap up your remarks.

But your written statements will be included in the Committee's record. So even if you can't get to everything that you brought with you, we will have a record of that that will be part of the Committee proceedings.

We will begin with our first panel. And at this time, it is my privilege to introduce the honorable Jovita Carranza, who is the Deputy Administrator of the Small Business Administration. The SBA is the primary federal agency whose mission is to aid, counsel, assist, and advocate for our nation's small businesses while strengthening the economy. Prior to joining the SBA, Ms. Carranza

worked for UPS, where she served as Vice President of Air Operations.

I just want to thank the Deputy Administrator personally for her efforts in visiting the state of Iowa. I can tell you that your presence there was a reflection of your personal interest in what was happening to devastated homeowners and small business owners in my state. We greatly appreciate that.

And I will just give you advance warning that none of the questions that come out today are in any way a reflection upon you or your commitment to making sure that the agency is accountable in doing what it can for the people in Iowa.

Please share your opening remarks.

STATEMENT OF THE HONORABLE JOVITA CARRANZA, DEPUTY ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION

Ms. CARRANZA. Thank you, Congressman Braley. Good morning, Chairman Braley, Ranking Member Davis, and members of the Committee. Thank you for inviting me to discuss the Small Business Administration's work to help the victims of the Midwest floods.

The SBA is best known for our work with entrepreneurs and small businesses, but when disasters strike, we provide critical pieces of the national recovery effort. This mission allows us to help those in desperate need, and from my personal experiences it is one of the most important and consequential things our agency does.

After the Midwest flooding, I personally visited the area three times as then Acting Administrator of SBA. I saw the devastation firsthand, but I also saw how SBA and, indeed, the entire federal government had learned from the painful lessons of the 2005 hurricane season. These lessons have led to reforms that have dramatically improved our performance.

Of course, this is little comfort to those whose homes and businesses were destroyed. The speed of our response and the resources we deployed cannot undo the damage caused by nature. But in assessing the response to the Midwest floods, I think it would be helpful for the Committee to contrast the situation in 2005 with our current response.

To put this in perspective, the goal for processing a home loan before Katrina was 12 days. As SBA grappled with Katrina applications, the actual time needed stretched to 90 days. Today the goal for processing a disaster home loan is 10 days, but in responding to the floods, the actual time has been 4.7 days.

Before Katrina, the goal for processing a business loan was 17 days, but in the hurricane's aftermath, the actual time needed was 70 days. Today, the goal for processing a disaster business loan is 16 days, but the actual time is 9 days.

The goals are more demanding, but SBA's performance is exceeding them, a testament to our reforms. Moreover, these efforts continue. On August 4th, SBA introduced an electronic loan application, and while not available initially for the Midwest flood, it is currently in use and capable of receiving 5,600 applications per hour.

In financial terms, as of September 21, SBA has approved over 7,140 loans for more than $358 million. Of these more than 6,260

are home loans totaling more than $257 million, 855 are business loans for more than $98 million, and 28 are Economic Injury Disaster Loans for $2.4 million.

More specifically, in Iowa, more than 3,450 loans have been approved for $230 million. This includes more than 2,88o home loans, for $150 million; 541 business loans, for $78 million; and 16 EIDL loans, for $1.9 million. The total amount of these loans is nearly double the $112 million issued after the 1993 Iowa floods.

Beyond financial help, SBA also provides technical assistance and coordination with state and local officials. On June 24, SBA opened our Business Recovery Center in Cedar Rapids, a week before the crest. Co-located with FEMA's Disaster Recovery Center, it allows businesses to work with our staff to learn about recovery programs, receive counseling, and get face-to-face answers to their questions. At our peak response, which occurred on June 30th, SBA had 194 staff working from 67 centers in Iowa, with coverage over 81 counties.

To publicize the help available, communication specialists from our Office of Disaster Assistance provided more than 29 TV, 34 radio, and 62 newspaper interviews. Also, SBA officials have made more than 60 visits to Chambers of Commerce.

On the coordination front, SBA participates in FEMA's Interagency Long-Term Community Recovery Task Force, and SBA is working with the Iowa Rural Development Council and the Rebuild Iowa Office.

This vigorous response is possible because of our efforts to improve disaster response after the 2005 hurricane season. Today, by applying lessons learned, SBA's Disaster Assistance Program and our sister federal agencies have overhauled the response protocols, and these improvements are seen across the country, including the Midwest region.

And while that is a brief of our reforms, now I would like to describe the implementation of the disaster provisions in the 2008 Farm Bill. A number of these were already in operation, and we welcomed their codification. Specifically, we are talking about the Disaster Response Plan, regular reports to Congress, and other reforms instituted by SBA.

For those provisions of the Farm Bill that augmented our efforts, SBA has been working to implement these features as a part of our overall Disaster Response Plan.

To date the following have already been implemented. Non-collateralized loan limits for physical disaster loans have increased to $14,000 from $10,000. Loan caps for businesses have increased to $2 million from $1.5 million. Use of net earnings clause in the first five years of repayment has been prohibited. And non-profit organizations are now eligible for Economic Injury Disaster Loans.

In closing, thank you for the opportunity to testify. As I mentioned, I have visited the area three times, twice with you, Mr. Chairman, seeing the damage firsthand. I also had the privilege of traveling to the region with Secretary of Commerce Carlos Gutierrez. I met with Iowa Governor, Chet Culver; Cedar Rapids Mayor, Kay Holloran; your former colleague Jim Nussle; your colleague Congressman Dave Loebsack; and other state and local officials.

I appreciate the long-term consequences the floods will have and I welcome the opportunity to answer your questions. Thank you.

[The prepared statement of Jovita Carranza is included in the appendix at page 50.]

Chairman BRALEY. We will now proceed with questioning. And, Ms. Carranza, let me start with an issue that was of concern to the entire Iowa delegation, including Senator Harkin and Senator Grassley and every member of the House of Representatives, a bipartisan concern. It was contained in the letter that we sent to Budget Director Nussle and Acting Administrator Baruah on August 22nd of 2008.

The concern is this. Prior to October of last year, applicants who couldn't secure credit elsewhere after a disaster qualified for SBA loans with lower interest rates and longer repayment terms. However, your agency, the Small Business Administration, recently abandoned that approach to follow a directive from the OMB mandating that the SBA issue more high-interest loans.

Given that the goal of these loans is to help victims in times of need, can you explain why the SBA is disproportionately pushing loans that could threaten recovery efforts?

Ms. CARRANZA. I would like to address that question by indicating the three areas of responsibility that we have. One, the statute requires that SBA provide the lowest interest rate to individuals or applicants that aren't able to obtain credit elsewhere, and those who are capable of acquiring credit elsewhere would do so, and they would get a higher rate and, again, a less subsidized rate to the government.

The IG did express some concerns of our particular process; our test. As a result of some of the recommendations they made, we revisited the test and made the necessary adjustments.

Thirdly, we do test frequently our credit elsewhere policy. And with that, the concern is always, is whether it is market-based and is it reasonable? And if there are particular concerns, Congressman Braley, I offer the opportunity to review those particular cases that you have cited or the situation that you cited, where individuals acquired other loans at a lower rate than the Office of Disaster Assistance loan.

Chairman BRALEY. But your response implies that it was the Inspector General, whose responsibility it is to oversee the operations of the Small Business Administration that prompted this change. My understanding is that the reason for the change was a directive from the Office of Management and Budget, headed by Mr. Nussle, that caused that change in SBA policy.

Ms. CARRANZA. Congressman Braley, I wouldn't be able to comment with any specificity because I can only tell you what I am responsible for based on statute.

Chairman BRALEY. What we will do is we will make sure you get a copy of this letter of August 22nd. And I would really appreciate it if you would take that back to the Acting Administrator because this letter was signed by every member of the Iowa delegation, bipartisan, House and Senate. And we would very much like to know what the official position of the agency is in response to that specific concern.

Do you have any specific provision of the Small Business Act that you can point us to that would indicate that there is a justification for having a two-tier loan system?

Ms. CARRANZA. The two-tier loan system, again, is by statute in that we are to identify section 7(d)(5)(D).

Chairman BRALEY. Is that a requirement in the statute or is that an interpretation by the agency of the statutory requirement?

Ms. CARRANZA. It is a directive.

Chairman BRALEY. But does that mean that it is included in the language of the statute you just cited?

Ms. CARRANZA. I wouldn't be able to accurately state that, sir.

Chairman BRALEY. Well, let me move on, then. After hurricane Katrina, just two percent of all SBA loans were at higher interest rates and shorter repayment terms. Your agency spokesman recently stated that over 95 percent of the loans made in Iowa after this disaster occurred carried higher interest rates. Do you expect that the proportion of these higher-interest loans will continue to occur at such high rats?

Ms. CARRANZA. I am very supportive of your concern, Congressman Braley. And I would like to take this opportunity to correct those statistics.

The number that was quoted was a misrepresentation from a field representative. It is actually representing five percent of the revenues or I should say the loan value is reflective of a ten percent business loan volume.

So it is the reverse. It is not 95 percent of the higher rate. It is actually ten percent of the businesses are at the higher rate, reflecting five percent of the loan amounts.

Chairman BRALEY. Do you have any understanding as to why the spokesman made the claim that 455 loans, totaling $67.6 million, in post-flood loans in Iowa were made at the market rate while only 3.3 million were made in long-term loans at the 4 percent rate?

Ms. CARRANZA. I am sorry. Could you pose that question again, Congressman Braley?

Chairman BRALEY. Yes. The quote that I was referring to by the agency spokesman claimed that the SBA had made 455 loans, totaling $67.6 million at the market rate, but it also made $3.3 million in long-term loans at 4 percent.

Ms. CARRANZA. Any misrepresentation of the information that was given was corrected with the newspapers. So I can't specifically state about the numbers that you are giving me, but I can attest to the correction on the 95 percent figure mentioned earlier.

Chairman BRALEY. Well, I think that the biggest concern that people have is that when people whose lives have been devastated by epic flooding, the likes of which our state has never seen before, are in need of loans at a time of crisis, they are in need of loans that meet their needs at that time, which would be the lowest possible interest rate to ensure their long-term viability.

Is it your statement here today that, in fact, that is a reality of the loans that have been processed in Iowa?

Ms. CARRANZA. Congressman Braley, I can assure you that the numbers I referred to in my testimony are the number of loans

that have been approved. The amount that has been approved is over $230 million.

The fact that they have not been disbursed is twofold. The money is available. The loans have been approved. Now it is up to the recipient, the borrower, to access those funds. Typically when funds are not disbursed, it is because either the borrower is still waiting on permits or contractors.

So we have taken the position that we don't want the victim to have to wait on our turnaround time because, as I noted in the testimony, once the disaster victim applies, within the same week, we will call up the applicant to verify whether they received the application.

Once the application is approved, we have case managers that will follow up and inquire into the status of their concern or whether we have to provide counseling or some advice. But we do follow up on those individuals that have been approved for funds and question why they are taking a certain length of time to draw the funds.

Money has been approved. And, again, it is $230 million. It is not that we have not appropriated the funds. They are available.

Chairman BRALEY. And I want to follow up on that because the SBA boasts that 7,000 loans were approved. And, yet, my understanding is that 46 percent of those loans are currently in a queue for closing.

Is it your testimony today that all of those loans have not been closed because of some problem on the part of the homeowner or small business owner, as opposed to a delay in releasing funds for an approved applicant?

Ms. CARRANZA. I would like to answer your question in this manner. The funds are not disbursed in totality. They will be disbursed as needed. So if the applicant is holding back from drawing those funds, it could be that they do not want to incur any of the interest rates that would be incurred. By allocating those funds prematurely, they would be charged the interest rate.

And if they, again, don't meet the schedule for the permits or contractors, as you know, it is always on a priority basis. Construction is at a great demand. And so if they are on the rebuild mode, the burden really is on the borrower.

Now, can I tell you that all of those individuals are facing that predicament? I couldn't tell you what percentage are facing that, but I look forward to going back and checking those that are in the queue that are waiting to be disbursed, what are the reasons for that.

Chairman BRALEY. Small businesses in Iowa are still struggling to recover after sustaining nearly $5.35 billion in damages. And many small business owners that I talked to claim that their money is being held up by red tape and that these disaster loans aren't a practical option.

The one remaining hope for many small firms is some of the $2.65 billion already set aside for relief and potentially more to come is used for small business contracts. Will the SBA commit to meeting with FEMA, the Army Corps, and other major agencies receiving this funding and outline a plan for incorporating small and local firms?

Ms. CARRANZA. Congressman Braley, I am very encouraged by the collaboration not only with FEMA but the Corps of Engineers, state and local officials because our focus in our reform agenda is expediency, collaboration, and immediate policy implementation. And all three have been deployed very, very effectively.

We not only have communicated with the Corps of Engineers via letter but also the main agencies, whether it is DOD, GSA, to engage them very proactively in considering small businesses to pursue some of the work that is available.

Chairman BRALEY. Well, the reason why that is so significant to me—and we have had this conversation before—on overall federal procurement and the role that small businesses could and should play in receiving those federal contracting dollars is our information indicates that small businesses in Iowa have received just over $1 million in contract dollars in flood recovery contracts, which averages out to about 17,000 per contract. Meanwhile firms in Maryland, Virginia, and even Georgia are receiving million-dollar awards.

What is SBA doing to make sure that the directive that we have talked about over and over in this Committee becomes reality, especially in a disaster situation, where small businesses in my district are hungry to get back on their feet and could be performing much of the duties that are currently being outsourced to firms in Maryland, Virginia, and Georgia?

Ms. CARRANZA. We have taken several proactive steps; one, research the data about the average contract value. I do know that both of our PCRs, one who is a supervisor from Illinois, who is overseeing the PCR that is very active in Iowa, to ensure that we are engaging all other agencies—I call them sister agencies, but also the communication is frequent, collaboration, and utilizing the infrastructure that we put in place so that all small businesses, whether it is in Iowa or the Texas area. And all of them have experienced government contracting representatives.

Let me put in perspective one of the contracts that was granted. They are not all an average of 14 or 17 thousand dollars. I believe one of the small businesses was able to experience a $400,000 contract. And so when you take the smaller and you take the larger, you average it out, and it may come to that.

Chairman BRALEY. Can you identify which business in Iowa received that kind—

Ms. CARRANZA. Yes. I look forward to bringing that information to you. In addition to that, Environmental Regulatory Associates—

Chairman BRALEY. And where are they located?

Ms. CARRANZA. In Iowa.

Chairman BRALEY. Where in Iowa?

Ms. CARRANZA. I wish I had an exact address, but I will get you that information.

Chairman BRALEY. Okay. That is important because Iowa is a large state geographically. The primary damage from these events occurred in the First and Second Districts of Iowa. So I am interested, and I am sure Congressman Loebsack is interested in knowing the location of that business.

Ms. CARRANZA. Yes. And we have reports. We track the number of calls that are coming in from small businesses. At this point we

have approximately up to 700 calls that are coming in from small businesses.

Let me digress for a moment, Congressman Braley. We have put in an infrastructure so that we can capture as many small businesses that are pursuing contracting, regardless of the disaster area.

We have dedicated personnel at our Buffalo phone center. And they are dedicated to informing interested businesses about available contracting.

If they need additional assistance, they are referred to our headquarters and the leadership—and I am talking about the management in the Government Contracting Office who then accepts that call and will dispatch the work out to the PCRs. So we have a very focused, fully engaged agency to ensure that small businesses are receiving contracting opportunities.

Secondly, I chair the Procurement Advisory Council. Yesterday I spoke to 24 government contracting OSDBU's and informed them of our Buffalo phone center network, and the commitment that we have in headquarters. Karen Hontz, who is responsible for the Government Contracting Office, will oversee that dispatch of work. Also we are tracking the PCR's performance. There are definitely a lot more performance metrics, a lot more communication and interaction with the agencies, and I would welcome the opportunity to show you that performance report.

Chairman BRALEY. Okay. And I have to yield now to my friend and Ranking Member for his questions. But for the small businesses in Iowa, we would just like to see those numbers increase and improve because they are in desperate need of opportunity.

Mr. DAVIS. Thank you, Mr. Chairman. And I think they are going to be calling votes in a few minutes. So I am going to be fairly brief.

Based on the SBA's response to the Midwest floods, are there additional changes that may be needed to improve the disaster response plan?

Ms. CARRANZA. Could you ask that question again? I am sorry.

Mr. DAVIS. Yes. Based on the floods,—

Ms. CARRANZA. Yes.

Mr. DAVIS. —Midwest, are there additional changes that may be needed to your disaster response plan at the SBA or do you think it is working well?

Ms. CARRANZA. Well; it is working well, but I would like to explain why it is working well. Each time we experience a disaster, we keep improving the process, but let me tell you about the reform that has occurred in the disaster operation. Not only have we been training for the past two years through simulations and engaging the entire agency integrating ODA; that is, the Office of Disaster Assistance, to the SBA, we have increased the capacity, either in automation, resources, reservists; personnel, I should say, reservists, from ODA and also fully engaging the SBA personnel.

So you are talking about what used to be 1,000 to 3,000 employees now immediately deploying, and engaging up to 3,000 employees in disaster recovery.

We we have an electronic application that has immediate interface with the disaster victims. We have increased reservists de-

ployed to have a partnership with the FEMA members. So now you have joint field offices.

And we also have a daily review of the disaster areas and their operations. So every office has to report back on a daily basis. We conduct conference calls at 9:00 am in the morning to address any exceptions.

So I believe we are a fully engaged agency. And if there is room for improvement, I would be glad to speak with you on areas that you think we may be able to perfect.

Mr. DAVIS. Those daily reviews that you do at 9:00 a.m., is that something new since the hurricanes of 2005?

Ms. CARRANZA. Yes. We included in our disaster response plan that was submitted to Congress the need to assemble what we call a disaster assistance information center or council, and we feed in all of the activities, results, open issues at that session.

All of the SBA leadership is all hands on deck mode. And we review either the COOP Plan or the Office of Disaster Assistance Deployment, any of the communications, any of the press releases, and anything else that bubbles up.

We also are very concerned about our own employees, in addition to our infrastructure, to make sure that we give them the necessary tools so that they can get back to business and provide the services to all of the victims in the communities.

So it is a double-edged sword. We have to not only think of the local community, but we also have to think of the SBA facilities that are in 68 particular areas. We have 68 district offices.

Mr. DAVIS. Thank you.

We have just gone through another disaster with hurricane Ike. As you went through that disaster, did that affect your ability to work with the people and businesses in the Midwest?

Ms. CARRANZA. Absolutely not. We utilize the headquarters personnel in the Office of Disaster Assistance. We are fully integrated with our resource partners as well as with FEMA. So our capacity has not only expanded through the electronic loan application, resource partners, but definitely the partnerships, the collaboration with other agencies.

So yes, we are very much engaged with the Chambers of Commerce. They are much more accessible to us, and we are accessible to them as well. Also, we developed an MOU and the Red Cross. So I think we have nonprofit, not-for-profit, and for-profit, and also public service.

Mr. DAVIS. Do you have enough resources to handle two major issues, like the floods and the hurricanes, at the same time?

Ms. CARRANZA. I am glad you asked that question. We have a capacity in our phone center to receive 20,000 calls a day. I mentioned in my testimony that we have an electronic loan capacity of 5,600 applications per hour (this is a correction from ″per day″ which was the testimony. We have a ramp-up capability of a couple of thousand employees, whether they are reservists, national or local.

And so, to answer your question, we have currently based on the reforms and all of our process engineering the capacity to handle up to 250,000 applications. That would be at the cusp of a level 2 and a level 3. So we are watching that daily.

We thought we were going to hit a level 3 with Ike. And we were able to manage it quite adequately.

Mr. DAVIS. Does SBA have any one individual if people in the Midwest and Iowa are having problems, that they could contact for assistance?

Ms. CARRANZA. Yes. As part of the farm bill we had proactively identified an individual. You may know him as Admiral Steve Smith. He is the Associate Administrator of our Disaster Assistance Recovery Office which we call Chief Executive of the Executive Office of Disaster Strategic Planning and Operations and he is responsible for the strategy and planning of our disaster operation. So he is accessible and so he looks at not only the deployment of daily resources but he is also responsible for the long-term recovery after a disaster.

So Steve Smith and I, as Congressman Braley knows, are accessible. And so is Acting Administrator Baruah. And we have here Herb Mitchell, who is the Associate Administrator of the Office of Disaster Assistance. And he has testified many times, I understand, before this Committee.

Mr. DAVIS. I have one last question. Was the SBA able to implement any of the disaster provisions of the farm bill in responding to the floods in the Midwest?

Ms. CARRANZA. Yes. There were approximately 13 provisions, and we have implemented all but six or seven of them. They are the most complicated provisions and that has to do with the private lender loan program.

We do have a working group that is very much engaged in developing regulations. We are talking to the lending partners to understand and realize either the cost or the capacity of these lending institutions that could support us during a catastrophic situation. We have not had to employ any of that capacity outside of the SBA.

I should indicate, one, that we have updated our disaster response plan, and it is an ongoing work. I mentioned Admiral Steve Smith, who is now on board and has I think about two months under his belt. He probably thinks it is six months under his belt, but it is two months under his belt.

We have regular reports to Congress. We have the noncollateralized loan limits, as I mentioned in my testimony, to $14,000 from $10,000. We also have put in the business loan caps at $2 million, from $1.5 million, and the other 2 provisions of the net earnings clause as well. The nonprofits are now eligible for the EIDL. So we made significant progress in that area.

Chairman BRALEY. At this time I would recognize Congressman Loebsack for his questions.

Mr. LOEBSACK. Thank you, Mr. Chairman. And thank you, Madam Deputy Administrator Carranza for coming today. And thanks for coming into the district on July 1st with the Commerce Secretary Gutierrez. We really did get around Cedar Rapids, I think, quite a bit that day and even went out to Palo, if I recall correctly, and saw the damage out there at that point. A lot of it was still very new.

And there was a lot of debris, you will recall. A lot of it has been cleaned up, but people of Cedar Rapids, Iowa City, all of Iowa that

has been affected have been doing a pretty tremendous job, I think, and cleaning things up.

I think one of the big fears, though, is that we are doing such a good job that we are going to be forgotten by the federal government. Congressman Braley and I and the whole delegation are going to make sure that doesn't happen. And I hear that all of the time from folks in Iowa that we have got a great spirit and a can-do spirit and all of the rest, but we still need help. That is the important thing to keep in mind throughout. But thank you for coming in when you did and paying so much attention to Iowa and to the Cedar Rapids area, in particular.

I just have, I guess, a number of questions still because I guess I am just a little bit confused about what some of the terms mean. Obviously processing, SBA has been doing a great job, it sounds like, certainly compared to what happened during Katrina but then the issues of closing and disbursement. I think I understand what closing is. I am still not clear about disbursement and exactly who has the onus there.

Can you explain that a little bit more because I think Congressman Braley was trying to get at that sort of, you know, where the responsibility lay in terms of disbursement?

Ms. CARRANZA. Let me explain the mapping of the application because I visited the Dallas-Fort Worth processing center and personally saw 45,000 applications ready to go out to the post office; some of them came in electronically.

The document goes out to the applicant. The applicant then completes the document and then submits it for consideration. If it is approved, then we assign a case manager to the applicant, which is part of our reform agenda, which has become much more customer-centric with a very timely turnaround.

So, if you submit your application on Monday, within a week's time, we would be able to not only follow up with a phone call on your application but also assign a case manager to that borrower if they require assistance. They would then work through the process of that application being approved.

Once it is approved, the money is held until the applicant is ready to access the funds. So based on the applicant's rebuilding schedule, their capacity to withdraw the monies; we are there, in other words, within 48 hours, so those funds can be disbursed to the applicant. So it has nothing to do with the fact that there is a delayed reaction on our part.

Mr. LOEBSACK. Right. Well, you mentioned allocating prematurely. What does that mean exactly, allocating these funds prematurely, these loans?

Ms. CARRANZA. For instance, if you applied and were approved for $200,000 and I sent you $100,000, you would immediately start paying back that loan and would accrue interest.

Yet, you don't have your permits. You don't have the contractors. And so we don't want to over-leverage an individual if it is not necessary. So we hold on to the funds until they are ready to—

Mr. LOEBSACK. And the criteria that you use to determine whether they are ready or not?

Ms. CARRANZA. Yes. They would have to present a schedule of work and contractors so that there is some validation for the need of funds.

Mr. LOEBSACK. Is it fair to say that might be part of why a relatively small percentage of all SBA loans that have been approved have been disbursed in Iowa? Is that part of the explanation?

Ms. CARRANZA. Congressman, I wouldn't take that position because we do have representatives that could help them in the process if they're experiencing any delays.

We have put in some expediting processing for permits. Herb can help me out with the one processing that used to be very problematic for us: title search. So we have tried to anticipate the type of delays that these borrowers would experience and try to remedy the situation for them.

Mr. LOEBSACK. Right. Okay. And also Congressman Braley mentioned I guess what we thought was an arbitrary decision made by OMB and perhaps SBA to increase the number of high-interest disaster loans to 30 percent. Did I hear you correctly? Is that something that is in the statute? Is that correct?

Ms. CARRANZA. Could you repeat that question again? I'm sorry.

Mr. LOEBSACK. And I may have incorrect numbers, but there appears to have been an arbitrary decision made at some point by OMB and possibly SBA to increase the number of high-interest disaster loans to 30 percent compared to the 2 percent of these loans that were approved during hurricane Katrina. Did we have those numbers incorrect? Is that what you were saying earlier?

Ms. CARRANZA. I am not familiar with the numbers, Congressman Loebsack, and so I mentioned to Congressman Braley that I would get back to them on that.

There is not a goal or a target that we hit. We look at a test. There are a couple of variables that are considered when we go through that test. Our October 2007 criteria or test that just recently occurred was as a result of some compelling concerns that the IG had. So to be responsive to their particular concerns, we—

Mr. LOEBSACK. Would more high-interest loans likely be issued?

Ms. CARRANZA. Excuse me?

Mr. LOEBSACK. Would more high-interest loans likely be issued, then, using those criteria?

Ms. CARRANZA. Well, again, we revisit the test. It is a process that has been ongoing. Interest rates are reviewed on a quarterly basis to make sure that they are reasonable and are at the market or industry rate.

Mr. LOEBSACK. I want to go to the low-interest loans. And this will be my final question. What criteria are used for applicants to qualify for the lower-interest loans?

Ms. CARRANZA. Their inability to access funds from commercial or other means. We have probably the best loan terms because we have longer loan terms. In other words, they have up to 30 years to pay a loan. Also, the need for collateral isn't as aggressive as some commercial loans.

So I believe that we take a lot of factors into consideration when we establish what we consider a statutory level of credit.

Mr. LOEBSACK. Mr. Chairman, I do have one more question—I'm sorry—to follow up on that. I did a week's worth of flood assistance

meetings in early August, when we went back for the district work period.

I had a number of folks who have small businesses, you know, beauty salon, you know, hair cutting, a number of things. A number of these business owners were operating out of their homes, that sort of thing. I mean, they are small business people.

Ms. CARRANZA. Yes.

Mr. LOEBSACK. And they could not qualify because of credit or whatever the reason may be. They couldn't get an SBA loan. What do I tell someone who can't get a loan and, you know, they have been doing fine but, for whatever reason, they can't get a loan and they can't get a loan necessarily at their bank either? What do I tell them when they come to me and they want assistance?

Ms. CARRANZA. Congressman Loebsack, when we defer some of the applicants, we defer them for a FEMA grant. So between SBA and FEMA, there is financial assistance. I would be pleased to consider those particular cases that you have, look into them and perhaps there is something that we need to further look into, and assist them.

Mr. LOEBSACK. Because there are a lot of people falling between the cracks, you know. And that is what I think we hear a lot, you know, in our jobs with these folks.

Thank you for your service. Thanks for all you are doing. I really appreciate that. And I will give the balance of my time.

Ms. CARRANZA. Thank you very much, Congressman Loebsack.

Mr. LOEBSACK. Thank you.

Chairman BRALEY. And, with that, we have concluded our first panel. I would like to thank you, Deputy Administrator Carranza, for taking time from your busy schedule to join us and hope that we can have an ongoing conversation about some of the concerns that were raised today.

Ms. CARRANZA. Yes. I look forward to supplying you with all of the reports that we have committed to. Thank you very much.

Chairman BRALEY. Thank you.

And then we will call the second panel up. We do have votes that are pending, but we are going to try to keep going and get as much in as we can before we adjourn for votes. So if the second panel could please come up?

Ms. CARRANZA. Congressman Braley, I would love to stay because I had plans to do that, but our congressional legislative representative is going to be here as well as our Director of Disaster Office so that they can participate. I have a flight out to Sacramento, where we do have a processing center.

Chairman BRALEY. Thank you.

Ms. CARRANZA. Thank you.

Chairman BRALEY. Thank you all for joining us. I would like to remind you of the earlier statement I made about the five-minute rule. When you see the red light come on, if you can wrap up your presentation, we will make sure that your entire written statement is included in the record.

I would like to begin by introducing our first panelist, someone I have known for some time. Mike Tully is President and CEO of Aerial Services, Inc. in Cedar Falls, Iowa. And we have on the

board behind us a shot that shows some of the devastation near Cedar Falls Utility, which is also in Cedar Falls.

Mike's company has been based in the heartland for 40 years and provides aerial photography, mapping, and other geographic information services. And, Mike, I know you are also located out in that North Sea area, where my brother lives. And so we are glad to have you here and look forward to your statement.

PANEL II WITNESSES: MIKE TULLY, DAVID WILKE, DON BOWERS, MIKE MONNAHAN AND RANDY PILKINGTON

STATEMENT OF MIKE TULLY, PRESIDENT AND CEO, AERIAL SERVICES, INC, CEDAR FALLS, IOWA

Mr. TULLY. Thank you, Chairman Braley, Ranking Member Davis, and Subcommittee members, for inviting me to testify. My name is Mike Tully. And I am the President and CEO of Aerial Services, located in Cedar Falls, Iowa. It is indeed an honor to be here to contribute to the Small Business Administration's activities in disaster assistance.

Aerial Services is a professional services company that employs about 40 people and acquires aerial photography throughout this country and creates maps and other geospatial data. We provide mapping and other professional services for government and private businesses.

Our business was severely impacted by the Midwest floods that occurred in June. In early June, the Cedar River crested and destroyed our office buildings. And they were, in fact, declared a total loss by our insurance company.

Over the course of the following six weeks, we were able to restore some order of normalcy to the business in newly leased office space and are currently deciding how to replace our offices.

Within one week following the disaster, we applied with the SBA for a loan covering physical damages and economic injury, totaling approximately $2.7 million.

Less than two weeks later, the SBA called to inform us that they had processed our application and approved a loan for physical damage but had denied any award for economic injury. The net award totaled approximately $214,000 at 4 percent interest, to be repaid at a rate of $6,700 per month, or in about 33 months.

No documentation was provided at that time to describe how the SBA calculated this amount. This seemed unreasonable and confounding considering our losses.

In mid July, we filed an appeal because our claims of economic injury had been denied. We then filed a second appeal contesting the physical damage loan amount because we felt that the valuation was unacceptably low.

Then, surprisingly, in late August, we were informed that a new loan amount had been approved for approximately $475,000, with much more favorable terms, 20 years at 4 percent interest. The loan included approximately $418,000 for physical damage but only $57,000 for economic injury. But, as with the first award, supporting documentation showing how these values were derived from our losses totaling in the millions of dollars was not included.

Equally puzzling was the larger size of this loan compared to the first. Was the first award a mistake? Was the second, larger award influenced by our appeals to state and federal representatives? Why only $57,000 for economic injury when we documented far more?

Then as recently as last Wednesday, we learned quite by accident that because Aerial Services has been displaced, we may be eligible for a substantially different and more favorable loan. Although this sounds promising, we are disappointed that this apparently important detail was not discovered earlier, thereby avoiding what will be more delay.

My recommendations for the SBA include the following. Number one, include with all notices of loan amounts the supporting documentation showing how damage assessments were derived. This will help minimize many questions and delays.

Second, allow the business, especially in disaster scenarios, the freedom to use the funds with fewer restrictions. Our SBA loan includes several requirements that the money be spent only in defined ways. Our biggest need is a new building. Restrictions on how the proceeds are spent can be burdensome and counterproductive to getting the business back up and thriving.

Third, when economic injury is assessed, financial measures of injury other than disruptions to cash flow should be considered. It is our understanding that economic injury determinations are based only on disruptions of cash flow. But because our revenues are mostly derived from long-term projects, our injury shows up as lost or delayed billings that may not be evident for weeks or months following the disaster.

Fourth, change the disaster loan application form so pertinent details about the business, like displacement, and anticipated losses can be flagged early on.

Last, improve the responsiveness to small business concerns by facilitating a rapid transfer of important business documents and applications using modern methods, like e-mail and overnight mail. And, as the Deputy Administrator said, they now have a digital filing application system, which is good.

This concludes my recommendations for the SBA. We are thankful that the SBA and FEMA were in Iowa. We were pleasantly surprised and, quite frankly, impressed that the SBA presented to us loan documents within two weeks. Considering the sheer number of other businesses that were impacted by this disaster, that was impressive.

Although we hope to achieve a more favorable consideration from the SBA with continued communication and clarification, we are grateful for the assistance we have received and are hopeful that these recommendations will contribute to even better government and smarter business after the next disaster.

Thank you, Mr. Chair. This concludes my remarks. I am open to questions at a later time.

[The prepared statement of Mike Tully is included in the appendix at page 55.]

Chairman BRALEY. Thank you, Mr. Tully.

Our next witness is David Wilke. He is the owner of Wilke's Grocery Store in Elkader, Iowa. His store has been in business since 1867 and currently provides income for his family and 20 employees that work for him.

And, Mr. Wilke, the last time we spoke, we were standing in your grocery store. This is a photo of Elkader at the height of the flooding. And, if I am remembering this correctly, this is where your store is located, right across from the fire station and across from the bank.

And, to put this in perspective, Elkader is the little Cedar Rapids in Iowa because they had almost the identical flood stage, almost the identical flood crest forecast, and both had epic flooding beyond their 500-year floodplain, 31 feet in Elkader, 32 feet in Cedar Rapids. And you can see the Turkey River and the devastation it caused the entire downtown.

So we really appreciate your ability to come with you. I know I have talked about your business many times and the impact that losing a grocery store, losing a convenience store, losing a bank has on a community the size of Elkader. And we look forward to your comments.

STATEMENT OF DAVID WILKE, OWNER, WILKE'S GROCERY STORE, ELKANDER, IOWA

Mr. WILKE. Thank you for the opportunity to be able to speak to you today. I do want you to look at that picture. Look at the top. Do you see the bypass go by right there? That is a lot of Elkader's problem right there is they built this bypass around town, and they didn't put enough spots for the water to get out.

And it actually gets worse. If the picture had wrapped around to the right further, the bypass goes around down to the right. And it is actually worse further down to the right. So one of the first things that we really need is to open up that water, you know, just open it up more, put more culverts through or bridges through or whatever we need to, so when this type of thing happens again, it doesn't waste the whole town because of a bypass.

When this had happened, there was a flood wall right alongside. If you look at that little building—well, actually, it is this building right here. If you recognize that one, it sits in front of our grocery store. There was a flood wall that went from there up to the left off the screen. And because of this, that has been seriously damaged. So that is going to need repair.

And I was told by people from the fire department that this building is actually leaning toward the river and it is going to have to be replaced. And, like you had mentioned, we do have a grocery store in town. And we had followed the river levels. What is this river level going to end up being? We were told it was going to be 23-5. You know, we said that about three days in a row as a geological survey had said, "Give us those numbers." And it is from their Web site. And it went to 30.9. Well, our business from where you just pointed, that is not even in the floodplain, but we ended up having substantial damage from it.

So the next morning was Tuesday. We had to quickly assess the damage, which was difficult because everything was still four feet

under water, as a family make a determination on our course of action.

I appreciate you saying the length of time it takes for these loans, but we had to decide within hours, you know, are we going to walk away from this thing or are we going to make the commitment and the financial commitment and the personnel commitment that we are going to try and go back into this.

The business, like you said, had been in our family since 1867. Just 2 years after Abraham Lincoln's presidency, we started selling groceries. We are the only supermarket within 15 miles. Our store is the only source of income for over 20 people. It was our family's only income. For these reasons, we decided to open the doors and ask people to come in and help.

What we did that first night was we basically went in with shovels, and we started shoveling out the water away from the front door because we knew that the next morning people were going to come in to try and help us and they weren't going to be able to do anything if we still had a bunch of water in. So we basically just went shovel after shovel, made a train of these shovels, trying to get the water basically out and filling the dumpster that we had out at the time.

While the water was still up, I think we have got a picture here. This picture, this is our parking lot. Okay? When we came down the next morning, the water had already dropped about two feet by this time. And we had decided we were going to go back home. And I started making phone calls for people to come in and help.

You know, we were going to have—we called the refrigeration people and electricians and all kinds of people to make sure we were on their list, the local lumber yard and stuff, to make sure that, you know, if we were going to do this, then we were going to have to do it really fast because we had to do it before we would get any mold in the building or any mildew or any flood damage and problems and stuff because we are in there trying to sell something that has to be sold out of a sanitary environment.

So we didn't have the luxury of sitting around for days and days waiting to see if we were going to get a loan or do something. We had to decide right now what we were going to do.

We knew that this financial commitment would be way beyond our resources but at the time believed FEMA or another agency had a problem that would help. During the time of our cleanup, I attended three meetings that explained the procedures for obtaining assistance. They were open to all flood victims but oriented only to residential needs.

When a FEMA representative came to the store, he had his hand-held computer with him and started asking me questions. They were residential in nature. When I explained to him that it was our business that was damaged, not our home, he said "Sorry. My computer is set for housing questions." And he left. And then a little later, I got a rejection letter from them saying I didn't have enough damage to qualify.

I went to a fourth meeting where FEMA had set up stations where flood victims could fill out forms. At the SBA station, I asked the representative, "At these meetings I have attended, they keep

referring to a four percent or an eight percent loan. How do I know which interest rate I will be getting?"

His response was-"Would you qualify for a bank loan?"

I said "Yes."

"Then you get the 8 percent loan."

With that, I stopped filling out the forms. That was the ultimate insult to me. I had been a responsible citizen, taking care of the needs of our employees and our family, always paying our bills and taxes on time. Because of that positive ethic, I am given an interest rate double that of someone who is not fiscally responsible, a rate that is higher than any of the local banks charged at the time.

Before I had gone to that meeting, I had asked the bankers in town about it. And I could get a loan in the six range. So then I get this, you know, assistance at eight percent. I thought it was an insult.

I have been asked many times by customers and vendors what assistance FEMA has given us, assuming we would have a package similar to the private residences. They were mostly shocked and some appalled that we are left out of the assistance.

I was not personally expecting the government to cover all of our family's losses, but I was expecting to be treated equally compared to the residential assistance offered. I also was expecting an interest rate and a period of time to pay that would soften the blow of our huge loss.

Perhaps our loss will not end with the flood of '08. Although we reopened the store on a smaller scale just ten days after the flood receded, much to the credit of our community and volunteers—

[The prepared statement of David Wilke is included in the appendix at page 59.]

Chairman BRALEY. Mr. Wilke, I am going to have to interrupt you.

Mr. WILKE. Sure.

Chairman BRALEY. Your entire statement will be part of the record and will be considered by the Subcommittee.

Mr. WILKE. Okay.

Chairman BRALEY. Thank you for your testimony.

Our next witness is also a constituent of mine, Mr. Don Bowers, the owner and operator of Tapken's Convenience Plus in Anamosa.

Anamosa sits along the Wapsipinicon River, one of the nine major inland rivers that had epic flooding in Iowa, in addition to the Mississippi, which is also in my district.

Tapken's is a gasoline service station and groceries retailer and has been in operation since 2005. Prior to starting his company, Mr. Bower served as Chief Executive Officer of Go America in Cedar Rapids, Iowa.

And, Mr. Bowers, the last time I was in Anamosa at the peak of the flooding along the Wapsi, I was in a boat riding over the wastewater treatment facility, which is located within eye distance of where your store is located. So we are very glad you took time from your busy schedule to come and share your story with us.

STATEMENT OF DON BOWERS, OWNER, TAPKEN'S CONVENIENCE STORE, ANAMOSA, IOWA

Mr. BOWERS. Thank you, Congressman Braley and Committee members. I would like to thank you for the privilege of telling our story, which demonstrates to small towns in Iowa that Congress does care and voices can be heard.

I was asked to explain basically what happened and what our response was, what the SBA or Congress can do to help. The flooding began in Anamosa, which is about 20 miles northeast of Cedar Rapids on Thursday, June 12th. And it became apparent fairly quickly that the rains weren't going to let up, the levies weren't going to be high enough.

So there were about 100 volunteers assembled that day, raised the levy across the street from our store, added sandbags alongside our store, sandbag along the street that leaves the town, and also sandbagged the sewage treatment plant area.

We left that night thinking our business had been secured. And we slept pretty well. And we were surprised at what we saw in the morning.

The night brought more rain on already saturated land and overflowing riverbanks. A five-inch rain fell that night, which softened the levies that were raised.

By the morning of Friday, the 13th, there was two and a half feet of water surrounding our store. The Wapsi riverbank basically destroyed the city sewage treatment plant.

Over the next couple of days, my wife and I watched from about a half a block away. We could see the water recede from our store. And as we observed the damage the first day we got in the store, it was pretty shocking. Basically it would be like if you threw everything in a blender and it just got stirred up and the blender was shut off and everything and just dropped where it fell amidst all the mud and the muck.

On Monday, four days after the flood, we were in the store with squeegees, much as you mentioned, just pushing everything out of the store we could get out, an inch or two of muddy water. It was key to get in there while you still had some water to work with, enabling it to be moved out easier.

We moved things around because we made calls that day. We had big dumpsters coming. We needed to be able to get into the store. So we kind of just moved things out of the road so we could maneuver.

On Tuesday, day 5, we had over 40 volunteers as we began to throw away over $60,000 worth of our store's inventory, which is basically everything in the store.

We moved refrigeration equipment outside and disassembled all of the shelving, moved it out as well, and began power washing the floors, knocking holes in the walls so we could get air circulating. That is critical in preventing additional mold from developing.

The following morning we had electricity returned to the store with just the ceiling lights being able to be turned on so we could see what we were doing.

The next few days we began cutting the walls to a height of four feet, removing all of the insulation and drywall, scrubbing and bleaching the studs. When you say, "scrubbing walls," it is not just

scrubbing walls. It is scrubbing the studs with brushes and sponges.

We took all of the refrigeration equipment outside and hosed it with clear water while it was still wet with mud. If you let that dry on there, it is just no good.

We did find later that by moving the refrigeration equipment, washing it down with clear water, a few days later after it air-dried, we would start it up. And most of the equipment worked. Since then we have had to replace a couple of timers on the defrosters. That is about it. Once we found it worked, then we would clean and sanitize it.

Skipping to the end, after a long six weeks of grueling off of back-breaking work, my wife and I would go home too tired to do anything but shower and fall into bed.

I do believe what happened here could be replicated almost anywhere. We had a lot of volunteers, but every community, every business has people around them that come alongside them and can help. The key is to get in quickly. I believe it can help.

We basically are back in full operation. I have an original mortgage. The second mortgage if we get that through the SBA is difficult. What needs to happen in our case is the merging of the two mortgages together. That is really kind of critical in our future success.

The business is up and running. We are running about 20 percent over what we did a year ago. Now we have got to figure out how to pay for it all.

To simply restate, we went through a natural disaster, came out stronger. We are rebuilt without governmental help. We now need financial help on the back side. We saved money in this process and are even closer to the community we serve. We are not seeking a handout or a bailout, just a lower interest rate to help a good business remain strong.

Thank you.

Chairman BRALEY. Thank you, Mr. Bowers.

Unfortunately, one of the realities of our life here in Washington is that there are things that happen beyond our control. One of those things is occurring right now. We have votes on the floor. It is a series of three votes. The first vote is a 15-minute vote. And we are probably about five minutes from that time expiring. There will be two five-minute votes after that.

So we are going to adjourn the hearing. And we will make every effort to return as quickly as votes end so that we can finish up with the testimony of our last two witnesses and then proceed to questions.

So I appreciate your continued indulgence. And, with that, we are adjourned.

[Brief recess.]

Chairman BRALEY. Ladies and gentlemen, I think we are going to resume the hearing. Mr. Loebsack is on his way back and will be introducing our next witness, but, Mr. Bowers, because of some confusion about our bizarre bell system here, I know you intentionally cut some of your testimony short. So what I would like to do is give you another two minutes to finish up your statement because we are all very interested in what you have to say.

Mr. BOWERS. Thank you very much.

By the end of the second week, the store was a shell. The walls and studs had been scrubbed, bleached, and sealed with a spray sealant and ready for the next step. All this work had been done with volunteers in 14-hour days. Those of you who have my statement, you will see pictures in there that kind of show a lot of this.

I can't overstate the importance of the caring community. Our first estimate to do the work was almost a quarter of a million dollars if we hired it all out, not counting the inventory already lost. I knew the business simply couldn't support that.

It was at this point after the cleanup that the volunteer work began to diminish and the need for expert workmen increased. My customer base included a plumber, an electrician, furnace man, drywall installers, and contractors.

And as they came forward and donated their time, either free or very low-cost, it is when I began to understand what the word "community" truly meant. We had 4 other men in the community, ranging in ages from my age up to 83 years old, that came in virtually every day. We nicknamed them the Fantastic Four. Three of them were retired, and one was a gentleman who took most of his vacation time, about three weeks' worth, to work there every day.

Others in the community would stop by and offer words of encouragement that lifted our spirits. It is amazing how little it takes to make you feel like it does matter. An elderly lady donated $10 to us. We used to pump her gas when we were open. The man who mowed our lawn gave us $100. We used that money to buy food for the volunteers as they were there working.

As I mentioned earlier, it was a long six weeks, often grueling and back-breaking work. My wife and I would fall into bed at night after getting home. Exactly six weeks after the floor, we reopened. And, as also mentioned, we were back to normal at that point. And now we are running almost 20 percent ahead of last year.

The people are incredible. I am proud to be a part of that community. But I do believe this can be replicated almost anywhere. Getting into the store quickly is critical or even in your home. It is critical to prevent mold, which prevents the need of respirators and air purifiers, which slow the progress.

Another key to it all, getting there quickly, is you get in there while people are still thinking about you. And it brings hope and enthusiasm. And it increases more volunteerism. If you sit for a month before you do anything, all of that disappears.

Living in the City of Cedar Rapids and having a mother-in-law and a niece who both lost their homes there, I believe the difference is the speed with which we responded. Weeks after the floods, many of them haven't done anything at all except being told they have to make sure they keep their lawns mowed and get ready to remove the snow from their sidewalks this winter when they have no house.

Part of the confusion is just that different things are being told from the different governmental entities, which causes despair and depression. I do think one agency needs to be able to speak for all of them, I mean, the need to get a consistent answer.

As an example, the City of Anamosa caught the cross-hairs of the DNR and the SBA and what financially can be done with the sew-

age treatment plant. They have gone forward with what they needed to do to get the sewage treatment plant back up, and now they are getting different information from the two entities. And they are afraid they are going to have to pass on the cost of all of this to the residents of the city.

There are real-world limitations to what a city the size of Anamosa and its residents can afford. And somewhere along the lines, common sense needs to prevail.

As I mentioned before, as for us, we are back in business, running 20 percent ahead of last year. We are strong and doing well. We are not seeking a handout or a bailout, but in our particular case, it is critical that we be able to find a way to merge the original mortgage with the mortgage to improve or rebuild into one. It is difficult to handle the two separate mortgages.

I guess that is the end of my statement. Thank you very much.

[The prepared statement of Don Bowers is included in the appendix at page 63.]

Chairman BRALEY. Thank you.

And before we go to our next witness, who will be introduced by his congressman, I just want to point out all of the folks from Iowa who are here today that I am extremely proud of the fact that this Committee would not function without the valuable daily assistance we get from our staff counsel. And the Small Business Committee is very fortunate that both the minority staff counsel, Mr. Pineles, and the majority staff counsel for the Democratic Party are both graduates of the University of Iowa College of Law, like myself. And we are very proud of that on the Committee.

So, with that, I will yield to Congressman Loebsack to introduce the next witness.

Mr. LOEBSACK. Thank you, Mr. Chairman.

I am, in fact, very proud today to introduce Mike Monnahan. He is the President of the Blue Strawberry Coffee Company. Since the Blue Strawberry opened in 2003, it really has been a fixture in downtown Cedar Rapids. In fact, I spend a heck of a lot of time there myself, as Mike knows.

It is a great place in the heart of downtown. It is great. Not only do they have wonderful paninis and other great food, but it is a really wonderful place to have informal meetings. And it is a great place to go at lunch just to see people and talk to people. It is an institution.

Mike built the Blue Strawberry from the ground up. And in this sense, he is the quintessential small business owner. He put untold amounts of time and dedication of the business, even opening a location in the Cedar Rapids Airport.

And one day when I was heading back to Washington, I stopped over at that particular location to get Mike's cell phone number in the midst of all of this so that I could give them a call. And his employee probably wasn't supposed to give me his cell phone number, but she did. And so I was able to check on Mike and see how he was doing and how the business was after the floods.

Unfortunately, his downtown location was and is in the very heart of the Cedar Rapids business district, which was inundated by the floods this past June. I don't have any photos of the down-

town, but if you were even a casual observer at that time, Cedar Rapids was on CNN, MSNBC, FOX, all of those networks all of the time. So I am sure you have a lot of those images just sort of seared into your memory.

The downtown area is still largely in the cleanup and assessment process, but I know that with small business owners such as Mike at the helm, Cedar Rapids downtown can and, in fact, will rebuild and thrive once again if given the proper resources and support.

So, Mike, it really is an honor to have you before us today. And I really look forward to hearing from you.

STATEMENT OF MIKE MONNAHAN, PRESIDENT, THE BLUE STRAWBERRY COFFEE COMPANY, CEDAR RAPIDS, IOWA

Mr. MONNAHAN. Thank you.

The Blue Strawberry Coffee Company was established in 2003 as what has been referred to as a ground-breaking establishment preceding the revitalization of downtown Cedar Rapids. Over the last five years, it has become an icon in the downtown district and a must-stop for visiting politicians, performers, and tourists alike. The local business community has embraced it and voted it the Corridor's best coffee house for business meetings. As a result of the Blue Strawberry's success, other establishments have ventured into the downtown district.

On June 11th, 2008, the City of Cedar Rapids was devastated by an unprecedented flood, magnanimous in scope. I was cynical at first, assuming that the water would crest far short of 118 2nd Street and believed I would be back in business brewing coffee and making lattes within a few days. After all, we were not in the so-called 500-year floodplain.

I soon realized that the situation was going to be much more serious than I had imagined. Now, more than three months later, we are still out of business and awaiting the renovation of the building we used to occupy.

When I fully realized the extent of the damage and the amount of time and money it would take to rebuild, I began to weigh the options. Bankruptcy was an obvious choice. However, I ruled that out rather quickly given the fact that the Blue Strawberry had been a vital part of the downtown community and its presence was an important part of the rebuilding process. The business had been profitable, and I was not willing to throw five years of hard work down the drain.

Consequently, I made the decision to look seriously at rebuilding the Blue Strawberry. In doing so, I had to look long and hard at the financial position of the company.

Not only had I lost nearly all of the equipment, inventory, furniture and fixtures, and improvements associated with the flooded location, I also lost all the equipment and furniture from another recently closed shop that had been stored at the downtown site. I was now faced with two outstanding bank loans, no collateral, and no means to make payments on those loans. In addition, there were other outstanding payables to vendors.

Because of this significant existing debt, I was reluctant to even attempt to borrow additional money. I was encouraged by my banker and others to at least apply for an SBA loan amid rumors of pos-

sible grants and/or forgivable loans for those who participated. With this in mind, I submitted my paperwork.

The individual assigned to verify and asses the damage was in contact with me immediately and made his on-site visit shortly thereafter. I received word approximately two weeks later that my loan was denied.

After a brief discussion, the loan officer re-evaluated the application and approved a loan for around $107,000 at 4 percent over a period of 19 years. This amount was about $50,000 less than what I had requested based on the damage assessor's conclusions.

Unfortunately, when the paperwork arrived, there was an error in the listing of officers of the company. I had noted the change on an addendum filed with the application, but it had been overlooked. As a result, the paperwork had to be resubmitted.

I received my final loan package about two weeks ago. The amount of the loan was reduced to $102,000 because of a $20,000 grant and forgivable loan I had received from the city's recovery fund.

Throughout the process, the individuals at the SBA that I dealt with at all levels were helpful and seemed eager to make things happen as quickly as possible. That is not the case with many other applicants that I have talked to.

Some are still awaiting word on loans submitted in July. Others are puzzled as to why they have been turned down. And many who have been approved can't understand why the SBA interest rates are higher than those available at local banks.

The frustration level is high. I hear again and again that we don't need more debt, we need grants and forgivable loans. People are upset with the lack of attention the disaster is receiving from the government.

The situation is serious. As one businessman put it, "Just as a beach is many grains of sand, a local economy is many small businesses. Wash away the sand, and there is no beach." I think the analogy is clear.

Thank you.

[The prepared statement of Mike Monnahan is included in the appendix at page 73.]

Chairman BRALEY. Thank you, Mr. Monnahan.

Our next witness is someone I first met on a junior high basketball court in North English, Iowa in 1970. He has done a great job as the Executive Director of Business and Community Services at the University of Northern Iowa.

It is my pleasure to welcome Randy Pilkington to the Committee. His office has provided integrated approaches to meeting the needs of businesses, entrepreneurs, and communities throughout the State of Iowa in his special capacity assisting small businesses all over the state through the University of Northern Iowa.

Welcome, Randy.

STATEMENT OF RANDY PILKINGTON, EXECUTIVE DIRECTOR, BUSINESS AND COMMUNITY SERVICES, THE UNIVERSITY OF NORTHERN IOWA

Mr. PILKINGTON. Thank you, Chairman Braley and Ranking Member Davis, for inviting me here today to talk to you about some of the disaster recovery.

My role at the University of Northern Iowa is in business and community services. That is an umbrella group for all of our economic development, small business assistance, and tech transfer programs.

After the floods and the tornado in Parkersburg, we immediately started to work with some of our business and community services programs, dedicating literally hundreds, if not thousands, of hours over the summer, over the last four months.

Through on-site meetings with businesses, through on-on-one counseling, and through at least 1,000 phone calls, we estimate that 1,200 small businesses were impacted just in our part of northeast Iowa. And that is just in the First District. Really, it's one county around Blackhawk, so 1,200 small businesses that were impacted during that time.

The focus of my presentation really relates to those companies, even though I think by the presentations today it is reflective of what happened throughout all of eastern Iowa.

In the short-term recovery process, there were critical financial needs right away within the first 30 days after the floods receded. There were mortgage payments that were still due or at least payments that were still due. There was payroll to meet. There were utility bills that were still due for our small businesses. And I think you captured that.

Some of the smallest companies probably suffered the most. And they had layoffs. They had delinquencies in their payments to their commercial loans.

And keep in mind many of these individuals also suffered personally. They had floods or lost their home in a tornado. So the business people not only lost their businesses, but they were dealing with these disasters in their personal life as well.

Longer-term, the reopening of many of those businesses is still in limbo. Unfortunately, many of our small businesses, especially those smallest businesses, are waiting for some type of word from the state or from Congress on what help can come because the help that has been offered so far is unacceptable to them and won't put them back into business.

Those businesses that went back into business right away had the wherewithal to do so because they had cash flow or they were larger or had assets. So they put together an alternative plan quickly, as Mr. Tully did, to find an alternative location to quickly get back into processing or get back into business of whatever their business might be. But, really, there were very few companies that did that. The smaller firms, those with fewer than ten employees, we estimate that 50 percent are still not back in business in our area alone.

So what worked well? Well, first of all, there was very good coordination and communication between federal, state, and local leadership—that worked very well—good communication between

the SBA, our Small Business Development Centers, and our local economic developers. So that communication line was open and frequently happened.

At the risk of sounding like I am tooting our own horn, we had a program that worked very well at the University of Northern Iowa called MyEntreNet. MyEntreNet is an entrepreneurship delivery system that puts entrepreneurs in touch with the information they need, the capital they need, and the resources they need in a quick basis.

We touched about 700 out of those 1,200 businesses within the first 30 days after the disaster, learning more about what their needs were. Because of MyEntreNet, we were able to deal with these entrepreneurs faster and to find out what services and products really were working and what improvements were needed.

We had a very good working experience with the SBA staff. The SBA staff were on the ground after the tornado and after the floods almost immediately working with businesses. Unfortunately, the products they had to offer were not what the businesses wanted. They found themselves standing in front of angry crowds of businesses, offering a debt tool, a debt structure, a loan, when, in fact, what these companies needed was something completely different. Therefore, it was quite the struggle.

And I know my focus is to be on SBA, but I just want to say a couple of sentences about FEMA. While the FEMA staff were good people, even in the first disaster in Parkersburg, within the first week, they were transferred out. They became a transient group of individuals working with these communities and businesses, led to miscommunication, misinformation, missed meetings, and ultimately were told to call the 800 number, very angry small businesses as we put this all together and look at the summary, quite a bit different in the attitude toward the SBA. They were very helpful. It was just the product that was not sufficient.

In order to meet the needs locally, a Cedar Falls banker went ahead and created a 30-year term on a 2 and a half percent loan for $25,000, very patient capital. So here we had a private banker taking the risks that we really thought should have been taken by the SBA.

So what is needed as we move forward? Well, first of all, 80 percent of the small businesses in our disaster-declared counties in Iowa have fewer than ten employees. And they muddied through the summer. And here are in summary the three things that they asked for.

Number one is non-collateralized, forgivable capital. This doesn't have to be a large amount of money, but they need it immediately. They need it right after the disaster occurs, in that $25,000 to $30,000 range.

They need one-on-one time to talk to business professionals with that technical assistance that they need that can put them back in business and lead them to the resources they need. They get really tired of getting bounced from person to person.

And they need acknowledgement that their small business is as valued as those larger companies, many of which have already received state or local incentives and are back in business.

Those are the three items if we summarize all the 700 businesses that we have talked to. That is a little simplified, but I think if you came up with that first one, with that forgivable, non-collateralized capital, you could keep a lot of these small businesses in business.

Most of all, I think we need to change our focus and not expect all businesses to reopen. We cannot expect them all to reopen, but, at the same time, we ought to offer them an opportunity to reposition themselves in an entrepreneurial market and with economic assistance of some type.

Thank you.

[The prepared statement of Randy Pilkington is included in the appendix at page 75.]

Chairman BRALEY. Thank you.

Mr. Tully, I am going to start my questions with you. One of the things that we hear from a lot of people who were caught up in this disaster for the first time in their lives is that the initial response from FEMA, from SBA, and from other federal agencies created the appearance that there was a much greater understanding on the part of these federal agencies of the need to get out into the field, have resources available at the point of greatest impact and to start the processing of information that hopefully leads to eventual access to federal resources.

But what my staff and I have heard repeatedly is after that initial honeymoon period, the feel-good period, that a lot of people felt like they were getting bogged down in the process, that the ability to communicate with the agency in question was sometimes compromised by a lack of access to online resources because they have been destroyed in the flood or the tornado or an inability to get through to the person who was having decision-making authority over their own particular application.

I was hoping you could share with us from your perspective and from talking to other affected business owners in your community what you are hearing is the most needed type of assistance that is not currently being provided.

Mr. TULLY. I think your observations are correct. There was an initial honeymoon. Their communication with the press was very good. We knew what we needed to do, having never gone through it before up front, which was really good.

Once you get dealing with the SBA, things get a little slower. And by nature, maybe it has to get that way because you are dealing with a lot of technical financial information. And it takes time and effort to get all of that paperwork in order and understood.

By and large, the number one need is cash. We have got a lot of pressing need for cash resources right today. And that is probably the most pressing need right out of the gate.

Chairman BRALEY. Thank you.

Mr. Wilke, we had an opportunity to discuss some of the struggles you were going through as you were coming to the decision in the immediate aftermath of the flooding about whether to go forward with your business. And I had had the exact same conversation with a grocery store owner in Greene, Iowa the day before I got to Elkader.

One of the things that I am interested in hearing from you is how do you juggle the incredible burden of dealing with the initial disaster response inside your store, the displacement of some of your employees and your own family members from the flooding event in the community, the lack of access for suppliers to get into your store when they don't have any place to put their supplies once they get there, and creditors who are demanding payment for the goods and services you provide without any source of capital to reimburse them, and how that makes this process such a burden on individuals who are going through it at a time when it's one of the biggest crises they have dealt with in their lives.

Mr. WILKE. I think you just have to take one step at a time. You know, if you sat and thought about the whole thing all at once, you know, it would be a very unfortunate mental situation.

But I think what we did is we just saw the immediacy of what had to get done. And for the volunteers that came in, the first days were actually the easiest days because it was real obvious what was muddy and what was wet and things like that, the things that had to get taken care of and get taken out.

The deal about having to make a commitment, I personally would not go bankrupt. It would just be against my moral conviction to do that. I thought if I have gone in good faith to people, I owe them for what I am getting from them. And I think under the circumstances, they have to realize that maybe it would take me a little bit longer to pay for some of those things.

I only had one supplier that I had had a verbal commitment from the president that they were going to not run some ACHs through and they ran through anyway. And I called them. You know, I called the banker that said, "Hey, this had happened. Was it supposed to?" And they took care of it. Between that supplier and the banker, they postponed overdrawing us.

Those are things that, you know, come up. If you are working on one deal and here is the next one and here is the next one and right on down the line, I guess in my talk, that is why I had expressed that I really thought that there was going to be some assistance.

You know, we heard all of these FEMA stories about the residences getting a water heater, getting a furnace, or getting this or getting that. I honestly thought there was going to be something to help us tide over some of this immediate cash flow disaster.

I guess I was very disappointed for them to come and say, "Oh, you qualify for an eight percent loan." No thank you.

Chairman BRALEY. One of the things I mentioned in my opening statement was the fact that Congressman King and I had introduced the Small Business Owner Disaster Relief Act to amend the Stafford Act to address that shortage of cash in the form that we already make available to other people that are affected by disasters but currently don't provide to small business owners.

The purpose of this bill is to say, taking the same amount of limits that currently apply to small business disaster loans, making available an amount of cash to qualified applicants who can use it for the type of needs that you. And Mr. Tully, Mr. Bowers, Mr. Monnahan have been talking about how do you think that would affect business owners in the same position you found yourself in

having to make a decision about going forward with your business or shutting it down?

Mr. WILKE. It would definitely be a help. I mean, it just absolutely would because you have got the situation where you have structured your debt based on what your sales are going to be.

And, all of a sudden, one day you have got no sales. You have still got your payroll expenses. You have got to pay for this product that has now gone out in the dumpsters, you know.

And somehow you have got to make a decision right away, "Am I going to be able to make a go of this business and make a living for my family doing it or are we going to have to cut our losses and leave?"

And it would be one thing that would help you make a decision that, "Yes, I am going to keep doing this and earn my chance to pay taxes or am I going to be a financial burden to the system because, you know, 'Okay. No. I think I will take food stamps instead'?"

Chairman BRALEY. Thank you.

Mr. Bowers, a lot of people probably don't have a real understanding of what communities in Iowa are like and how they depend upon local small businesses as the lifeblood to provide them with essential goods and services, but you own a convenience store. And for some communities in my district, the convenience store is the only place where a resident can buy any type of groceries, the only place where they can buy gasoline to fuel their vehicles.

And, in fact, a good example of that is New Hartford, Iowa, which not only was hit with the tornado, the most powerful tornado in the United States this year, but less than ten days after the tornado went through, the entire town had to be evacuated because of flooding. And there were stories of homeowners and business owners who had their businesses destroyed, moved into town, and then had it flooded out.

So one of the things I would like you to share with the panel is how critical providing immediate disaster response is not just to the business owner but to the people in that community, many of whom are making decisions on whether they are going to stay in a community and rebuild or move away to some other community and how essential that is to the tax base of those devastated communities and to school enrollment and so many things that add to the quality of life of a city like Anamosa.

Mr. BOWERS. Well, as I mentioned in my speech or presentation, just the number of volunteers that come forward. And, as he mentioned as well, Mr. Wilke, those early days trying to decide what you are going to do, most of us kind of get into an automatic mode and you just start doing it without a lot of thought about how it is going to work, how you are going to pay for it. You just start cleaning and start the process. And all of the volunteers come forward and do all of this.

The volunteers for the most part assume that you are getting aid somewhere. They assume that the government is going to come in and help. Over and over again I had the questions about "So if FEMA helping you take care of this? What is FEMA doing?"

"Well, FEMA isn't really designed for businesses."

"So where are you getting money? Is SBA helping?"

"Well, at this point we really don't know how it is all going to work out. A lot of questions remain. You don't want to jump through hoops too soon because what is going to come later. Is there going to be—there are just so many unknowns." And that is what would help a business, is clearing those things up in the early stages so you know what is going to be available, what do you have to do, how much is it going to be, what can happen to make it work.

The community, the people in the community I don't know, really, how they would respond if I closed my doors now after they spent six weeks working there.

The reason my sales are back up to what they are is because the only other convenience store in town is a KC's. And here you don't know what they are, but they are a local Iowa-based convenience store chain, I think around 1,200 stores. In small town Iowa, a lot of people want to do business with the local.

This store has been there three generations. And although we are not the owner for three generations, just a year and a half or so, they want to see us succeed. And that is where the help comes from. You develop relationships. We are the only convenience store around that has tables off in an area for people to come in and have coffee.

It is the local coffee clubbers that I give the cup of coffee to for a quarter. You know, kind of begrudgingly, if they are getting that quarter coffee, that really saved us. It kept us from spending a quarter of a million dollars, which there is no way we could have done that.

I guess in the very early days, you are thinking a quarter of a million dollars and how is this going to work. But, again, you just go through it. And everybody comes alongside you from the community.

I want to emphasize that I don't think Anamosa is unique to that. I think in Cedar Rapids or any other city, you have your unique customers surrounding that store. In a small business, the small business owner develops those relationships. I don't know if that is so much the case in the bigger chains, but in the small business owner, where you are the owner/operator, you develop those relationships with those locals and you become a part of their everyday life.

You know their kids. You know what is going on in their life. They know what is going on in your life. And that is really what community is. And that is what needs to be saved.

What happens in those early days I think is crucial in helping make a determination. In our case, it was primarily we put a couple of major suppliers with their agreement, ACH accounts. They agreed to not do anything for a while. That allowed us the cash to keep moving forward to get things done that needed to be done. But how much easier would it have been had we had some assurances along the line from SBDC consultants that can be there to help when you need it.

I guess that is kind of where we are now. We are at the point now we have got to figure out how to pay for all of this. We have got to figure out how to put it all together financially.

It is a big deal in a small community. It really is. I mean, the people of Anamosa, this is big news. Cedar Rapids TV station met us at the airport, 5:00 a.m. yesterday morning and did their live remote there for the 5:00 news, did a segment for later in the day, followed us, videotaping our bag as we are heading down to get on the airplane. It is a big deal to the smaller communities.

Chairman BRALEY. Well, it sounds from all of your testimony like there is an enormous multiplier effect because so many of these core anchor businesses in a small community are viewed as hope by the people who are going through their own crises in their personal lives when they lose their home and they wonder whether they are going to stay in a community.

But if they see that convenience store or that grocery store or that bank reopen and say, "We are staying here for the long haul," then that money that gets to them and provides that hope early on in a disaster helps rebuild the spirit of a community and in some cases may determine whether a community thrives or does.

Mr. Monnahan, you have had the experience, I am sure, that not only are you dealing with your own business struggles from the devastating flooding in Cedar Rapids, but your client base in the downtown area includes many other small businesses, people who work and live in the downtown area.

So I imagine you hear a lot from people in addition to just the specific needs of your own business in responding to this disaster. And if you could share with us how that has affected some of the business decisions you have made and how that interacts with the funding issues we have been talking about with SBA?

Mr. MONNAHAN. Sure. Well, I have talked with the people that are involved in the reconstruction effort in the building. They have volunteered to me that hands-down, the first question that they are asked when they are approached by anybody on the street is, "Is the Blue Strawberry coming back?" And that speaks volumes.

And recently a lot of the larger companies have moved into the second floor and above offices in the downtown area. And I just spoke with some last week, and they are lost. There are no services downtown right now. So it is almost like a morgue down there at times. And it used to be such a vibrant environment and atmosphere.

You try not to let the emotions and the ego enter into your business decision to go back into business, but obviously there is a lot of pride in what everyone here has done as a small business person and the end result. It does play into your decision. And when you have all of these professional people and businesses in your downtown location really encouraging you to come back, it makes a difference.

And the financial thing, I have at this point put my SBA loan on hold. I have decided not to take on additional debt. I am going to reopen, but it is going to be in a different form with additional investors unless something comes along in the line of the forgivable loan or grant.

Chairman BRALEY. Thank you.

Mr. Pilkington, one of the things you mentioned in terms of your recommendations was the need for non-collateralized, forgivable capital. I assume that that is similar to what we are talking about

with the disaster assistance bill that I mentioned earlier in my testimony.

Mr. PILKINGTON. Yes. Congressman Braley, I commend you and Congressman King because you are right on with what is needed for these small businesses. If you can buy time for these small businesses with that $28,000, you are giving them some means to move ahead and have some hope of reopening.

One thing we haven't really talked about—and I don't know how you work this in, but there are a lot of small businesses that are suffering that didn't go through the flood. But they are suffering because so much of the other businesses in the community have been damaged. So the ripple of this is much more than just the numbers we have kind of told you, 1,200 here, 1,300 here. It is much more substantial than that.

And so we need to get these small businesses back and operating. And the forgivable loan, the grant, whatever we want to call it, is critical. We don't want to call it a grant because then it is probably taxable. But if it is a forgivable loan, it is a little better for their structure.

Chairman BRALEY. Somewhat about what we are talking about doing with Wall Street this week.

Mr. PILKINGTON. Yes, yes.

Chairman BRALEY. I think there are a lot of us in this room who think that the people on Main Street deserve just as much attention. The collateral and combined impact of the small businesses in this state and this country who were impacted by a variety of disasters has an enormous ripple throughout our economy. And I think that it is time that we start looking at some of the critical needs that come up over and over every time there is a disaster of this magnitude because this isn't the first time we have heard about the need for available cash.

And, with that, I will turn it over to the Ranking Member.

Mr. DAVIS. Thank you, Mr. Chairman. Thanks, everyone, for their testimony. I know you have been through some amazing things this year. Thank you for your fortitude to continue on, to continue down the line that the Chairman was just talking about.

If you look at the things we are talking about on Capitol Hill this week, some of those are somewhat manmade. The things that you went through this year are natural disasters and no fault of your own. And we understand that.

I have been a small business owner myself for about 20 years. So I know what it is and the impact that it has on the local community.

You have made decisions in your own businesses over time. I know there is a place for government to come in and help. But I am just going to ask all of you, did you have flood insurance in your business? And did flood insurance work in your businesses? We will just go down the line.

Mr. TULLY. Yes. We did have flood insurance, and it did work well for us.

Mr. DAVIS. What role did it play? And did it come in more quickly than the SBA? And what role did SBA then take on to help fill the gap that the flood insurance didn't cover? Help me understand that. We will just talk that through as we go down the line.

Mr. TULLY. Yes. The flood insurance, we actually were paid, if I remember right, about a month after the flood. Our flood insurance made a payment to us.

And then, of course, the SBA loan documents are derived so that any proceeds you get from insurance are deducted from the loan amount. So you have to wait and make a lot of decisions because you don't know what a decision today with the SBA is going to affect tomorrow. So that is kind of a complication.

Mr. DAVIS. Okay.

Mr. WILKE. We did not have any flood insurance. When we asked about it years ago, they said that we were not in the floodplain. At the time I was only hearing bad comments about it. You know, it was people thought that they had been paying this premium along and they had a problem. And when they end up getting their settlement, their settlement wasn't anything what they were expecting it to be.

I know from the current flood, I heard the story from a business in Elkader that they had flood insurance. They had to get it because of their loan at the bank. And when they went to get the amount, they were only getting paid for the physical damage to the building. Well, the problem that they had was most of their value was in their inventory and in their tools and different things they had.

So they were in a world of hurt thinking that they were going to get some money back to compensate for trying to get them back in business. And all they were going to pay for was sheetrock.

Mr. DAVIS. Following down that line, is there something that needs to be done to fix that program to make that better so it covers reinventories?

Mr. WILKE. What I ended up this time after the flood, I did get some insurance. We have our local insurance agent, you know, brought choices to me. And we went over what the different possibilities were. And I made sure after hearing that guy's story that my policy includes a certain dollar amount for content and a certain amount for the business.

The problem is that it won't be enough for me to go back into business. It would be enough to help to dampen the damage, but I can't take that payment and be up in business again. And if you went to a value that high, they have to split it down. They can only go up to a certain dollar amount or you have got to get an additional policy. So then you are paying on two different policies.

And I just said, "Okay. I will just go the maximum that I can for the one policy. And I will have to be my self-insurance again." And that is really going to be a problem this time because before I owned everything.

Everything that went out into the dumpsters and everything, that was something I have already paid for. Okay? Now I have got a loan to put that stuff back in. So if I have got to pay on the loan and then I have to pay to try and do it again—that is why I started my talk with saying please fix our bypass, you know, because, boy, if we had it again, it is going to be a lot worse in Elkader the second time than it was this time because with that flood wall gone and a lot of those historic buildings at risk and the chance of it

happening again, it is not a good deal. You know, we are going to need some help in that.

Mr. DAVIS. Is FEMA working on that for you? I know you have got some great members of Congress, and they will be working with you. But has FEMA talked about fixing—

Mr. WILKE. I haven't been in the committees when they have talked about it, but I am sure that there are enough people in Elkader that want it said. And I know they had a lot of people on Main Street wanting me to mention it when I came. You know, you know, just try and make it on the front burner a little bit because it is not a deal that we can wait two, three years. It is something that we need to have help soon.

Mr. DAVIS. And it would save taxpayers dollars in the future if they fix it before the next flood. And you have got some great members who will take care of this.

Let's go on down the line.

Mr. BOWERS. No, I did not have flood insurance. I did check into it in April, when the water levels were high up there at that time as well. It wasn't near flood stages for us, but it was high.

I was told by the insurance agent that we use that they basically divide it up in A, B, and C levels. And my store is in C level, which is the same thing as all the rest of Anamosa. And for me to add it to my insurance was almost $1,000 a month.

Now, why would I add something at $1,000 a month that all of Anamosa is in the same class as me? So it is never going to happen. A month and a half later, there they were.

Mr. DAVIS. Thank you.

Mr. MONNAHAN. I did not have flood insurance. And I have talked to maybe one person in Cedar Rapids that did have it, one business person that did have flood. I don't think anybody did. And we were in the 500-year floodplain. So there was really no incentive to pay that extra premium for insurance. It was never mentioned, in fact.

Mr. DAVIS. Do you think that is something that the community is taking a look at now, the business owners that you know? Do you think it is on people's minds now, maybe we are going to need to go back and take a look at that as an option?

Mr. MONNAHAN. Definitely.

Mr. DAVIS. Mr. Pilkington, if I could ask you a few questions? What type of technical assistance did the business community services outreach program provide the small businesses after the flood?

Mr. PILKINGTON. They did through the MyEntreNet, which is part in person and part technology. They did daily webinars. So the webinars would be at noon every day. There would be a different topic from working with SBA to what do you do with damaged inventory to those topics that small business wanted. And then they started them at night as well. They hosted a series of meetings. And then they just did the one-on-one counseling with them.

So that was the type of assistance to reach as many of those individuals as we could. And we also connected other service providers. We had someone from every SBDC office in the State of Iowa come to our area in Parkersburg and New Hartford first because that was before all of the floods happened. And we had somebody from the entire state.

We rallied as many resources as we could into our part of the state, which were no cost to the small business person. We kind of led that effort.

Mr. DAVIS. Is MyEntreNet unique to your area? Is it—

Mr. PILKINGTON. Yes. MyEntreNet was a program that was created because we found we couldn't serve remote rural areas the same way we serve a Cedar Rapids, a Waterloo, or a Des Moines. And we needed to be able to reach out to those rural communities and provide them the same level of business counseling guidance and also to help create a supportive structure for entrepreneurship.

And MyEntreNet does that. It creates a system in a community. Elkader has that type of system, where they have a supportive structure for entrepreneurs. They match them with the capital. They also put them together with the resources they need. And then it is a networking. So that it is entrepreneurs working with entrepreneurs.

So it is much more than just an online program. It is the combination of a complete structure. If you think of it, it is a connector. It connects the entrepreneur to what they need or to the expertise or to the type of capital they need.

Mr. DAVIS. I would think you didn't develop that for a disaster.

Mr. PILKINGTON. No. We developed that in 2003 just because of remote rural areas not being served.

Mr. DAVIS. Is that something you are willing to share or have thought about sharing with the rest of America? It sounds like it worked beautifully.

Mr. PILKINGTON. We just presented at the American Small Business Development Council, National Small Business Development Council. I believe it was two weeks ago in Chicago at their national conference. So that has been spread around the country. It is in 14 counties formally in Iowa.

And with the disasters, we think the next thing that should happen is there are 35 counties in the State of Iowa that have businesses. At least 80 percent of their businesses are less than 10 employees. We should get MyEntreNet into those counties as quickly as we can.

Mr. DAVIS. How do we do that?

Mr. PILKINGTON. Just need some resources. Because it is so efficient, we would put these into pods of six so a pod of six counties would get one staff person. And they would manage six counties and run a MyEntreNet system. So you could do this with three, four, five people with what we have right now and really have an effective system to meet the needs of many entrepreneurs around the state.

Mr. DAVIS. How did that program work with SBA and FEMA and other government agencies? Were you able to pull them in and make them part of the program?

Mr. PILKINGTON. SBA was very cooperative. They learned right away what the resource was. They were very good collaborators. They tried hard. They were good people. The problem was, once again, it was their product. And the staff members who were on the ground didn't have much choice in offering any other alternative products.

Mr. DAVIS. Was the university affected by the floods

Mr. PILKINGTON. Not our university. The University of Iowa was severely impacted by the floods. We were quite fortunate.

Mr. DAVIS. You were far enough away that—

Mr. PILKINGTON. We were high enough ground. We are the highest point in Blackhawk County.

Mr. DAVIS. Okay. One thing I have heard through all of the testimony is you needed the cash and you needed it quickly. One of the things that was included in the farm bill was $25,000. And that was in the recent changes.

The disaster loan program provides businesses with an opportunity to quickly obtain an immediate loan of 25,000. Would that have helped many of the small businesses affected by your area if it had been available? It wasn't available during the floods, but it happened fairly quickly after that. It would have been helpful.

Mr. WILKE. Yes.

Mr. PILKINGTON. Definitely.

Mr. DAVIS. That is something that hopefully will be available for you next time.

Thank you. And I yield back.

Chairman BRALEY. Thank you.

At this time I would recognize Congressman Loebsack.

Mr. LOEBSACK. Thank you, Mr. Chairman. Thanks again for doing this. It has been very helpful for me to listen to these stories. Of course, I have been listening to a lot of stories since June, as you might imagine, in the Second District of Iowa, Mike's, and many others.

I am just going to say thank you and ask if you want to say anything more, but before I do that, I just want to mention, Mr. Pilkington, I really appreciate those three points that you made. It kind of for me does summarize all of the things that I have been hearing from so many business owners, small business owners, you know, since the flooding began. So I really appreciate the way that you put it into those three points, the non-collateralized, forgivable capital, technical assistance.

I think that one-on-one idea is probably great for homeowners, too, obviously, who get passed around from one person to the—it is not that the individuals doing those jobs aren't doing great jobs, but the individual who gets passed around really needs, I think, that one-on-one assistance. It is difficult to do that. There is no doubt about it. It takes a lot of resources, but I think it is important.

And then just acknowledging that these businesses are valuable and that the owners are valuable, as Congressman Braley said, you know, in so many of these small towns, especially the convenience stores, I mean, they are the only store in town, the only game in town, if you will, in that sense.

And we live in Mt. Vernon. And Gary's is the grocery store there. And it is absolutely fantastic that it is there and it serves the community.

And, of course, the other point that you made, Mr. Pilkington, about other businesses, some businesses have actually thrived, as we know, in the rebuilding process, right? Some workers have thrived, the building construction trades, for example, because their labor, their services are in high demand right now. But many,

of course, many businesses have not because in some places, there has almost been a recession, if you will, as a result of the floods. And so I think we have to really keep in mind those other businesses that have suffered beyond those that were directly affected by the flooding.

I admire what you folks on the panel have done. I don't know that I could have done the same thing had I been struck by such a disaster. The worst thing that happened to us is that we had basement flooding related to groundwater, and I had to rip up two carpets from the basement and take them out to the curb. And that is nothing compared to what people in these towns went through themselves. But I am happy to be a proud original co-sponsor of the Braley-King bill, too. I think it is a great idea to try to deal with some of these problems.

I want to thank also the Chamber in Cedar Rapids for doing what they are doing to help people like Mike with that 20,000 or so dollars. A lot of the folks in these communities have stepped forward, but, as I keep saying, for all the things that we are doing for ourselves, we continue to need help from the federal government. And that is why we are doing this today.

So I just want to open up. I know that Congressman Braley and Congressman Davis have a lot of expertise in this area, and they have asked great questions. But, no offense to my colleagues, but sometimes we on these panels don't ask all of the questions that need to be asked. Therefore, you don't have an opportunity to say what you might want to say.

So is there anything else that you want to say that hasn't been elicited by questions? Yes, sir?

Mr. PILKINGTON. Just one thing, really two. First of all, it is not over. We have gone through the shock, and we have gone through the short term. But I am very concerned about long-term recovery. We have a lot of small businesses that are struggling and are trying very hard to make it. So we can't turn our back on them. They need continued assistance. The long-term recovery is really the key.

And the second part is to consider more of a case management approach. Rather than getting a different person at SBA or FEMA, if we could have a more of a case management approach? You wouldn't see a different banker every time you went in. And I think we need to take a look at the way that assistance is provided.

Mr. LOEBSACK. Thank you. Any others who would like to say anything?

Mr. WILKE. I think I would just dovetail a little bit of what you said because he had mentioned that their business was up. Since the flood, we have not had one week that we have been up. And I do wonder what it is going to be like coming into the holiday season when you have got that many homes down there that don't have windows and doors.

We could potentially have it worse. I mean, we have sat here and say, yes, it was a mess to clean up from the flood, but if we have a few homes down here that people want to live there and then it's right next door to someplace that looks really tacky, you know, that is not going to be a draw for our community.

Our community is a very historic place. It has got a lot of places on a national register. And it has been a great destination for campers. We have got two good campgrounds.

And the people that I have talked to virtually unanimously want to restore it to the way Elkader was. You know, get it back up and going the way that it was. And we do need some economic stimulus to get that jump-start going.

You know, use the paddles on us a little bit right away because we want to keep beating. You know, it is not that we want to stay on life support. Okay? But we need a little shot right away, you know, to get it going.

Mr. LOEBSACK. Can I ask a question about Elkader because you have a connection? Is it to Morocco or Algeria?

Mr. WILKE. Algerians.

Mr. LOEBSACK. Elkader.

Mr. WILKE. Yes. And they came through with some—

Mr. LOEBSACK. That is what I was going to ask because—

Mr. WILKE. Yes. They did.

Mr. LOEBSACK. —obviously the National Czech and Slovak Museum in Cedar Rapids is going to benefit from some assistance from the Czech Republic. Okay. Good. I am glad to hear that.

Mr. WILKE. Yes. Yes, they did. It is from the president of the country.

Mr. LOEBSACK. It is a beautiful town. I have been there many times.

Mr. WILKE. A certain dollar amount is split up between the businesses and certain amount to split up between the homeowners. It was nice. I mean, it wasn't a lot, but it was a nice, very nice, gesture, very appreciated.

Mr. LOEBSACK. That is great. I am all in favor of getting assistance wherever we can get it. And so I know it is wonderful. Thank you.

Well, thank you, Mr. Chair. I will yield back. Thank you.

Chairman BRALEY. I think that last comment really drives home the fundamental point that I saw everywhere I went in my district and I am sure Congressman Loebsack, too. And that is that we are all in this together. And it is not just people in Iowa who are in this together. It is people in Iowa and Tennessee and Houston and Florida and California.

And the best way I think for me to close this hearing is to share a story that happened to me. And, to put this in context, we had the most powerful tornado in the United States this year hit my district that hit the communities of Parkersburg, New Hartford, Dunkerton, and Hazelton. Less than ten days later, we had epic flooding on every inland river in our state.

As I was flying back to Washington, at the beginning of the flooding event, I flew over on my way from Waterloo to Minneapolis the Town of New Hartford, which had been devastated by the tornado and was completely under water. And I knew I was going to be coming back right away.

I spent two nights sandbagging on the Cedar River. And I was in a neighborhood over on the east side of Waterloo along Lafayette Street—Randy, you know right where this is—with my city council member. And we finished sandbagging in one area. And we were

told we had to get down to another area two blocks away. And to get there, we had to walk through waist-deep water. And it was getting dark out.

So we walked down there. And I started handing sandbags to a 14-year-old boy, who was putting them around the base of his grandmother's home. We got done sandbagging her house, and we walked out into the streetlight. It was dark now. And he looked up at me, and he said, "Are you Bruce Braley?"

And I said, "Yes."

He said, "You are my congressman?"

I said, "Yes."

He ran off, and he brought over two of his friends because he could not believe he was out sandbagging with his congressman. And that to me was all the motivation I needed to come back to Washington and keep telling this story over and over and over because people aren't looking for a handout with no strings attached. They are looking for a temporary hand up to keep their business open, their home open. And one of the biggest problems we saw was people who were so desperate to get back into their homes that it was sometimes creating a safety risk for the people trying to deal with the immediate aftermath.

I think the testimony we have heard today has been a great illustration of why small businesses do provide the backbone of our economy. And that is why we can see a ripple effect throughout these communities when we take the time to help them in their time of need.

So I want to thank the Ranking Member for his insightful comments. I want to thank my colleague from Iowa Congressman Loebsack and the great work that the staff did today to prepare for the hearing.

And I also want to make sure that as we move forward, people don't forget the stories that we heard today because we seem to have a mentality in this country that the disaster of the day is all we see on television. And once the flooding recedes and the torn buildings are removed, everybody forgets about what is happening.

But to all of you, every day this is part of your lives. And we want to make sure we are doing everything we can to respond to your needs. So thank you all for coming.

I ask unanimous consent that members have five legislative days to enter statements into the record. Without objection, so ordered.

I want to thank the witnesses again for taking time from your lives when you are dealing with the aftermath of all of these problems and coming to share your stories.

And, with that, our hearing is now adjourned.

[Whereupon, at 5:06 p.m., the foregoing matter was concluded.]

STATEMENT
of the
The Honorable Bruce Braley, Chairman
House Committee on Small Business, Subcommittee on Investigation and Oversight
"SBA's Response to the 2008 Flooding in the Midwest"
Thursday, September 25, 2008

(Gavel)

This hearing on the SBA's response to the 2008 Midwest flooding is now called to order.

In today's era of modern technology and abundant creature comforts, it is easy for Americans to feel beyond Mother Nature's reach. But the truth is that we are not. In my own home state of Iowa, we are keenly aware of that fact. This past spring and summer, a series of storms and flooding tore through the entire region. And while much of the nation's focus has since shifted to the aftermath of Gulfcoast Hurricanes, Iowa and the rest of the Midwest is still recovering.

Natural disasters do more than knock down trees and level houses--they devastate local economies. In addition to considerable human costs, the flooding in Iowa wreaked serious financial havoc. In fact, the damage is expected to rank amongst the costliest in our nation's history.

Preliminary estimates show that the destruction in my state alone will cost tens of billions of dollars. SBA's Disaster Assistance Program has helped Iowa to weather some of this financial storm. However, much still remains to be done. In this afternoon's hearing, we will evaluate SBA's response to the Midwest flooding, and address some of the program's limitations. We will also discuss other potential avenues for recovery assistance.

It is estimated that between 40 and 60 percent of businesses fail to recover from natural disaster. This is largely because the cost of damage, when paired with lost revenue, is simply too great for most firms to sustain. In Iowa, for example, damages to small and intermediate firms will run upwards of 55 billion dollars.

While all businesses suffer from natural disasters, small firms are generally the hardest hit. This is primarily the result of a weakened ability to generate profits, paired with revenue gaps and a basic lack of capital. Altogether, 4,800 non-manufacturing small firms were affected in Iowa, while another 800 medium sized businesses suffered losses.

In the wake of natural disaster, SBA is trusted to dispatch a number of relief programs. In keeping with this charge, the administration provided Midwest businesses and homeowners with working capital and a number of low interest loans. As of the beginning of this month, SBA had issued 77,993 disaster assistance applications throughout the Midwest region. SBA has already granted 3,359 loans worth 222 million dollars to Iowans.

The administration has come a long way since the aftermath of Hurricane Katrina. But while SBA has managed to fulfill its standard policies in the Midwest, it is clear that the system is still flawed. Unfortunately, much of the money marked for Midwest relief is still tied up in bureaucratic red tape, out of reach for thousands of flood victims. What is more, nearly 10 percent of the rebuilding contracts were miscoded, and given to large corporations like Northrop Grumman instead of small businesses.

With these pitfalls in mind, I recently helped introduce the Small Business Owner Disaster Relief Act of 2008, and the Midwestern Disaster Tax Relief Act. Both pieces of legislation should be a critical first step in helping entrepreneurs get back on their feet quickly.

Small businesses are the glue that holds local economies together. When they suffer, entire regions suffer along with them. In the case of the Midwest floods, we are already seeing reverberations across the region. And while we are grateful for the assistance that SBA has provided, certain aspects of the system need to be reassessed. Meanwhile, more help is needed in the Midwest. It is critical that the rebuilding continue, and that our region's economy get back on track. In this vein, I urge both my colleagues and the President to pass additional federal assistance this fall, so as to expedite the release of already appropriated funds, and to help the Midwest finally, fully recover.

Opening Statement for Hearing on
Small Business Recovery from the Midwest Disasters of 2008
David Davis
Ranking Member
Subcommittee on Contracting and Technology
Committee on Small Business
United States House of Representatives
Washington, DC
September 24, 2008

"In 2005, Hurricanes Katrina, Rita, and Wilma devastated the Gulf Coast Region. No one disputes that the response by various governmental entities was inadequate. The failures included problems at the Small Business Administration – the agency tasked with providing disaster loans to homeowners and small businesses that are vital to the recovery of regions that have suffered natural disasters.

"Former Administrator Preston recognized that the SBA's disaster response operations needed updating and streamlining to ensure that the agency would become part of the solution to rebuilding communities suffering from disasters rather than a hindrance. Today's hearing examines whether the efforts of Administrator Preston and Deputy Administrator Carranza were successful.

"Earlier this year, floods devastated the upper-Midwest, particularly southeast Iowa. This represented the SBA's first test of its new disaster planning procedures in response to a large-scale disaster. I will be interested in hearing from our witnesses whether the SBA's response was adequate and whether any action by Congress is needed in providing the agency with appropriate resources to answer the call of those in need after a disaster.

"I know that the Deputy Administrator is very busy working on the response to Hurricane Ike. Given those very important responsibilities, I would like to thank Deputy Administrator Carranza from taking time out of her schedule to visit with us today."

Hon. Jovita Carranza
Deputy Administrator
US Small Business Administration

TESTIMONY BEFORE
HOUSE COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON CONTRACTING AND TECHNOLOGY
HEARING REGARDING
MIDWEST FLOODS

SEPTEMBER 24, 2008

Good morning Chairman Braley, Ranking Member Davis, and distinguished members of the Committee. Thank you for inviting me to discuss the Small Business Administration's work to help the victims of the Midwest floods rebuild their homes, businesses, and communities. The SBA is best known for our work with entrepreneurs and the small business community, but when disasters strike, we provide critical pieces of the overall, national recovery effort. This mission provides us with an opportunity to help those in desperate need, and from my personal experience with these events, I can tell you that it is one of the most important and consequential things that our agency does.

In the aftermath of the flooding and severe weather that began in the late spring and continued through the early summer, I personally visited the disaster area three times in my capacity as then-Acting Administrator of SBA. I saw the devastation first hand, but I also had the chance to see how SBA and, indeed, the entire federal government had learned from the painful lessons of the 2005 hurricane season. These lessons have led to reforms that have dramatically improved our performance.

Of course, this is little comfort to those whose homes and businesses were destroyed or to those communities that were devastated. The speed of our response and the skills and resources we deployed can not undo the damage brought by nature, and like everything government does, there is always room for improvement. But, in assessing the response to the Midwest Floods, I think that it would be helpful for the Committee to consider the contrasts between the situation in 2005 and the response in 2008. Because of the Administration's post-Katrina reforms and the bipartisan support of these efforts from Congress, SBA's disaster recovery performance has dramatically improved.

To put this into perspective, the goal for processing a home loan before Katrina was 12 days. As SBA grappled with Katrina applications, the actual time needed stretched to 90 days.

Today, the goal for processing a disaster home loan is 10 days, but in responding to the floods, the actual time has been 4.7 days.

Before Katrina, the goal for processing a business loan was 17 days, but in the hurricane's aftermath the actual time needed was 70 days.

Today, the goal for processing a disaster business loan is 16 days but the actual time is 9.1 days.

These more demanding goals and the fact that SBA's actual performance is eclipsing them is a testament to the seriousness and professionalism that our staff brought to reforming our disaster assistance program. Moreover, these reforms continue. On August 4, SBA introduced an electronic loan application, and while it was not available for the initial stages of the Midwest flood, it is currently in use and is capable of receiving 5,600 applications per hour.

The reforms and added capacity have allowed us to respond vigorously to the events in the Midwest. In financial terms, as of September 21, SBA has approved 7,145 loans for more than $358 million. Of these approved loans, 6,262 are home loans totaling more than $257 million; 855 are business loans for more than $98 million; and 28 are Economic Injury Loans for $ 2.4 million. More specifically, in Iowa, 3,446 loans have been approved for $230 million. This includes 2,889 home loans for $150 million; 541 business loans for $78 million; and 16 EIDL loans for $1.9 million.

The aggregate amount of loans is nearly double the $112 million in loans approved following the 1993 Iowa floods, and all of these loan dollars are now hard at work helping the people of the affected areas rebuild.

SBA is responsible for providing affordable, timely, and accessible financial assistance following a disaster to businesses of all sizes, homeowners, and renters. Many disaster survivors have insurance, which covers part or all of the physical property losses due to a natural disaster, but for disaster losses not covered by insurance, an SBA loan is the primary form of federal financial assistance. This financial assistance is available in the form of low-interest loans, and since SBA's inception in 1953, it has provided 1.9 million loans for more than $46 billion.

In addition to the financial assistance, SBA also provides direct technical assistance, outreach, and coordination with state and local officials. On June 24, SBA opened our Business Recovery Center in Cedar Rapids. Co-located with FEMA's Disaster Recovery Center, the center allows small businesses to work directly with our staff to learn about the available recovery resources and programs, receive counseling, and receive face-to-face answers to their questions. At our peak response, which occurred on June 30, SBA had 194 staff working from 67 centers in Iowa with coverage over 81 counties.

To make sure that citizens know about the help available to them, communication specialists from our Office of Disaster Assistance have been working actively with local media. They have provided more than 29 TV interviews, 34 radio interviews, and 62

newspaper interviews. Supplementing this media work, SBA officials have made more than 60 visits to Chambers of Commerce in the region to tell them about our programs.

On the coordination front, SBA participates in FEMA's Interagency Long Term Community Recovery task force, which is working with 10 of the hardest hit communities to provide hands-on technical assistance. Additionally, SBA is working with the Iowa Rural Development Council and the Rebuild Iowa Office to provide technical guidance to additional communities that were impacted by the floods. These efforts provide communities the opportunity to raise issues and connect with the local, state, federal, non-profit, and private sector resources that may be able to assist them.

Of course, this vigorous response is possible because of the focused effort to reform and improve our disaster response in the aftermath of the 2005 hurricane season. Because of their scale, Hurricanes Katrina, Rita, and Wilma presented significant challenges. The cumulative damage was so extensive that the number of resulting disaster loan applications overwhelmed SBA's capacity to process them.

Today, by incorporating lessons learned and process improvements, SBA's Disaster Assistance Program and our sister federal agencies have overhauled the processes and response protocols. SBA is better able to process loans and provide better quality service to disaster victims. As SBA responds following a disaster, these improvements are seen across the country, including the Midwest region.

SBA's Office of Disaster Assistance has incorporated these enhancements into the Agency's Disaster Response Plan. The DRP was created to become a comprehensive "playbook" to ensure a broad scope of coordination, awareness, and support throughout the Agency.

Now I would like to explain in more detail how these components function together in our DRP and describe the reforms we have undertaken to improve them.

Following a disaster, recovery loans are a critical. For individuals, loans of up to $200,000 help those in the local community return and rebuild their homes. Moreover, businesses of all sizes are eligible for loans of up to $2 million to repair or replace any uninsured and otherwise uncompensated physical damage losses sustained during a disaster.

In addition to loans to replace property, SBA's Office of Disaster Assistance also offers Economic Injury Disaster Loans (EIDL) to small businesses, small agricultural cooperatives, and most private non-profit organizations that have suffered economic injury caused by a disaster. If a small business or organization is unable to meet its ordinary and necessary operating expenses, an EIDL loan can help by providing working capital to a business or organization until normal operations can resume. The maximum EIDL loan amount is $2 million combined for both physical and economic injury.

To administer these loans, we have revamped the post-approval procedures. To improve loan closings and fund disbursement, we created case management teams with staff from each key area, such as loan processing and legal. The emphasis is on customer

service and accountability, with each approved loan assigned to a team and an individual case manager.

Also on the administrative side, we have increased the Disaster Credit Management System's capacity from 2,000 to 12,000 concurrent users; expanded our workforce to include over 2,000 reservists along with enhanced training and quality assurance to ensure consistent adherence to policies and procedures; expanded infrastructure including 200,000 square feet of surge space and equipment; and better coordinated non-disaster field staff and improved harmonization across disaster center operations.

These programs and reforms directly support SBA's primary role in the overall federal response—providing disaster recovery loans. But, in addition to its disaster loans, SBA also helps small businesses recover from disasters through its guaranteed lending, technical assistance, and government contracting and business development programs.

In government contracting SBA coordinates with FEMA, the Army Corps of Engineers, and GSA to ensure that small businesses receive their share of federal reconstruction contracts. These efforts have paid off. After the Midwest Floods, small businesses received 77 contracts representing 34 percent of contract dollars awarded. The vast majority of those firms were from Iowa, Missouri and Illinois.

Under SBA's DRP, we leverage existing resource partners, namely, Small Business Development Centers, Women Business Centers, and SCORE. These partners help with local outreach as well as collaborate to distribute disaster recovery training materials and information to small businesses and non-profit organizations in the impacted areas. SBA and its resource partners have a longstanding reputation for providing management and technical assistance to businesses, and these resources are available to businesses recovering from a disaster. We strongly urge those in need to access these services by contacting their local SBA chapter.

Finally, I would like to describe SBA's progress in implementing the provisions of the 2008 Farm Bill that bear directly on our Disaster Assistance Program. A number of these provisions, in fact, were already in operation, and we welcomed the codifications or expansion of these reforms. Specifically, we are talking about the Disaster Response Plan, regular reports to Congress, and other reforms instituted by SBA and then codified through the Farm Bill. Here, I would like to highlight the position of Chief of the Executive Office of Disaster Strategic Planning and Operations, a position created during our reform efforts and codified under the Farm Bill.

In June 2008, Admiral Steve Smith (USN, Retired) was named Chief of the Executive Office of Disaster Strategic Planning and Operations (EODSPO), where he will continue to develop and implement institutional changes to SBA's disaster assistance program and be responsible for ensuring a high state of readiness.

For those provisions of the Farm Bill that augmented our ongoing efforts, SBA has been working to quickly and effectively implement these features as a part of our

overall Disaster Recovery capabilities. To date, the following program enhancements have already been implemented:

- Non-collateralized loan limits for physical disaster loans have increased to $14,000 from $10,000.
- Loan caps for businesses have increased to $2 million from $1.5 million.
- Use of Net Earnings Clause in the first 5 years of repayment has been prohibited.
- Non-profit organizations are now eligible for Economic Injury Disaster Loans.
- And as I mentioned earlier, the electronic loan application is now available.

In closing, I want to thank the Committee for the opportunity to testify today. As I mentioned earlier, I have visited the area three times in recent months, twice with you Mr. Chairman, seeing the damage first hand. I also had the distinct privilege of traveling to the region with Secretary of Commerce Carlos Gutierrez, and I participated in meetings, roundtables, and tours of the region with Iowa Governor Chet Culver, Cedar Rapids Mayor Kay Holloran, your colleague Congressman Dave Loebsack, and other state and local officials. My experiences give me a profound appreciation of the long-term consequences the floods will have, and I welcome the chance to answer your questions and describe how our recent reforms have dramatically improved our response. Thank you.

TESTIMONY BEFORE THE COMMITTEE ON SMALL BUSINESS SUBCOMMITTEE ON CONTRACTING AND TECHNOLOGY UNITED STATES HOUSE OF REPRESENTATIVES HEARING ON POST-DISASTER EXPERIENCE OF AERIAL SERVICES, INC. WITH THE SMALL BUSINESS ADMINISTRATION

September 18, 2008

Presented by
Mike Tully
President and CEO, Aerial Services, Inc.
6221 Chancellor Drive
Cedar Falls, IA 50613

Thank you, Chairman Braley, Ranking Member Davis and Subcommittee members for inviting me to testify. My name is Mike Tully and I am the President and CEO of Aerial Services located in Cedar Falls, Iowa. It is indeed an honor to be here and it is my wish that this testimony be constructive. As a United States citizen I have a deep concern that our government operates in a prudent and efficient manner so its constituents are best served. To this end I hope my testimony will contribute to the Subcommittee's oversight of the Small Business Administration's activities in disaster assistance.

Aerial Services is a geospatial professional services company that employs about 40 people and acquires aerial photography throughout this country. We provide maps and other professional services for government and private businesses. Our offices sit about one mile from the Cedar River in north central Iowa. Our business was severely impacted by the Midwest floods that occurred in June 2008. I would like to briefly relate our experiences with this disaster and describe our interaction with the SBA since the flood. I would then like to humbly offer my observations and recommendations for the SBA.

On Monday, 9 June 2008 after unusually heavy rains, we received word that the Cedar River may flood to record levels. We knew enough to heed the danger to our offices because in the last 15 years two prior "record" floods had occurred and had threatened, although never harmed, our facilities. This flood was expected to be much worse and a new record so we began to sandbag our building. We erected a 3' barrier wall around the office and were humbled to discover the next morning that the river had easily topped the sandbags and there were a couple inches of rich, dark, smelly Midwest river water in our offices on our ground level. Later that evening, water had risen inside the building to 3.5 feet on the ground level and just below the ceiling in the lower level. The Cedar River crested early Wednesday

morning and had not only destroyed our recently remodeled lower level and entire first floor, but washed out all vehicle access to the our offices and the surrounding area.

Our business requires a great deal of sophisticated computer technology, and fortunately, because we had ample warning, we were able to remove all of this equipment from the facility. However, everything else on the first floor and in the lower level (our kitchen, bathrooms, and storage areas) was destroyed. The building was declared a total loss by our insurance company... and yes, we did have flood insurance! The following day, on Thursday, 12 June, we were blessed to have found another unoccupied office and had begun to move our staff and equipment into our new temporary offices. Over the following six weeks we were able to run networking cables, add additional power and air conditioning to restore some order of normalcy to business in newly leased office space.

The day after being flooded, Thursday, 12 June, we registered with FEMA, received a case number and were directed to the SBA. This process was well advertized and went very well. By Monday, 16 June, we applied with the SBA for a loan covering physical damages and economic injury totaling approximately $2,700,000. On or about 30 June, less than two weeks later, the SBA called to inform us that they had processed our material and approved a loan for physical damage but had denied any loan for economic injury because they believed, due to an NAICS code filing error, that we were not a small business. (Aerial Services is indeed a small business and we were subsequently able to correct the error.) Additionally, the business loan and terms the SBA offered were unacceptable and confounding. The award was for $521,788 less any insurance proceeds for our destroyed office building, which in our case was $308,000. So the net award totaled approximately $214,000 at 4% interest to be repaid at a rate of $6,700 per month, or in about 33 months! No documentation was provided at that time to describe how the SBA calculated this amount. This seemed unreasonable and confounding.

On 5 July we decided to appeal but could not do so until after we received the "loss verification report" that showed how the SBA derived the loan amount and terms. It required two phone calls and two faxes to receive this report. Although time was of essence, the SBA did not send this using express mail and instead insisted using standard US Post. In fact, all of their correspondence, apparently, must be sent via US Post. The "loss verification report" arrived on or about 15 July. During disaster events, businesses often need to move very quickly to restore some sense of normalcy. Not allowing the use of expedited mail service did not help our recovery.

By 10 July we filed an appeal because all claims of economic injury had been denied. We also began writing to our state and federal representatives asking for their help navigating through the disaster recovery process with the SBA. On 17 July we filed a second appeal of the physical damage loan amount because we felt that the valuation of destroyed inventory and certain equipment was unacceptably low.

By 12 August we had filed the Small Business Size Determination (Form 355) to justify using the more appropriate NAICS code for our business and hopefully rectify the confusion about whether we were a small business and eligible for economic injury claims. Then, surprisingly, on 28 August after many phone calls and conversations with SBA representatives and our business manager, we were informed

that a new loan amount had been approved and that we would be given a business loan for a net of $474,800 with much more favorable terms (to be paid back over 20 years at 4% interest). The loan included approximately $418,000 for physical damage but only $56,800 for economic injury. But as with the first award, supporting documentation showing how these values were derived from our losses totaling in the millions of dollars was not included. Equally puzzling was the larger size of this loan compared to the first. Was the first award a mistake? Was the second, larger award influenced by our appeals to state and federal representatives? Why only $56,000 for economic injury when we documented far more?

Then, as recently as last Wednesday, 17 September, during one of many phone conversations with SBA representatives, we learned quite by accident that because Aerial Services had been "displaced" we may be eligible for a substantially different and more favorable loan. Although this sounds promising, we are disappointed that this, apparently important, detail was not discovered earlier thereby avoiding what will be more delay. This delay will negatively impact our recovery because we are unable to make definitive plans to replace our office facilities with additional commercial financing due to the lingering uncertainty with the SBA loan. Some decisions simply cannot be made until these financial vehicles are fully defined and in place.

Recommendations for the Small Business Administration

My recommendations for the SBA include the following:

1. Include with loan amounts all supporting documentation showing how damage assessments were evaluated. This will help minimize many questions and delays.

2. Allow the business, especially in disaster scenarios, the freedom to use the funds with fewer restrictions. Our SBA loan includes terms that require that the money be spent in for specific items. For example, a large portion of the loan must be spent to replace a destroyed asset. However, there are many legitimate business reasons, especially since our office facilities were destroyed, that it would not be wise to replace the lost assets or inventory with the same material. Our biggest need is a new building. Its replacement will probably cost at least three times as much as the insurance payout for the destroyed building. Restrictions on how the proceeds are spent can be burdensome and counter-productive to getting the business back up and thriving.

3. When economic injury is assessed, financial measures of injury other than disruptions of cash flow should be considered. It is our understanding based on communication with SBA representatives that economic injury determinations are based <u>only</u> on disruptions of cash flow, like increases in line of credit or delinquent accounts payable. But, because our revenues are mostly derived from long-term projects, our losses show up in our income statement as lost or delayed sales (billings) that may not be evident for weeks or months following the disaster.

4. Change the disaster loan application forms so pertinent details about the business (like "displacement") and anticipated loss can be flagged early on. It was only last week, after two

loan offers and 3 months after the disaster, that the SBA understood that our business was "displaced". This was apparent to us since the flood and we had no indication in any SBA material or in conversations with SBA representatives that this piece of information was important and would have a bearing on damage assessments.

5. Improve the responsiveness to small business concerns by facilitating rapid transfer of important business materials using modern methods like email and overnight mail. Time is of the essence in disaster recovery.

This concludes my recommendations for the SBA. We are thankful that the SBA and FEMA were in Iowa even before the flood occurred. The information necessary to apply for assistance was well advertized and very straight forward. We were pleasantly surprised and, quite frankly, impressed that the SBA presented to us loan documents within two weeks. Considering the sheer number of other businesses that were impacted by this disaster, this was impressive. SBA employees must have been working long hard hours to achieve this level of response. This was greatly appreciated and facilitates rapid business recovery.

Although we hope to achieve a more favorable consideration from the SBA with continued communication and clarification, we are grateful for the assistance we have received and are hopeful that these recommendations will contribute to even better government and smarter business after the next disaster.

Thank you, Chairman Braley. This concludes my formal remarks. I would be delighted to answer any questions from the Subcommittee members.

Committee on Small Business

2361 Rayburn House Office Building

Washington, DC 20514

Dear Committee Members,

I am testifying to the effects of the flood of the Turkey River on the 9th of June 2008 and to the government's response to it.

This flood was quite a surprise to the residents of Elkader, Iowa. Living in a river valley it is standard practice to watch the U.S.Geological Survey website for the river level forecasts. For the three days preceding our flood each day they were predicting a crest two feet below the town's flood wall. There were residents mowing their yards that afternoon, that did not have a home by midnight. Huge amounts of personal property could have been saved if the river level forecasts had been more accurate. They missed their prediction by more than seven feet.

I have spoken with many long time residents that attest to the fact that they never even had water in their basements prior to the highway bypass being built in the 1980s. The bypass transects the river valley, just downstream from our town, and has only two relatively small bridges for all the water to egress. During times of high water the highway bypass acts as dam and the water backs up and spreads out, putting the town at risk.

Elkader's problem that we need your help with is a man-made problem. Our highway needs more opening to get the water out faster. The existing flood wall was seriously damaged, because of the volume of water that backed up against it. It must be replaced, and replaced soon, because a second high water event will destroy already exposed buildings.

Elkader has developed into an attractive tourist destination, with many buildings on the National Register of Historic Places. We are the county seat and a proud Main Street community. Virtually everyone I have spoken with, residents and visitors alike, have a strong desire to restore Elkader to a pre-flood condition,

but we are quite concerned about what it might look like, after a partial FEMA buy-out of the residential area affected. Some residents have fixed up their homes and yards while right next door there are homes that do not have windows or doors and the mud and debris has never been cleaned up. If those home owners leave their properties, I would like to see that land available for a flood survivable housing development. It would be an even more devastating event for Elkader than the flood, to have our residential area be left in that appearance.

Personally, we own the only grocery store in town. I thought the water would be high, but it would just go by. By the time we realized the predicted crest was wrong, we started sandbagging. Our store is not in the flood plain. At 11pm we realized the effort was too little, too late. We did not have time to move any of our merchandise to higher ground.

The next morning, Tuesday, we had to quickly assess the damage, which was difficult, because everything was still four feet underwater, and as a family, make a determination on our course of action. This business has been in our family since 1867. We are the only Supermarket for more than 15 miles. Our store is the only source of income for 20 employees, as it is our families' only income. For these reasons we decided to open the doors and ask people to come in and help us get back on our feet. By late Tuesday the water had receded far enough from the front door that we could remove the sandbags and start to let the water out of the building. We each took shovels and "snowplowed" the water out of the aisles toward the front door, filling our dumpster with soaked product. Wednesday morning, at sunrise, we had our employees come to begin clean up efforts. Over the next two weeks they were joined by over 180 local volunteers removing damaged product, cleaning and sanitizing everything. Time was a critical factor for us. We knew that in order to save our building we had to act fast, before mold, mildew or things carried by the flood water had a chance to permanently damage our building. We had to call in professional builders to rip out everything in the building that was damaged by the water, as well as refrigeration people, electricians, computer experts and many other paid professionals. During this process, we had a professional cleaning company go over everything to make sure we would pass the health inspection. As a family,

we spent many 18 hour days working with no income, but still paying our employees and all the professionals who were at our store. We knew this financial commitment would be way beyond our resources, but at the time believed FEMA or another agency had a program that would help.

During the time of our clean-up I attended three meetings that explained the procedures for attaining assistance. They were open to all flood victims, but oriented only to residential needs. When a FEMA representative came to the store he had his handheld computer with him and started asking me questions. They were residential in nature. When I explained to him it was our business that was damaged, not our home, he said "Sorry my computer is set for housing questions" and he left. I went to a fourth meeting where FEMA had set-up stations where flood victims could fill out forms. At the SBA station, I asked the representative, "At these meetings I have attended, they keep referring to a 4% or an 8% loan. How do I know which interest rate I will be getting?" His response was-"Would you qualify for a bank loan?" I said "Yes". "Then you get the 8% loan". At that, I stopped filling out the forms. That was the ultimate insult to me. I have been a responsible citizen, taking care of the needs of our employees and our family, always paying our bills and taxes on time. Because of that positive ethic, I am given an interest rate double that of someone who is not fiscally responsible. A rate that is higher than any of the local banks charged at that time.

I have been asked many times by customers and vendors what assistance FEMA has given us, assuming we would have a package similar to the private residences. They are mostly shocked and some appalled that we are left out of the assistance.

I was not personally expecting the government to cover all of our families' losses, but I was expecting to be treated equally compared to the residential assistance offered. I also was expecting an interest rate and a period of time to pay that would soften the blow of our huge loss.

Perhaps our loss will not end with the flood of '08. Although we re-opened the store on a smaller scale just 10 days after the waters receded, much to the credit of our community and volunteers from across the state, the financial

impact of the flood is ever-present. Summer sales were down due to the flooding of the local campground, as well as customers relocating due to the loss of homes. We worked hard to re-open as quickly as possible to give the community of Elkader hope in a grim situation. We can only now hope, and pray that funding, and /or assistance become available so that the two dozen businesses, and more than 35 homes will not be added amongst the list of extinct Iowans.

Of the houses damaged by the flood, two are owned by employees of ours. We covered their paychecks during our clean-up, while we were out of business. We reopened as soon as we possibly could to insure their future employment. They received assorted federal assistance, we received nothing.

Respectfully submitted,

David W. Wilke

204 South Main St.

Elkader, IA 52043

563.245.2413

wilke@alpinecom.net

Don D. Bowers

September 15, 2008

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2357 Rayburn House Office Building
Washington, DC 20515-6315

Dear Committee Members:

I would first like to thank you for allowing me the privilege of telling our story and demonstrating to small towns in Iowa that our voices can be heard.

I will first explain what happened, then how we responded and finally, what I believe the SBA and/or Congress can do to help.

The flooding began in our town of Anamosa, Iowa, twenty miles Northeast of Cedar Rapids, on Thursday June 12th. It became apparent a couple days before that the rains weren't going to let up and the levy across from our store was not high enough. The city brought in many truck loads of clay and raised the levy several more feet. On that final day over 100 volunteers showed up to add sandbags to the top of the levy as well as help shore up the levies by the city's sewage plant, add sandbags along our store and a low area along the highway leading from the town. We went home that night and slept well, believing we had secured our business. It was hard to imagine what we would see the next morning.

That night brought more rain onto the already saturated land and overflowing river banks. A five inch rain fell into the Buffalo Creek and right on top of the newly raised levies and by the morning of Friday the 13th two and a half feet of water was surrounding my store and destroyed the city's sewage treatment plant.

Over the next couple days my wife and I watched as the water slowly receded. On Saturday I had the first opportunity to look through the windows and observe the damage. It was shocking.

On Monday, four days after the flood, we were in the store with squeegees, pushing the remaining inch or two of murky water out the door. The store looked like everything had been thrown into a blender and just dropped when the blender stopped. We moved things as much as we could to make walk room around the store and made phone calls to see who could help and to obtain giant dumpsters. It was obvious not much could be salvaged.

1309 Hertz Drive SE Cedar Rapids, Iowa 52403• Phone: 319-363-2816• d.bowers@mchsi.com

On Tuesday, day five, we had more than forty volunteers as we began to throw away over $60,000 worth of merchandise. We moved all the refrigeration equipment outside and disassembled all the shelving and moved it out as well. With the store now empty, we began power washing the floors and knocking holes in walls to prevent mold. On this day the power was restored to the store with only the ceiling light breakers turned on.

Over the next few days we began cutting the walls to a height of four feet and removing all the insulation and dry wall, scrubbing and bleaching the studs, washing all the refrigeration equipment with clear water (before the muck had a chance to dry on the motors and contacts) and placing fans at strategic locations to keep the air circulating throughout the store. By washing the refrigeration equipment right away we found most of it worked after it had a chance to air dry. We then thoroughly cleaned and sanitized it and moved it inside.

By the end of the second week the store was a shell. The walls and studs had been scrubbed, bleached and sealed with a spray sealant and ready for the next step. All of this work had been done with volunteers and fourteen hour days.

I can't overstate the importance of a caring community.

The first estimate to tear out and rebuild my store was almost $250,000, not counting the inventory already lost. I knew the business couldn't support that on top of the existing mortgage. It was at this point that the volume of volunteer work began to diminish and expert workmen were needed.

My customer base included a plumber, an electrician, a furnace man, drywall installers, and contractors. As they came forward and offered their services at reduced rates or in some cases, totally free, I began to understand what the word community truly meant. Four other men were there almost every day of the six weeks it took to get back up and running. These four men, we called the fantastic four, were either retired or as in the case of one man, used most of his vacation time to help.

Others in the community stopped by and offered words of encouragement that lifted our spirits. A few even offered cash donations, ten dollars from a little old lady for whom we'd often pump gas, one hundred dollars from the man that mowed our lawn and several others. We used these donations to by food for the volunteers.

It was a long six weeks of grueling and often backbreaking work. My wife and I would often go home too tired and sore to do anything but shower and go to bed. On Thursday, July 24th, exactly six weeks after the flood began, we reopened our doors. By the following week we were back to normal and are now running twenty percent ahead of last year.

I believe the people of Anamosa are incredible and I am proud to be associated with that community.

1309 Hertz Drive SE Cedar Rapids, Iowa 52403• Phone: 319-363-2816• d.bowers@mchsi.com

I believe what we accomplished in Anamosa could be replicated almost anywhere. It may not be able to be done as inexpensively as our store but costs multiply as time goes by. Getting into the store quickly was critical in preventing the development of mold and eliminated the need of respirators and air purifiers, which slow the progress further. Rinsing all the refrigeration equipment before the muck hardened, was essential in saving the equipment. Once the mud has hardened, the pressure required to remove it usually destroys the components. Being able to see progress immediately brings hope and enthusiasm to everyone involved, motivating even more volunteerism.

Living in the nearby city of Cedar Rapids and having a mother-in-law and a niece that both lost homes in the floods there, I believe the difference has been the speed with which we responded. Weeks after the flood, many people haven't been able to do anything. They are being told different things by different governing bodies, from the city to the state to the federal government and this confusion causes despair and depression. One agency needs to have the authority to speak.

As example, the City of Anamosa is caught in the crosshairs of the DNR and the SBA and what financially can be done with the sewage treatment plant. There are real world limitations as to what a city the size of Anamosa and its residence can afford. Common sense needs to prevail.

As for me...we are in full operation and doing well. I have an original mortgage of about $430,000 which the business can manage well. I now will need to add a second mortgage of approximately $140,000 ($80,000 in rebuild, plus inventory). This amount is difficult to manage. Merging the two mortgages together at a 4% rate is critical to my future success.

To restate simply, we went through a natural disaster and came out stronger. We rebuilt without governmental help but now need financial help on the backside. We saved money in this process and are even closer to the community we serve. We are not seeking a handout or a bailout, just a lower interest rate to help a good business remain strong.

Sincerely,

Don D Bowers

Owner

Attachments: Resume, 5 Photos, Newspaper Article

1309 Hertz Drive SE Cedar Rapids, Iowa 52403• Phone: 319-363-2816• d.bowers@mchsi.com

Joint Effort Brings Tapken's Back

By Mike Moynihan

It wasn't until after the rains and flooding came in June and virtually wiped out their business, Tapken's Convenience Store, that Don and Vicky Bowers of Cedar Rapids found out they were really citizens of Anamosa.

Their last day of business before the flood, June 12, they were giving away a lot of pop and water to the sandbaggers working along the Wapsipinicon River just yards from their store. They received deliveries on almost everything that day: groceries, cigarettes and delicatessen items. They left at about 10 p.m., and on the way home to Cedar Rapids, it began to storm and hail.

"Our car had about $1,400 worth of damage from the hail," Don said. It turned out to be a blessing in disguise. "We got a check for $900 for the car, which came in handy. After that day, we didn't have any paychecks coming in."

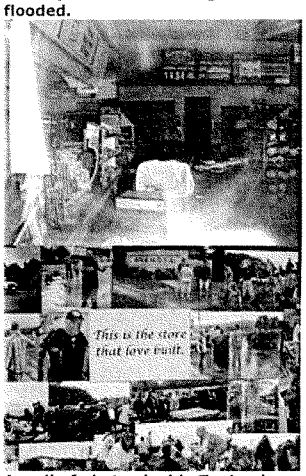
On June 14, Don was able to come back and wade up to their business to take some pictures of the damage. Water on the inside of the building had risen to 28 inches off the floor, floating freezers, coolers and other machinery, and ruining all the products it reached, including sealed products. After all, no one would want to buy a candy bar in a package covered with flood scum.

The Bowerses lost an ice-cream machine, two chest freezers and an ice-cream novelty case. They were able to save most of their other machinery in the store by moving it outside and hosing it off before the scum dried.

"This being a metal frame building, we didn't have any structural issues," Don said. "We had the walls all opened up, and the insulation pulled out, to let them dry out. Some structural engineers from the University of Iowa said they were impressed by the lack of damage inside the walls, and that was all because we were able to get the water out of them quickly and let them air dry."

Don and Vicky started cleaning up Monday afternoon, June 16. "Right from the beginning, there was never any question about reopening the business," Vicky said.

Above: Don and Vicky Bowers outside the newly remodeled Tapken's: Below: Items float around inside the store on June 14, the day after the building was flooded.



A wall of photos inside Tapken's commemorates the hard work by those who helped to get the store back in business.

"During the cleanup, we had 30 or 40 people helping just throw stuff away," she said. During those first days, some $60,000 worth of inventory had to be trashed.

Many of the volunteers the Bowerses didn't know except as customers. They had familiar faces, but Don and Vicky didn't have names to go with the faces.

"I wish I'd kept a list," Vicky said. Different people showed up at different stages of the rehabilitation process, including family, friends and employees, who volunteered while they were on unemployment. But for the most part, the Bowerses learned to rely upon the kindness of, if not strangers, people they just didn't know that well.

"If you really want to help after a disaster, just show up," she said. "Don't wait for somebody to call, just go."

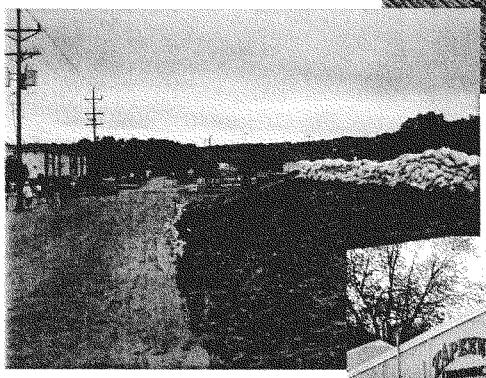
The people who showed up at Tapken's C Store brought their own tools, and sometimes their wives brought food. It was a community effort on behalf of two people who, although they didn't live in the community, were nevertheless considered a part of it.

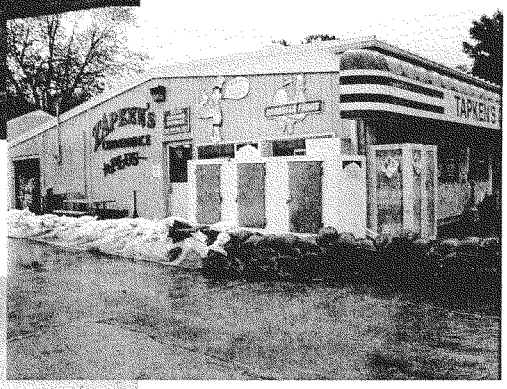
"No one asked for anything in return," Vicky said. "We used their nail guns and nails, and their screws.

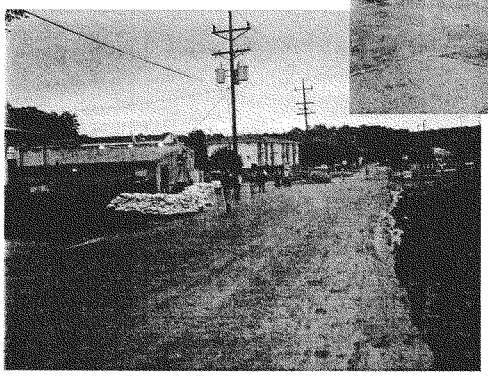
And we had a lot of support from community people who came in and said they were thinking of us."
"Nothing makes you feel better than to have someone come in and bolster your spirits by saying they're thinking of you," Don said. "I don't think we could have done it without all the help."
The Anamosa Fire Department came in and used its hoses to power-wash the entire parking area around Tapken's and the adjoining Subway sandwich shop.
Randy Gombert, who did the floor tiling inside Tapken's some years ago, stopped in to see how well his work had held up. He was pleased by and proud of what he saw, Don said, and then came back to install new flooring despite not really having the time do it.
Professional painter Karen Wheeler, of Karen's Painting in Anamosa, came in and volunteered her skills. "She was so fast," Vicky said.
Dave Condit of Anamosa's Main Street Millwork did the store's new counters at a price significantly less than what the Small Business Administration said it would cost.
Anamosa Building and Supply told Don to get anything he needed and not to worry about billing until August. "I always try to buy local," he said, "and 90% of the stuff we bought was from here in Anamosa. Everybody who helped had somebody they knew who could help us out if we ran into any obstacles. Anything we'd need, we just had to mention it."
Wal-Mart's manager, Adam McMillin, showed up with two meat-and-cheese trays, bread, fixings for sandwiches, ice and more than five cases of bottled water.
Several people gave cash donations, something Don said was so unexpected he was nearly moved to tears in the face of such generosity.
With all the help from volunteers, four gentlemen from the Anamosa area stood out for the time and efforts they bestowed upon the rehabilitation of Tapken's. Junior Hinz, who is 83, Virgil Martensen, Ron Stange and Barry Anderson were in the store nearly every day for more than four of the five-and-a-half weeks it took to get it back up and running.
Anderson, who said he had always wanted to go on a mission and build a church somewhere, figures he's done that now. He even took two weeks of vacation time from his job to help out.
"All the volunteers needed was to be pointed in the right direction and told what was on the day's agenda," Don said. "These four, we called them our fantastic four, I didn't have to tell them much of anything. They did it all on their own and brought in their own tools and equipment to boot.
"In those first three weeks, it was overwhelming. I don't know what we would have done without them."
The Bowerses created a pictorial tribute to the people who helped them out, putting more than 200 photos on the wall of their dining area showing people working and helping at the store.
Throughout the store's rehab, the biggest concern Don and Vicky had was that their customers would somehow forget them. Their nightmare was to reopen and find they no longer had any business.
Tapken's reopened last Thursday, and the initial trickle of customers grew steadily to the point that on Monday Vicky could say, "I think our lunch business is back. It's so exciting."
Monday all the gas pumps were back in operation, too, and Tapken's was once again in business. In some ways, it's better than ever. The inside of the store is laid out to more efficiently use the available space, and the store's new fryer is an automatic one that pulls the food out and shakes the excess oil off fried foods all on its own.
All together, Don and Vicky Bowers figure they lost more than $120,000 to the floodwaters of 2008. What they received in return, they both will admit, has no price.
"This is a great community," Vicky said. "The people here are family."
The Bowerses now know they're a part of that family.

Getting Ready!

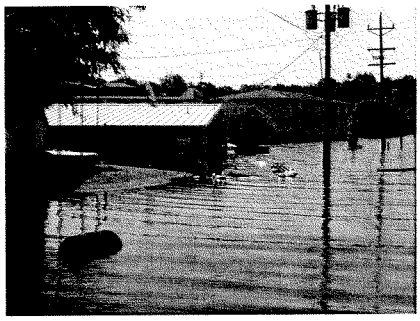
June 12, 2008

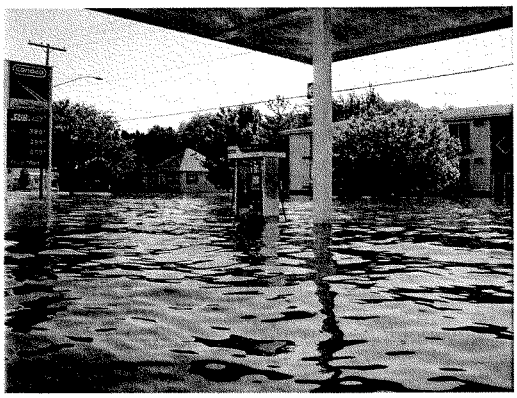






All photos are of volunteers!

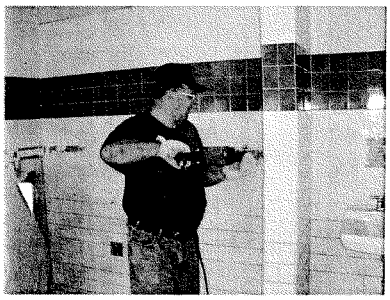


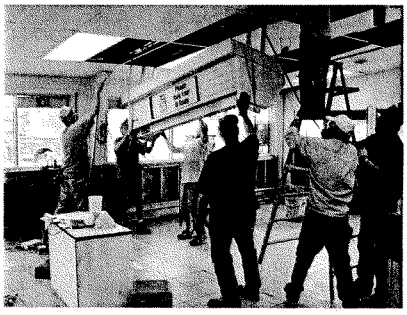


Friday morning

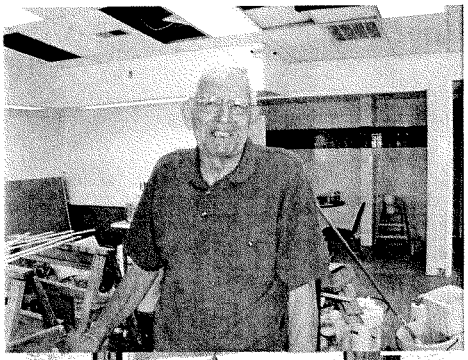
Monday morning

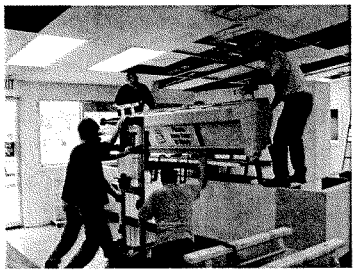
Clean it up & tear it out!

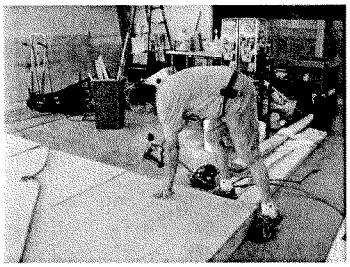


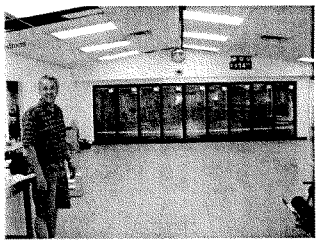


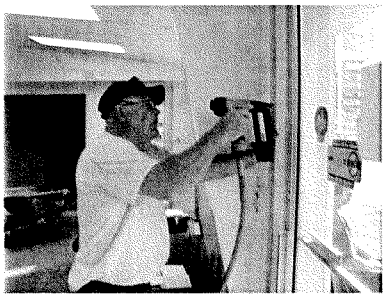
Putting it back together



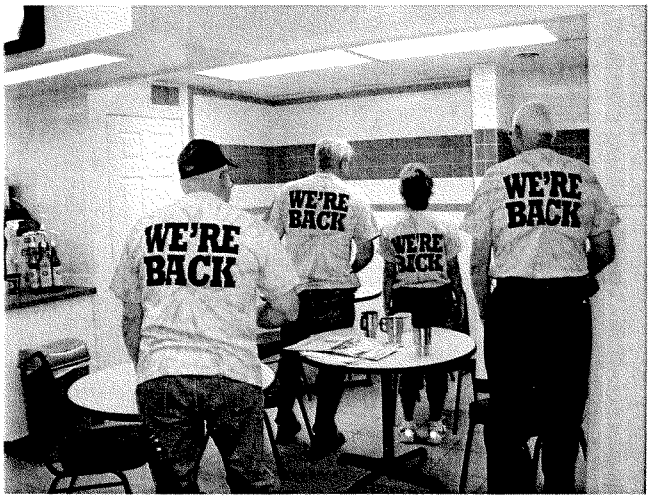


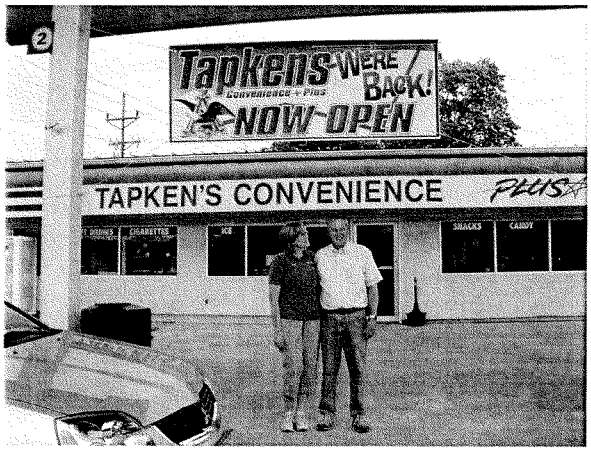






We're Back!


WE'RE BACK
WE'RE BACK
WE'RE BACK
WE'RE BACK


Tapkens
WERE BACK!
NOW OPEN
TAPKEN'S CONVENIENCE
PLUS
SNACKS
CANDY

The Blue Strawberry Coffee Company was established in 2003 as what has been referred to as a ground breaking establishment preceding the revitalization of Downtown Cedar Rapids. Over the last five years it has become an icon in the downtown district and a must stop for visiting politicians, performers and tourists alike. The local business community has embraced it and voted it the Corridor's "Best Coffee House for Business Meetings". As a result of the Blue Strawberry's success, other establishments have ventured into the downtown district.

On June 11, 2008 the City of Cedar Rapids was devastated by an unprecedented flood, magnanimous in scope. I was cynical at first, assuming that the water would crest far short of 118 2nd Street and believed I would be back in business brewing coffee and making lattes within a few days. After all, we were not in the so-called 500 year flood plain. I soon realized that the situation was going to be much more serious than I had imagined. Now, more than three months later, we are still out of business and awaiting the renovation of the building we used to occupy.

When I fully realized the extent of the damage and the amount of time and money it would take to rebuild, I began to weigh the options. Bankruptcy was an obvious choice. However, I ruled that out rather quickly given the fact that the Blue Strawberry had been a vital part of the downtown community and its presence was an important part of the rebuild campaign. The business had been profitable and I was not willing to throw five years of hard work down the drain.

Consequently, I made the decision to look seriously at rebuilding the Blue Strawberry. In doing so, I had to look long and hard at the financial position of the company. Not only had I lost nearly all of the equipment, inventory, furniture and fixtures, and improvements associated with the flooded location, I also lost all the equipment and furniture from another recently closed shop that had been stored at the downtown site. I was now faced with two outstanding bank loans, no collateral and no means to make payments on those loans. In addition, there were other outstanding payables to vendors.

Because of this significant existing debt, I was reluctant to even attempt to borrow additional money. I was encouraged by my banker and

others to at least apply for an SBA loan amid rumors of possible grants and/or forgivable loans for those who participated.

With this in mind I submitted the paper work. The individual assigned to verify and asses the damage was in contact with me immediately and made his on site visit shortly thereafter. I received word approximately two weeks later that my loan was denied. After a brief discussion, the loan officer re-evaluated the application and approved a loan for $107,000 at 4% over a period of 19 years. This amount was about $50,000 less than what I had requested based on the damage assessor's conclusions.

Unfortunately, when the paper work arrived there was an error in the listing of officers of the company. I had noted the change in an addendum filed with the application but it had been overlooked. As a result, the paperwork had to be resubmitted. I received my final loan package about two weeks ago. The amount of the loan was reduced to $102k because of a $20k grant and forgivable loan I had received from the City's recovery fund.

Throughout the process the individuals at the SBA that I dealt with at all levels were helpful and seemed eager to make things happen as quickly as possible. That is not the case with many other applicants. Some are still awaiting word on loans submitted in July. Others are puzzled as to why they have been turned down. And many who have been approved can't understand why the SBA interest rates are higher than what is available through local banks.

The frustration level is high. I hear again and again that we don't need more debt, we need grants and forgivable loans. People are upset with the lack of attention this disaster is receiving from the government. The situation is serious. As one businessman put it, "Just as a beach is many grains of sand, a local economy is many small businesses. Wash away the sand and there is no beach". I think the analogy is clear.

Mike Monnahan,
President
The Blue Strawberry Coffee Company
118 2nd Street SE
Cedar Rapids, I

Testimony to Small Business Subcommittee on Contracting and Technology

Randy Pilkington, Executive Director
Business and Community Services
University of Northern Iowa

Thank you Chairman Braley and Ranking Member Davis for inviting me to present today. University of Northern Iowa (UNI) Business and Community Services outreach programs have dedicated more than 2,000 hours of technical assistance and guidance to small businesses in Northeast Iowa that were impacted by the tornado and floods of late spring and early summer. We have briefly outlined our experiences below.

How are small businesses recovering from the disasters?

In the initial aftermath of the disasters, UNI's outreach programs hosted a series of community meetings for small businesses in both urban and rural parts of Northeast Iowa. More than 300 small business owners attended these sessions. Through these meetings and nearly 1,000 follow up phone calls over the course of the summer, we believe approximately 1,200 small businesses were affected by these disasters in Northeast Iowa alone. My remarks are limited to our experiences with these companies, but are reflective of the kinds of challenges faced in other parts of the state as well.

Short-Term Recovery

Small businesses throughout the disaster-affected areas experienced critical short term financial needs in the first 30 days after the waters receded. Impacted businesses still had mortgage payments to make, utility bills that were due and payroll to meet, but no immediate source of revenue to draw from. Small and rural business owners, many of whom were already struggling, felt this hit much harder. We talked to dozens of firms who relied upon next week's sales to make last week's payroll; this situation put those firms in crisis mode the very day the disasters occurred.

As a result, many of our smallest companies suffered immediate setbacks including employee layoffs, delinquent commercial loan payments, increased overdraft and late fee expenses and a higher than expected number of immediate business closures, even among small firms without extensive physical damage. Many affected business owners were also dealing with flood or tornado damage in their personal lives and at their homes.

Longer-Term Recovery

The re-opening of many, many businesses continues to be in limbo. There is a sense among those interviewed that critical business decisions are being held off until there is some word from Congress or the State concerning what kind of assistance might be forthcoming. Very few business owners in our region have secured SBA disaster loans to date.

Those businesses who had the wherewithal to move forward in putting their operations back to normal, did so quickly using private resources. Many of these firms were larger companies with stronger cash flow and assets, and comprehensive insurance coverage. A few even had some form of disaster recovery plan. These firms simply worked their way through the first 90 days with transitional office, storage and process facilities and have recovered their rhythm very quickly. While their sales have not totally recovered, many are back in full operation this month.

Smaller firms, those with fewer than ten employees, have fallen far behind. By our best estimates more than 50% of these very small companies closed by the disasters have yet to reopen - and those businesses who didn't close are feeling the pinch of slow second quarter sales coupled with greatly increased operating costs. In the past 30 days, a number of prominent small firms with only minor flood or tornado damage have announced they are closing. In almost all cases, these small firms were struggling in advance of the disasters and the extra burden has put them over the edge. This is especially true in rural communities.

For those very small firms who continue working toward re-opening, the depth and speed of their recovery is being driven by landlords, commercial lenders and suppliers who are struggling to safeguard their own positions and are often unable to provide the needed repairs, financing or industry credit to get these businesses back on their feet. The longer this continues, the greater number of businesses we will see fail to re-open or regain their footing.

What has worked well?

The coordination between federal, state and local leadership has been excellent in our part of Iowa. SBA, SBDC, the Universities and local economic development leadership worked very hard to communicate with one another, and jointly serve affected small business owners from Day One and to cross-refer businesses to appropriate agencies and individuals.

At the risk of self-promotion, UNI offered a unique and effective approach to reaching individual business owners directly after the disasters, greatly improving the communications between service providers and affected business owners using the MyEntreNet system. MyEntreNet is an entrepreneurship development system in Iowa, which has been successful in connecting entrepreneurs with services, capital and information since 2003. Our MyEntreNet network was critical in the aftermath of these disasters and provided quality information to service provider partners and community leaders about the depth of damage, the needs of affected business owners and offered a means to determine what was working immediately following the tornado and flooding. As a result of MyEntreNet, we were *faster* to respond, brought *better services* to those affected businesses and we knew if those services were effective.

What has not worked well?

FEMA. From a service provider's perspective, the transient nature of FEMA representatives made it impossible to clearly communicate with them. Within the first week after the disaster, FEMA had transferred three people in or out of Northeast Iowa and many important decisions were mis-communicated or lost. As a result, FEMA representatives were often not in attendance at important events or could not respond to business owners questions accurately or effectively. Business owners repeatedly expressed frustration this summer at being referred to an 800 number to get answers to simple questions.

The Small Business Administration staff members have been excellent. They responded to the tornado and subsequent flooding with staff on the ground throughout Northeast Iowa within hours of each disaster. These individuals coordinated with other service providers effectively, especially the Small Business Development Centers in the state, sharing office space, responding to individual referrals and speaking on a moments notice to assembled groups of entrepreneurs.

Unfortunately, SBA only had one product to offer affected business owners and it was not the product that was desperately needed in the aftermath of Iowa's disasters. Time after time, SBA staff found themselves in front of frustrated audiences because all they could offer was the opportunity to apply for a physical loss or economic injury loan.

What is needed moving forward?

Nearly 80% of the businesses in Iowa's Federal Disaster Declared counties have fewer than 10 employees. Those tiny firms that muddied through the first 90 days have critical unmet needs. In our conversations with Northeast Iowa small business owners this summer, they've asked repeatedly for access to patient, non-collateralized, forgivable capital to rebuild their home-based web development business in Parkersburg or to re-open a 40 seat café in Greene, Iowa. They've asked for 1:1 time to talk through their options with business professionals and with their peers. Most of all they've asked for acknowledgement that their small business is as valued as the larger firms around them who have already received state and local incentives to re-open and rebuild.

Most of all, we need to think not about helping these business recover to the place they were before the floods or the tornado, but we need to empower these small firms to reposition themselves and become part of a larger entrepreneurial community. We cannot expect every affected business will reopen nor save every struggling business that will close in the coming year. We can, however, create a network of support for these businesses that allows them access to the technical assistance and capital they need without a confusing array of referrals and paperwork to get it.

○