

**HURRICANE SANDY: ASSESSING THE FEDERAL
RESPONSE AND SMALL BUSINESS RECOVERY
EFFORTS**

HEARING

BEFORE THE

**COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP
UNITED STATES SENATE**

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

DECEMBER 13, 2012

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**HURRICANE SANDY: ASSESSING THE
FEDERAL RESPONSE AND SMALL BUSINESS
RECOVERY EFFORTS**

THURSDAY, DECEMBER 13, 2012

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Washington, DC.

The Committee met, pursuant to notice, at 10:06 a.m., in Room SD-428A, Russell Senate Office Building, Hon. Mary L. Landrieu, Chair of the Committee, presiding.

Present: Senators Landrieu, Cardin, Vitter, and Risch.

**OPENING STATEMENT OF HON. MARY L. LANDRIEU, CHAIR,
AND A U.S. SENATOR FROM LOUISIANA**

Chair LANDRIEU. Good morning. Thank you all for joining us today to discuss the Small Business Administration's response to Hurricane Sandy, the President's recent supplemental request in this space, and State and local small business recovery efforts in the impacted region.

I would like to thank our witnesses that will be testifying in just a moment, and I will introduce them in just a moment, but let me make a couple of brief opening statements.

We are here today to evaluate the response and recovery effort in the aftermath of Hurricane Sandy, which struck the Northeastern United States on October 29 as the largest sized storm system in U.S. history. Hurricane Sandy claimed the lives of 132 Americans, damaging or destroying more than 651,000 homes and 459,000 businesses, leaving more than 8.5 million families without power, heat, or running water. Most of the water and electricity and power grid has been turned back on, but yet I understand there are still communities that are challenged.

The scale of this disaster has created significant housing and transportation challenges, and successful recovery will require a sustained effort on the part of the Federal, State, and local officials, private businesses, voluntary organizations, neighbors, and survivors, of course, themselves.

Earlier this week, I had the chance to tour some parts of the tri-State area that were hardest hit. I was led on that day trip by Senator Menendez. Senator Lautenberg's staff was in attendance. Senator Tester and Senator Stabenow took the opportunity, Senators from Montana and Michigan, to come and tour the area, because we are very concerned, and Senator Vitter, who will be joining us

today, was scheduled to come and planned to, but weather delayed him. So we have both Republicans and Democrats with their eyes on the disaster.

One of the reasons we are here today, however, is to make sure that the Federal Government, through the Small Business Administration, is doing everything in its power to assist the thousands of small businesses that have been hurt in this natural disaster.

By and large, the Federal response has been robust to Hurricane Sandy. More than 500,000 people have registered for temporary housing and individual assistance. FEMA, they were on the ground right away, has provided over 15 million meals, 20 million liters of water, 1.7 million blankets, and 135,000 tarps. DOD has delivered 9.3 million gallons of gasoline to over 300 gasoline stations, and 270 million gallons of salt water have been pumped out of transit tunnels. There have been over 17,000 Federal personnel and over 11,000 National Guardsmen, and I want to take a minute to thank, again, the first responders at every level, from firehouses to police stations to volunteers in the neighborhood as well as the National Guard from so many States that came to the aid of the Northeast.

The President and numerous administration officials have been on the ground surveying damage and meeting with State and local leaders. In fact, Governor Cuomo and Governor Christie have been here to the Capitol to express their desperate need for help and support.

I want to start with some positive statistics and then go into just a few areas that I am concerned about. One of the areas that I am concerned about is the fact that the SBA has only approved \$205 million in disaster loans to approximately 32,000 homeowners, renters, and businesses. However, the disbursement—while those numbers sound fairly impressive—the disbursement is only \$6 million, and we want to get to the bottom of that today. I understand this number is expected to grow, and, in fact, since this statement was put together, those statistics have changed. But I think it is important to keep our eyes on the results, what is happening right on the ground for businesses and homeowners making decisions about when to rebuild, how to rebuild, and where to rebuild, and if they are going to rebuild. It is a big decision.

As Chair of this committee and a Senator from one of the hardest hit States in recent years, I believe that one of the most important responsibilities of our committee is to ensure that the SBA be fully staffed, better prepared, and ready to quickly assist businesses following disasters. In the aftermath of Hurricanes Katrina and Rita, I took the opportunity as Chair of this committee to really tune up this response, and I am very proud to see it in operation today.

In the past, planning was insufficient. Staff and funding came up short. There were just immeasurable delays, red tape, and paperwork. Following the 2005 storms, it took over 74 days to process a home loan and 66 days to process a business loan, even longer for disbursement of disaster funding. SBA pushed disaster victims for mountains of tax records which had been lost in flooding. I think all those days are behind us, I hope, and I hope we will hear testimony that the red tape has been eliminated, that we are not requiring survivors to produce multiple copies of tax records that, in many cases, were lost in the storm itself.

So for this reason, I am pleased to see that we have had a great deal of improvement with the SBA and your response to the disaster today. And I want to note that these reforms included a disaster loan limit increase for businesses from \$1.5 million to \$2 million. New tools were authorized, such as bridge loans or private disaster loans following catastrophic disaster. As I said, improved coordination between the SBA, IRS, and FEMA. And, very importantly, allowing nonprofits, for the first time, to be eligible for economic injury disaster loans.

In a storm like this, the first groups that are going to be turned to are your faith-based organizations, your volunteers, your Chamber of Commerce, your local organizations that were themselves devastated, losing headquarters, losing membership, losing staff members, sometimes geographically if not in loss of life. People have moved away or are not living in the community where they lived. It is very important to get these nonprofit organizations back up. They will become the leaders, of course, in the recovery.

Building on these reforms, the 2010 Small Business Jobs Act also included a provision allowing aquaculture businesses to receive economic injury loans, a very important business to the State that Senator Vitter and I represent and to many coastal communities. I hope these will come in handy this time around.

So I am pleased to report that the time frame for home loans has been reduced from nine days to 74 days after Katrina and Rita. That is good. Business loans for Sandy are averaging ten days, compared to the 66 days in 2005. However, I do think that we need to do more in terms of getting money on the ground, and we will share with you some of what you have shared with us in terms of actual disbursement.

We also, I believe, need to modify SBA requirements that borrowers must use their personal home as collateral when other collateral is available, and I have asked for that provision to be included in the supplemental, to give borrowers the maximum flexibility that they need at a time like this, particularly businesses that have been utterly destroyed. And believe me, I saw for myself thousands, literally thousands, in just the few hours that I was on the ground.

Senator Blumenthal, we did not make it to your State, but we were in New Jersey, in Longview Beach, a small community. I think Mayor Mancini has been the mayor there, and his father was the mayor before. He, of course, said to us they have never seen anything like this in 50 years, and block after block after block, restaurant, gas station, barber shop, toy store, hairdresser, on and on and on, just completely gutted with the debris out front.

Now, we have seen these visuals before at home and it is heart-breaking. And right now, at a very sensitive time in the calendar, holiday season, with Christmas coming up, these families and businesses that have, in large measure, Senator, invested their entire lives building a business that is successful and somewhat seasonal, because you are on a coastal area, have to make a decision whether they are going to reopen or not for Memorial Day. So getting these loans out and getting them with the reduced paperwork, of course, the care for the taxpayer, is what our goal is.

I am going to not go into the examples that I have about some of those businesses because I do want to hear from the leaders of the Small Business Administration. But I will say that the President sent up just yesterday, the day before, a \$6.4 billion supplemental request—I am sorry, last week he sent it up—and the Chairman issued his mark last night, and that document is now public. I believe that the sooner we pass the \$6.4 billion supplemental, which provides absolutely essential mitigation, help for small businesses, homeowners, and most importantly, flexible community development disaster grants is absolutely essential for the recovery of this region, because, as we knew going after Gustav and Ike and Katrina and Rita, if the people do not have confidence that at least their local leaders have been given access to serious money, and \$60 billion is a serious amount of money, they will lose hope, because a disaster is so overwhelming. And that is the last thing you want people to do, is lose hope. You need to really harness that resiliency and the human spirit, to believe that they can rebuild these communities in the face of overwhelming odds, and to build them stronger and more resilient.

So we are going to get into the testimony in a minute. Let me call on Senator Vitter, and I thank him for sitting in for Senator Snowe—he brings a tremendous amount of experience to this issue—and recognize him for a short opening statement. And then we are joined by Senator Blumenthal and Senator Menendez, and I would be looking very forward to their comments of their own eyes on the ground and personal experience with their constituents in this situation. Senator Vitter.

**OPENING STATEMENT OF HON. DAVID VITTER, A U.S.
SENATOR FROM LOUISIANA**

Senator VITTER. Thanks, Madam Chair, and thanks to all our witnesses. I just wanted to make three points briefly.

First of all, I want to again express my real sympathy for and support of all the victims of Sandy. This was a horrible, devastating disaster, wiping out homes and businesses and livelihoods and it has a very tragic human face and we always need to keep that in mind. So I am certainly supportive of acting quickly in terms of help and aid that is going to directly, immediately help those victims. And we also need to do that in a thoughtful, responsive, and responsible way with the American taxpayer in mind. We can do both of those things. So I certainly support that.

Secondly, on the SBA side, I think there is good news and there is room for continuing improvement. The good news is, I do think we have come a long way positively since Katrina and Rita, and the SBA disaster response has been significantly improved. The initial response at SBA in 2005 was slow and inadequate before Steve Preston took over and really turned the disaster program around, and it has improved since then.

We were able to work on this committee in a very bipartisan way to write and enact further improvements and reforms that Senator Landrieu mentioned, and I was proud to work with Mary and Senators Kerry and Snowe and others on those improvements, including the SBA disaster reforms in the 2008 farm bill. But we can con-

tinue to learn and can continue to improve and enact reforms and we need to do that, including in this context.

And third and finally, I want to touch on an area that is outside this committee's jurisdiction, but nevertheless very important, which is the Corps of Engineers and Corps reform. The Corps is obviously another Federal agency that is very important with regard to any disaster like this and we have to improve the Corps process and address real reforms so that we can work quickly and adequately, address needs like this. We have been working on that, including in a bipartisan way, and I hope to include many further significant Corps reforms in the next water bill, which Senator Boxer and I are actively working on now.

So, again, thanks to all of you, and I am certainly all ears.

Chair LANDRIEU. Thank you.

I would like, if I could, Senator Blumenthal, because Senator Menendez has a time crunch, would you allow him—

Senator BLUMENTHAL. Absolutely.

Chair LANDRIEU. Thank you. Senator, you have been such a champion for the people of New Jersey and the entire region. Thank you for joining us this morning and we are happy to hear your opening remarks.

**OPENING STATEMENT OF HON. ROBERT MENENDEZ, A U.S.
SENATOR FROM NEW JERSEY**

Senator MENENDEZ. Well, Madam Chair, thank you very much for the opportunity, and thank you for coming to New Jersey with several of our colleagues and touring the devastation along the Jersey Shore. And I want to thank Senator Vitter, who was on his way to join us. I appreciate it. Unfortunately, weather deviated his flight and we could not get together, but I appreciate the effort.

Senator VITTER. I got a wonderful tour of the Pittsburgh airport rather than seeing what Sandy had done.

Senator MENENDEZ. Well, it looked a lot better than what you would have seen in New Jersey, I will tell you that. But thank you very much for the effort and for your comments and to my colleagues for their courtesy.

You know, Madam Chair, you and Senator Vitter are certainly no strangers to natural disasters and you have been an incredibly important friend and ally throughout the process and helping us understand the lessons of Katrina.

This is the worst natural disaster that my State has ever faced. The surge came quickly. It destroyed whole communities. It took houses from their foundations. It changed the topography of the coastline. It devastated some of the most densely populated communities in the country. It took lives and property.

More than two-thirds of our residents and businesses lost power. Forty percent of the nation's transit riders had their commutes disrupted. Many still today have their, not only their rides disrupted, but costing them a lot more to make their transit commute to work, so much more of their income is being bit out of the process. And a countless number of small businesses are now faced with the overwhelming job of cleaning up and trying to get back to business.

In New Jersey alone, there are more than 34,000 applications for SBA disaster loans that have been submitted. These small busi-

nesses simply do not have the resources or capital that larger companies do to quickly rebuild. It can often take weeks, if not months, to get back up and running, valuable time and revenue lost at the worst possible moment. And as you saw, Madam Chair, on Monday on Long Beach Island, power has still not been restored and small businesses are still closed as a result.

And while SBA loans can be helpful, many small businesses simply do not have the capacity to add more debt to their books. Small business owners around the State have told me that they already took out significant debt to either start up their business, survive the great recession, or even repairs after Hurricane Irene struck in the summer of 2011.

So for those small businesses, like shopkeepers and the little ferry in Munaki—I see the distinguished Mayor of Hoboken is here who is going to tell you some of those experiences. Pam Bond and Jeff Spinardi, who own the store in Hoboken called “Greetings from Hoboken,” they have three full- and four part-time employees. They lost power for a week. They lost one of the most critical times for their sales. They could not even make the rent. And despite their own struggles, when the shelter did not have any electricity, they gave up their stock so that, in fact, they could light up the place with candles. That is the type of tremendous response we have seen, and there is so much more.

So, Madam Chair, what you are doing here is incredibly important.

My final comment is I appreciate that the supplemental appropriation that we will be considering has CDBG monies that can give us the wherewithal with the flexibility, based on some of your own experiences with businesses in Louisiana, to be able, when it is appropriate, to give them a grant, which may very well make the difference between staying open and closing, or getting open or closing, or getting their business back or not, and in so doing, also hiring so many people that, in fact, were hired by these small businesses, which are the engine of our entire economic background.

And I would ask consent to have my entire statement put into the record.

[The prepared statement of Senator Menendez follows:]

Small Business Committee -- Sandy SBA Disaster Assistance Program

Senator Robert Menendez

United States Senate -- December 11, 2012

Chair Landrieu, Ranking Member Snowe – I'm pleased to have the opportunity today to talk about the challenges facing small businesses in my home state of New Jersey in the aftermath of Sandy.

I had the pleasure of touring my state with Senator Landrieu on Monday, battling the weather, but pleased that she saw the extent of the damage first hand.

Chair Landrieu certainly is no stranger to natural disasters and she has been an incredible ally and friend throughout this process -- from working with us on language and helping us understand the lessons of the Katrina Recovery... to helping us make our case for emergency funding -- you have been there every step of the way and I thank you.

When all is said and done, Hurricane Sandy will go down in history as the most costly natural disaster to ever hit the state of New Jersey.

The surge came quickly, destroying whole communities, taking houses from their foundations, changing the topography of the coastline, devastating some of the most densely populated communities in the country... taking lives and property...

More than two thirds of our residents and businesses lost power.

40 percent of the nation's transit riders from Boston to Washington had their commutes disrupted.

And a countless number of small businesses are now faced with the overwhelming job of cleaning up and trying to get back up and running.

In New Jersey alone, more than 34,000 applications for SBA disaster loans have been submitted.

These small businesses simply do not have the resources or capital that larger companies do to quickly rebuild.

It can often take weeks if not months to get back up and running, valuable time and revenue lost at the worst possible moment.

As we saw on Monday on Long Beach Island, power still has not been restored and small businesses are still closed as a result.

While SBA loans are helpful, many small businesses simply don't have the capacity to add more debt to their books.

Small business owners around the state have told me they already took out significant debt to either start up their business, survive the Great Recession, or even make repairs after Hurricane Irene struck in the summer of 2011.

Small Businesses in New Jersey

Chair Landrieu, I'm here today for those small business owners... for the shopkeepers in Little Ferry and Moonachie.

...for Pam Bond and Jeff Spinardi who own a store called Greetings From Hoboken – The Candle shop with 3 full time and 4 part time employees.

They lost power for a week along with everyone else on Washington Street and couldn't pay their employees.

This is usually Pam and Jeff's busiest time of year, but when Sandy struck, they couldn't even make the rent...

...But -- despite their own struggles -- they knew the Hoboken Homeless Shelter had no power and was down to one candle, so Pam and Jeff not only donated hundreds of dollars worth of their own candles to the Shelter...

...but they convinced Yankee Candle Company to donate hundreds of dollars more -- because someone needed candles more than they did.

That's why we are here today... for people like Pam and Jeff...

...We're here for people like Anna Paxton who -- with her family -- has owned a marina in Little Egg Harbor all of their lives that was left in ruin by the devastating surge and destruction of Super-Storm Sandy...

...for Blanca Cabrera who owns a small beauty salon in Jersey City that suffered damage that has left her wondering how she is going to recover...

... and for Aldo Bazzarelli -- owner of a restaurant in Moonachie, New Jersey for 41 years -- who now has to dig into his hard earned saving and what he had put aside for his children to build the business up again.

Conclusion – More Loans Simply Are Not Enough

Chair Landrieu, members of the Committee, for many of these businesses, more loans simply aren't an option.

They need direct assistance to make the necessary repairs and start hiring and operating again.

That's why I was encouraged to see the White House's supplemental request of \$60 billion in aid to help affected states rebuild and recover, and help families restore their lives to something approaching normal.

Frankly, it may not be enough, but it's a start... a good start...

...And I was very pleased to see that it included Community Development Block Grants and made small business grants an eligible use of these funds.

Everyone on the Committee -- and all of us here -- are well aware that small businesses aren't just critical to the men and women that own them, they're vital to our job market and are the backbone of our economy.

But Sandy threw a wrench into this engine of job growth in November, and workers suffered as a result. It's now up to us to get that engine working again.

According to the ADP report, businesses with fewer than 50 employees added only 19,000 jobs in November, the lowest number in nearly two years.¹

And the share of jobs added by small businesses, which typically account for up to a half of all private-sector jobs created, fell to a low of 16.2 percent.²

Not only are small businesses owners like Pam and Jeff Spinardi and small businesses like the Candle Shop critical to our economy, they are also the heart and soul of the local communities they serve.

They represent the best of who we are, and they deserve our support.

Indeed, no rebuilding process is complete without helping to rebuild these small businesses.

I look forward to working with this Committee and my colleagues in the Senate to ensure that local heroes like Pam and Jeff -- and all those small businesses who were affected by the devastation of Sandy have all of the help they need to rebuild.

I want to thank the Committee, and thank you, Chair Landrieu, for taking the time to come to New Jersey to see exactly what our small business owners are facing.

¹ <http://www.csmonitor.com/Business/new-economy/2012/1205/ADP-employment-report-Superstorm-Sandy-hit-small-firms-hardest>

² <http://www.csmonitor.com/Business/new-economy/2012/1205/ADP-employment-report-Superstorm-Sandy-hit-small-firms-hardest>

Chair LANDRIEU. Thank you, Senator Menendez, and without objection.

Senator Blumenthal.

OPENING STATEMENT OF HON. RICHARD BLUMENTHAL, A U.S. SENATOR FROM CONNECTICUT

Senator BLUMENTHAL. Thank you, Madam Chairman. I, first of all, want to thank you for giving me the opportunity to participate this morning, and second, for your personal involvement and outreach to these communities, not only in New York and New Jersey, but also Connecticut, and not just in this disaster, but also going back to 2011 and the catastrophes that Connecticut suffered—three of them—in that period of time, when you personally contacted me and offered assistance. So I want the people of Connecticut to know they have a real friend in the Senator from Louisiana. Your leadership has been really tremendous in this area. Thank you to Senator Vitter, as well.

I want to just briefly say thank you to the President for providing the strong leadership that he has in the wake of this disaster in Connecticut. He promptly declared Connecticut an emergency area and that permitted the SBA to come forward, along with FEMA, and I want to thank the folks who came from SBA, the people on the ground who have been there for quite some time now, many of the FEMA officials in advance of the storm.

And unfortunately, many of these recent storms in their depth and scope and the devastation they have caused indicate that we may face a new normal in this kind of catastrophic weather-related event and we need to prepare for it in the longer term as well as the short term, and that is why I think those reforms of 2008 and the suggestions made by Senator Landrieu this morning and other improvements that will be made are so critically important.

I think you need to know that the Connecticut SBA office has already approved about \$6.7 million in disaster assistance for struggling businesses in Connecticut as well as residents. That figure is significant, but there are a large number of requests for funding that are still being processed, and, therefore, a large number of homeowners and small businesses that need assistance. The requests for assistance, quite frankly, are still in the pipeline and we would appreciate even prompter attention and processing of them.

Nearly a month and a half after Hurricane Sandy, many Connecticut residents are still waiting to hear if they are able to repair their storm damaged homes, and small business owners are still waiting to find out if they will have enough capital to restore their equipment to pre-disaster conditions. And these struggling victims have waited long enough to put their lives and their livelihoods back on track. They deserve to have that opportunity and I hope that the supplemental will be approved promptly with the additional \$250 million for SBA that will enable it to service these loans as quickly as possible. I appreciate your assistance, hope we can contact you, reach out to you, and work with you in accomplishing these goals.

Thank you, Madam Chairman.

Chair LANDRIEU. Thank you, Senator Blumenthal.

Senator Cardin.

**OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, A U.S.
SENATOR FROM MARYLAND**

Senator CARDIN. Well, Senator Landrieu, I want to join in thanking you for your leadership, not just from the Small Business Committee but on the Appropriations Committee. We have had many conversations, and the legislation that I hope you will be considering as early as today on the supplemental Appropriations emergency bill is critically important to move forward and I thank you for the support there, not only for the small business programs, but also for FEMA, for the Department of Housing and the CDBG funds. All those are going to be critically important for the recovery of those communities that have been so devastated by Sandy.

Maryland was hit hard, now, not as hard as New Jersey or New York, and our prayers and help go out to those communities that are much broader in the amount of damage that was done. But if you lived in Crisfield, Maryland, on the Eastern Shore, lower Eastern Shore, a community in which almost one-third of the population lives below the poverty level, your homes have been destroyed. You are looking to your government to help you during this time. That community needs a Federal partnership.

If you live on the other end of our State, in Oakland, Maryland, in Appalachia, where just about every home lost power, 3,000 trees came down—this is a county that has 30,000 population. Thirty inches of heavy snow fell in a very short period of time. So both ends of our State were hit very, very hard and need help from the Federal Government, and I very much appreciate the fact that this committee is holding this hearing to see how the small business programs can be effectively brought into play during this disaster to help small businesses.

Oakland, Maryland, and Crisfield, Maryland, have something in common. They may be separated by the shore to the mountains, but their economies are dependent upon small businesses. That is where the people work. So we do need to focus on how we can help the small businesses get back on their feet so that we can have the type of economic progress in both of these communities that have been so disrupted because of Sandy.

Let me also thank you for your help on an issue that originated in this committee, the surety bond level, which during the Recovery Act we increased from \$2 million to \$5 million. It worked very successfully, helped create jobs and helped deal with a problem of procurement that was difficult for small businesses because of the surety bond limit. I appreciate the fact that you are addressing that also in the supplemental, and thank you for your help. I think that will also provide some additional relief to not just the communities affected by Sandy, but our country in helping small businesses deal with our current economic pressure.

So thank you for this hearing and thank you for your leadership.

Chair LANDRIEU. Thank you, Senator Cardin.

Michael Chodos is with us, the Associate Administrator for the Office of Entrepreneurial Development at the SBA. He is responsible for overseeing the agency's counseling, mentoring, and training programs for current and future entrepreneurs. I am going to ask him to speak second and have James Rivera, who is the Associate Administrator for the SBA Office of Disaster Assistance. Mr.

Rivera basically runs the disaster program, but we asked Mr. Chodos to be here because he is responsible for the counseling, mentoring, and training which is going to obviously have to step up its game in the Northeast to help people with the technical assistance and training they are going to need to get back on their feet, potentially change a business model, potentially make some adjustments to help them stay in business.

But, Mr. Rivera, please keep your remarks to five minutes so we can do a round of questions, and we will call on Mr. Chodos, because we have a very distinguished panel coming up and we are going to start that second panel in probably about 20 minutes.

**STATEMENT OF JAMES RIVERA, ASSOCIATE ADMINISTRATOR,
OFFICE OF DISASTER ASSISTANCE, U.S. SMALL BUSINESS
ADMINISTRATION**

Mr. RIVERA. Good morning, Chair Landrieu and distinguished members of the committee. Thank you for inviting me to discuss SBA's efforts in response to Superstorm Sandy and our role in disaster response and recovery. SBA appreciates your strong support of the agency's disaster operation and continued leadership in making our country better equipped to deal with large natural disasters.

Administrator Mills and Deputy Administrator Johns have seen firsthand the tremendous damage caused throughout the Northeast by Sandy, and as you know, the damage is immense. This is one of the largest disasters our country has confronted since Hurricane Katrina ravaged the Gulf Coast more than seven years ago.

I can assure you that the Federal Government is leveraging all of its resources to provide timely and effective assistance to all of the affected areas. SBA is working closely with our response and recovery partners at FEMA and HUD. We are closely coordinating with local and State agencies and regular contact with local officials to ensure we are doing everything possible to assist the maximum number of businesses and homeowners in the affected communities.

In terms of our efforts, we are providing a "one SBA" approach to our Sandy response. Directors from across SBA are leveraging public and private sector resources, including our partners at the SBDCs throughout the affected areas. Thus far, we have deployed over 300 Disaster Customer Service Representatives to the region. As you know, SBA is providing—is responsible for providing affordable, timely, and accessible financial assistance in the form of low-interest loans to businesses of all sizes, homeowners, renters, and nonprofit organizations in the aftermath of a disaster.

SBA has made a number of improvements in recent years that have allowed us to better respond to the disaster survivors. For example, we have reduced disaster loan processing times, streamlined application forms, and implemented a redesigned electronic loan application, all of which have led to a more transparent and efficient application process. We continue to meet our goal of processing all disaster applications within 14 to 18 days. We have now designated a case manager for each approved application so borrowers know their principal point of contact when they have a question or need help.

Last year, we signed a Memorandum of Understanding with HUD, improving our coordination on duplication of benefits to ensure that those with unmet needs are still eligible for HUD Community Development Block Grants. SBA and HUD now have a transparent mechanism to share data across agency regarding loan borrowers and grant recipients.

Superstorm Sandy disaster survivors in New York, New Jersey, Connecticut, and Rhode Island, all of which received Presidential Disaster Declarations, can apply for home and business disaster loans online or in person at any of the 100 centers across the area, including the FEMA-led Disaster Recovery Centers or the SBA-run Business Recovery Centers, with additional assistance from local resource partners such as SBDCs, SCORE, and Women's Business Centers. Additionally, North Carolina and Virginia received an SBA Administrative Disaster Declaration, making affected homeowners, renters, and businesses eligible for SBA disaster assistance. To date, SBA has approved over 3,600 applications for \$230 million.

Many disaster survivors do not have ready access to television, radio, or Internet. To address these situations, SBA has a Disaster Customer Service Center that is handling disaster victim calls seven days a week and also providing language translation services. As of this week, SBA has personally met more than 50,000 people on the ground. SBA has responded to over 80,000 phone calls in its Disaster Customer Service Center with a wait time of less than 60 seconds. Between our processing centers, call centers, and on-the-ground staff, SBA has over 2,300 disaster employees currently working on Superstorm Sandy. This is in addition to our SBA District Offices and all of our resource partners.

Whether on the ground in the affected areas or at a regional center, the SBA is keenly focused on one primary goal: Meeting the needs of the families and businesses who have been affected by this tragic event and helping to rebuild following this devastating storm. We know that this is a long-term process and we are committed to doing the hard work necessary to ensure that these small business owners and their communities are able to emerge stronger than before the disaster.

I appreciate the opportunity to update this committee on SBA's disaster recovery efforts for Superstorm Sandy. We firmly believe that the reforms we have instituted are helping us efficiently and effectively respond to the needs of our nation's disaster survivors.

I look forward to answering any questions, and thank you.

[The prepared statement of Mr. Rivera follows:]



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

Testimony of Mr. James Rivera
Associate Administrator for Disaster Assistance
U.S. Small Business Administration

December 13, 2012

U.S. Senate Committee on Small Business & Entrepreneurship

Good morning Chair Landrieu, Ranking Member Snowe, and distinguished members of the Committee. Thank you for inviting me to discuss SBA's efforts in response to Superstorm Sandy and SBA's role in disaster response and recovery. SBA appreciates your strong support of the agency's disaster operations and your continued leadership in making our country better equipped to deal with large natural disasters.

Administrator Mills and Deputy Administrator Johns have seen firsthand the tremendous damage caused throughout the northeast by Sandy, and as you know, the damage is immense. This is one of the largest disasters our country has confronted since Hurricane Katrina ravaged the Gulf Coast more than seven years ago.

I can assure you that the Federal government is leveraging all of its resources to provide timely and effective assistance to all of the affected areas. SBA is working closely with our response and recovery partners at the Federal Emergency Management Agency (FEMA) and the Department of Housing and Urban Development (HUD). We also are closely coordinating with local and state agencies and are in regular contact with local officials to ensure that we are doing everything possible to assist the maximum number of businesses and homeowners in the affected communities.

In terms of our own efforts, we are providing a "one SBA" approach to our Sandy response. Directors from across SBA are leveraging public and private sector resources, including our partners at the Small Business Development Centers (SBDCs), throughout the affected areas. Thus far, we have deployed over 300 Disaster Customer Service Representatives to the region.

As you know, SBA is responsible for providing affordable, timely and accessible financial assistance in the form of low-interest loans to businesses of all sizes, homeowners, renters, and non-profit organizations in the aftermath of a disaster.

SBA has made a number of improvements in recent years that have allowed us to better respond to disaster survivors. For example, we have reduced disaster loan processing times, streamlined application forms, and implemented a redesigned electronic loan application – all of which have led to a more transparent and efficient application process. We continue to meet our goal of processing all disaster applications within 14 to 18 days, down from 60 to 70 days following Hurricane Katrina. We also now have designated case managers for each approved application so borrowers know their principal point of contact when they have a question or need help.

Last year we signed a Memorandum of Understanding with HUD, improving our coordination on duplication of benefits to ensure those with unmet needs are still eligible for HUD Community Development Block Grants. SBA and HUD now have a transparent mechanism to share data across agencies regarding loan borrowers and grantee recipients.

Superstorm Sandy disaster survivors in New York, New Jersey, Connecticut, and Rhode Island – all of which received Presidential Disaster Declarations – can apply for home and business disaster loans online or in person at any of the 100 centers across the area, including the FEMA lead Disaster Recovery Centers or the SBA-run Business Recovery Centers (BRCs), with additional assistance from local resource partners, such as SBDCs, SCORE, and Women’s Business Centers. Additionally, North Carolina and Virginia received an SBA Administrative Disaster Declaration, making affected homeowners, renters, and businesses eligible for SBA disaster assistance.

To date, SBA has approved over 3,000 applications for \$192 million.

Many disaster survivors do not have ready access to television, radio or the internet. To address these situations, SBA has a Disaster Customer Service Center that is handling disaster survivor calls seven days a week and also provides language translation services. As of this week, SBA had personally met with more than 50,000 disaster survivors. SBA has responded to over 80,000 phone calls at its Disaster Customer Service Center with a wait time of less than 61 seconds.

Between our processing centers, call center, and on the ground staff, SBA has over 2,000 disaster employees currently working on Superstorm Sandy. This is in addition to our SBA District offices and all of our resource partners. Whether on the ground in the affected areas or at our regional centers, the SBA is keenly focused on one primary goal: meeting the needs of the families and businesses who have been affected by this tragic event and helping them to rebuild following this devastating storm. We know this is a long-term process and we are committed to doing the hard work necessary to ensure that these small business owners and their communities are able to emerge stronger than before.

I appreciate the opportunity to update this Committee on SBA’s disaster recovery effort for Superstorm Sandy. We firmly believe that the reforms we have instituted have enabled us to be prepared to efficiently and effectively respond to the needs of our nation’s disaster survivors. I look forward to answering any questions. Thank you.

Chair LANDRIEU. Thank you.
Mr. Chodos.

STATEMENT OF MICHAEL CHODOS, ASSOCIATE ADMINISTRATOR, OFFICE OF ENTREPRENEURIAL DEVELOPMENT, U.S. SMALL BUSINESS ADMINISTRATION

Mr. CHODOS. Chair Landrieu, Senator Vitter, and members of the committee, thank you for the opportunity to testify regarding the role we and our partners play in helping affected individuals and communities respond and recover from Hurricane Sandy.

Since Sandy struck, SBA has been on the ground across the affected region providing individuals and businesses with information, support, and access to disaster recovery loans. As communities rebuild, SBA is there from day one and we will stay deeply involved over the long term. That is why, in addition to our Disaster Response Team, SBA's Office of Entrepreneurial Development and its vast network of business counselors and economic development partners play a key role in immediate disaster response and also in helping the region's small businesses restart, rebuild, and thrive again.

There are hundreds of thousands of small businesses in the affected areas across the Mid-Atlantic and Eastern Seaboard. With 44 Small Business Development Centers, 14 Women's Business Centers, and hundreds of SCORE volunteers in the affected area, our partners work collaboratively with SBA's Office of Disaster Assistance to help staff Disaster Recovery Centers. They also provide intake space for Business Recovery Centers in their own service center locations and set up informational events in communities across the area.

In this early period, our resource partners help business owners map out the recovery process, collect information, and apply for disaster loans. They also connect business owners with other local, State, and Federal resources ranging from help accessing local governmental and utility programs to connections with the IRS to obtain copies of critical tax documents. And they help small businesses take the first concrete steps to get the capital, resources, and mentoring they need to get back up and running.

For example, our New York SBDC created an excellent one-stop Sandy recovery website to provide information about important resources with FAQs for small businesses. It is now a critical tool for individuals and businesses across the State.

But in addition to access to resources, thousands of affected businesses will need individual help, one business at a time. In just one recent example, our Women's Business Center at Hunts Point Economic Development Center in the Bronx was contacted by a local manufacturer and distributor which experienced significant damage to critical machinery and equipment and needed help accessing capital. Our WBC helped the business apply for an SBA disaster loan, reviewed its financial information and plans, and helped to craft a long-term plan to recover and rebuild sales. This process is being repeated by our SBDCs, WBCs, and SCORE volunteers across the region and will increase substantially in the coming months.

SBA-supported counseling and training makes a difference. Those who receive counseling and training are more likely to start, their businesses are more likely to survive over the ensuing years, and they are better prepared to seek financing and to plan effectively for future growth. Together, our resource partners will play a key role in economic rebuilding and growth across the region.

In addition to the on-the-ground support being provided by our resource partners, SBA also takes a comprehensive industry-focused approach to strengthening and rebuilding sectors and supply chains where small businesses have been hit the hardest. No small business is an island. Every small business has its own suppliers and vendors, and thousands of small businesses across the region, in turn, play key roles in supply chains for manufacturers and distributors.

The affected region is a vibrant center for small business participation and innovation in manufacturing, health care, finance, and numerous other sectors. Through its extensive experience with regional innovation clusters and accelerators, SBA knows that successful regional economic growth depends upon effectively connecting small businesses with investment and growth capital, networking and procurement opportunities, and supply chain connections. Our existing cluster and accelerator initiatives work, and in the coming months, we plan to use what we have learned to support targeted and networked economic development in affected industries across the region.

SBA and its partners are already on the ground and we will make sure businesses affected by Sandy will get the help they need in the days and months ahead. We thank you for your support, and I look forward to answering any questions.

[The prepared statement of Mr. Chodos follows:]

**TESTIMONY OF
MICHAEL CHODOS
ASSOCIATE ADMINISTRATOR FOR ENTREPRENEURIAL DEVELOPMENT
U.S. SMALL BUSINESS ADMINISTRATION
BEFORE THE SENATE COMMITTEE ON SMALL BUSINESS AND
ENTREPRENEURSHIP
DECEMBER 13, 2012**

Chair Landrieu, Ranking Member Snowe and members of the Committee. Thank you for the opportunity to testify regarding the role we and our partners play in helping affected individuals and communities respond and recover from Hurricane Sandy.

Since Sandy struck, SBA has been on the ground across the affected region, providing individuals and businesses with information, support and access to disaster recovery loans. As communities rebuild, SBA is there from day one and will stay deeply involved over the long term. That is why in addition to our Disaster Response team, SBA's Office of Entrepreneurial Development and its vast network of business counselors and economic development partners play a key role in immediate disaster response and also in helping the region's small businesses restart, rebuild and thrive again.

There are hundreds of thousands of small businesses in the affected areas across the mid-Atlantic and Eastern seaboard. With 44 Small Business Development Centers, 14 Women's Business centers and hundreds of SCORE volunteers in the affected area, our partners work collaboratively with SBA's Office of Disaster Assistance to help staff Disaster Recovery Centers. They also provide intake space for Business Recovery Centers in their own service center locations, and set up informational events in communities across the area.

In this early period, our Resource Partners help business owners map out the recovery process, collect information and apply for disaster loans. They also connect business owners

with other local, state and federal resources, ranging from help accessing local governmental and utility programs to connections with the IRS to obtain copies of critical tax documents. And they help businesses take the first concrete steps to get the capital, resources and mentoring they need to get back up and running.

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SBA-supported counseling and training makes a difference: Those who receive counseling and training are more likely to start businesses, their businesses are more likely to survive over the ensuing years, and they are better prepared to seek financing and to plan effectively for future business growth. Together, our Resource Partners will play a key role in economic rebuilding and growth across the region.

In addition to the on-the-ground support being provided by our Resource Partners, SBA also takes a comprehensive, industry-focused approach to strengthening and rebuilding sectors and supply chains where small businesses have been hit the hardest. No small business is an

island. Every small business has its own suppliers and vendors, and thousands of small businesses across the region in turn play key roles in supply chains for manufacturers and distributors. The affected region is a vibrant center for small business participation and innovation in manufacturing, health care, finance and numerous other sectors. Through its extensive experience with regional innovation clusters and accelerators, SBA knows that successful regional economic growth depends upon effectively connecting small businesses with investment and growth capital, networking and procurement opportunities, and supply chain connections. Our existing cluster and accelerator initiatives work, and in the coming months we plan to use what we've learned to support targeted and networked economic development in affected industries across the region.

SBA and its partners are already on the ground and will make sure businesses affected by Sandy will get the help they need in the days and months ahead. We thank you for your support and I look forward to answering any questions.

Chair LANDRIEU. Thank you all very much.
We have been joined by Senator Risch. Any opening statement, Senator?

Senator RISCH. No.

Chair LANDRIEU. Okay. Let me just submit for the record one of the successes post-Sandy, post-Katrina, was a more efficient application process, and I want to submit for the record the two-page disaster loan application, the one-page personal financial statement, and the one-page request for tax information. The fact that this has been streamlined is very, very important, but as I said, we still have a great deal more to do, and without objection, I will put that into the record.

[The information of Chair Landrieu follows:]

 U. S. Small Business Administration DISASTER BUSINESS LOAN APPLICATION		OMB No. 3245-0017 Expiration: 01/31/2015
FOR SBA INTERNAL USE ONLY		Date Received _____ Location _____ By _____
Physical Declaration Number	<input type="text"/>	Filing Deadline Date <input type="text"/>
Economic Injury Declaration Number	<input type="text"/>	Filing Deadline Date <input type="text"/>
FEMA Registration Number <small>(if known)</small>	<input type="text"/>	SBA Application Number <input type="text"/>
1. ARE YOU APPLYING FOR:		
<input type="checkbox"/> Physical Damage -- <i>Indicate type of damage</i> <input type="checkbox"/> Real Property <input type="checkbox"/> Business Contents <input type="checkbox"/> Economic Injury (EIDL)		<input type="checkbox"/> Military Reservist EIDL (MREIDL) <i>(complete the following)</i> * Name of Essential Employee _____ * Employee's Social Security Number _____
PLEASE PROVIDE ALL INFORMATION OR DOCUMENTATION REQUESTED IN THE ATTACHED FILING REQUIREMENTS. <small>* For information about these questions, see the attached Statements Required by Laws and Executive Orders.</small> Apply online at https://disasterloan.sba.gov/ela/ OR send completed applications to: U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, Texas 76155		
2. ORGANIZATION TYPE		
<input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Partnership <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Limited Liability Entity <input type="checkbox"/> Corporation <input type="checkbox"/> Nonprofit Organization <input type="checkbox"/> Trust <input type="checkbox"/> Other: _____		
3. APPLICANT'S LEGAL NAME		4. FEDERAL E.I.N. (if applicable)
<input type="text"/>		<input type="text"/>
5. TRADE NAME (if different from legal name)		6. BUSINESS PHONE NUMBER (including area code)
<input type="text"/>		<input type="text"/>
7. MAILING ADDRESS <input type="checkbox"/> Business <input type="checkbox"/> Home <input type="checkbox"/> Temp <input type="checkbox"/> Other: _____		
Number, Street, and/or Post Office Box	City	County State Zip
<input type="text"/>	<input type="text"/>	<input type="text"/>
8. DAMAGED PROPERTY ADDRESS(ES) <small>(If you need more space, attach additional sheets.)</small>		BUSINESS PROPERTY IS:
<input type="checkbox"/> Same as mailing address <input type="checkbox"/> Owned <input type="checkbox"/> Leased		
Number and Street Name	City	County State Zip
<input type="text"/>	<input type="text"/>	<input type="text"/>
9. PROVIDE THE NAME(S) OF THE INDIVIDUAL(S) TO CONTACT FOR:		
Loss Verification Inspection		Information necessary to process the Application
Name		Name
Telephone Number		Telephone Number
10. ALTERNATE WAY TO CONTACT YOU		
<input type="checkbox"/> Cell Number <input type="checkbox"/> E-mail <input type="checkbox"/> Fax Number <input type="checkbox"/> Other		
11. BUSINESS ACTIVITY:		12. NUMBER OF EMPLOYEES (pre-disaster):
<input type="text"/>		<input type="text"/>
13. DATE BUSINESS ESTABLISHED:		14. CURRENT MANAGEMENT SINCE:
<input type="text"/>		<input type="text"/>
15. AMOUNT OF ESTIMATED LOSS: <small>If unknown, enter a question mark</small>		
<input type="checkbox"/> Real Estate <input type="checkbox"/> Machinery & Equipment	<input type="text"/>	<input type="checkbox"/> Inventory <input type="checkbox"/> Leasehold Improvements
<input type="text"/>	<input type="text"/>	<input type="text"/>
16. INSURANCE COVERAGE (IF ANY) <small>(If you need more space, attach additional sheets.)</small>		
Coverage Type: _____		
Name of Insurance Company and Agent		
Phone Number of Insurance Agent		Policy Number
<input type="text"/>		<input type="text"/>

17. OWNERS (Individuals and businesses.)		<small>Complete for each: 1) proprietor, or 2) limited partner who owns 20% or more interest and each general partner, or 3) stockholder or entity owning 20% or more voting stock.</small>			
<small>(If you need more space attach additional sheets.)</small>					
Legal Name		Title/Office	% Owned	E-mail Address	
SSN/EIN*	Marital Status	Date of Birth*	Place of Birth*	Telephone Number (area code)	US Citizen <input type="checkbox"/> Yes <input type="checkbox"/> No
Mailing Address		City	State	Zip	
Legal Name		Title/Office	% Owned	E-mail Address	
SSN/EIN*	Marital Status	Date of Birth*	Place of Birth*	Telephone Number (area code)	US Citizen <input type="checkbox"/> Yes <input type="checkbox"/> No
Mailing Address		City	State	Zip	
<small>* For information about these questions, see the attached Statements Required by Laws and Executive Orders</small>					
Business Entity Owner Name		EIN	Type of Business	% Ownership	
Mailing Address		City	State	Zip Code	
E-mail Address		Phone			
18. For the applicant business and each owner listed in item 17, please respond to the following questions, providing dates and details on any question answered YES (Attach an additional sheet for detailed responses).					
a. Has the business or a listed owner ever been involved in a bankruptcy or insolvency proceeding?		<input type="checkbox"/> Yes <input type="checkbox"/> No			
b. Does the business or a listed owner have any outstanding judgments, tax liens, or pending lawsuits against them?		<input type="checkbox"/> Yes <input type="checkbox"/> No			
c. Has the business or a listed owner ever been convicted of a criminal offense committed during and in connection with a riot or civil disorder or ever been engaged in the production or distribution of any product or service that has been determined to be obscene by a court of competent jurisdiction?		<input type="checkbox"/> Yes <input type="checkbox"/> No			
d. Has the business or a listed owner ever had or guaranteed a Federal loan or a Federally guaranteed loan?		<input type="checkbox"/> Yes <input type="checkbox"/> No			
e. Is the business or a listed owner delinquent on any Federal taxes, direct or guaranteed Federal loans (SBA, FHA, VA, student, etc.), Federal contracts, Federal grants, or any child support payments?		<input type="checkbox"/> Yes <input type="checkbox"/> No			
f. Does any owner, owner's spouse, or household member work for SBA or serve as a member of SBA's SCORE, ACE, or Advisory Council?		<input type="checkbox"/> Yes <input type="checkbox"/> No			
g. Is the applicant or any listed owner currently suspended or debarred from contracting with the Federal government or receiving Federal grants or loans?		<input type="checkbox"/> Yes <input type="checkbox"/> No			
19. Regarding you or any joint applicant listed in Item 17:					
a) have you ever been or are you presently, under indictment or subject to a criminal investigation or have you otherwise been charged through a judicial process of having committed a crime; b) have you been arrested or arraigned in the past six months; c) have you ever been convicted, plead guilty to a crime, plead not guilty to a crime, placed on pretrial diversion, or placed on any form of parole or probation -- including adjudication withheld pending probation -- for an criminal offense other than a minor vehicle violation?					
<input type="checkbox"/> Yes <input type="checkbox"/> No If yes, Name: _____					
20. PHYSICAL DAMAGE LOANS ONLY. If your application is approved, you may be eligible for additional funds to cover the cost of mitigating measures (real property improvements or devices to minimize or protect against future damage from the same type of disaster event). It is not necessary for you to submit the description and cost estimates with the application. SBA must approve the mitigating measures before any loan increase. By checking this box, I am interested in having SBA consider this increase. <input type="checkbox"/>					
21. If anyone assisted you in completing this application, whether you pay a fee for this service or not, that person must print and sign their name in the space below.					
Name and Address of Representative (please include the individual name and their company)					
_____ <small>(Signature of Individual)</small>		_____ <small>(Print Individual Name)</small>			
_____ <small>(Name of Company)</small>		_____ <small>Phone Number (include Area Code)</small>			
_____ <small>Street Address, City, State, Zip</small>		_____ <small>Fee Charged or Agreed Upon</small>			
Unless the NO box is checked, I give permission for SBA to discuss any portion of this application with the representative listed above. NO <input type="checkbox"/>					
AGREEMENTS AND CERTIFICATIONS					
On behalf of the undersigned individually and for the applicant business:					
I/We authorize my/our insurance company, bank, financial institution, or other creditors to release to SBA all records and information necessary to process this application.					
If my/our loan is approved, additional information may be required prior to loan closing. I/We will be advised in writing what information will be required to obtain my/our loan funds.					
I/We hereby authorize the Small Business Administration to verify my/our past and present employment information and salary history as needed to process and service my disaster loan.					
I/We will not exclude from participating in or deny the benefits of, or otherwise subject to discrimination under any program or activity for which I/we receive Federal financial assistance from SBA, any person on grounds of age, color, handicap, marital status, national origin, race, religion, or sex.					
I/We will report to the SBA Office of the Inspector General, Washington, DC 20416, any Federal employee who offers, in return for compensation of any kind, to help get this loan approved. I/We have not paid anyone connected with the Federal government for help in getting this loan.					
CERTIFICATION AS TO TRUTHFUL INFORMATION: By signing this application, you certify that all information in your application and submitted with your application is true and correct to the best of your knowledge, and that you will submit truthful information in the future.					
WARNING: Submitting false information to the Government can lead to criminal penalties and/or civil and administrative remedies against you. If you are prosecuted for submitting false information, you may be imprisoned for up to 30 years and/or fined up to \$250,000 under 18 U.S.C. § 1040 and other Federal statutes. The Government may also pursue a civil fraud case against you for three times the amount of your loan, and may exclude you from participating in Federal programs and contracts for submitting false information in-- or with -- your application or if you do not use the proceeds of the loan for the purpose(s) stated in your application and SBA's loan authorization.					
SIGNATURE	_____		TITLE	_____	
	<small>SBA-10106</small>		DATE	_____	

**U. S. Small Business Administration
DISASTER BUSINESS LOAN APPLICATION**

If you have questions about this application or problems providing the required information, please contact our Customer Service Center at 1-800-659-2955 or disastercustomerservice@sba.gov

If more space is needed for any section of this application, please attach additional sheets.

SBA will contact you by phone or E-mail to discuss your loan request.

Filing Requirements

FOR ALL APPLICATIONS THE FOLLOWING ITEMS MUST BE SUBMITTED.

- This application (SBA Form 5), completed and signed
- Tax Information Authorization (IRS Form 8821), completed and signed by each applicant, each principal owning 20 percent or more of the applicant business, each general partner or managing member, and each affiliate business. Affiliates include, but are not limited to, business parents, subsidiaries, and/or other businesses with common ownership or management
- Complete copies, including all schedules, of the most recent Federal income tax returns for the applicant business, an explanation if not available
- Personal Financial Statement (SBA Form 413) completed, signed, and dated by the applicant (if a sole proprietorship), each principal owning 20 percent or more of the applicant business, and each general partner or managing member
- Schedule of Liabilities listing all fixed debts (SBA Form 2202 may be used)

ADDITIONAL REQUIREMENTS FOR MILITARY RESERVIST ECONOMIC INJURY (MREIDL):

- A copy of the essential employee's notice of expected call-up to active duty or official call-up orders, or release/discharge from active duty
- A written explanation and financial estimate of how the call-up of the essential employee has or will result in economic injury to your business, and the steps your business is taking to alleviate the economic injury
- MREIDL Certification Form P-0002 which includes:
 - Your statement that the reservist is essential to the successful day-to-day operations of the business
 - Your certification that the essential employee will be offered the same or a similar job upon the employee's return from active duty
 - The essential employee's concurrence with your statements

ADDITIONAL INFORMATION MAY BE NECESSARY TO PROCESS YOUR APPLICATION. IF REQUESTED, PLEASE PROVIDE WITHIN 7 DAYS OF THE INFORMATION REQUEST:

- Complete copy, including all schedules, of the most recent Federal income tax return for each principal owning 20 percent or more, each general partner or managing member, and each affiliate
- If the most recent Federal income tax return has not been filed, a year-end profit-and-loss statement and balance sheet for that tax year
- A current year-to-date profit-and-loss statement
- Additional Filing Requirements (SBA Form 1368) providing monthly sales figures

NOTE: PLEASE READ, DETACH AND KEEP FOR YOUR RECORDS
STATEMENTS REQUIRED BY LAWS AND EXECUTIVE ORDERS

To comply with legislation passed by the Congress and Executive Orders issued by the President, Federal executive agencies, including the Small Business Administration (SBA), must notify you of certain information. You can find the regulations and policies implementing these laws and Executive Orders in Title 13, Code of Federal Regulations (CFR), Chapter 1, or our Standard Operating Procedures (SOPs). In order to provide the required notices, the following is a brief summary of the various laws and Executive Orders that affect SBA's Disaster Loan Programs.

FREEDOM OF INFORMATION ACT (5 U.S.C. § 552)

This law provides, with some exceptions, that we must make records or portions of records contained in our files available to persons requesting them. This generally includes aggregate statistical information on our disaster loan programs and other information such as names of borrowers (and their officers, directors, stockholders or partners), loan amounts at maturity, the collateral pledged, and the general purpose of loans. We do not routinely make available to third parties your proprietary data without first doing pre-notification, required by Executive Order 12600, or information that would cause competitive harm or constitute a clearly unwarranted invasion of personal privacy.

Send a request under this Act to the SBA office maintaining the records requested and identify it as a Freedom of Information Act (FOIA) request. The request must describe the specific records you want. For information about the FOIA, contact the Chief, FOI/PA Office, 409 3rd Street, SW, Suite 5900, Washington, DC 20416, or by e-mail at foia@sba.gov.

PRIVACY ACT (5 U.S.C. § 552a)

You can request to see or get copies of any personal information that we have in your file, when that file is retrieved by individual identifiers, such as name or social security number. Requests for information about another party may be denied unless we have the written permission of the individual to release the information to the requestor or unless the information is subject to disclosure under the Freedom of Information Act. The Agreements and Certifications section of this form contains written permission for us to disclose the information resulting from this collection with state, local or private disaster relief services.

Under the provisions of the Privacy Act, you are not required to provide social security numbers. However, we use social security numbers to distinguish between people with a similar or the same name. Failure to provide this number may not affect any right, benefit or privilege to which you are entitled by law, but having the number makes it easier for us to more accurately identify to whom adverse credit information applies and to keep accurate loan records.

The Privacy Act authorizes SBA to make certain "routine uses" of information protected by that Act. One such routine use for SBA's loan system of records is that when this information indicates a violation or potential violation of law, whether civil, criminal, or administrative in nature, SBA may refer it to the appropriate agency, whether Federal, State, local or foreign, charged with responsibility for or otherwise involved in investigation, prosecution, enforcement or prevention of such violations. Another routine use of personal information is to assist in obtaining credit bureau reports, on the Disaster Loan Applicants and guarantors for purposes of originating, servicing, and liquidating Disaster loans. See, 69 F.R. 58598, 58617 (and as amended from time to time) for additional background and other routine uses.

Note: Any person concerned with the collection, use and disclosure of information, under the Privacy Act may contact the Chief, FOI/PA Office, 409 3rd Street, SW, Suite 5900, Washington, DC 20416 or by e-mail at foia@sba.gov for information about the Agency's procedures relating to the Privacy Act and the Freedom of Information Act.

RIGHT TO FINANCIAL PRIVACY ACT OF 1978 (12 U.S.C. § 3401 et seq.)

This notifies you, as required by the Right to Financial Privacy Act of 1978 (Act), of our right to access financial records held by financial institutions that were or are doing business with you or your business. This includes financial institutions participating in loans or loan guarantees.

The law provides that we may access your financial records when considering or administering Government loan or loan guaranty assistance to you. We must give a financial institution a certificate of our compliance with the Act when we first request access to your financial records. No other certification is required for later access. Our access rights continue for the term of any approved loan or loan guaranty. We do not have to give you any additional notice of our access rights during the term of the loan or loan guaranty.

We may transfer to another Government authority any financial records included in a loan application or about an approved loan or loan guaranty as necessary to process, service, liquidate, or foreclose a loan or loan guaranty. We will not permit any transfer of your financial records to another Government authority except as required or permitted by law.

DEBT COLLECTION ACT OF 1982 & DEFICIT REDUCTION ACT OF 1984 (31 U.S.c. 33701 et seq. & other titles)

These laws require us to aggressively collect any delinquent loan payments. You must give your taxpayer identification number to us when you apply for a loan. If you receive a loan and do not make payments when they become due, we may take one or more of the following actions (this list may not be exhaustive):

- *Report the delinquency to credit reporting bureaus.
- *Offset your income tax refunds or other amounts due to you from the Federal Government.
- *Refer the account to a private collection agency or other agency operating a debt collection center.
- *Suspend or debar you from doing business with the Federal Government.
- *Refer your loan to the Department of Justice.
- *Foreclose on collateral or take other actions permitted in the loan instruments.
- *Garnish wages.
- *Sell the debt.
- *Litigate or foreclose.

Paperwork Reduction Act (44 U.S.C. Chapter 35)

We are collecting the information on this form in order to make disaster loans available to qualified small businesses. The form is designed to collect the information necessary for us to make eligibility and credit decisions in order to fund or deny loan requests. We will also use the information collected on this form to produce summary reports for program and management analysis, as required by law.

PLEASE NOTE: The estimated burden for completing this form is 2 hours. Your responses to the requested information are required in order to obtain a benefit under SBA's Disaster Business Loan Programs. However, you are not required to respond to any collection of information unless it displays a currently valid OMB approval number. If you have any questions or comments concerning any aspects of this information collection, please contact the U.S. Small Business Administration Information Branch, 409 3rd St., SW, Washington, DC 20416 and Desk Officer for SBA, Office of Management and Budget, Office of Information and Regulatory Affairs, 725 17th St., NW, Washington, DC 20503. (3245-0017) PLEASE DO NOT SEND FORMS TO OMB.

Policy Concerning Representatives and Their Fees

When you apply for an SBA loan, you may use an attorney, accountant, engineer, appraiser or other representative to help prepare and present the application to us. You are not required to have representation. If an application is approved, you may need an attorney to help prepare closing documents.

There are no "authorized representatives" of SBA, other than our regular salaried employees. Payment of a fee or gratuity to our employees is illegal and will subject those involved to prosecution.

SBA Regulations prohibit representatives from proposing or charging any fee for services performed in connection with your loan unless we consider the services necessary and the amount reasonable. The Regulations also prohibit charging you any commitment, bonus, broker, commission, referral or similar fee. We will not approve the payment of any bonus, brokerage fee or commission. Also, we will not approve placement or finder's fees for using or trying to use influence in the SBA loan application process.

Fees to representatives must be reasonable for services provided in connection with the application or the closing and based upon the time and effort required, the qualifications of the representative, and the nature and extent of work performed. Representatives must execute a compensation agreement.

In the appropriate section of the application, you must state the names of everyone employed by you or on your behalf. You must also notify the SBA disaster office in writing of the names and fees of any representative you employ after you file your application.

If you have any questions concerning payment of fees or reasonableness of fees, contact the Field Office where you filed or will file your application.

Occupational Safety and Health Act (29 U.S.c. 3651 et seq.)

This legislation authorizes the Occupational Safety and Health Administration (OSHA) in the Department of Labor to require businesses to modify facilities and procedures to protect employees when appropriate. If your business does not do so, you may be penalized, forced to close or prevented from starting operations in a new facility. Because of this, we may require information from you to determine whether your business complies with OSHA regulations and may continue operating after the loan is approved or disbursed. You must certify to us that OSHA requirements applying to your business have been determined and that you are, to the best of your knowledge, in compliance.

 <p style="margin: 0;">U.S. Small Business Administration DISASTER HOME LOAN APPLICATION --FOR SBA INTERNAL USE ONLY--</p>	OMB Control No. 3245-0018 Exp. 01/31/2015
Physical Declaration Number: _____	Date Received: _____ By: _____
FEMA Registration Number: _____	Location: _____
SBA Application Number: _____	Filing Deadline Date: _____
1. INFORMATION ABOUT THE APPLICANT(S)	
<p>PRIMARY APPLICANT</p> First Name _____ Middle Name _____ Last Name _____ (name suffix) Social Security Number _____ (i.e., Jr., Sr., III) Birth Date _____ Marital Status <input type="checkbox"/> Married <input type="checkbox"/> Separated <input type="checkbox"/> Unmarried (Single, Divorced, Widowed) Family Size _____ SBA Employee <input type="checkbox"/> YES <input type="checkbox"/> NO Self Employed <input type="checkbox"/> YES <input type="checkbox"/> NO	<p>JOINT APPLICANT</p> First Name _____ Middle Name _____ Last Name _____ (name suffix) Social Security Number _____ (i.e., Jr., Sr., III) Birth Date _____ Relationship to Applicant <input type="checkbox"/> Spouse <input type="checkbox"/> Other: _____ Family Size _____ SBA Employee <input type="checkbox"/> YES <input type="checkbox"/> NO Self Employed <input type="checkbox"/> YES <input type="checkbox"/> NO
2. Applicant(s) Mailing Address	
Address _____ Address Line 2 _____ City _____ County _____ State _____ Zip Code _____	Address _____ Address Line 2 _____ City _____ County _____ State _____ Zip Code _____
3. Applicant(s) Contact Information	
Please use check box to indicate the preferred method of contact Home Phone _____ <input type="checkbox"/> Work Phone _____ <input type="checkbox"/> Cell or Alt. Phone _____ <input type="checkbox"/> E-mail Address _____ <input type="checkbox"/>	Please use check box to indicate the preferred method of contact Home Phone _____ <input type="checkbox"/> Work Phone _____ <input type="checkbox"/> Cell or Alt. Phone _____ <input type="checkbox"/> E-mail Address _____ <input type="checkbox"/>
4. Applicant(s) Closest Relative Not Living With You	
Name _____ Phone Number _____	Name _____ Phone Number _____
5. Applicant(s) Employment	
Employer Name and Address, City, State & Zip Code _____ Address _____ Address Line 2 _____ City _____ County _____ State _____ Zip Code _____ Length of Employment _____ Years _____ Months _____ Gross Income (before taxes) \$ _____ per <input type="checkbox"/> Week <input type="checkbox"/> Bi-Weekly <input type="checkbox"/> Month <input type="checkbox"/> Year Occupation _____ Other Income - if the income will be used to repay this loan. Examples are regular part-time work, social security, retirement or disability income, interest income, alimony, child support. Source _____ \$ _____ per <input type="checkbox"/> Week <input type="checkbox"/> Bi-Weekly <input type="checkbox"/> Month <input type="checkbox"/> Year Source _____ \$ _____ per <input type="checkbox"/> Week <input type="checkbox"/> Bi-Weekly <input type="checkbox"/> Month <input type="checkbox"/> Year	Employer Name and Address, City, State & Zip Code _____ Address _____ Address Line 2 _____ City _____ County _____ State _____ Zip Code _____ Length of Employment _____ Years _____ Months _____ Gross Income (before taxes) \$ _____ per <input type="checkbox"/> Week <input type="checkbox"/> Bi-Weekly <input type="checkbox"/> Month <input type="checkbox"/> Year Occupation _____ Other Income - if the income will be used to repay this loan. Examples are regular part-time work, social security, retirement or disability income, interest income, alimony, child support. Source _____ \$ _____ per <input type="checkbox"/> Week <input type="checkbox"/> Bi-Weekly <input type="checkbox"/> Month <input type="checkbox"/> Year Source _____ \$ _____ per <input type="checkbox"/> Week <input type="checkbox"/> Bi-Weekly <input type="checkbox"/> Month <input type="checkbox"/> Year
I own 20% or more of a corporation, partnership, limited partnership, or LLC <input type="checkbox"/> YES <input type="checkbox"/> NO	I own 20% or more of a corporation, partnership, limited partnership, or LLC <input type="checkbox"/> YES <input type="checkbox"/> NO
SBA Form 3C (01-12) Ref SOP 30 30 Use back page for additional comments or information if necessary	

6. DAMAGED PROPERTY ADDRESS Same as applicant mailing address **Is this your primary residence?** YES NO

Address: _____ Own Rent

City: _____ County: _____ State: _____ Zip Code: _____

Damage type: Real Estate Personal Property Auto

7. Insurance Information

NO INSURANCE coverage of any kind (flood or other) was in force for this loss.

Type of insurance coverage in force for this loss: Homeowner's Automobile Renter's Flood Other: _____ (describe)

Type of Coverage	Insurance Company Name	Phone Number	Policy Number	Amount Received

8. Other disaster assistance received or expected from: FEMA \$ _____ State \$ _____

Other Describe: _____ \$ _____

9. Assets **Pre-disaster Value**

Cash & bank accounts NOT including retirement accounts	
IRA's Keoghs and other similar retirement accounts	
Market value of stocks & bonds & other securities	
Estimated resale value of household goods (furnishings & appliances)	
Primary residence address: _____	
Other real estate owned address: _____	
Other real estate owned address: _____	
Other real estate owned address: _____	
Other: (vehicles, boats, RV, etc.) describe: _____	
Other: (vehicles, boats, RV, etc.) describe: _____	

10. Debts I have no debts

Mortgage holder's or Landlord's name and address	Mo. Payment or Rent	Present Balance
Name: _____		
Address: _____		
Address Line 2: _____		
City: _____ State: _____ Zip Code: _____		
Second Mortgage holder's name and address (if any)		
Name: _____		
Address: _____		
City: _____ State: _____ Zip Code: _____		

If you own your home and if payment(s) above do NOT include real estate taxes and/or insurance, OR if residence is paid for, please provide (as applicable):

Real Estate Taxes: \$ _____ Month Year Hazard Insurance: \$ _____ Month Year Condo/HOA Fees: \$ _____ Month Year

Other debt:

Name of creditor	Type of Debt	Mo. Payment	Balance	How Secured

11. Extraordinary Expenses Examples of Extraordinary Expenses are unusually high and long-term (10 months or longer) e.g. medical costs, child care, child support, alimony, tuition, schools required by medical disability.

(Required & Continuing)

Monthly Payment	Description of expense (please be specific)

Use back page for additional comments or information if necessary

12. OTHER INFORMATION					
<i>Note: This information also applies to Joint Applicant, if any. If more space is needed, use back page.</i>					
1 I have never had an SBA loan or an SBA guaranteed loan, except:	SBA office location, and account (loan) number				
2 I have never had any other Federal loans or Federally guaranteed loans, except:	Agency name, office location, and account (loan) number				
3 I am not delinquent on any Federal taxes, direct or guaranteed loans (FHA, VA, student, etc.), contracts, grants, or any child support payments, except:	Agency name, office location, and account (loan) number				
4 I have never been bankrupt, except:	Provide complete details such as dates, parties involved and current status:				
5 I have no judgments or lawsuits pending against me, except:	Provide complete details such as dates, parties involved and current status:				
6 I have never been convicted of a felony committed in connection with a riot or civil disorder, nor am I engaged in the production or distribution of any product or service that has been determined to be obscene by a court of competent jurisdiction, except:	Provide complete details:				
7 Regarding you or any joint applicant: a) have you ever been or are you presently, under indictment or subject to a criminal investigation or have you otherwise been charged through a judicial process of having committed a crime; b) have you been arrested or arraigned in the past six months; c) have you ever been convicted, plead guilty to a crime, plead nolo contendere to a crime, placed on pretrial diversion, or placed on any form of parole or probation -- including adjudication withheld pending probation -- for a criminal offense other than a minor vehicle violation? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO <i>Provide dates and details for any question answered YES on back page.</i>					
8 Is the applicant/joint applicant currently suspended or debarred from contracting with the Federal government or receiving Federal grants or loans? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO <i>Provide dates and details for any question answered YES on back page.</i>					
9 Is the applicant/joint applicant a U.S. citizen? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO <i>if you are not a U.S. Citizen, please provide complete details on back page.</i>					
10 If my loan is approved, I may be eligible for additional funds to cover the cost of safeguarding my property from similar damages as caused by this disaster. It is not necessary for me to submit the description and cost estimates with the application. SBA approval of these safeguarding measures will be required before any loan increase. By checking this box, I am interested in having SBA consider this increase. <input checked="" type="checkbox"/>					
11 I have not paid a representative (attorney, accountant, etc.) to assist me with this application, except: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Name and address of representative (please print)</td> <td style="width: 30%;">Fee charged or agreed upon</td> </tr> </table> If anyone completed this application on my behalf, whether there is any charge or not, that person must sign in this space below: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Signature of representative</td> <td style="width: 30%;">Date signed</td> </tr> </table>	Name and address of representative (please print)	Fee charged or agreed upon	Signature of representative	Date signed	
Name and address of representative (please print)	Fee charged or agreed upon				
Signature of representative	Date signed				
12 I authorize my insurance company, bank, financial institution, or other creditors to release to SBA all records and information necessary to process this application.					
13 SBA has my permission, as required by the Privacy Act, to release information to state, local or private disaster relief services (Red Cross, Salvation Army, Mennonite Disaster Services, etc.), and to verify my past and present employment information and salary history as needed to process and service my disaster loan.					
14 If my loan is approved, additional information may be required prior to loan closing. I will be advised in writing what documents will be needed to obtain my loan funds.					
15 I have received and read a copy of the "STATEMENTS REQUIRED BY LAWS AND EXECUTIVE ORDERS" which was attached to this application.					
16 CERTIFICATION AS TO TRUTHFUL INFORMATION: By signing this application, you certify that all information in your application and submitted with your application is true and correct to the best of your knowledge, and that you will submit truthful information in the future. WARNING: Submitting false information to the Government can lead to criminal penalties and/or civil and administrative remedies against you. If you are prosecuted for submitting false information, you may be imprisoned for up to 30 years and/or fined up to \$250,000 under 18 U.S.C. § 1040 and other Federal statutes. The Government may also pursue a civil fraud case against you for three times the amount of your loan, and may exclude you from participating in Federal programs and contracts for submitting false information in-- or with -- your application or if you do not use the proceeds of the loan for the purpose(s) stated in your application and SBA's loan authorization. SIGNATURES: Be sure to SIGN and date the application in INK. If there is a JOINT APPLICANT, the joint applicant must also SIGN and date in INK in the space provided. <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">Signature of APPLICANT</td> <td style="width: 25%;">Date Signed</td> <td style="width: 25%;">Signature of JOINT APPLICANT</td> <td style="width: 25%;">Date Signed</td> </tr> </table>	Signature of APPLICANT	Date Signed	Signature of JOINT APPLICANT	Date Signed	
Signature of APPLICANT	Date Signed	Signature of JOINT APPLICANT	Date Signed		
Please check the "FILING REQUIREMENTS" instructions to see that you have included the necessary supporting documents. Apply online at https://disasterloan.sba.gov/ela/ OR send completed application to: U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, Texas 76155					

13	ADDITIONAL INFORMATION
Please refer to Section and Title	

U.S. Small Business Administration
DISASTER HOME LOAN APPLICATION

If you have questions about this application or problems providing the required information, please contact our Customer Service Center at 1-800-659-2955 or disastercustomerservice@sba.gov. If more space is needed for any section of this application, please attach additional sheets.

SBA will contact you by phone or Email to discuss your loan request.

FILING REQUIREMENTS

REQUIRED FOR ALL LOAN APPLICATIONS:

- Complete and sign this application form (SBA Form 5C)
- Complete and sign the Tax Information Authorization (IRS Form 8821) enclosed with this application. This income information, obtained from the IRS, will help us determine your repayment ability

WHILE NOT NECESSARY TO ACCEPT YOUR APPLICATION, YOU MAY BE REQUIRED TO SUPPLY THE FOLLOWING INFORMATION TO PROCESS THE APPLICATION. IF REQUESTED, PLEASE PROVIDE WITHIN 7 DAYS OF THE INFORMATION REQUEST:

- If any applicant has changed employment within the past two years, provide a copy of a current (within 1 month of the application date) pay stub for all applicants
- If we need additional income information, you may be asked to provide copies of your Federal income tax returns, including all schedules

IF SBA APPROVES YOUR LOAN, WE MAY REQUIRE THE FOLLOWING ITEMS BEFORE LOAN CLOSING. WE WILL ADVISE YOU, IN WRITING, OF THE DOCUMENTS WE NEED.

- If you own your residence, a COMPLETE legible copy of the deed, including the legal description of the property
- If the damaged property is your primary residence, proof of residency at the damaged address
- If you had damage to a manufactured home, a copy of the title. If you own the lot where the home is located, a COMPLETE legible copy of the deed, including the legal description of the property
- If you have damage to an automobile or other vehicle, a copy of the current registration

**NOTE: PLEASE READ, DETACH AND KEEP FOR YOUR RECORDS
STATEMENTS REQUIRED BY LAWS AND EXECUTIVE ORDERS**

To comply with legislation passed by the Congress and Executive Orders issued by the President, Federal executive agencies, including the Small Business Administration (SBA), must notify you of certain information. You can find the regulations and policies implementing these laws and Executive Orders in Title 13, Code of Federal Regulations (CFR), Chapter 1, or our Standard Operating Procedures (SOPs). In order to provide the required notices, the following is a brief summary of the various laws and Executive Orders that affect SBA's Disaster Loan Programs.

FREEDOM OF INFORMATION ACT (5 U.S.C. 552)

This law provides, with some exceptions, that we must make records or portions of records contained in our files available to persons requesting them. This generally includes aggregate statistical information on our disaster loan programs and other information such as names of borrowers (and their officers, directors, stockholders or partners), loan amounts at maturity, the collateral pledged, and the general purpose of loans. We do not routinely make available to third parties your proprietary data without first doing pre-notification, as required by Executive Order #12600, or information that would cause competitive harm or constitute a clearly unwarranted invasion of personal privacy.

Send a request under this Act to the SBA office maintaining the records requested and identify it as a Freedom of Information Act (FOIA) request. The request must describe the specific records you want. For information about the FOIA, contact the Chief, FOI/PA Office, 409 3rd Street, SW, Suite 5900, Washington, DC 20416, or by e-mail at foia@sba.gov.

PRIVACY ACT (5 U.S.C. 552a)

You can request to see or get copies of any personal information that we have in your file, when that file is retrieved by individual identifiers, such as name or social security number. Requests for information about another party may be denied unless we have the written permission of the individual to release the information to the requestor or unless the information is subject to disclosure under the Freedom of Information Act. This form contains written permission for us to disclose the information resulting from this collection with state, local or private disaster relief services.

Under the provisions of the Privacy Act, you are not required to provide social security numbers. However, we use social security numbers to distinguish between people with a similar or the same name. Failure to provide this number may not affect any right, benefit or privilege to which you are entitled by law, but having the number makes it easier for us to more accurately identify to whom adverse credit information applies and to keep accurate loan records.

The Privacy Act authorizes SBA to make certain "routine uses" of information protected by that Act. One such routine use for SBA's loan system of records is that when this information indicates a violation or potential violation of law, whether civil, criminal, or administrative in nature, SBA may refer it to the appropriate agency, whether Federal, State, local or foreign, charged with responsibility for or otherwise involved in investigation, prosecution, enforcement or prevention of such violations. Another routine use of personal information is to assist in obtaining credit bureau reports, on the Disaster Loan Applicants and guarantors for purposes of originating, servicing, and liquidating Disaster loans. See, 69 F.R. 58598, 58617 (and as amended from time to time) for additional background and other routine uses.

Note: Any person concerned with the collection, use and disclosure of information under the Privacy Act may contact the Chief, FOI/PA Office, 409 3rd Street, SW, Suite 5900, Washington, DC 20416 or by e-mail at foia@sba.gov for information about the Agency's procedures relating to the Privacy Act and the Freedom of Information Act.

RIGHT TO FINANCIAL PRIVACY ACT OF 1978 (12 U.S.C. 3401 et seq.)

This notifies you, as required by the Right to Financial Privacy Act of 1978 (Act), of our right to access financial records held by financial institutions that were or are doing business with you or your business. This includes financial institutions participating in loans or loan guarantees.

The law provides that we may access your financial records when considering or administering Government loan or loan guaranty assistance to you. We must give a financial institution a certificate of our compliance with the Act when we first request access to your financial records. No other certification is required for later access. Our access rights continue for the term of any approved loan or loan guaranty. We do not have to give you any additional notice of our access rights during the term of the loan or loan guaranty.

We may transfer to another Government authority any financial records included in a loan application or about an approved loan or loan guaranty as necessary to process, service, liquidate, or foreclose a loan or loan guaranty. We will not permit any transfer of your financial records to another Government authority except as required or permitted by law.

CONSUMER CREDIT PROTECTION ACT (15 U.S.C. 1601 et seq.)

This legislation gives an applicant who is refused credit because of adverse information about the applicant's credit, reputation, character or mode of living an opportunity to refute or challenge the accuracy of such reports. Therefore, if we decline your loan in whole or in part because of adverse information in a credit report, you will be given the name and address of the reporting agency so you can seek to have that agency correct its report, if inaccurate. If we decline your loan in whole or in part because of adverse information received from a source other than a credit reporting agency, you will be given information but not the source of the report.

Within 3 days after the consummation of the transaction, any recipient of an SBA loan which is secured in whole or in part by a lien on the recipient's residence or household contents may rescind such a loan in accordance with "Regulation Z" of the Federal Reserve Board.

DEBT COLLECTION ACT OF 1982 AND DEFICIT REDUCTION ACT OF 1984 (31 U.S.C. 3701 et seq. and other titles)

These laws require us to aggressively collect any delinquent loan payments. You must give your taxpayer identification number to us when you apply for a loan. If you receive a loan and do not make payments when they become due, we may take one or more of the following actions (this list may not be exhaustive):

- *Report the delinquency to credit reporting bureaus.
- *Offset your income tax refunds or other amounts due you from the Federal Government.
- *Refer the account to a private collection agency or other agency operating a debt collection center.
- *Suspend or debar you from doing business with the Federal Government.
- *Refer your loan to the Department of Justice.
- *Foreclose on collateral or take other actions permitted in the loan instruments.
- *Garnish wages.
- *Sell the debt.
- *Litigate or foreclose.

PLEASE NOTE: The estimated burden for completing this form is 1.25 hours. Your responses to the requested information are required in order to obtain a benefit under our Disaster Home Loan Program. However, you are not required to respond to any collection of information unless it displays a currently valid OMB approval number. If you have questions or comments concerning any aspects of this information collection, please contact the U.S. Small Business Administration Information Branch, 409 3rd Street, SW, Washington, DC 20416 and Desk Officer for SBA, Office of Management and Budget, Office of Information and Regulatory Affairs, 725 17th Street, NW, Washington, DC 20503. (3245-0018) PLEASE DO NOT SEND FORMS TO OMB.



PERSONAL FINANCIAL STATEMENT

U.S. SMALL BUSINESS ADMINISTRATION

OMB APPROVAL NO. 3245-0188
EXPIRATION DATE: 8/31/2011

As of _____

Complete this form for: (1) each proprietor, or (2) each limited partner who owns 20% or more interest and each general partner, or (3) each stockholder owning 20% or more of voting stock, or (4) any person or entity providing a guaranty on the loan.

Name		Business Phone	
Residence Address		Residence Phone	
City, State, & Zip Code			
Business Name of Applicant/Borrower			

ASSETS	(Omit Cents)	LIABILITIES	(Omit Cents)
Cash on hand & in Banks	\$ _____	Accounts Payable	\$ _____
Savings Accounts	\$ _____	Notes Payable to Banks and Others	\$ _____
IRA or Other Retirement Account	\$ _____	(Describe in Section 2)	
Accounts & Notes Receivable	\$ _____	Installment Account (Auto)	\$ _____
Life Insurance-Cash Surrender Value Only	\$ _____	Mo. Payments	\$ _____
(Complete Section 8)		Installment Account (Other)	\$ _____
Stocks and Bonds	\$ _____	Mo. Payments	\$ _____
(Describe in Section 3)		Loan on Life Insurance	\$ _____
Real Estate	\$ _____	Mortgages on Real Estate	\$ _____
(Describe in Section 4)		(Describe in Section 4)	
Automobile-Present Value	\$ _____	Unpaid Taxes	\$ _____
Other Personal Property	\$ _____	(Describe in Section 6)	
(Describe in Section 5)		Other Liabilities	\$ _____
Other Assets	\$ _____	(Describe in Section 7)	
(Describe in Section 5)		Total Liabilities	\$ _____
Total	\$ _____	Net Worth	\$ _____
		Total	\$ _____

Section 1. Source of Income	Contingent Liabilities
Salary	As Endorser or Co-Maker
Net Investment Income	Legal Claims & Judgments
Real Estate Income	Provision for Federal Income Tax
Other Income (Describe below)	Other Special Debt

Description of Other Income in Section 1:

*Alimony or child support payments need not be disclosed in "Other Income" unless it is desired to have such payments counted toward total income.

Section 2. Notes Payable to Banks and Others. (Use attachments if necessary. Each attachment must be identified as a part of this statement and signed.)

Name and Address of Noteholder(s)	Original Balance	Current Balance	Payment Amount	Frequency (monthly, etc.)	How Secured or Endorsed Type of Collateral

Section 3. Stocks and Bonds. (Use attachments if necessary. Each attachment must be identified as a part of this statement and signed).						
Number of Shares	Name of Securities	Cost	Market Value Quotation/Exchange	Date of Quotation/Exchange	Total Value	
Section 4. Real Estate Owned. (List each parcel separately. Use attachment if necessary. Each attachment must be identified as a part of this statement and signed.)						
	Property A	Property B	Property C			
Type of Property						
Address						
Date Purchased						
Original Cost						
Present Market Value						
Name & Address of Mortgage Holder						
Mortgage Account Number						
Mortgage Balance						
Amount of Payment per Month/Year						
Status of Mortgage						
Section 5. Other Personal Property and Other Assets. (Describe, and if any is pledged as security, state name and address of lien holder, amount of lien, terms of payment and if delinquent, describe delinquency.)						
Section 6. Unpaid Taxes. (Describe in detail, as to type, to whom payable, when due, amount, and to what property, if any, a tax lien attaches.)						
Section 7. Other Liabilities. (Describe in detail.)						
Section 8. Life Insurance Held. (Give face amount and cash surrender value of policies - name of insurance company and beneficiaries)						
I authorize SBA/Lender to make inquiries as necessary to verify the accuracy of the statements made and to determine my creditworthiness. I certify the above and the statements contained in the attachments are true and accurate as of the stated date(s). These statements are made for the purpose of either obtaining a loan or guaranteeing a loan. I understand FALSE statements may result in forfeiture of benefits and possible prosecution by the U.S. Attorney General (Reference 18 U.S.C. 1001).						
Signature:		Date:		Social Security Number:		
Signature:		Date:		Social Security Number:		
PLEASE NOTE: The estimated average burden hours for the completion of this form is 1.5 hours per response. If you have questions or comments concerning this estimate or any other aspect of this information, please contact Chief, Administrative Branch, U.S. Small Business Administration, Washington, D.C. 20416, and Clearance Officer, Paper Reduction Project (3245-0185), Office of Management and Budget, Washington, D.C. 20503. PLEASE DO NOT SEND FORMS TO OMB.						

Form 8821
(Rev. October 2012)
Department of the Treasury
Internal Revenue Service

Tax Information Authorization

▶ Information about Form 8821 and its instructions is at www.irs.gov/form8821.
▶ Do not sign this form unless all applicable lines have been completed.
▶ To request a copy or transcript of your tax return, use Form 4506, 4506-T, or 4506T-EZ.

OMB No. 1545-1165
For IRS Use Only

Received by: _____
Name: _____
Telephone: _____
Function: _____
Date: _____

1 Taxpayer information. Taxpayer must sign and date this form on line 7.

Taxpayer name and address (type or print)	Taxpayer identification number(s)
	<div style="width: 45%;">Daytime telephone number</div> <div style="width: 45%;">Plan number (if applicable)</div>

2 Appointee. If you wish to name more than one appointee, attach a list to this form.

Name and address	CAF No. _____ PTIN _____ Telephone No. _____ Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
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3 Tax matters. The appointee is authorized to inspect and/or receive confidential tax information for the tax matters listed on this line. Do not use Form 8821 to request copies of tax returns.

(a) Type of Tax (Income, Employment, Payroll, Excise, Estate, Gift, Civil Penalty, etc.) (see instructions)	(b) Tax Form Number (1040, 941, 720, etc.)	(c) Year(s) or Period(s) (see the instructions for line 3)	(d) Specific Tax Matters (see instr.)

4 Specific use not recorded on Centralized Authorization File (CAF). If the tax information authorization is for a specific use not recorded on CAF, check this box. See the instructions. If you check this box, skip lines 5 and 6

5 Disclosure of tax information (you must check a box on line 5a or 5b unless the box on line 4 is checked):

a If you want copies of tax information, notices, and other written communications sent to the appointee on an ongoing basis, check this box

Note. Appointees will no longer receive forms, publications and other related materials with the notices.

b If you do not want any copies of notices or communications sent to your appointee, check this box

6 Retention/revocation of tax information authorizations. This tax information authorization automatically revokes all prior authorizations for the same tax matters you listed on line 3 above unless you checked the box on line 4. If you do not want to revoke a prior tax information authorization, you must attach a copy of any authorizations you want to remain in effect and check this box

To revoke this tax information authorization, see the instructions.

7 Signature of taxpayer. If signed by a corporate officer, partner, guardian, executor, receiver, administrator, trustee, or party other than the taxpayer, I certify that I have the authority to execute this form with respect to the tax matters and tax periods shown on line 3 above.

▶ IF NOT SIGNED AND DATED, THIS TAX INFORMATION AUTHORIZATION WILL BE RETURNED.

▶ DO NOT SIGN THIS FORM IF IT IS BLANK OR INCOMPLETE.

Signature	Date
Print Name	Title (if applicable)

PIN number for electronic signature

For Privacy Act and Paperwork Reduction Act Notice, see instructions. Cat. No. 11596P Form **8821** (Rev. 10-2012)

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General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form 8821 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form8821.

Purpose of Form

Form 8821 authorizes any individual, corporation, firm, organization, or partnership you designate to inspect and/or receive your confidential information for the type of tax and the years or periods you list on Form 8821. You may file your own tax information authorization without using Form 8821, but it must include all the information that is requested on Form 8821.

Form 8821 does not authorize your appointee to advocate your position with respect to federal tax laws; to execute waivers, consents, or closing agreements; or to otherwise represent you before the IRS. If you want to authorize an individual to represent you, use Form 2848, Power of Attorney and Declaration of Representative.

Use Form 4506, Request for Copy of Tax Return, to get a copy of your tax return.

Use Form 4506-T, Request for Transcript of Tax Return, to order: (a) transcript of tax account information and (b) Form W-2 and Form 1099 series information.

Use Form 4506T-EZ, Short Form Request for Individual Tax Return Transcript, to request a tax return transcript for the current and three prior tax years that includes most lines of the original return. The transcript will not show payments, penalty assessments, or adjustments made to the originally filed return.

Use Form 56, Notice Concerning Fiduciary Relationship, to notify the IRS of the existence of a fiduciary relationship. A fiduciary (trustee, executor, administrator, receiver, or guardian) stands in the position of a taxpayer and acts as the taxpayer. Therefore, a fiduciary does not act as an appointee and should not file Form 8821. If a fiduciary wishes to authorize an appointee to inspect and/or receive confidential tax information on behalf of the fiduciary, Form 8821 must be filed and signed by the fiduciary acting in the position of the taxpayer.

When To File

Form 8821 must be received by the IRS within 120 days of the date it was signed and dated by the taxpayer.

Where To File

Generally, mail or fax Form 8821 directly to the IRS. See the *Where To File Chart*, below. Exceptions are listed next.

If Form 8821 is for a specific tax matter, mail or fax it to the office handling that matter. For more information, see the instructions for line 4.

Where To File Chart

IF you live in . . .	THEN use this address . . .	Fax Number*
Alabama, Arkansas, Connecticut, Delaware, District of Columbia, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, or West Virginia	Internal Revenue Service Memphis Accounts Management Center PO Box 268, Stop 8423 Memphis, TN 38101-0268	855-214-7519
Alaska, Arizona, California, Colorado, Hawaii, Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wisconsin, or Wyoming	Internal Revenue Service 1973 N. Rulon White Blvd. MS 6737 Ogden, UT 84404	855-214-7522
All APO and FPO addresses, American Samoa, nonpermanent residents of Guam or the U.S. Virgin Islands**, Puerto Rico (or if excluding income under section 933), a foreign country, U.S. citizens and those filing Form 2555, 2555-EZ, or 4563.	Internal Revenue Service International CAF 2970 Market St. MS 3-E08.123 Philadelphia, PA 19104	855-772-3156

*These numbers may change without notice. For updates to these fax numbers, go to www.irs.gov/form8821.

**Permanent residents of Guam should use Department of Taxation, Government of Guam, P.O. Box 23607, GMF, GU 96921; permanent residents of the U.S. Virgin Islands should use: V.I. Bureau of Internal Revenue, 6115 Estate Smith Bay, Suite 225, St. Thomas, V.I. 00802.

Your appointee may be able to file Form 8821 electronically with the IRS from the IRS website. For more information, go to IRS.gov. Under the *for Tax Pros* tab, go to *Other Tools & Information* and click on *Use e-Services for Tax Pros*. If you complete Form 8821 for electronic signature authorization, do not file a Form 8821 with the IRS. Instead, give it to your appointee, who will retain the document.

Taxpayer Identification Number (TIN)

A TIN is used to confirm the identity of a taxpayer and identify the taxpayer's return and return information. It is important that you furnish your correct name, social security number (SSN), individual taxpayer identification number (ITIN), and/or employer identification number (EIN).

Partnership Items

A Tax Matter Partner is authorized to perform certain acts on behalf of an affected partnership. Rules governing the use of Form 8821 do not replace any provisions of law concerning the tax treatment of partnership items.

Appointee Address Change

If your appointee's address changes, a new Form 8821 is not required. The appointee can provide the IRS with the new information by sending written notification of the new address to the location where the Form 8821 was filed. Your appointee must sign and date the written notice.

Specific Instructions

Line 1. Taxpayer Information

Individual. Enter your name, TIN, and your street address in the space provided. Do not enter your appointee's address or post office box. If a return is a joint return, the appointee(s) identified will only be authorized for you. Your spouse, or former spouse, must submit a separate Form 8821 to designate an appointee.

Corporation, partnership, or association. Enter the name, EIN, and business address.

Employee plan or exempt organization. Enter the name, address, and EIN or SSN of the plan sponsor/plan name, exempt organization or bond issuer. Enter the three-digit plan number when applicable. If you are the plan's trustee and you are authorizing the IRS to disclose the tax information of the plan's trust, see the instructions relating to trust.

Trust. Enter the name, title, and address of the trustee, and the name and EIN of the trust.

Estate. Enter the name and address of the estate. If the estate does not have an identification number, enter the decedent's SSN or ITIN.

Line 2. Appointee

Enter your appointee's full name. Use the identical full name on all submissions and correspondence. Enter the nine-digit CAF number for each appointee. If an appointee has a CAF number for any previously filed Form 8821 or power of attorney (Form 2848), use that number. If a CAF number has not been assigned, enter "NONE," and the IRS will issue one directly to your appointee. The IRS does not assign CAF numbers to requests for employee plans and exempt organizations.

If you want to name more than one appointee, indicate so on this line and attach a list of appointees to Form 8821. If more than two appointees are listed and you request copies of notices and communications be sent to your new appointees (see line 5), copies of notices and communications will be sent only to the first two appointees.

Note. Because the IRS will send copies of notices and communications to no more than two persons, if you previously filed a Form 2848, Power of Attorney and Declaration of Representative, for the same tax matters and periods and you requested copies of notices and communications be sent to your representative(s) at that time, requesting your new appointee(s) receive copies of notices and communications may stop notices and communications from being sent to your authorized representative(s).

Check the appropriate box to indicate if either the address, telephone number, or fax number is new.

Line 3. Matters

Enter the type of tax, the tax form number, the years or periods, and the specific matter. Enter "Not applicable," in any of the columns that do not apply.

For example, you may list "Income, 1040" for calendar year "2010" and "Excise, 720" for "2010" (this covers all quarters in 2010). Multiple years or a series of inclusive periods, including quarterly periods, you may list 2008 through (thru or a hyphen) 2010. For example, "2008 thru 2010" or "2nd 2009-3rd 2010." For fiscal years, enter the ending year and month, using the YYYYMM format. Do not use a general reference such as "All years," "All periods," or "All taxes." Any tax information authorization with a general reference will be returned.

You may list the current year or period and any tax years or periods that have already ended as of the date you sign the tax information authorization. However, you may include on a tax information authorization only future tax periods that end no later than 3 years after the date the tax information authorization is received by the IRS. The 3 future periods are determined starting after December 31 of the year the tax information authorization is received by the IRS. You must enter the type of tax, the tax form number, and the future year(s) or period(s). Only tax forms directly related to the taxpayer may be listed on line 3. If the matter relates to estate tax, enter the date of the decedent's death instead of the year or period.

If you appoint someone only with respect to a penalty and interest due on that penalty, enter "civil penalty" in the description of matters column. If applicable, enter the tax year(s) for the penalty. Enter "NA" (not applicable) in the tax form number column. You do not have to enter the specific penalty.

Column (d). Enter any specific information you want the IRS to provide. Examples of column (d) information are: lien information, a balance due amount, a specific tax schedule, or a tax liability. Enter "not applicable" in column (d) if you are not limiting your appointee's authority to inspect and/or receive confidential tax information described in columns (a), (b), and (c).

For requests regarding Form 8802, Application for United States Residency Certification, enter "Form 8802" in column (d) and check the specific use box on line 4. Also, enter the appointee's information as instructed on Form 8802.

Note. If the taxpayer is subject to penalties related to an individual retirement account (IRA) (for example, a penalty for excess contributions) enter, "IRA civil penalty" on line 3, column a.

Note. If Form W-2 is listed on line 3, then the appointee may receive information regarding any civil penalties charged that relate to that Form W-2.

A Form 8821 that lists a particular tax return will also entitle the appointee to receive the taxpayer notices regarding any return-related civil penalties and a specific reference to penalties is not required. However, any civil penalty that is not return-related is not covered by the Form 8821 unless it references "civil penalties" or a specific penalty is stated.

Line 4. Specific Use Not Recorded on CAF

Generally, the IRS records all tax information authorizations on the CAF system. However, authorizations relating to a specific issue are not recorded.

Check the box on line 4 if Form 8821 is filed for any of the following reasons:

- (a) requests to disclose information to loan companies or educational institutions,
- (b) requests to disclose information to federal or state agency investigators for background checks,
- (c) application for EIN, or
- (d) claims filed on Form 843, Claim for Refund and Request for Abatement.

If you check the box on line 4, your appointee should mail or fax Form 8821 to the IRS office handling the matter. Otherwise, your appointee should bring a copy of Form 8821 to each appointment to inspect or receive information. A specific-use tax information authorization will not revoke any prior tax information authorizations.

Line 6. Retention/Revocation of Tax Information Authorizations

Check the box on this line and attach a copy of any tax information authorization you do not want to revoke. The filing of Form 8821 will not revoke any Form 2848 that is in effect.

If you want to revoke an existing tax information authorization and do not want to name a new appointee, send a copy of the previously executed tax information authorization to the IRS, using the *Where To File Chart*, earlier. The copy of the tax information authorization must have a current signature of the taxpayer and date under the original signature on line 7. Write "REVOKE" across the top of Form 8821.

If you do not have a copy of the tax information authorization you want to revoke, send a statement to the IRS. In the statement:

- (a) indicate that the authority of the appointee is revoked,

- (b) list the name and address of each recognized appointee whose authority is revoked,
- (c) list the tax matters and tax periods, and
- (d) sign and date the statement.

If you are completely revoking the authority of the appointee, state "remove all years/periods" instead of listing the specific tax matters, years, or periods.

To revoke a specific use tax information authorization, send the tax information authorization or statement of revocation to the IRS office handling your case, using the above instructions.

Line 7. Signature of Taxpayer

Individual. You must sign and date the authorization. If a joint return has been filed, your spouse must execute his or her own authorization on a separate Form 8821 to designate an appointee.

Corporation. Generally, Form 8821 can be signed by:

- (a) an officer having authority under applicable state law to bind the corporation,
- (b) any person designated by the board of directors or other governing body,
- (c) any officer or employee on written request by any principal officer and attested to by the secretary or other officer, and
- (d) any other person authorized to access information under section 6103(e)(1)(D), except for a person described in section 6103(a)(1)(D)(ii) (bona fide shareholders of record owning 1% or more of the outstanding stock of the corporation).

Partnership. Generally, Form 8821 can be signed by any person who was a member of the partnership during any part of the tax period covered by Form 8821. See *Partnership Items*, earlier. If the Form 8821 covers more than one tax year or tax period, the person must have been a member of the partnership for all or part of each tax year or period covered by Form 8821.

Employee plan. If the plan is listed as the taxpayer on line 1, a duly authorized individual having authority to bind the taxpayer must sign and that individual's exact title must be entered.

If the trust is the taxpayer, listed on line 1, a trustee having the authority to bind the trust must sign with the title of trustee entered. If the trust has not previously submitted a completed Form 56, Notice Concerning Fiduciary Relationship, identifying the current trustee, the trust must submit a Form 56 to identify the current trustee.

Estate. If there is more than one executor, only one executor having the authority to bind the estate is required to sign. See regulations section 601.503(d).

All others. See section 6103(e) if the taxpayer has died, is insolvent, is a dissolved corporation, or if a trustee, guardian, executor, receiver, or administrator is acting for the taxpayer.

Privacy Act and Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. Form 8821 authorizes the IRS to disclose your confidential tax information to the person you appoint. This form is provided for your convenience and its use is voluntary. The information is used by the IRS to determine what confidential tax information your appointee can inspect and/or receive. Section 6103(c) and its regulations require you to provide this information if you want to designate an appointee to inspect and/or receive your confidential tax information. Under section 6109, you must disclose your identification number. If you do not provide all the information requested on this form, we may not be able to honor the authorization. Providing false or fraudulent information may subject you to penalties.

We may disclose this information to the Department of Justice for civil or criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to

enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 6 min.; **Learning about the law or the form**, 12 min.; **Preparing the form**, 24 min.; **Copying and sending the form to the IRS**, 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making Form 8821 simpler, we would be happy to hear from you. You can write to Internal Revenue Service, Individual and Specialty Forms and Publications Branch, SE:W:CAR:MP:T:I, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. **Do not** send Form 8821 to this address. Instead, see the *Where To File Chart*, earlier.

Chair LANDRIEU. Let me make sure we start with the facts, because I am going to have a series of these hearings through this disaster because it is a long haul. I mean, Senator Vitter and I are in the seventh year of recovering from Katrina, and I do not want to frighten people that are listening to this, but it is a long road for recovery after a catastrophic disaster. We still have neighborhoods and business corridors that are struggling.

But I just want to start with making sure we know what our challenges are. The record that I have, and I want to see if it matches with what you have, is that in New York, the documents that have been submitted show that there are 265,000 businesses that have been destroyed. And in New Jersey, it is 189,000. Is that generally the records that you have, Mr. Rivera?

Mr. RIVERA. Senator Landrieu, yes, that is correct.

Chair LANDRIEU. Okay. Now, just for comparison, in Katrina, which was no question a catastrophic disaster on the Gulf Coast, we only lost 18,700 businesses. So I am going to repeat these numbers, because this is a big effort. Two-hundred-and-sixty-five-thousand businesses have been lost in New York, and 189,000 in New Jersey.

Now, the only program that I know of in the Federal Government that is specific to meet the needs comes through your agency. We are pushing very hard for the Community Development Block Grant to change into a much more flexible and better designed tool, which is one of the primary tasks in this supplemental, which I hope Congress will say yes, to maybe use some of that money to craft more robust assistance.

But given that, you can understand why I was a little bit concerned to hear that in New Jersey, we have 1,498 applications have been received. Sixty-eight have been approved and only nine have been disbursed to date. In New York, we have 2,474 applications received. We have 105 have been approved and 12 loans have been disbursed. And the average loan, according to the documents preparing for this hearing, was \$13,000. Now, I understand those loan amounts have increased because this is a real moving target. I mean, every 24 hours, these numbers move.

But just to give some reference, in Katrina, the average business loan was \$1,116 [sic]. In Rita, it was \$95,000. Wilma was \$135,000. Ike was \$129,000. Gustav, \$59,000. Isaac, \$39,000. And yet we are at a fairly low amount for Sandy. Now, that number will go up, the average loan amount.

But I want the members of this committee to know and for the administrators to know that my eyes are on the results, not the process, not how many people we have in the field, not how many offices we have opened, not how much money we are spending. My eyes are going to be for the next year, with the help of this committee, and I think I have the support of both Republicans and Democrats on this, on the results of getting loans quickly into the hands of businesses or grants.

It is impossible for these communities to recover without small business leading the way. It is just not going to happen. Homeowners can rebuild, but if there are no gas stations open, if there are no grocery stores, if there are no retail shopping centers—and

I am telling you, seven years after Katrina, we still have neighborhoods that are looking for business opportunities.

Now, I do not think the Federal Government can do it all, but I do think the Federal Government can be a big supporter in this effort and I am looking for smart partnerships.

So would you please comment on these numbers. Keep your responses short because I do have another question.

Mr. RIVERA. Okay, thank you, Senator Landrieu. You know, you are absolutely correct. We are very early into this disaster. Generally, we get most of our applications between week four and week eight, and then we have a 14- to 18-day processing goal. We are currently processing these applications within ten days. So what is happening is we are now—this is week six from the disaster. We are now starting to get a lion's share of influx of disaster applications and we process within that time frame, accordingly. But we are confident that we are going to be able to get these applications processed timely, and then once we get the loan approved, we will generate the loan closing documents and we get the initial disbursement out within the first five days of the date of the application—

Chair LANDRIEU. Let me ask you this. What are the deadlines for application, because I believe we may have to have those extended. In my experience, people are still so traumatized at this time after the disaster. I mean, they are having a hard time getting their head around the fact that they have lost their home, they have lost their church, they have lost their business. It is difficult to make decisions, particularly when you do not know what your neighbors are doing or what the business next door is doing, and people may need more time. So what are the deadlines, and do you have the authority to extend them?

Mr. RIVERA. So the current deadline in New York was just recently extended. For all the States, the deadline is December 31. In New York, the deadline was extended to January 28. But under the Presidentially Declared Disasters, we will work with FEMA to see if we can get a possible deadline.

Chair LANDRIEU. So you are saying you do have the authority to extend deadlines if you find that it is necessary?

Mr. RIVERA. We do not, but FEMA does, because it is a Presidentially Declared Disaster, but we will definitely work with them.

Chair LANDRIEU. Okay, because I am going to ask the next panel, do they believe the businesses in their community need more time to fashion their loan request.

Mr. RIVERA. Right.

Chair LANDRIEU. My third question, and I am sorry to go a little bit over—I will turn it over to Senator Vitter in a minute—explain in some detail, if you can, what the preliminary conversations have been with Secretary of HUD, who is probably the best person in America to lead this disaster, in my humble opinion, Shaun Donovan—he is well experienced, he is educated, he is from that region—what have the initial conversations been about the possibility of some express business loans—\$10,000, \$20,000, \$25,000 loans—to proven successful, businesses, longstanding? I am not talking about new entrepreneurs taking opportunities in the aftermath, as legitimate as that may be. I am talking about long-

standing businesses, so that we can answer the question, are loans the only thing that is available? What is your answer to that, and what are the outlines of that preliminary discussion?

Mr. RIVERA. So, our initial discussions with HUD are that we are working together with them. I mean, he is obviously going to be the point person for the President in responding to the disaster of Superstorm Sandy across the area.

We have had some initial discussions on the flexibility of how we can coordinate. We have the Memorandum of Understanding that we had signed, thanks to your efforts. But we are looking at coordinating between how we can make the disaster loans and how the CDBG funds and the flexibility that they may be able to be provided as part of the supplemental.

Chair LANDRIEU. For a possibility for some small express grants? Have you all gotten into any of that discussion yet, or is it still very preliminary?

Mr. RIVERA. It is still preliminary. You know, as I mentioned, we are still early in the disaster. It is week six and we are working as hard as we can, as fast as we can, to get the best results we can. But we are still early in that process.

Chair LANDRIEU. Okay. Senator Blumenthal, questions, and then I will get to you, Senator Risch.

Senator BLUMENTHAL. Thank you, Madam Chair.

One quick question. Could you comment specifically on the different alternatives in terms of collateral that may be available? Senator Landrieu raised that point earlier, which I think is very well taken.

Mr. RIVERA. Okay. So, we follow the private sector practice. We will generally take the business assets, and if there is a residence available, we will pick up the residence. But as part of the proposed language, we will see, from our perspective, how that works from a collateralization. But we do follow private sector practices.

Senator BLUMENTHAL. Well, would you then use collateral other than someone's home, and would that be a departure from existing policy or—

Mr. RIVERA. Yes, it would be a departure from our existing policy and we would look at what other collateral is available based on the proposed legislation.

Senator BLUMENTHAL. So you will undertake that policy?

Mr. RIVERA. We will look at if we can do that. You know, once the legislation is passed, we will come back and we will figure out if that is the best approach we can take.

Senator BLUMENTHAL. Thank you.

Chair LANDRIEU. Senator Risch.

Senator RISCH. Thank you, Madam Chairman.

Mr. Chodos, you used an example of a business that you have helped since the catastrophe, and I think, where did you say it was, in New York? Was it in—

Mr. CHODOS. The Bronx.

Senator RISCH. Okay. What kind of business was that?

Mr. CHODOS. That is a beverage distributor, I believe.

Senator RISCH. And what type of insurance did they have?

Mr. CHODOS. So, I will get back to you on that, Senator, and find out specifically what insurance they had. I will say that the avail-

ability of insurance is one of the key items of information that is obtained when a business is applying for immediate either FEMA grants or SBA disaster loans. So getting the full packet of information is part of that intake process, and more broadly, our resource partners who help staff both the Disaster Recovery Centers and the Business Recovery Centers take a holistic approach when a business walks in the door to find out, where are they overall? What do they have? What are the needs? What is the plan going forward?

Senator RISCH. Perfect, except. I am looking here at the application, U.S. Small Business Administration Disaster Business Loan Application, and it has got a form number and what have you on it. You know, if I was a claims processor or someone in your position looking at one of these, this thing would be incredibly short of information when it comes to making a decision as to whether taxpayers' money should go into this.

I look at item number 16, insurance coverage, parentheses, if any, and I am going to get to the "if any" part here pretty quick. You do not even ask how much coverage a person has on this application. You have got coverage type. You have got name of insurance company or agent and phone number of insurance agent and policy number. Now, I have not had time to study this thing, so maybe it shows up somewhere else here, but Mr. Rivera, you seem anxious to answer that question.

Mr. RIVERA. Well, Senator, that is part of the application process. It is the SBA Form 5, or 5C, and basically, what we do is the loan officer will have that discussion with the disaster survivor and with the insurance agent. So that communication does occur. We make sure that there is no duplicative funding that occurs from that.

Senator RISCH. One would hope so. It seems to me, though, that—and I understand you want to keep this short and you want to keep it concise and easy to fill out, which is good. But to me, the most important thing after a disaster a person reaches for is their insurance policy. Bless the Federal Government, but even insurance companies are better than the Federal Government, generally, to responding to claims. And it would seem to me that if you looked at the claims forms that you are required to fill out for an insurance company, you could probably take a lesson there to get yourself quite a bit of information.

For instance, item number 16, insurance coverage, if any, it says coverage type. Most people, when they say coverage type, they are kind of at a blank because they do not deal with that all the time. But if you listed and had them check a box, such as property, contents, business interruption, they could check the box very quickly, I would think, and let you know what it was and how much the coverage was, because that would seem to me to be critical when you are examining one of these claims.

I would assume you have a group that works with a claimant as far as dealing with their insurance company.

Mr. RIVERA. The loan officers do deal with the actual insurance agent when they are processing the application, yes, sir.

Senator RISCH. And you feel comfortable with their area of expertise in that regard?

Mr. RIVERA. Yes—

Senator RISCH. Insurance companies can be somewhat difficult, at times, when it comes to claims time.

Mr. RIVERA. We have pretty good success dealing with the individual, the disaster survivor and the insurance agent. I mean, it is a pretty transparent process from our perspective.

Senator RISCH. Okay, thank you. I can see I am way over here, but I have got a number of other questions.

Chair LANDRIEU. Go ahead.

Senator RISCH. Okay. All right. In any event, if I were you, I would take a look at that application form. Again, I do not want to see the usual kind of Federal form that looks like the phone book, but rather—I like this idea of keeping it simple, but you need more information, it seems to me, than what you have.

Out of the—go back to Katrina for a minute. Madam Chairman indicated there were 18,000 businesses either destroyed or affected or what have you. What percent of those had insurance?

Mr. RIVERA. I would have to go back and check our records. I was not in the Office of Disaster Assistance. I was with the agency, but I was not with the Office of Disaster Assistance at the time, but we can get back with you for the record.

Senator RISCH. Do you head the Office of Disaster Assistance?

Mr. RIVERA. Yes, sir, I do.

Senator RISCH. It would seem to me that that is a critical question. Can you give me a ballpark? Was it half of them? Was it three-quarters of them?

Mr. RIVERA. I do not venture to guess. I really do not know, but we can get that information for you.

Senator RISCH. I am disappointed in that. Did you do anything with Katrina as far as making it a learning experience for other small businesses in America about how important insurance is in these situations?

Mr. RIVERA. Oh, absolutely. I mean, we have a pretty good preparedness package that goes out. I mean, we have a marketing and outreach program where we talk about insurance being key. We do make loans for uninsured or underinsured losses. We do make the loan up front and then we will take an assignment of the insurance policy. I mean, there are a lot of lessons learned here, but I do not want to just state a specific percentage without knowing the actual factual number. So we can get that number for you.

Senator RISCH. Please. Also, the 265,000 in New York and the 189,000 in New Jersey, I would be really interested as far as your determination on how many of those people had insurance and how many did not.

Mr. RIVERA. Okay. We can get back with you on that, also.

Senator RISCH. I am assuming you would agree with me that that is critical, the amount of insurance that they have, when people are looking to the Federal Government to step in and fill a gap.

Mr. RIVERA. Well, just to clarify, that is part of our process. I mean, if you have insurance—we will make a loan for \$100,000 and let us say you have \$50,000 of insurance. We will either make the loan up front and then reduce the full amount by that \$50,000, or we will make the net loan of \$50,000. But we only make loans for uninsured or underinsured losses.

Senator RISCH. And will you also take an assignment on insurance proceeds?

Mr. RIVERA. We do when we make a loan commitment before the insurance is settled.

Senator RISCH. I think that is enough for this round.

Chair LANDRIEU. Thank you, Senator.

Let me assure you, we can get that information. I think that is very important. But for the record, is not the insurance given on SBA Form 5, which has to be completed and attached to this?

Mr. RIVERA. Yes, ma'am.

Chair LANDRIEU. Okay. So in addition to the two pages, which are—as the Senator pointed out, we do want a simple but complete process—there are five other forms, one for insurance, one from the IRS, a 1413 Form, which is another SBA, and another, 2202, which is a schedule of fixed liabilities and all fixed debt. So if there are some improvements, Senator, that you want to suggest, please let us know.

But I do think that the insurance is required, and very important, because this is really the Federal Government is helping to fill the gap, helping to step up and provide some funding quickly and in advance. Sometimes those insurance proceeds can be very slow. And, frankly, some insurance companies are much better than others about honoring the contracts that they have with these businesses, and that is another important oversight that I hope that the committee of jurisdiction, which is not this committee, but can provide in this recovery.

Are there any other questions, because I would like to move to the second panel and give them an opportunity. Anything else you all want to add?

Mr. RIVERA. No, ma'am. Thank you.

Senator RISCH. Madam Chairman, can I—

Chair LANDRIEU. Go ahead.

Senator RISCH. We have been hit with a \$60 billion request from—did that come from the White House?

Chair LANDRIEU. It did. It came from the White House and the Appropriations Committee has reviewed it.

Senator RISCH. What part of that would be attributable to or within this committee's jurisdiction? Does anybody have an idea?

Chair LANDRIEU. Go ahead. You can—

Mr. CHODOS. Roughly, it would be—the request for the SBA are a \$500 million disaster subsidy, \$250 million for disaster administration, \$40 million for the economic development initiatives we discussed, \$10 million for related administrative expenses, and \$5 million for the IG.

Chair LANDRIEU. And how much of that loan authorization, how much of that money—how much will it leverage in additional loans?

Mr. RIVERA. Approximately \$4.5 billion for lending authority.

Chair LANDRIEU. Okay.

Senator RISCH. I have got one other that is not related to that, but who put those numbers together, by the way? Was that you, Mr. Rivera, that put those together, your shop?

Mr. RIVERA. The agency?

Senator RISCH. Yes.

Mr. RIVERA. I am sorry. Which numbers are you—

Senator RISCH. These numbers that you just gave us as far as how much—

Mr. RIVERA. So it is a “one SBA” approach. Part of it is mine in the Office of Disaster Assistance. Part of it is Michael’s in the Office of Entrepreneurial Development. And then there is a surety bond piece up in Capital Access, also.

Senator RISCH. I assume if we want to know more about how you put those numbers together, we can get in touch—staff can get in touch with your shop to find that out?

Mr. RIVERA. Oh, absolutely. Yes, sir.

Senator RISCH. Okay. When someone applies for a Small Business Administration loan, is their insurance vetted at that time?

Mr. RIVERA. Yes, sir. When the loan officer gets the application, that is part of their underwriting due diligence, is that they have to contact the insurance company as part of that processing effort.

Senator RISCH. So, theoretically, anybody with a small business loan will receive compensation from their insurance company as opposed to having an issue with coming to the SBA for it and just asking—

Mr. RIVERA. Well, you know, that is one of the decisions a small business owner needs to make, I mean, if they feel they have adequate insurance or if they feel they are underinsured. We are just providing one option for their tool box from a loan commitment perspective.

Senator RISCH. When you do your due diligence, do you require that they satisfy you that they are fully insured for losses as to their structures, their inventory, their interruption of business and that sort of thing?

Mr. RIVERA. Yes, sir. When we speak with the insurance agent, we do have exactly what the insurance settlement is at that time or what they anticipate the insurance settlement to be, and we work—

Senator RISCH. I am sorry. I am talking about for before any disaster, when somebody comes to you for a loan.

Mr. RIVERA. For a disaster loan or—

Senator RISCH. No, I am sorry. Maybe this is more appropriate for Mr. Chodos, but I am looking for someone who comes in for an SBA loan, no disaster on the horizon or anything else. I am—

Mr. RIVERA. Yes, sir. The guarantee loan program that is run through the banks, that we run through our lending partners—

Senator RISCH. Right.

Mr. RIVERA [continuing]. That is part of the normal private sector practice, that insurance is required. Correct.

Senator RISCH. Go back to Katrina, if you would, or if you can give me these kinds of numbers. What do you find as far as people who have an SBA loan coming back to the SBA after a disaster and wanting either a loan or disaster relief or something like that?

Mr. RIVERA. So, for an individual that has already received a disaster loan?

Senator RISCH. Right.

Mr. RIVERA. So there is an opportunity in the event that there is uninsured or underinsured losses. I mean, there may be a situation where we require flood insurance because they are in a flood

plain and there may be additional damage above whatever the flood insurance policy covers because of the different footprint or the different type of event that occurs from one disaster to another.

Senator RISCH. Thank you, Madam Chairman.

Chair LANDRIEU. And, Senator, we can get you some information about the stand-alone SBA program. I just was checking with the staff. The default rate in that program is very comparable to the private sector default rate and it is a modest, in my view, subsidy for that program relative to the leverage it provides for small businesses when they are sort of the lender of last resort.

And I want to make clear, and I think the Senator has a very good line of questioning, that insurance underlies this whole recovery process. Homeowners have insurance. There is flood insurance. Now, these insurance policies can be expensive, but it is required in many of these communities.

The small business loans are there, really, to fill the gap or to get money more quickly until insurance proceeds come in. But it would be important for the record to submit how many of the businesses that are successful in not just applying but in receiving loans, what is their level of insurance coverage.

But let us go to the second panel, if we could. Thank you very much. The second panel, thank you all. And if you all could stay and listen to the second panel, I would appreciate it. I think it is very important to hear from mayors and business leaders on the ground.

The first is the Honorable Dawn Zimmer, who became the first female Mayor of Hoboken, New Jersey, in 2009. Mayor Zimmer began her career in public service as an advocate for public park space but has become a successful mayor dedicated to fiscal responsibility, public-private partnerships, and improving the quality of life for local residents. Unfortunately, Hoboken is one of the more devastated municipalities in the region, and no mayor can appreciate what you and your city council and citizens have been going through. We just offer you our best in this effort.

Mr. Jim King has been the State Director of the New York Small Business Development Center network since 1984. He oversees 24 Regional Centers, 35 Outreach Centers that serve over 35,000 small businesses each year. All of your experience, Mr. King, will most certainly be called on and tested for the job that is ahead of you.

Mr. Kevin Law is the President and CEO of Long Island Association, one of the most respected business organizations in New York. The Long Island economy is made up of over 100,000 businesses, 90 percent of which employ 20 people or less. We are looking forward to hearing directly from you, Kevin, about what your businesses are saying, many of them struggling to recover, and how we can be as helpful as possible.

But, Mayor, let us start with you, and again, our hearts go out to the people that you have lost and are devastated, but we are going to stay with you for the long haul, the long road ahead.

**STATEMENT OF HON. DAWN ZIMMER, MAYOR, CITY OF
HOBOKEN, NJ**

Ms. ZIMMER. Thank you very much. Good morning, Chairwoman Landrieu.

Chair LANDRIEU. Make sure your buttons are pressed and that you are speaking directly into your microphone.

Ms. ZIMMER. Good morning, Chairwoman Landrieu and committee members. It is a privilege and an honor to be here today. Again, my name is Dawn Zimmer and I am the Mayor of Hoboken, New Jersey.

Hoboken is located just across the river from New York City. We are the proud birthplace of baseball and Frank Sinatra and the home of "Cake Boss." We have more than 50,000 residents and hundreds of businesses call our square-mile city their home, which is why we are one of the most densely populated cities in America, actually, more than New York City. We are proud to be one of the most walkable communities in the country, and we rank number one in per capita use of public transportation for commuting. We are a vibrant urban community filled with hundreds of boutiques, restaurants, and outdoor cafes.

But Hurricane Sandy was devastating for Hoboken, our businesses, and our residents. For the first time in history, the Hudson River spilled into Hoboken from both the north and the south, and more than half of our city was flooded. Our community center, public works garage, three of our four firehouses, and more than 1,700 homes were flooded. We estimate the total damage to our community at well over \$100 million. Thankfully, our main street, Washington Street, did not flood, and is again open for business. But hundreds of businesses located off of our main street were severely flooded.

Even the businesses that did not flood have been severely impacted by one of our principal means of transportation to New York. The PATH train was flooded and still has not been restored. Many businesses report up to a 60 percent reduction in business due to the difficulty of getting to and from Hoboken.

Some businesses that flooded remain closed or are forced to operate at an alternate location as they try to navigate the insurance gauntlet. I call it an insurance gauntlet because the National Flood Insurance Program is not designed to meet the needs of the urban environments. I believe there is a fundamental unfairness to the system that I respectfully ask Congress to try to address.

When businesses located in a flood zone buy their properties, they are forced to purchase flood insurance by their mortgage companies. But the flood insurance program treats garden-style businesses as if they were basements. If they rent, which many businesses do, then the direct uninsured costs are often passed on to the small business renters.

Under FEMA's definition of a basement, the coverage is greatly limited to only those things like the boiler, hot water tanks, and electrical control panels. These rules do not reflect the reality that in places like Hoboken, New York City, and other urban areas, the premises characterized as "basements" house vibrant businesses and principal residences, which are critical elements to the vi-

brancy of our cities. A store or apartment that requires you to walk down one or two steps is, plain and simply, not a basement.

The business owners and residents who work and live in these stores and homes are required to buy flood insurance, are required to pay premiums into the Flood Insurance System, yet they receive virtually no coverage. After having paid flood insurance premiums for years, many discover for the first time that their claims are denied because the flood insurance they were required to purchase does not actually insure them. What we have is, unfortunately, not a rule that protects against moral hazard, but a trap that victimizes people in their greatest time of need.

For many businesses, their only option is from the Small Business Administration. But many business owners I have spoken with tell me they cannot afford more debt. But they do need help, and we are at risk of losing the small businesses that make our community special.

So I respectfully ask that this committee and the Congress consider other options for providing direct relief to our small business owners. Unfortunately, those businesses without flood insurance who do seek assistance from the SBA will be the next victims caught in the flood insurance trap. If they are able to receive an SBA loan, they will be required to get flood insurance and pay into a program that offers virtually no assistance for the urban garden-style business. Their insurance costs will go up excessively, but unless Congress takes action to address the definition of a basement or the coverage provided to those units, then the garden-style business or homeowner will be forever caught funding a flood insurance system that fails to benefit them in any meaningful way.

The inequity of this system is apparent when we see homeowners receiving \$250,000 in coverage for vacation homes on the shore while primary homes and businesses fall through the cracks of the flood insurance program.

In the immediate term, I strongly urge Congress to provide direct assistance for businesses and residents caught in the flood insurance trap. Specifically, I ask you to take action to address the unfair basement issue for the future. I suggest that rather than denying people coverage, businesses and residents should be given incentives to invest in taking the necessary steps to reduce the impact of flooding. For example, there could be a system of encouraging the installation of energy-efficient waterless tanks on higher floors that could be installed in closets. But the current system does not provide incentives. It just inflicts pain on innocent victims at a time when they are most vulnerable.

I thank you so much for your willingness to listen to our concerns and for the opportunity to speak to you.

[The prepared statement of Ms. Zimmer follows:]

Senate Committee on Small Business and Entrepreneurship - December 13, 2012

Prepared Testimony

Presented by Hoboken Mayor Dawn Zimmer

Good morning Chairwoman Landrieu and Committee members. It's a privilege to be here today.

My name is Dawn Zimmer and I am the Mayor of Hoboken, New Jersey. Hoboken is located just across the Hudson River from New York City. We are proud to be the birthplace of baseball and Frank Sinatra and home of the Cake Boss. More than 50,000 residents and hundreds of businesses call our square mile city their home, which is why we are one of the most densely populated cities in America – more than New York City. We are proud to be one of the most walkable communities in the country, and we rank number one in per capita use of public transportation for commuting. We're a vibrant urban community filled with hundreds of boutiques, restaurants, and outdoor cafes.

But Hurricane Sandy was devastating for Hoboken, our businesses and our residents. For the first time in history, the Hudson River spilled into Hoboken from the north and south, flooding more than half our city. Our community center, public works garage, three of our four fire houses, and more than 1700 homes flooded. We estimate the total damage to our community at well over \$100 million.

Thankfully our main street, Washington Street, did not flood, and is again open for business. But hundreds of businesses located off of our main street were severely flooded.

Even the businesses that did not flood have been severely impacted because one of our principal means of transportation to New York, the PATH train, was flooded and still has not been restored. Many businesses report up to a 60 percent reduction in business due to the difficulty of getting to and from Hoboken.

Some businesses that flooded remain closed or are forced to operate at an alternate location as they try to navigate the insurance gauntlet.

I call it an insurance gauntlet because the National Flood Insurance Program is not designed to meet the needs of the built urban environment.

I believe there is a fundamental unfairness in the system that I respectfully ask Congress to address.

When businesses located in a flood zone buy their properties, they are forced to purchase flood insurance by their mortgage companies. But the Flood Insurance Program treats garden style businesses as if they were "basements." And under FEMA's definition of a "basement," the coverage is greatly limited to only include things like the boiler, hot water tanks, and electrical control panels.

These rules do not reflect the reality that in places like Hoboken, New York City, and other urban areas, the premises characterized as basements house vibrant businesses and principal residences which are critical elements to the vibrancy of our cities.

A store or apartment that requires you to walk down one or two steps is plain and simply not a basement. The business owners and residents who work and live in these stores and homes are required to buy flood insurance, are required to pay premiums into the flood insurance system, yet they receive virtually no coverage.

After having paid flood insurance premiums for years, many discover for the first time that their claims are denied because the flood insurance they were required to purchase does not actually insure them.

What we have is unfortunately not a rule that protects against moral hazard, but a trap that victimizes people at their time of greatest need.

For many businesses, their only option is a loan from the Small Business Administration. But almost all business owners I've spoken with tell me they can't afford more debt. But they do need help, and we are at risk of losing the small businesses that make our communities special, so I respectfully ask that this committee and the Congress consider other options for providing direct relief to our small business owners.

Unfortunately, those businesses without flood insurance who do seek assistance from the SBA will be the next victims caught in the flood insurance trap. If they are able to receive an SBA loan, they will be required to get flood insurance and pay into a program that offers virtually no assistance for their urban garden style business. Their insurance costs will go up excessively, but unless Congress takes action to address the definition of a "basement" – or the coverage provided to those units - then the garden style business or home owner will be forever caught funding a flood insurance system that fails to benefit them in any meaningful way.

The inequity of the system is apparent when we see homeowners receiving \$250,000 in coverage for vacation homes on the shore while primary homes and businesses fall through the cracks of the flood insurance program.

In the immediate term, I strongly urge Congress to provide direct assistance for businesses and residents caught in the flood insurance trap. Specifically, I ask you to take action to address the unfair basement issue for the future.

I suggest that rather than denying people coverage, businesses and residents should be given incentives to invest in taking the necessary steps to reduce the impact of flooding.

For example, there could be a system of encouraging the installation of energy efficient waterless tanks on higher floors that can be installed in closets.

But the current system does not provide incentives - it just inflicts pain on innocent victims at a time when they are most vulnerable.

I thank you so much for your willingness to listen to our concerns and for the opportunity to speak with you today.

DAWN ZIMMER BIOGRAPHY

Dawn Zimmer became the first female Mayor of Hoboken in 2009. Prior to that, she served as a Councilwoman after becoming involved in civic life as an advocate for park space.

As Mayor, her priorities include restoring fiscal responsibility and improving quality of life for residents. Since taking office, she has steadily reduced taxes and established a responsible cash surplus for the first time in many years. Following audits of the police and fire departments, restructuring and redeployment allowed the city to save millions of dollars per year while enhancing community safety. Through privatization, she saved the City's cash-strapped hospital from closing, saved more than 1,200 jobs, and relieved taxpayers of a \$52 million bond guarantee. Combined, these actions have positioned Hoboken to improve its near-junk bond rating. Mayor Zimmer is using technology to make government more efficient and provide new services and information directly to residents at minimal cost. Under her watch, Hoboken is transitioning from a car-centric city into a nationally-recognized leader in progressive transportation initiatives. Through a public-private partnership, Hoboken is home to Corner Cars, the first on-street, city-wide car sharing program in the country. In 2011, Hoboken was recognized as a Gold Walk-Friendly Community and in 2012 was recognized as a Bike Friendly Community.

Before taking time off to care for her two young sons, Dawn worked in communications for a large Japanese trading company and did crisis communications for one of the top public relations firms in the country. She's also a photographer and served as marketing director for a family business. She is a Cum Laude Graduate of the University of New Hampshire, where she rowed crew for four years. Dawn is a runner who has run the New York City Marathon. She lives in Southwest Hoboken with her husband and two children.

Chair LANDRIEU. Thank you, Mayor, for that excellently crafted statement. I have already directed the staff to begin working on some of those suggestions. And although the flood insurance is not the jurisdiction of this committee, we most certainly are going to ferret that request as quickly as we can over to the appropriate jurisdiction.

Mr. King.

**STATEMENT OF JAMES L. KING, STATE DIRECTOR, NEW YORK
STATE SMALL BUSINESS DEVELOPMENT CENTER**

Mr. KING. Madam Chair and members of the committee, thank you so much for inviting me to speak about Hurricane Sandy.

Since the storm hit, we have done very little else. Our previous experience with disasters probably helped prepare us. We were among the first responders in 9/11 for the small business community, and a few years later, I was privileged to travel to Louisiana and work with Mary Lynn when she was—Mary Lynn Wilkerson—when she was confronting Hurricane Katrina and laying out a strategy for that effort. She has since returned that favor many times over by sharing much information, materials, and she also chairs our association's National Committee on Disaster Recovery, which is working to institutionalize the best practices found nationally so that we can be even better in the future.

The sheer magnitude of the destruction can be overwhelming to small businesses as well as responders. It is hard to know where to begin to determine the steps that will be most productive and to deal with the feeling of isolation.

SBDCs are part of the community, so that creates a bond where small business people tend to turn because they are familiar with us. The same occurs within the SBDC family. Immediately after the disaster, I had other States reaching out to me with offers of support, from personnel and equipment and just about everything else you could think. Our plan is to get through the holiday season pretty much on our own and then reach out to request their assistance soon thereafter.

With that background, I would like to comment on what I have seen about the Federal response. There have been definite improvements, especially since 9/11, and I think since Hurricane Katrina. The change in the past disaster teams, when they came in after 9/11, they had all the answers. They did not want to listen to anybody. That has changed dramatically since then. Immediately after the hurricane, I received a call from James Rivera wanting to coordinate efforts, and that is something I just would not have anticipated.

Prior to the hurricane, we had eight offices in the primary disaster areas with two outreach locations. Today, we have 25 offices that are operational because we transferred staff around to be in proximity to where the businesses that were the hardest hit need the assistance, and that is because a lot of these folks cannot afford to travel distances to get the help they should be receiving.

We also have our staff going basically mobile. We have given them laptops. Verizon Communication has donated communication devices for us. And we are actually going into the businesses so that we can deliver information and the assistance needed.

The day after the hurricane, we had 30 volunteers from Upstate. We have been deploying those 30 individuals in the areas of highest need since the initial days of the recovery.

The loss of power was a critical factor, also, not so much that it is blaming the utilities, but when you do not have the power, you do not have communications, you do not have the Internet, and most of the modes of communication we use these days are electronic, so they just went out the window.

So far, we have had 72 local events, basically providing information, and we have had to go back to the old-fashioned way of putting up posters and word of mouth to get the attendees in position.

Many of the documents that the Office of Disaster Assistance uses are now online, and that is a phenomenal improvement over what I can remember from the previous disasters. And their communication with us made a huge difference in an area like Staten Island, which was extremely hard hit. We were able to put them in touch with our local host sponsor, the College of Staten Island, and they located their Business Recovery Center there with the college and that made a huge difference.

The Rockaways—I do not know whether you are familiar with it, but it is basically a peninsula area, the south part of Queens—they had 1,100 businesses operational before the hurricane. The week after the hurricane, they had five open businesses. Today, they still have just a handful. We recently held an event out in Howard Beach. We had 45 businesses show up and we were able to provide assistance at the event for all 45 of them, get them started in the process.

I think here in New York, we have about 600,000 businesses that are in the disaster area. I consider about 100,000 of them to be the primary disaster folks. And we are estimating that we could see up to 40,000 of them.

Chair LANDRIEU. I am sorry. Could you repeat the last two lines?

Mr. KING. We have about 100,000 businesses in the primary disaster area that received the most damage and we are anticipating seeing over the next several years up to 40,000 of them ourselves. That is a huge undertaking, especially when you consider the amount of services they require.

I reviewed the correspondence with SBA. I received over 100 e-mails since the storm from SBA. That includes my entire SBA team and all the way to the Administrator, and that is not counting telephone calls.

I would also like to give a shout out to our delegation. A lot of those 72 events we have been holding have been cosponsored with our delegation members, both in the House and the Senate.

[The prepared statement of Mr. King follows:]



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STATEMENT OF
JAMES L. KING

STATE DIRECTOR, NEW YORK STATE
SMALL BUSINESS DEVELOPMENT CENTER

CHAIR,
ASSOCIATION OF
SMALL BUSINESS DEVELOPMENT CENTERS

BEFORE THE
COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
UNITED STATES SENATE

DECEMBER 13, 2012

Madame Chair, Ranking Member Snowe, and members of the Committee, thank you for inviting me here today to discuss "Hurricane Sandy: Assessing the Federal Response and Small Business Recovery Efforts". Since the storm hit New York City and Long Island particularly hard October 29th, very little else has occupied our efforts.

The vital role that New York's and America's small businesses play in our daily lives was underscored when so many were disrupted in the communities which rely upon their services. Every disaster seems to have its own signature that recognizes the community in which they are located and the unique character of each community. That said, we can see many similarities to the experiences of others as well as the special circumstances that must be addressed. We look forward to a successful economic recovery process and returning the small businesses that play a leading role in creating the jobs and opportunities we need to stability.

It is important to explain the unique position of the SBDC program within the impact area. The SBDC in the Downstate District of New York (one of three SBA district offices in NY) has been continuously providing small business services with the Small Business Administration (SBA), New York State and our partners since 1985. We've worked with 181,890 entrepreneurs and small business owners through one-to-one business advisement and offered 6,436 training events attended by 174,968 persons. I mention this primarily to underscore that the business community is used to working with the SBDC during all times, good and bad.

Our previous experience with disasters provided us with some insights into what to expect in the initial days following the disaster. Our team at the SBDC in New York had many staff who were the initial small business responders to the 9-11 attack and recovery process, so we were probably better equipped than many to deal with the aftermath. I was also privileged to have the opportunity to work with the SBDC in Louisiana following Hurricane Katrina in 2005 and visited New Orleans as one of five State Directors invited to share thoughts with my counterpart there, Mary Lynn Wilkerson, to evolve a strategy for recovery. I should add that Mary Lynn has returned the favor many times over since Hurricane Sandy devastated our area, with materials, information and support, which has been greatly appreciated. Finally, Mary Lynn has agreed to Chair our ASBDC Committee on Disaster Recovery and will be working to institutionalize the processes and best practices we have collectively developed to ensure the effectiveness of future disaster response efforts.

One of the things that can be overwhelming to the small business owners as well as the responders is dealing with the sheer magnitude of the destruction and the questioning of why this happened and knowing what needs to be done. Individually, it is difficult to organize where to begin, to determine what will be the most productive activities and to deal with a general feeling of isolation. For SBDCs, being part of the community creates a special linkage to the business owners and lets those business owners know that people care and are there to help. A similar situation exists for our SBDC team. Starting almost immediately after the disaster, staff in other states and programs began reaching out with offers of assistance and words or experiences of support. I've received numerous offers of staff from states across the nation willing to volunteer to serve in the recovery efforts. This has meant a great deal to our front line Business Advisors. The experiences gained from disasters in Florida, Texas, Colorado, Louisiana and many other places reinforce the value of the SBDC network in meeting the needs of small business in times of disaster.

Our New York plan is to get through the holiday period relying upon our statewide staff to meet the staffing needs and then to seek experienced staff from other states. Hopefully, this will cause the least disruption to others and help reduce the requirements on our own staff, making sure they do not get overwhelmed. I'd add that many of our staff, residing in the impact area, continued to work while postponing their own personal recovery efforts. We value and intend to recognize that commitment to small business.

With this background, I'd like to comment on the federal response and small business recovery efforts. Although we'd had several lesser disasters since 9-11, the more localized nature had not underscored the differences in the federal response since September, 2001. From my perspective, I would summarize the change in the past decade as being substantial and for the better. In 2001, there was an attitude that the disaster teams had all the answers and did not seek or accept input. That led to limited information getting to the victims and locations being selected for recovery assistance centers that simply did not make sense.

In contrast, following Hurricane Sandy, the SBA Disaster Office reached out to local service providers and requested input on good locations for Disaster Recovery Offices, given the levels of destruction, travel capabilities and support potential. They invited our SBDCs to co-locate staff who could work with small business owners who needed added assistance in re-creating lost or destroyed records, assessments of total damages and taking steps that could be taken to remediate locations to prevent future problems.

Prior to the disaster, we had eight (8) primary service locations and two (2) Outreach locations for the SBDC in the declared disaster areas, housing almost 70 staff. Today, we have 25 assistance locations because we have reached out to partners and more isolated high impact communities to place assistance locations in closer proximity to those in need. Just like with SBDC regular services, proximity counts. The small business owners are struggling to recover, often working with employees to clean up the location and deal with the work of re-establishing their business. They simply cannot take prolonged periods out of their day to travel distances to meet with assistance providers. In some cases, it is necessary to bring the assistance to the business, going portable and visiting the business site. We have deployed five staff with laptops and communication networks donated by Verizon, along with cell phones, to be mobile within the business areas where site visits are needed.

In New York, the SBDC has a mutual aid agreement in which every SBDC Center, statewide, commits to support affected locations during a disaster. The day after the Hurricane, we had 30 volunteers from upstate locations respond to the call for assistance, and we have been deploying those volunteers to high need areas for the past month to augment staff in the high impact areas.

In this disaster, the disruption of power has been a significant factor. We had hundreds of thousands of locations without power for five weeks and still have areas without reliable power. This is not a criticism of the efforts made by the utilities or the crews; I have grown to appreciate how destructive salt water is to electrical systems and the distribution network. But the absence of power made communication with many extremely difficult. Usual modern techniques of getting emails and electronic messaging or web site information simply did not exist. Since the Hurricane, we have cooperated with SBA, NYS, NYC and numerous other community partners to host 72 informational events, often relying upon printed posters and word of mouth or public announcements to get the word out.

In assessing the federal response, I'm most familiar with the SBA Disaster Team and to a lesser degree, FEMA. For SBA, as I had mentioned, the leader of the Office of Disaster Assistance James Rivera reached out to me shortly after the storm and shared my contact information with several staff to make sure that we were in regular contact and involved in many decisions about the siting of Business Recovery Offices, forwarding updates to staff on current procedures and sharing contact information when questions arose.

We were very pleased to note that many of the documents and procedures deployed by the Disaster Team were online and readily accessible. We had recently dealt with Disaster Team members following the floods in the Southern Tier and Adirondacks of New York, just last year. There have been numerous changes since then that encourage greater involvement of the SBDC and the release by SBA of the online process has made the Hurricane Sandy effort significantly better.

One of the best examples, and there are many, relates to the joint deployment of staff in Staten Island, which was hit especially hard by the storm surge. We were able to connect the Office of Disaster Assistance with our host institution, the College of Staten Island, a City University of New York campus. It is centrally located on Staten Island and on high ground, so it was not flooded and retained power. This proved to be an excellent site for a Business Recovery Center. Similar relationships developed on Long Island and within New York City. In each case, our higher educational institutional partners immediately recognized the value of the recovery effort for their community and arranged for space and support.

In other areas, we weren't so lucky. SBDC Advisors have foot canvassed areas in the Rockaways that still do not have power (including Internet access) to provide information on services and loans available. The SBDC and SBA has been given space, Internet access, phone use, and use of equipment (copiers, fax machine) at the Rockaway Development & Revitalization Corporation to provide services in the main commercial area. Informational events are being offered to individuals in this heavily impacted area, where one recent event in Howard Beach generated 45 businesses that registered for assistance on the spot and received advisement services immediately following the event program. However, the Rockaways had a business population of over 1,100 prior to the storm and many may not return.

One of the things this facilitates is the longer term recovery effort, and we anticipate a longer term effort. The SBDC staffs are able to work with Disaster Office staff to leverage the effort and deliver better, more timely and knowledgeable services to the small businesses. The deployment of Disaster Office staff is recognized as being strategic but not permanent. The Disaster Office staff working with SBDC staff promotes the opportunity to maintain disaster recovery services after the assignment of Disaster Office personnel is over, thereby extending the service availability.

This positioning became clearer when I was preparing my comments and I received notification that the physical damage deadline was extended from December 28th until January 28th. If this extension had not taken place, it would have created a very difficult situation during the holiday period where people would have had to rush to submit applications at the end of the eligibility period.

The entire declared disaster area and contiguous counties in New York includes over 600,000 businesses. Our primary disaster area, where we anticipate the greatest demand for services and the greatest damage includes over 100,000 businesses. We will probably assist at least 40,000 of these businesses and we have a very real concern that many we will not see simply will not reopen for a myriad of reasons such as magnitude of losses, age of owners and loss of markets. As part of that longer term strategy, we anticipate working with new businesses, start-ups and expansions, potentially over an extended period.

Services SBDCs have been providing include:

- Completing SBA disaster loan applications
- Retrieving information about available financial assistance, claim filing and walking small businesses through the process
- Helping fill out requests for loans, claims, and assistance forms
- Helping businesses re-create lost financial records, if necessary, to document losses
- Locating and setting up short-term and permanent replacement facilities
- Assessing environmental cleanup options for businesses
- Developing an emergency response plan for the business
- Strategic planning for rebuilding the business and marketing to new potential customers
- Identifying and addressing other issues of concern to affected businesses
- Developing a business continuity plan for response to potential future disasters

I took a few minutes and reviewed my correspondence with many of the Disaster Team assigned to New York as well as the general SBA Team, and found over 100 emails (and I can't tell you how many calls) from my District Director for NYC, Pravina Raghavan, to my project team in Washington (Erika Fisher, Ann Bradbury, Carroll Thomas and Michael Chodos in Entrepreneurial Development) and the Administrator, Karen Mills. We toured the Brooklyn Navy Yard with Administrator, Karen Mills and saw national assets that needed assistance.

Our Congressional delegation was equally helpful and I just don't have space to mention all of them and their help (we have a large and active delegation) I will however, specifically thank Senators Schumer and Gillibrand for their help and dedication. I have been overwhelmed by the efforts to coordinate the response for the benefit of the small businesses affected.

The President's supplemental request for \$60 billion has definitely captured the attention of many in the disaster stricken areas. That request includes \$50 million allocated among the Small Business Administration's programs including \$20 million to support SBA partners, like Small Business Development Centers, as providers of technical assistance to disaster victims to help access capital, re-start, and succeed in the post-Sandy business climate. The funds will help provide resources to enable us to carry out the long-term recovery effort that New York, and New Jersey, in particular, will need. We hope Congress will be able to act quickly to provide the authority and funding to enable SBA and its partners to carry on with the recovery effort.

The final point I would offer is that the assessment of the federal response goes well beyond the actual Disaster Team and involves many regular partners that we deal with daily when we are not in recovery mode. In our case, the State and New York City have provided rapid access to small amounts of interim financing to fund clean-up and short term cash needs of impacted businesses.

Both programs are run through one of the largest SBA participating lenders in New York, the New York Business Development Corporation (NYBDC).

Following 9-11, the SBDC partnered with NYBDC to establish a loan fund to fund smaller, quick turnaround loans to small businesses in distress. Following Hurricane Sandy, NYBDC stepped up and administers two funds for micro loans (up to \$25,000) at no administrative cost, for small businesses. These loans have been used as bridge financing, pending disaster loan applications through the SBA, and have been very well received. In many cases, underwriting has been cut to less than 5 days and has helped cash strapped business owners to continue clean up and early recovery efforts.

This has created a relatively smooth transition for many businesses that might otherwise have been seriously delayed in their efforts. Businesses have gained access to immediate funds while applying for larger amounts through SBA that take more detailed information and significant underwriting. Due to the involvement of NYBDC, this has created an almost linked application development, where staffs have the opportunity to review special offerings from other providers such as taxation grace periods, legal options under leases, energy updates and others.

In summary, I feel the disaster recovery effort has come a long ways. There are better processes and coordination and a lot of improvement since Katrina. While there's probably always room for improvement, it seems that the oversight efforts of the Committees have been fruitful and supported a more transparent and effective process.

Thank you, I look forward to answering any questions you may have.

Chair LANDRIEU. Thank you, Mr. King.
Mr. Law.

**STATEMENT OF KEVIN S. LAW, PRESIDENT AND CHIEF
EXECUTIVE OFFICER, LONG ISLAND ASSOCIATION**

Mr. LAW. Yes, Madam Chairwoman, thank you very much, other Senators of the committee. I want to thank you for the opportunity to be with you today. I would also like to thank my home State Senators Chuck Schumer and Kirsten Gillibrand, who have truly been great advocates for New York State and our country.

My name is Kevin Law. I am the President and CEO of the Long Island Association, which is a leading business organization in the Long Island metropolitan region. For those not familiar, Long Island is a long island. It goes from Brooklyn to Montauk Point, but Brooklyn and Queens are politically part of New York City and so the Long Island I am referring to is Nassau and Suffolk Counties. We are America's first suburb, a region of about three million people, and we are the home of the middle class and the middle class is built on our small businesses. The Long Island economy is made up of over 100,000 businesses, and 90 percent of those businesses have 20 employees or less, and thus, small businesses are clearly the backbone of the Long Island economy.

Superstorm Sandy had a devastating impact to Long Island, including hundreds of millions of dollars in damages to our roads and rail system, a record setting 945,000 residential and commercial customers who lost power, which is more than 90 percent of the entire grid, nearly 100,000 individual homes affected by flood surge of nearly 15 feet, and breaches to our barrier beaches.

The wrath of Hurricane Sandy extended to the business community. Tends of thousands of small businesses lost power for weeks, which resulted in lost sales, and many small businesses were flooded and damaged beyond a simple repair. Small businesses that were already struggling in this slow and bumpy economic recovery now question whether they can still survive and remain open for business.

We thank the efforts and the hard work of FEMA and the SBA. These two Federal agencies have been on the ground on Long Island since Sandy hit, doing everything they can to help us recover. In fact, just two days ago, the LIA, we hosted an event with Congressman Steve Israel and SBA Administrator Karen Gordon Mills and we invited the businesses that were impacted, and the horror stories that they shared with us were gut wrenching. In addition to all the lives lost and homes lost, to hear the stories of folks' businesses ruined and destroyed, as well, was indeed gut wrenching.

And while the SBA has made available to the business community those resources which it legally can, we think some changes may be warranted. Almost all the Federal money that is available to small businesses is in the form of loans. After this storm and in this economy, small business owners are resistant to taking on more debt. Most of the money lost by small businesses can never be recovered.

If you are a homeowner, you may be eligible for a grant from FEMA. But if you are a business owner, your only Federal option is an SBA loan, and this has to change because those that do not

get back into business fast may find themselves unable to ever open again. Small businesses often live in week to week, have fewer reserves, and are more dependent on daily cash flow, and thus, rebuilding on loans alone is problematic. And thus, I urge you to enhance SBA's programs so that it could include grants to small businesses, as well.

You know, there are other items. Senator Chuck Schumer recently proposed new legislation that would also aid small businesses in the aftermath of Hurricane Sandy. That would provide tax credits and deductions for clean-up expenses, and we certainly support those.

Additional Federal efforts could also include recognizing that businesses may not have suffered physical damage from Hurricane Sandy, but rather extraordinary losses of revenue due to the power failures and the ability for customers to even come and patronize their establishments.

And so, currently, most businesses are ineligible for any kind of Federal storm relief, and the storm recovery funding that is approved by Congress should have some flexibility in it so that the State and local governments can adequately respond to small businesses who may never recover from their substantial numbers of lost sales.

We are not only looking to the Federal Government. You know, as the Senator mentioned before, of course, there is insurance, and our local governments are trying to help. They are providing sales tax relief and property tax exemptions where they can to businesses impacted. Our Governor, Governor Cuomo, has created a State fund to assist small businesses and has created also an Empire State Relief Fund, which I have asked to be an advisory committee member of, to help small businesses and homeowners with the gap that is not covered by insurance and FEMA grants.

But we need Federal help, too. Long Island has always been there for America. We have helped put the man on the moon. We are the region where the DNA genetic code was cracked. And we have always been there for America. We need America there for Long Island now. And, thus, we are supporting the President's bill that has been before you because we need those resources to get our businesses back on their feet.

And, Madam Chairwoman, I thank you very much for the opportunity to present to you and to the committee today, and I see my dear friend and our great Senator from New York, Senator Kirsten Gillibrand. Thank you, Senator.

[The prepared statement of Mr. Law follows:]



**TESTIMONY FROM THE LONG ISLAND ASSOCIATION
BY KEVIN S. LAW, PRESIDENT AND CEO
TO THE UNITED STATES SENATE COMMITTEE ON SMALL BUSINESS &
ENTREPRENEURSHIP**

December 13, 2012

Chairwoman Landrieu, Ranking Member Snowe, and other Senators of the committee, thank you for the opportunity to be with you today. I would also like to thank my home state Senators, Chuck Schumer and Kirsten Gillibrand, who are true advocates for New York State and our country.

My name is Kevin Law. I am President and CEO of the Long Island Association ('LIA'), which is the leading business organization in the Long Island metropolitan region. The LIA's membership is comprised of small and large businesses, technology and manufacturing companies, universities, financial service firms, banks, credit unions, hospitals, media companies and sole proprietors which together employ two-thirds of Long Island's workforce. Our mission is to lead the region's economic development and bring together disparate factions within the community to forge regional solutions for Long Island.

The Long Island economy is made up of over 100,000 businesses and 90% of those businesses employ 20 people or less. Thus, small businesses are clearly the backbone of the Long Island economy.

Superstorm Sandy had a devastating impact to Long Island, including: hundreds of millions of dollars in damage to our roads and rail system, a record-setting 945,000 residential and commercial customers who lost power (which is more than 90% of the entire grid), nearly 100,000 individual homes affected by a flood surge of nearly 15 feet, and breaches to our barrier beaches. No storm of this size has ever hit a region as densely populated as ours. The wrath of Hurricane Sandy extended to the business community. Tens of thousands of small businesses lost power for weeks, which resulted in lost sales and many small businesses were flooded and damaged beyond a simple repair. Small businesses that were already struggling in this slow and bumpy economic recovery now question whether they can still survive and remain open for business.

We thank the efforts and hard work of FEMA and the Small Business Administration. These two federal agencies have been on the ground on Long Island since Sandy hit, doing everything they can to help us recover. In fact, I was with the Administrator of the SBA, Karen Gordon Mills and Congressman Steve Israel this week who held a forum for small businesses at our office. She spoke to small business owners about the resources available to them to help recover from Sandy and took their questions.

While the SBA has made available to the business community those resources which it legally can, some changes may be warranted. Many stores, restaurants and small businesses throughout Long Island were damaged and some even destroyed. However, almost all the federal money that is available to small businesses is in the form of loans. After this storm and in this economy, small business owners are resistant to taking on more debt. Most of the money lost by small businesses can never be recovered. If you are a homeowner, you may be eligible for a grant from FEMA. But if you are a business owner, your only federal option is an SBA loan. This has to change because those that do not get back to business fast may find themselves unable to ever open again.

Small businesses, often living week to week, have fewer reserves and are more dependent on daily cash flow and thus rebuilding on loans alone is problematic. Thus, I urge you to consider expanding FEMA's grant program for individuals to include small businesses or to enhance the SBA's programs so that it includes grants to small businesses as well.

Although grants to small businesses would go a long way to help them survive, the availability of loan funding is still vital. Small business owners have only 60 days after a natural disaster to apply for a low-interest loan to make repairs, purchase merchandise and pay for other work necessary to reopen. The deadline for small businesses to seek recovery aid was recently extended to January 28, 2013, and that is good news. We are concerned businesses impacted by Hurricane Sandy have not yet applied for assistance. The most recent data published indicated that the SBA had approved about \$3 million in loans to 31 Long Island businesses. This seems low given the high numbers of businesses impacted. Many business owners are still regrouping to get their lives and businesses back to normal and have not had the opportunity yet to apply for aid, or they may still be unaware of the resources available to them. It is reasonable and essential that FEMA and the SBA remain flexible on the final deadline so we are certain everything is being done to boost small businesses.

Senator Chuck Schumer recently proposed new legislation that would also aid small businesses in the aftermath of Hurricane Sandy. The bill would allow full tax deductions for cleanup expenses, give damaged small businesses a tax credit for keeping employees, allow businesses to use bonus depreciation for capital expenditures associated with constructing commercial properties and residential rental properties and authorize states to issue tax credits for individuals and businesses affected by the storm. These are important proposals that would bring great relief to the small business community.

Additional federal efforts could also include recognizing businesses that may not have suffered physical damage from Hurricane Sandy but rather extraordinary losses of revenue due to power failures and missing customers. Many small retail businesses and restaurants made no revenue in the weeks after the storm because so many other people were unable to travel to or actually work at their offices. Currently, most businesses are ineligible for any kind of federal storm relief. The storm recovery funding that is approved by Congress should have some flexibility in it so the states and local governments can adequately respond to small businesses who may never recover their substantial numbers of lost sales.

Hurricane Sandy devastated our region. While FEMA and the SBA have done a tremendous job coming to the rescue of the small business community, more could be done to

ensure their long-term viability. Thank you for allowing me the opportunity to testify today and I respectfully urge you to consider our recommendations during your deliberations.

Chair LANDRIEU. Thank you very much. We really appreciate the testimony.

I am going to call on Senator Gillibrand in just a moment for her opening remarks and potentially some questions, but Mayor, let me start with you. You know, as you look out on the destruction of Hoboken, one of the communities hardest hit, and you have got homeowners, you have got public facilities, and you have businesses, and then you have got transit and general infrastructure, et cetera, et cetera, how are you thinking about organizing the small business recovery? What are the tools that you are either using in terms of organization? What organizations are you looking to locally to help? And have you had this discussion with some of the other mayors about best practices that could be applied to help your small businesses get back up and running? And I know this is a lot with just a few weeks after the storm, but any initial thoughts, besides the excellent testimony that you presented this morning, about actually having the flood insurance program work for its intended purpose to help people in a time of need?

Ms. ZIMMER. I mean, as I mentioned, the concern is, you know, basically businesses, and as my fellow panelists have testified to, the concern is that in this economic climate, the four percent rate offered by the SBA is a challenge for businesses. They are really concerned about taking on the four percent, and so they are going. The feeling was—we had meetings with the Small Business Administration, the Governor's Business Action Center was there, and trying to give businesses as much information as possible. But the bottom line is, what is available through the Federal Government is that four percent loan.

So, I mean, if there is a way to have grants or if there is a way to possibly have a lower interest loan—and so we are working with the Chamber, we are working with the Hudson County Chamber has come in and assisted. I mean, I will say that more information sharing would also help us to be able to help the businesses, as well, but I think trying to—as you look at these numbers, I mean, the numbers that you outlined for both New York and New Jersey, I mean, the economic impact is tremendous when you look at the total impact.

So I think this is a situation where we really—we do need—we need to do as much as we can on the State level, but we need to do as much as we can on the Federal level, because—you know, so really stepping back and saying, can we give grants directly to business owners so that we can make sure that they can stay in business? And I can tell you firsthand from my personal experience, I mean, I live in Southwest Hoboken. I live in the flood zone. My home was flooded. I walk every day to work, down First Street, and business after business down First Street is boarded up.

So it is a major concern, what that impact is going to be. We are going to continue that process. I mean, certainly, extending the deadline would definitely be helpful, but really looking at the possibility—

Chair LANDRIEU. Extending the deadline, lowering the rate—

Ms. ZIMMER. Lowering the rate—

Chair LANDRIEU [continuing]. Pushing out some express grants as a possibility—

Ms. ZIMMER. Some express grants so that, yes, so that those businesses that are really teetering and that grant is either going to make the difference between them staying in business and being a part of the local economy and providing jobs and improving the quality of life for Hoboken residents or literally going out of business. And that is where we are at right now. These next two months are crucial for so many businesses.

And I know it is a challenge to get to the bottom of, like, who is at that stage, but I think that there are many, many businesses at that stage, and so that a grant program to help to make sure that businesses do stay in business ultimately will help the economy. It is going to help on the local level, the State level, and the Federal Government level. Otherwise, we are going to have—as all of you know, it is a spiraling impact, so—

Chair LANDRIEU. Yes. And, Mr. King, let me just reconcile some numbers. You referred to something in your testimony about 100,000 businesses. My records show that there are 265,000 in New York and 189,000 in New Jersey. That is not counting Connecticut or Maryland or, et cetera, some of the other States that were hit, as well. So what is your 100,000 number that you put out in your testimony?

Mr. KING. Sure. The 100,000 are the firms that we have looked at from the population, Census population information, that were in the primary disaster area. These are firms that incurred the worst of the storm.

Chair LANDRIEU. Well, how do these—

Mr. KING. They were flooded with up to ten, 12 feet—

Chair LANDRIEU. How do these jive with the FEMA numbers? Are you saying you have another set of official numbers?

Mr. KING. I think the—well, the FEMA numbers include the primary and the secondary areas. The secondary areas had significant disruption of businesses, but not as much physical disaster, in our estimation.

Chair LANDRIEU. So what would your comparable numbers, then, be, if you have different numbers for New Jersey and New York? Instead of the 189,000, what would your numbers be for New Jersey, and instead of the 265,000, what would your numbers be for New York? And if you would give those for the record. You do not have to do it today, but get those to us at the end of today.

Mr. KING. Sure.

Chair LANDRIEU. Now, my other question is, if you do your normal business with 24 Regional Centers and 35 Outreach offices, how do you handle a surge? I mean, if you are processing your daily requirements, which have got to be less than ten percent of the pressures that you are feeling now, how are you not surging your capacity to take care of the requests that must be flying over your transom right now?

Mr. KING. Well, what we did immediately was pretty much exhaust my annual travel budget by transferring people into the impact area and moving people around into the highest need areas. We have pretty much canceled all vacations, eliminated anything that gets people out of the office for extended periods of time, just making sure that we have as many professionals as possible. And we are stretched, I will readily admit it. We are looking to increase

the capacity and we hope that the President's bill goes through and—

Chair LANDRIEU. Let me ask you, does this map represent the—this map represents all the SBA resource partners in the nation, and I wish we had blown it up just for the Northeast. I am going to do that for our next hearing. Would you provide him with this, please, Amy.

Does this reflect basically your network, this Northeast network? These are SBA, CDBGs, Women's Business Centers, SCORE chapters, that could be potentially helpful to the people along the Northeast that need to find a regular center that is open. And then in addition to these red dots that are there—and please provide the committee with a copy of that, as well. In addition to these, this map, there are, I guess, Disaster Relief Centers that are set up where FEMA is present, HUD is present, any flood insurance agencies are present, potentially the Red Cross, I believe, as I am, unfortunately, familiar with these centers. So in addition to these centers that are established, Mr. Law, there are Disaster Centers that are established so people can sometimes get there, walk in, besides doing their business by telephone or Internet, et cetera.

But, Mr. King, my point is, if this is what your normal operations are, you are going into a very abnormal situation over the next year or year and a half or two or three. You have got a tremendous responsibility to the hundreds of thousands of small businesses that are looking to this network for support and help. So I want to make sure that you and I are working off the same numbers, because I am not, again, not to take more time in this committee—I am going to call on Senator Gillibrand in a minute—interested in how many people walk in the front door. I am not interested in how many forms are filled out.

I am interested in how many businesses actually receive help and support from their insurance companies first, and then for any gaps, from appropriate and well crafted and fiscally responsible Federal and State programs, because Senator Risch knows this, that there will be no recovery without small businesses recovering. I mean, homeowners also are workers and business owners, and if they cannot get their businesses back or show up for work at the local bakery, they will not have the money to pay their home loan back for their home in the community. So this is essential and we have got to figure out a better way to bring help, I think, in my view, more quickly and more supportive.

Senator Gillibrand, let me get you for either questions or a statement, and thank you for your leadership.

**OPENING STATEMENT OF HON. KIRSTEN GILLIBRAND, A U.S.
SENATOR FROM NEW YORK**

Senator GILLIBRAND. Thank you, Madam Chairwoman. Thank you for your work on this. I appreciate that you are holding this hearing. I think it is essential that we understand—

Chair LANDRIEU. You have to turn the microphone on and lean into the mic.

Senator GILLIBRAND. It is essential that we understand how to meet the needs of these business owners, because you are quite right. When we talk about what are the biggest needs in any State

right now, it is the economy, and small businesses are the economic engine for growth. They create two-thirds of all new jobs. So if we do not have them up and running soon, we are not going to have any economic recovery when we so desperately need it.

And so I appreciate the laser-light focus of your questions, getting to the bottom of how are we going to meet the needs of these businesses.

I do want to recognize our two New Yorkers. Kevin Law, President of the Long Island Association, he has been an unbelievable advocate for business growth, for economic development. For the past two years, he has been leading the effort to strengthen Long Island's economy specifically, trying to attract new businesses and strengthen the ones that are already there. And Long Island uniquely represents both large businesses, major manufacturers, but also small businesses, Mom and Pop shops. It has a lot of IT companies, advance manufacturers, research institutions. And so the broad array of businesses that come out of Long Island will be important to make sure we are meeting their needs.

I also want to welcome James King, our Director of the New York State Business Development Center. I appreciate your dedication to service, especially in this time of great need. You will have enormous burdens placed on your workload, but we appreciate what you are doing.

And Madam Mayor, thank you for joining us. I know how tough it is for Hoboken right now, so my heart goes out to the families that you represent.

I just have a couple of basic questions. I was very interested in, Mayor, your point that the SBA loan for someone who has access to credit is six percent, which seems extremely high given that the average interest rate at a conventional bank loan is five percent. And I am wondering, if we can get that percentage down, do you have a target that you are looking for, and how much grants would be useful, as well? If you were to devise your ideal support for small businesses in Hoboken, what would it look like?

Ms. ZIMMER. Well, actually, my understanding of the loan rate is four percent for SBA loans, but still, the feedback that we got from the business—

Senator GILLIBRAND. It is four percent if you have no credit, but if you have other sources, it is even—

Ms. ZIMMER. Okay.

Senator GILLIBRAND. So if you are a successful business, your lowest interest rate from SBA is six percent. If you have a tough time getting loans, it is four percent.

Ms. ZIMMER. So, I mean, people have said, for individuals, they can get 1.6 percent, so, I mean, I think going as low as possible. For me to give a—I would say getting the same rate that the individuals get, I think would be a great start.

Senator GILLIBRAND. Mm-hmm.

Ms. ZIMMER. And then as far as the—you are asking, like, how much grant money would we want for businesses, or—is that what you—

Senator GILLIBRAND. Mm-hmm.

Ms. ZIMMER. Yes. I mean, it is—right now—I mean, one thing that I will say that is a little bit of a challenge is getting the—one

thing that would help to make us all more effective across the board is more data sharing. So, like, for me, I do not have all of the data on our business community, and since the SBA has a lot of this information, FEMA has a lot of this information, and we have had AmeriCorps come in and they have a whole system where they immediately have everyone sign a waiver so the information can be shared.

So if we could start sharing more information, because there is assistance coming in from corporations. There are donations. There are people who—like, AmeriCorps has been coming in and working with our volunteers, literally breaking down walls, like doing that initial mucking out that needs to be done that some businesses still have not done in Hoboken. So I think that is, like, one place to, like, start sharing more information right away, and having that system both for the SBA and for FEMA to share, so—

Senator GILLIBRAND. Let me ask Mr. King, what have you set up for New York? I thought Senator Landrieu's question about using current infrastructure is—are you able to leverage the SBA infrastructure that is available effectively to do this outreach and do this data collection? Tell us what you intend to do to make sure you are actually contacting, reaching, and supporting every business in New York that has been affected.

Mr. KING. Sure. Our approach is kind of a continuum, because the SBA represents the largest resource opportunity. So we worked with the State and the city in setting up these microloan kind of rapid response loans running through New York Business Development Corporation on a quick turnaround. Some of those turnarounds have been 48, 72 hours. It is totally electronic and it is a kind of a seamless transition from that microloan initiative into the SBA lending process. So it kind of moves the client along in the process and improves the efficiency of it. But that is a very small pool of funds that is available. It only goes up to \$25,000 and I think there is a total of about \$15 million available. So that is anticipated to be consumed rather rapidly.

I think if there was an opportunity to bolster those programs and put some small amounts of—relatively small amounts of money into the hands of the business owners so they can enhance the recovery efforts, it is very critical. And what I am talking about, the 100,000 businesses that we are really concerned about. We anticipate that 100,000 are businesses that are either not going to return or they need to be totally rebuilt. I mean, a lot of other businesses received damage, lost a great deal of income, but we think that with the normal process, they are going to be back, you know, they are able to make it.

But there are some that they have been operational long-term. The owner is getting more senior. They do not want to put their home up as collateral because that is their retirement and they are concerned and they just may not return. They may walk away from their business.

Chair LANDRIEU. Thank you.

Senator Risch.

Senator RISCH. Thank you, Madam Chairman.

First of all, Mayor Zimmer, I, like everyone here, extend our condolences to your losses. These things are very, very difficult. They are hard to plan for and disrupt lives without warning.

I was interested in your—I spent a share of my career litigating coverage questions in insurance policies, so I understand that pretty well from both sides of the table. I was really interested in your comment about the basements versus non-basements and what have you. First of all, who are the insurers we are talking about here? Is this a Federal insurance policy you are talking about or are these private insurance?

Ms. ZIMMER. Well, the National Flood Insurance Program. I mean, it is, as you probably know, it is Federal but it is private. I mean, it is Federal because it is backed by the Federal Government and the rules are approved by Congress. But then it is private because the policy—

Senator RISCH. I do not think those rules are approved by Congress. It is the bureaucracy, I would think, more likely than by Congress, but—

Ms. ZIMMER. Well, I—

Chair LANDRIEU. The Banking Committee.

Ms. ZIMMER. Ultimately, I mean, I have been asking about this basement, you know, the definition of a basement, and I have been told by FEMA that it would require an Act of Congress to change the rules of the basement issue. So—and as far as you were saying, like, do businesses have insurance, I mean, yes, the businesses, they have—so there are those that have flood insurance that are not going to get that much coverage because they may be in a basement.

Then there are those that, quite frankly, never expected the Hudson River to come into Hoboken and they were not required to have flood insurance and they have never, ever flooded before. But when they go to get coverage for all of their lost inventory, hundreds of thousands of dollars of inventory, they are not going to get the coverage because they are told, well, that was a flood, so you are not going to get the coverage. So they are trying for an SBA loan. And then once they get that SBA loan, then for next year, they are going to be required to get flood insurance and they are not going to get that much coverage for the flood insurance. So it is kind of a—it is a spiraling issue that is a major challenge for our local businesses and for our residents, as well.

Senator RISCH. Coverage questions are frequent after an event. That is not unusual. But let me say this. I am going to have a look. I am going to have staff have a look at the question on the basement issue that you have talked about. Can you, in a nutshell, give me an executive summary as to what the difference is in coverage on a basement versus the first floor?

Ms. ZIMMER. Yes. I mean, a basement, you—apparently, I am told, there was someone in 1984 who said a basement, for that, you get your hot water tank, your boiler covered, and your electrical panels, and that is it.

Senator RISCH. You mean you cannot cover stored inventory—

Ms. ZIMMER. Maybe a deep freezer—I am sorry?

Senator RISCH. You cannot cover stored inventory or anything like—

Ms. ZIMMER. Nothing. No.

Senator RISCH [continuing]. That in a basement? We will certainly have a look at that. That is odd, to say the least, but I have run into a lot of odd stuff on coverage questions.

Senator GILLIBRAND. In the last few weeks, I have learned it apparently was a real problem for New Jersey specifically, that they had this garden basement rule for their insurers that is extremely odd, so we will look into it and get you information.

Senator RISCH. We will. Thank you very much for bringing that to our attention.

Ms. ZIMMER. Great.

Senator RISCH. Mr. King, you were critical of the Federal Government's response, modestly, or at least to a degree. I am not going to criticize you for that. I understand, and I was a Governor and I dealt with the Federal Government and the bureaucracy when we had issues with them. Tell me about your State. How is your State as far as responding to this?

Mr. KING. You know, the State has been looking at just about everything that it can. One of the problems that always comes about when we talk about grants is that our experience is it tends to postpone the action of a lot of small business owners. So once you start talking about it, you are much better off if you announce it and firm it up so that people can put it into their total development scenario.

And our State started talking about grants and they came out with, you know, the city came out with a very small grant of about \$10,000 that was being made to small businesses specifically. And that really worked out quite well because it was in combination with a microlending program, so it put some additional monies in the hands of folks that might not otherwise have pulled the trigger and started the recovery process.

Senator RISCH. Thank you. My experience is exactly the same. When you are dealing with—if you ask for the Federal Government, you are going to get the Federal Government. Unfortunately, you get everything that comes along with that. They are slow. Their paperwork is just awful. If you start with the Mayor, she can make things happen. You go to the Governors, they can make things happen. But as soon as you get to the Federal Government, it is awful, and I appreciate your frustration in that regard, and frankly, I would like to promise you things would be different, but this has been going on for a long time.

Mr. KING. Well, I—

Senator RISCH. A lot better people than us have tried and things continue to go on.

Mr. KING. Well, I just want to make it perfectly clear, I think it is a heck of a lot better than it was when I first got DP involved following 9/11, because we were working with, at that time, about 12,000 businesses that were directly impacted by the 9/11 disaster in New York, and that was very, very difficult.

In contrast to then, today is a cakewalk, in all honesty. I mean, it has hugely improved. Is there still room for improvement? Absolutely. I cannot think of a situation where, if we did not help every small business that needed it in a very short period of time, we would not be at that point of perfection. But I think Senator

Landrieu said there are going to be a lot of businesses needing help and we are struggling with that. We are trying to come up with the resources to deal with it, and we are some of your biggest cheerleaders on getting action on the request for the \$60 billion because it does include financing for Small Business Development Centers to extend this effort. And we do not think it is going to be a one- or two-year situation. I mean, we are going to be looking at repopulating businesses that do not come back for probably five years.

Senator RISCH. Thank—

Chair LANDRIEU. And how—go ahead.

Senator RISCH. Well, I will conclude with this. First of all, I agree with the Chairman that this recovery is not going to take place unless the small businesses recover. Unfortunately, Congress is not going to help small businesses in one regard, and that is we are going through a kabuki dance up here right now, but at the end of the day, small businesses and individuals who are under 250 are going to keep their tax rates the same. But if they are a small business that is not a small small business, you can tell them their taxes are going up next year. I think virtually everyone around here agrees with that, that if it is over 250, they are going to wind up paying more in taxes. My side is not going to vote for that, but it is going to happen simply because the tax rates automatically go up the first of the year and there are not enough votes here to keep that in place. So that is an unhappy message to give them, but that is the message, unfortunately, that you have to take home and that is not going to be helpful to small businesses starting in 2013.

Thank you, Madam Chairman.

Chair LANDRIEU. Thank you.

I am going to end with asking each of you to say, in your view, how important is it for Congress to act or not on the supplemental and what are your people saying about the signal that that may send to them. And I know \$60 billion is a significant number, but in your experience, Mayor, what you are seeing on the ground, what are your people telling you about the importance of that recovery package?

Ms. ZIMMER. It is extremely important to the City of Hoboken, both for our local businesses and for our residents. I mean, there is a—for the people impacted by the storm and people are staying with friends and businesses are located in other areas, or they are right now making that decision, am I going to open back up or am I just going to go out of business. And so it is extremely important, and the sooner the better it can be acted on so that we can get those unmet needs met and get people back to living in their homes and keep their businesses going, which is, as we have all discussed, is so important to our local economy. So it is extremely important to the City of Hoboken.

Chair LANDRIEU. Mr. Law, and then I will get you, Mr. King.

Mr. LAW. Yes. As I mentioned, our counties and local governments are doing their part. Our State Government is doing their part. Our philanthropic community is doing their part. But unless we get the approval of the President's proposed package of aid to our region, we are not going to recover. So it is critically important that we have that. And as I said before, too, Long Island, New

York, we have always been there for everybody else and we need America to now be there for our region, as well.

Chair LANDRIEU. Thank you.

Mr. King.

Mr. KING. You know, I would just like to agree with my fellow panelists that it is truly critical. If we are going to respond as we should and help the businesses and the people who are in the center of the storm, we have to have some resources to do it. If we do not have those resources, then we are not living up to our own expectations.

Chair LANDRIEU. Thank you.

This committee will come to an end, but the record will remain open for two weeks. I thank the members from the region for showing up and thank Senator Risch for his leadership.

Meeting adjourned.

[Whereupon, at 11:51 a.m., the committee was adjourned.]

APPENDIX MATERIAL SUBMITTED

Senate Committee on Small Business and Entrepreneurship
December 13, 2012
Senator Joseph Lieberman

Thank you Chairman Landrieu and Ranking Member Snowe.

I greatly appreciate your organizing today's hearing, because although I was pleased by the initial federal, state and local response to Super Storm Sandy, we must remain vigilant to ensure that the many thousands of Americans whose lives were upturned by this tragedy receive all the support they deserve over the long months ahead.

Chairman Landrieu, I am particularly appreciative that you have organized this hearing after already providing me the opportunity to appear before the Homeland Appropriations Subcommittee last week to discuss the urgent need for emergency supplemental funding in support of Connecticut, with a focus on the municipal infrastructure in the state. I fervently believe that the investments I described then are needed to forestall even greater expenditures in the future as extreme weather events like Super Storm Sandy become more common. Resiliency and mitigation projects for the electrical grid, sewage treatment plants, transportation infrastructure, among others should be an important component of the recovery package we consider. I am glad to see that about \$45 billion in funding for these types of investments are included in the supplemental bill that was introduced yesterday, and look forward to working with you to achieve swift passage of the bill before the year ends.

As we invest for the future, however, we must also focus on addressing the damage that our citizens have already suffered and providing them the tools to restore their livelihoods. The Small Business Committee, under your leadership, will play an essential role in seeing that this is done right and without delay.

Obviously, those in Connecticut and other affected states who operate our many family-owned shops, bed and breakfast inns, and local diners are facing a double tragedy. Not only must they contend with immediate destruction to their own homes, communities, and places of business, they must also carry on their work in the face of the reduced economic activity that has resulted from this storm. It is essential that the Small Business Administration work with these small business owners to provide them the loans they require to get back on their feet.

According to SBA's own figures, it has 30 staff members working with Connecticut small businesses, and I am grateful to each of these workers for their efforts to help get the Nutmeg state back in business. But I am deeply troubled that more than 75 percent of Disaster Business Loan applications have not yet been processed, and that of those applications processed thus far, only a minority has resulted in loans. Going forward, it is imperative that the SBA build up its staff in the areas hit by Super storm Sandy and cut down on the time it takes to come to a decision on loan approvals. As the SBA ramps up this effort, this committee will have a critical role to play in overseeing its work and ensuring that businesses in the affected states receive the support they so urgently need.

Again, I want to stress how much I and the people of Connecticut appreciate the efforts already extended by the SBA in providing relief to the affected areas. The response to Super storm Sandy has been a vast improvement over the response to Hurricane Katrina, owing in no small part to the efforts of this committee's leadership to learn the lessons of earlier recovery efforts.

Before I close, I must note what a tremendous pleasure it has been to serve on this distinguished committee with both Chairman Landrieu and Ranking Member Snowe. Your leadership over the years has been inspired by your genuine concern for the men and women who own and operate America's small businesses. They have benefitted tremendously from having the two of you in their corner, and I personally have been incredibly fortunate to serve alongside you in the Senate and on this Committee.

I thank you Madam Chair.

SENATOR FRANK R. LAUTENBERG
SMALL BUSINESS COMMITTEE HEARING ON
SMALL BUSINESS RECOVERY EFFORTS
AFTER SUPERSTORM SANDY
OPENING STATEMENT
Thursday, December 13, 2012

Madam Chairman,

Thank you for calling this hearing and inviting me to participate. You have been a strong ally of New Jersey and a great partner in crafting the supplemental appropriations bill that will help my state and the region recover and rebuild.

Superstorm Sandy was an unprecedented event in our part of the country. Roughly eight million households throughout the region lost power during the storm, including more than 2.4 million in my state.

The storm hurt virtually every aspect of society—from families and businesses to schools and hospitals.

New Jersey's small businesses have been particularly damaged—and need federal help to be made whole.

Sandy devastated the Jersey Shore—which is home to a vibrant thirty-eight billion dollar tourism economy in which small businesses play a critical role.

And throughout the state, Sandy affected more than one hundred eighty-nine thousand businesses—including seventy-five percent of our small businesses.

My family had a small business, and I was fortunate to start a small business that eventually grew into a large business.

So I understand how it must have been for small business owners to see their businesses—which represented their dreams and aspirations—reduced to piles of rubble.

As we move the Sandy supplemental bill through the Senate, we must make sure New Jersey's small businesses have what they need to get back on their feet.

Madam Chairman, throughout the crisis, one of New Jersey's best leaders has been Hoboken Mayor Dawn Zimmer, who will testify on the second panel today.

Hoboken is home to some of New Jersey's great small businesses. I enjoyed taking Vice President Biden to one of my favorite pizza places—Benny Tudino's—when he toured New Jersey last month. And one of my favorite small businesses—Carlo's Bakery—draws people from across the country and around the world to Hoboken.

Sandy hit Hoboken incredibly hard. I was there in the days after and saw the PATH station—which is still yet to open—flooded, and countless homes and businesses destroyed. And though we have made progress, there is still much work to be done.

Madam Chairman, I thank you for bringing attention to the needs of New Jersey's small businesses and residents and I look forward to hearing from our witnesses.

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**Questions for the Record from Chair Mary L. Landrieu
to Mr. James Rivera, U.S. Small Business Administration**

Senate Committee on Small Business and Entrepreneurship

Hurricane Sandy: Assessing the Federal Response and Small Business Recovery Efforts
December 13, 2012

Question #1 – Loan Volume:

There have been reports that SBA Disaster loan approval volume is lower than after Hurricane Irene. Additionally, the actual number of disaster business loans disbursed has been surprisingly low. For example, as of yesterday in New Jersey, there were only 9 disaster business loans disbursed totaling \$112,000 since Hurricane Sandy.

- How do you account for these dismal numbers when Governor Christie's office assesses the overall damage at \$36.9 billion?

Answer: SBA disaster loan approval volume for Hurricane Sandy has been significantly higher than was experienced after Hurricane Irene. See the tables below for a comparison of loan approval totals for Hurricane Sandy at 44 days and 155 days after the declaration was made.

Hurricane Sandy – As of December 13, 2012 (44 days after declaration was made)

<i>Application Status</i>	<i>Total Number</i>	<i>Total Amount</i>	<i>Home Number</i>	<i>Home Amount</i>	<i>Business Number</i>	<i>Business Amount</i>
<i>Approved</i>	<i>3,626</i>	<i>\$230,526,900</i>	<i>3,425</i>	<i>\$211,661,100</i>	<i>201</i>	<i>\$18,865,800</i>
<i>Total Disbursed</i>	<i>529</i>	<i>\$7,206,100</i>	<i>508</i>	<i>\$6,927,600</i>	<i>21</i>	<i>\$278,500</i>
<i>Partially Disbursed</i>	<i>254</i>	<i>\$3,496,600</i>	<i>240</i>	<i>\$3,312,300</i>	<i>14</i>	<i>\$184,300</i>
<i>Fully Disbursed</i>	<i>275</i>	<i>\$3,709,500</i>	<i>268</i>	<i>\$3,615,300</i>	<i>7</i>	<i>\$94,200</i>

Hurricane Sandy – As of April 3, 2013 (155 days after declaration was made)

<i>Application Status</i>	<i>Total Number</i>	<i>Total Amount</i>	<i>Home Number</i>	<i>Home Amount</i>	<i>Business Number</i>	<i>Business Amount</i>
<i>Approved</i>	<i>32,275</i>	<i>\$2,091,991,000</i>	<i>29,826</i>	<i>\$1,836,834,600</i>	<i>2,449</i>	<i>\$255,156,400</i>
<i>Total Disbursed</i>	<i>12,264</i>	<i>\$221,354,600</i>	<i>11,401</i>	<i>\$186,000,100</i>	<i>863</i>	<i>\$35,354,500</i>
<i>Partially Disbursed</i>	<i>6,478</i>	<i>\$109,715,800</i>	<i>5,992</i>	<i>\$96,217,600</i>	<i>486</i>	<i>\$13,498,200</i>
<i>Fully Disbursed</i>	<i>5,786</i>	<i>\$111,638,800</i>	<i>5,409</i>	<i>\$89,782,500</i>	<i>377</i>	<i>\$21,856,300</i>

As you can see, the volume of loan approvals and disbursed loan funds increased exponentially over the last 155 days, which is reflective of the varying trends of recovery needs for homeowners, renters and businesses. Typically, homeowners and renters apply for assistance the quickest. Application return rates tend to be delayed among business owners. SBA has already received more than 13,000 business and EIDL loan applications. The total number of loan approvals and disbursed funds will continue to increase as recovery continues.

In regard to Governor Christie's overall damage assessment of \$36.9 billion, this total includes categories for repair, response and mitigation costs that are not covered by the SBA Disaster Loan Program (i.e. schools, utility services, infrastructure, parks, environmental, labor and government operating revenue) and is not an accurate comparison for potential SBA business disaster loan requests. The assessment categories for assistance typically eligible under the SBA Disaster Loan Program – housing and business damages – account for only 36% of Governor Christie's cumulative damage assessment total.

Question #2 -- SBA Disaster Loan Funding:

It is my understanding that as of yesterday, the SBA had approximately \$100 million in administrative funding and \$300 million in subsidy for the Disaster Loan Program. The President's Supplemental request included an additional \$250 million in administrative funding and \$500 million in subsidy. This would support about \$4.5 billion in Disaster Loans. These levels of funding were also reflected in yesterday's Senate appropriations proposal.

- What are the current levels of disaster administrative expenses and disaster loan authority?

Answer: As of March 31, 2013, including the supplemental funds received, SBA has \$242.4 million available in administrative funds and \$693.7 million in loan making subsidy funds. These subsidy funds would support approximately \$6.24 billion in disaster loans.

- Do you believe that the disaster reforms to date, as well as the Disaster Loan funding in the President's and the Senate's Supplemental proposals will allow the SBA to **effectively respond to Hurricane Sandy and other disasters that may occur in Fiscal Year 2013?**

Answer: Yes, barring any catastrophic events.

Question #3 – SBA Implementation of 2008 Reforms:

Businesses affected by the scale of a disaster as large as Hurricane Sandy face the added injury of losing business because the customer base has also been affected. Such a circumstance can make it challenging to underwrite a loan based on past history of the business.

- How is SBA planning to review loan applications of businesses affected by Hurricane Sandy who may now be looking to operate in a very different business environment?

Answer: Recognizing that the recovery period can vary greatly depending on the size and scope of the disaster event, SBA conducts a thorough business financial analysis to establish

repayment ability based on pre-disaster financials, including previous years' Federal tax returns. Documented cash flow, not collateral, is the primary basis for establishing repayment ability. SBA also recognizes that some businesses may have been in the organizing stages of starting a new business or may need to modify their operations in order to succeed in the new business environment. In some cases, it may be necessary to forecast sales and expenses to establish a cash flow projection for a business in the process of starting operations or businesses that elect to discontinue the disaster impacted operation and pursue another business venture.

- How will you evaluate the local economic environments of the businesses affected by Hurricane Sandy who are applying for loans?

Answer: SBA loan officers are working closely with businesses who have applied for disaster loan assistance to review eligibility, uncompensated losses and establish repayment ability. In the aftermath of Hurricane Sandy, SBA opened numerous Business Recovery Centers throughout the affected areas to help meet the specific needs of the business community. Local resource partners, such as SBDCs, SCORE and Women's Business Centers, were available to provide business counseling services to affected business owners. SBA local resource partners are a valuable source of information and assistance for businesses operating in a post-Hurricane Sandy business environment.

- To what extent do you rely on past history compared to future prospects?

Answer: SBA generally relies on pre-disaster financials to establish repayment ability. However, when appropriate we use projections of future prospects to support repayment ability.

- How do you try to avoid providing a loan that could ultimately be too large (i.e., the past volume of business revenue did not materialize after the disaster) for the business to pay back the loan?

Answer: Approved SBA disaster loan amounts for physical damage are based on verified losses; Economic Injury Disaster Loan amounts are based on working capital needs to meet its obligations and pay ordinary and necessary operating expenses. Ultimately, a business' eligible loan amount will be determined by its uncompensated losses for physical damages and economic injury, subject to legislative and administrative limits. Additionally, SBA disaster loan funds are disbursed incrementally as reconstruction progresses. In regard to businesses that experience a slower return to normal operations, SBA has in place a standard deferment period which makes the first payment due date 5 months from the date of the Note. In some cases, borrowers may request an extension of the deferment period, which SBA will review on a case-by-case basis.

Question #4 – December 6th Letter to SBA:

On December 6th, I sent a letter to SBA Administrator Mills on behalf of myself and seven other senators from states impacted by Sandy. This letter commended SBA for its quick deployment of staff to the disaster areas and included recommendations to possibly improve its disaster programs. I would like to include this letter for the Record.

- Can you update the committee on the SBA's anticipated timeframe for responding to this letter?

Answer: Thank you for the letter of December 6, 2012 concerning Superstorm Sandy sent by you and other Senators. We appreciate the feedback and recommendations for improving SBA's disaster programs. After discussing with your staff, we are going to address the items in the letter directly here for the record. Topics raised in the letter included the need for disaster funding, coordination and outreach around the Coastal Barrier Resources Act prohibition, aquaculture business assistance. SBA's recent memo with HUD regarding duplication of benefits, regional outreach and marketing of SBA disaster programs, and an update on guaranteed disaster pilot programs.

In the letter, you encouraged SBA to work closely with Congress to ensure there is appropriate funding for the disaster programs as well as for the Small Business Development Centers in disaster areas. I want to thank you for Congress's strong action since the letter, passing the Sandy supplemental appropriations package on January 28th. For SBA, the bill included \$520 million in disaster subsidy, \$259 million for disaster administration, \$20 million for our Small Business Development Centers in the impacted areas, and \$5 million for the Inspector General. While disaster funds are subject to sequestration cuts, which will cost the program approximately \$45 million, SBA is confident we will have the funds necessary to meet the demands of Hurricane Sandy.

On coordination and outreach around the Coastal Barrier Resources Act, we continue to work with relevant agencies, such as the U.S. Fish and Wildlife Service, to establish clear guidance and obtain maps for distribution. SBA's primary message to all victims of Hurricane Sandy is to encourage them to apply for an SBA loan. Since a relatively small number of individuals are prohibited from Federal financial assistance due to their coastal barrier locations, submitting an application will prevent individuals and small businesses from not applying based on misconceptions or misinformation about the Coastal Barrier Resources Act. SBA has provided outreach and materials through the Disaster Recovery Centers and Business Recovery Centers to educate victims on the Coastal Barrier Resources Act and also to encourage everyone to apply for an SBA loan, allowing for an official determination on an applicant's eligibility.

As provided by the Small Business Jobs Act of 2010, SBA can make Economic Injury Disaster Loans to aquaculture businesses, so long as disaster assistance is not provided by other agencies. While we have received a limited number of applications in the areas affected by Superstorm Sandy, SBA will continue outreach efforts to aquaculture businesses.

Regarding duplication of benefits, last year we signed a Memorandum of Understanding with HUD, improving our coordination on duplication of benefits to ensure those with unmet needs are still eligible for HUD Community Development Block Grants. SBA and HUD now have a transparent mechanism to share data across agencies regarding loan borrowers and grantee recipients.

SBA is using a myriad of resources to promote our disaster programs and provide outreach both before and after disasters occur. SBA has participated in numerous phone calls with various State and local officials and agencies including Governors, Mayors, Chambers of Commerce, Trade Associations, etc. to provide disaster recovery information. We also work with our resource partners on disaster preparedness year-round so that our partners on the ground know us and are prepared before a disaster hits.

In an attempt to raise awareness about our disaster programs SBA has also engaged in the use of social media. SBA has placed ads on Facebook that appear on profiles of individuals in the States that have been Presidentially declared. Blogs have also been instrumental in helping SBA get the word out about disaster assistance.

In coordination with our resource partners, SBA has also launched a Technical Assistance Loan Application Initiative (TALAI). The goal of this initiative is to provide follow-up assistance to disaster business applicants whose business loan applications were either declined or withdrawn. Declined and withdrawn business applicants are referred to SBA's resource partners to get additional counseling and guidance to help strengthen their loan applications for resubmission and possible reconsideration.

As referred to in the letter, SBA has an extensive disaster marketing and outreach plan, which we recently shared with the Committee.

As for the Guaranteed Disaster Loan Pilot programs, we will keep the Committee updated as we continue to work on the development of these pilots. As indicated in Question # 9, lender testing will not be complete in time to provide funds for Sandy victims.

Question #5 – SBA Coordination with FEMA, IRS:

One of the major issues post-Katrina was a lack of SBA coordination with FEMA and the IRS. For example, business owners were asked for three years of tax returns, although they had signed an IRS authorization form (for SBA to get tax return information directly from IRS). FEMA and SBA also lacked a coordinated application process – often ‘bouncing’ disaster victims back and forth between agencies as they sought assistance. The 2008 disaster reforms included two provisions to fix these coordination issues.

- Can you update the committee on SBA’s implementation of the requirement from the Farm Bill to improve SBA-IRS coordination on tax records?

Answer: SBA and IRS have a long standing relationship and continue to work together to streamline, expedite and enhance services for disaster victims.

- Can you also update the committee on the regulations issued on FEMA-SBA coordination?

Answer: SBA promulgated 13 CFR §123.108, “How do the SBA disaster loan program and the FEMA grant program interact?”, on February 22, 2010. In addition, SBA and FEMA have established a Memorandum of Understanding (MOU) and a Computer Matching Agreement that allow SBA and FEMA’s computer systems to share and update data several times throughout the day. This data includes business loan referrals and duplication of benefit (DOB) information. When appropriate, the information on SBA’s loan decision is passed back to FEMA to ensure timely referrals to other programs.

Question #6 – Pioneer Business Assistance:

SBA has made improvements since 2005 to get businesses timelier assistance. I am still concerned, however, that SBA could better target disaster loans to “pioneer” businesses or those which may be vital to recovery (debris removal, child care centers, hardware stores, etc.). If homeowners see their local gas station or restaurant is open, it encourages them to come home to rebuild. The businesses, in turn, see their business pick up.

- How could the SBA improve its disaster loan process to encourage these pioneer businesses to re-open sooner?

Answer: In general, SBA disaster loans are processed in the order they are received. A business owner’s decision to apply for disaster loan assistance and the timing of submittal can be affected by numerous factors other than the return of a business’s customer base, including: availability of insurance or other compensation, restoration of utilities and infrastructure, and the decision to cease business operations rather than incur debt to finance recovery needs. SBA encourages all businesses affected by Hurricane Sandy to inquire about the disaster loan program and apply for assistance.

Question #7 – Collateral Issue:

I understand that SBA's current practice of making loans is based upon an individual's ability to repay and income. SBA has indicated before this Committee at past hearings that the agency never decline applicants for lack of collateral. They instead decline them from a lack of repayment ability (not sufficient cash flow to support current and/or additional debt). As I indicated in my opening statement, I am troubled by the SBA requirement that borrowers must use their personal home as collateral for business disaster loans less than \$200,000.

Can you outline assets other than personal residences that SBA can utilize as collateral for a business disaster loan?

- Does SBA take steps to ensure that it does not tie up too much of a business's collateral (i.e., accept collateral that is of more value than the loan)?

Answer: Yes, generally, SBA will not require an applicant to pledge more collateral than is necessary to adequately secure a loan. SBA collateral requirements are based on a balance between protection of the Agency's interest as a creditor and as a provider of disaster assistance. SBA will not decline an application if the available collateral does not adequately secure the full amount of the loan; however, applicants are required to pledge available collateral for physical damage loans exceeding \$14,000 and EIDLs exceeding \$5,000. Real estate of the business and/or its owners is always the preferred form of collateral to secure business and EIDL loans. SBA uses pre-disaster fair market value (FMV) to arrive at the equity of collateral property based upon information obtained from various sources.

- What is the current subsidy cost for every \$1 loaned in disaster loans?

Answer: The FY13 subsidy cost for every \$1 loaned in disaster loans is 11.11 cents.

- Would prohibiting SBA from requiring a primary personal residence as collateral for business disaster loans of \$200,000 or less if other assets are available significantly impact the subsidy cost for these loans?

Answer: SBA's collateral requirement, including the use of personal residences to secure a business disaster loan, follows standard lending practices. Personal residences used as collateral help to secure the tax payers' interest when providing disaster loans which must be repaid. Additionally, SBA disaster loans are not limited to the amount of available equity. Without the collateral in place, the default rates would be expected to rise and consequently increase the subsidy cost of the loan.

Question #8 – SBA Deferment of Disaster Loan Payments:

The Small Business Act authorizes the SBA to defer payment of principal and interest on a case-by-case basis. During that time, however, interest still accrues. This is helpful to some businesses in the short term but, as the deferment ends, they receive a balloon payment.

The Act also allows SBA to “use other methods as it deems necessary and appropriate to assure the successful establishment and operation of [small businesses].” With this language, Congress intended for the SBA Administrator to have the tools necessary to keep businesses afloat after it makes both business and disaster loans. For example, Congress the 2009 *Recovery Act* dovetailed on this intent by reducing fees on 7(a), 504, and Microloan borrowers.

- When does interest begin accruing on disaster loans and does SBA have existing authority to stop interest from accruing on these loans?

Answer: Interest accrues on the disbursed loan funds starting from the date of the initial disbursement to the borrower. Interest only accrues on the amount disbursed. SBA does not have the authority to stop interest from accruing on disbursed loan funds but does provide an initial deferment period before the first payment is due.

- When SBA provides a six-month deferment on disaster loan payments, does interest continue to accrue?

Answer: Interest on disbursed funds continues to accrue during the deferment period. The initial accrual of interest during the deferment period is taken into consideration when the initial payment and term of the loan is calculated. SBA disaster loans are simple interest loans and the SBA loan accounting system does not charge interest on interest.

- Please provide the committee with recommendations on improving the deferment process for disaster loans including, if available, best practices from private lenders and community banks.

Answer: SBA's deferment policy is substantially more favorable than standard private lending practices. SBA recognizes that financial hardships, slow return of customer base or limited availability of contractors and resources may lead to significant delays in the reconstruction project. Accordingly, we frequently consider requests to extend the borrower's initial deferment period on a case-by-case basis.

Question #9 – Guaranteed Disaster Loan Pilot Programs:

The 2008 Farm Bill included two (2) new SBA bridge loan programs – a \$25,000 Immediate Disaster Assistance Program (Velasquez) and a \$150,000 Expedited Disaster Loan Program (Landrieu). Congress provided necessary funds (\$1.7 million) in previous appropriations bills for SBA to test these programs with local lenders.

- How is SBA progressing with piloting and issuing regulations on these two programs?

Answer: After reviewing the Farm Bill and Small Business Act requirements for increasing disaster assistance, OCA proceeded with development of the first of the two proposed pilots that received appropriated funds.

For the Immediate Disaster Assistance Guaranty Loan Program (IDAP) - OCA/ODA, working together developed regulations and draft operating guidelines for an IDAP pilot. Preliminary testing has been done to assure internal capacity to process these loans. Lenders in the preliminary outreach group indicated concern about the proposed underwriting/processing criteria for a small interim emergency disbursement designed to preserve a disaster-impacted business prior to its ability to secure regular disaster loan approval. That process is currently undergoing review and refinement.

- Is SBA expected to pilot the Immediate Disaster Assistance Program in any of the states impacted by Hurricane Sandy?

Answer: While the original location for the preliminary outreach was not focused on the area impacted by Hurricane Sandy, the Office of Capital Access reached out to four of the largest commercial banks in the impacted area to get their input on the pilot. Their feedback was consistent with the lenders from other regions. Lender testing will not be complete in time to provide funds for Sandy victims.

Note that the turnaround for disaster loan approvals for Hurricane Sandy victims has improved to 2-3 weeks, significantly shorter than delivery time when the legislation was enacted in 2008.

- Please outline expected timeframes for piloting and reviewing results from the Expedited Disaster Loan Program.

Answer: Once the IDAP pilot is operational, SBA expects to move forward with developing the Expedited Disaster Loan Program.

Question #10 – Default Rate:

- What is the average default rate for home and business disaster loans?

Answer:

Disaster Default Rates by Cohort, as of 12/31/2012

Cohort	Default Rate*	Total Disbursement	Principal Charged Off
2005	12.73%	1,179,768,997	150,209,814
2006	10.37%	6,234,973,485	646,618,423
2007	8.67%	951,478,973	82,515,695
2008	8.28%	519,308,615	42,992,302
2009	6.05%	570,866,860	34,550,782
2010	3.25%	366,184,586	11,913,593
2011	1.29%	381,766,457	4,914,297
2012	0.27%	343,079,512	941,954
2013	0.00%	67,671,547	-

ELIPS data as of 12/31/2012

**Defined as total principal charged off as a percent of total disbursement amount*

Question #11 – Interest Rates:

I understand that SBA disaster loan interest rates are generally below market. However, I note that for a business that can get a loan elsewhere, the interest rate is about 6 percent, which is higher than what a borrower can get on a conventional loan in the New York area, which is approximately 5 percent.

- Why does the SBA charge higher interest rates than for-profit banks?

Answer: SBA is not in competition with private sector lenders and sets its rates based on similar instruments in the private sector based on statute. The interest rate and 7 year term restriction for business loans determined to have credit available elsewhere directs the disaster impacted business to the lender that best meets its needs. If a business determined to have credit available elsewhere is unable to find better terms (including interest rate), then SBA isn't charging a higher interest rate than for-profit banks.

Question #12 – SBA Implementation of 2008 Reforms:

According to GAO, out of 26 requirements in the 2008 Farm Bill, SBA has met 16 and partially addressed six. Four provisions either require additional appropriations or are discretionary.

- Is SBA on track to address these six remaining requirements?

Answer: SBA believes that all remaining requirements under the Act have been met, with the exception of implementation of the guaranteed disaster loan programs.

- Does SBA have a schedule and a “date certain” for implementing the final remaining requirements?

Answer: While there is not currently a date certain, SBA is working to implement all of the requirements as quickly as possible.

Question #13 – Surety Bond:

In the Hurricane Sandy Supplemental Appropriations request, the Administration requested authority to increase the SBA surety bond limit for small business contracts from \$2 million to \$5 million to enable more small business to participate in the recovery efforts.

- Please describe how successful this increase was in the Recovery Act and it will benefit small businesses.

Answer: During the effective period of the Recovery Act, SBA guaranteed 218 bonds, representing a contract value of over \$660 million. Momentum for the Recovery Act was increasing at the time of its expiration, and the surety industry expressed its support for the increased limit. The recent contract ceiling increase will enable more small businesses to compete for public and private contracts.

- Since Hurricane Sandy ploughed through New York and New Jersey, should we expect large prime contractors coordinating through a group of local small businesses?

Answer: There will be numerous contracts related to rebuilding the areas that were impacted by Hurricane Sandy, including construction and service contracts. Some large prime contractors will subcontract work to smaller business concerns that may need SBA guaranteed bonding. Other small businesses may serve as prime contractors, and they may also require SBA guaranteed bonding.

Question #14 – Subcontracting:

Reporting requirements for prime contractors to report their subcontracting efforts have greatly improved since the implementation of the Electronic Subcontracting Reporting System. However, we continue hear that many subcontractors still feel like the process is broken.

- Is it a generally accepted practice to require prime contractors to certify that it has paid its subcontractors?
 - If not, please explain why not.

Answer: Prime contractors must certify that subcontractors have been paid and will be paid when receiving progress payments under fixed price construction contracts. See Federal Acquisition Regulation clause 52.232-5. This clause is based on 31 USC 3903(b)(1)(B).

Small businesses report difficulties receiving timely payment on Federal disaster work and then are unable to discuss the matter directly with the contracting agency.

- What safeguards are in place to protect small businesses from being the casualty of a dispute between the prime contractor and a Federal agency?
- What protections are in place or could be established (within existing authority) to ensure small business owners are paid for the work they do on disaster contracts?
 - Can you provide the Committee with any feedback on how Congress or Federal agencies may cut down on incidents of primes not paying their subcontractors?

Answer: SBA's proposed rule implementing the Small Business Jobs Act of 2010 would require the prime contractor to notify the contracting officer in writing when performance has occurred and the prime has been paid and the payment to the subcontractor is more than 90 days past due. The proposed rule requires contracting officers to evaluate whether a prime contractor has a history of unjustified untimely payments to subcontractors, and if so, to record the identity of the prime contractor in the Federal Awardee Performance and Integrity Information System (FAPIIS). The proposed rule also provides that the prime may not prohibit the subcontractor from talking to the contracting officer about a material matter pertaining to payment. Ultimately, a dispute between a prime and a subcontractor is a private matter between two parties that may end up in Court. In addition, if the FAR clause mentioned above applied (52.232-5), then there could be civil or criminal liability for a false certification.

Questions for the Record from Chair Mary L. Landrieu
to Mr. Michael Chodos, U.S. Small Business Administration

Senate Committee on Small Business and Entrepreneurship

Hurricane Sandy: Assessing the Federal Response and Small Business Recovery Efforts
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Question #1 – Resource Partners Collaboration with Disasters:

You state in your written testimony that resource partners work collaboratively with the SBA's Office of Disaster Assistance, including co-locating with various Recovery Centers. Given the breadth of the types of assistance being provided by resource partners to businesses impacted by Hurricane Sandy, are resource partners working collaboratively with other departments and agencies in current disaster response efforts? If so, how?

Answer: In the aftermath of Super Storm Sandy, the SBDC national network has played the same critical role it undertook after other disasters including the Iowa floods in 2008 and Hurricane Katrina in 2005. After a major disaster, the SBDC national network immediately coordinates with SBA's Disaster Assistance Office and FEMA to help set up Business Recovery Centers (BRCs) in the disaster-affected areas. Many BRCs are located in SBDC service centers; in other instances, local SBDCs help to leverage connections with local organizations and businesses to broker additional space as needed. The BRCs serve as a one-stop shop for small businesses seeking immediate disaster recovery services and as a resource to educate businesses about available local, state and federal disaster assistance. At the BRCs, SBDC staff and personnel from SBA's Office of Disaster Assistance provide immediate, customized, actionable assistance to individuals and small businesses in need of help.

For example, the SBDCs work closely with other federal, state and local partners to assist small businesses that might need help completing SBA disaster loan applications; working with the IRS to help re-create lost financial records; or with local economic development agencies to locate and set up short-term or permanent business replacement facilities.

In New York 23 BRCs were set up in the wake of Sandy, primarily in Staten Island, Long Island and Queens. The majority of these SBDCs are co-located with the SBA Disaster Assistance Office Disaster Response Centers. Many of the 75-80 SBDC counselors working in these BRCs in New York came from other regions of New York to help augment the staff in the affected areas so that they are able to stay open 6 days a week.

In New Jersey the SBDC has effectively teamed with local and county economic development offices and urban enterprise zones to maximize resources and support for clients. They are working with the New Jersey Business Action Center to help get the word out to small businesses in the hardest hit areas: the "red zone." There, they offer business recovery assistance and connect small businesses

with information about SBA Disaster loans. The New Jersey SBDC also provides business and technical assistance to small business owners referred to them by the New Jersey Labor and Workforce Development Action Center and other key federal, state and private partners.

Does the Office of Entrepreneurial Development have a system in place to ensure resource partners are communicating, sharing information, and maximizing disaster assistance efforts amongst each other—particularly for those that may not be co-located with Recovery Centers?

Answer: First and foremost, each SBA District Office acts as a local convening and coordinating hub throughout its sector of the Sandy-affected region, making sure that Resource Partners' activities are coordinated and that each is aware of the other's activities. Activities take place at a very fast pace immediately after a disaster, and each District Director is directly engaged with our Resource Partners and with local Mayors' offices, local economic development entities, and State and Federal entities to make sure he or she is aware of all response activity and that SBA's response is targeted where needed most and thus most effective.

From Headquarters, SBA's Office of Entrepreneurial Development (OED) has a collaborative and coordinated communications process with its Resource Partner network which it uses after a disaster to send and receive information and updates about disaster response activities. On a regular basis after a disaster, SBA's OED coordinates with our Office of Field Operations regarding District Office activity; and OED's Associate Administrator sends out updates and guidance to all Resource Partners on issues affecting Sandy activities, funding and coordination. In addition, regular follow-up and activity coordination with the Resource Partner network occurs from OED's Office of Small Business Development Centers, Office of Women's Business Ownership, and Office of Entrepreneurship Education (re SCORE).

Question #2 – SBDCs Across State Lines:

One of our witnesses on the second panel, Mr. Jim King of the New York SBDC network, noted in his written testimony that materials and support provided to his network by the Louisiana SBDCs and other state networks in the wake of Hurricane Sandy, have been instrumental in allowing his counselors to assist businesses more effectively.

- What mechanisms does SBA have in place to provide resource partner networks with guidance and access to the most up-to-date best practices in assisting businesses in times of a disaster?

Answer: The Office of Entrepreneurial Development's Office of Small Business Development Centers holds a weekly Disaster Recovery Information Sharing conference call to allow sharing of information between the SBDC State Directors that have experienced major disasters with those impacted by Sandy to share their best practices and practical support. In addition, the Association of Small Business Development Centers has convened a disaster special interest group to help disaster-experienced SBDCs reach out to those less experienced and to chronicle best practices.

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Questions for the Record
Submitted by Chair Mary L. Landrieu
to the Honorable Dawn Zimmer, Mayor, City of Hoboken, New Jersey

Question – Resiliency in Hoboken

You are the Mayor of Hoboken, New Jersey, a city with more than 50,000 residents and hundreds of businesses all packed into a square mile. But that square mile was devastated by Hurricane Sandy, as you mention in your testimony: 1,700 homes flooded, more than \$100 million in estimated damage, and 60 percent decline in commerce.

- Have you seen any so-called “pioneer” businesses – the first to re-open – serve your community? If so, what are some of the traits of these impacted, yet resilient, businesses?
- What has your experience, or that of your constituents, been like with the SBA and other disaster assistance personnel on the ground?

Questions for the Record from Ranking Member Olympia J. Snowe
To: Mr. James Rivera, Associate Administrator, Office of Disaster Assistance, U.S. Small Business Administration

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1. On December 7, the President issued a supplemental appropriations request to fund Hurricane Sandy relief and recovery efforts. As part of this \$60.4 billion funding request, he is seeking \$750 million in additional funding for subsidy costs and for loan processing and servicing for the SBA’s disaster loans program.

Considering that after Hurricanes Gustav and Ike in 2008, Congress provided \$799 million for the SBA’s disaster loan program, which turned out to be a significant overestimate of what was truly needed to meet the needs of homeowners and businesses, we must closely examine this request.

How can Congress be confident in this request, particularly one as high as \$750 million, given the SBA’s past track record in estimating its subsidy needs?

Answer: SBA has refined and enhanced its use of Hazards-US/Multi-Hazard (HAZUS-MH), the Department of Homeland Security’s loss estimation methodology for natural hazards in the United States.

How did the SBA arrive at the numbers in the supplemental, and specifically, what predictions in your modeling account for the large request?

Answer: SBA used output from the HAZUS-MH models to input into SBA’s scalability model to help determine resource needs. Our scalability model is a custom developed program exclusive to the SBA. It was designed to further refine and analyze disaster loss estimates for the purpose of accurately correlating damage estimates into actionable and immediate staffing and budgetary projections.

2. The Federal government has a statutory goal that at least 23 percent of the total value of all prime contracts awarded directly by agencies be awarded to small businesses. Unfortunately, the Administration failed to achieve this goal in FY 2011. That fiscal year, it awarded only 21.65% of prime contracts to small businesses. That is less than the previous fiscal year, during which it awarded 22.66% of prime contracts to small businesses. This is unacceptable, and particularly troublesome in the current context, because federal government contracts provide invaluable

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work for small businesses, especially in the aftermath of natural disasters when many agencies utilize private businesses to carry out recovery efforts.

Do you know what percentage of prime government contracts awarded as part of Hurricane Sandy relief and recovery efforts has been awarded to small businesses?

Answer: As of March 21, 2013, data from the Federal Procurement Data System (FPDS) total dollar procurement spending on Hurricane Sandy recovery efforts was \$628 million. Spending with small businesses was \$186 million, which represents 29.59 percent of the total dollars spent.

What does the SBA intend to do to ensure that small businesses, especially those that are located in areas directly affected by Hurricane Sandy, receive a greater percentage of these contracts?

Answer: Hurricane Sandy devastated the Region on October 29, 2012. That same day, senior officials from the SBA reached out to the Office of Small and Disadvantaged Business Utilization at the Federal Emergency Management Agency (FEMA) within the Department of Homeland Security, to find out how SBA could work with them to engage local small businesses in the Hurricane relief and recovery effort.

The SBA's Procurement Center Representatives (PCRs) continue to counsel small businesses, providing updated information on how to obtain Hurricane Sandy disaster relief and recovery contracts. Recently, we were successful with the U.S. Army Corps of Engineers in New York to have a procurement related to Hurricane Sandy relief and recovery changed from full and open competition to a small business set-aside.

3. Over the years, I have learned that small businesses face substantial challenges when trying to contract with the federal government. In many instances, unlike their larger counterparts, they are simply unable to hire staff with specialized government contracting knowledge, who can help them navigate the federal procurement maze and position them to seek out contracting opportunities. These problems are only compounded, when it is a small business in a region hit

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by a disaster and contracting opportunities are being announced and approved on an expedited basis.

Mr. Rivera, can you detail for the Committee what steps the SBA is taking to ensure small businesses are aware of contracting opportunities in the aftermath of Hurricane Sandy? How are you coordinating with FEMA, the Corps of Engineers, and other Agencies to advertise these contracts?

Do local small businesses feel they are being given fair opportunities to compete for the work being procured by the Federal government?

Answer:

In order to help ensure that small businesses, especially those located in areas directly and heavily impacted by Hurricane Sandy receive a greater proportional share of recovery and reconstruction, SBA has taken the following steps:

- 1. Senior SBA officials reached out to the Office of Small and Disadvantaged Business Utilization representatives at the Federal Emergency Management Agency (FEMA) within the Department of Homeland Security, to find out how SBA could work with them to engage local small businesses in the Hurricane relief and recovery effort.*
- 2. SBA officials assembled procurement information to help assist small businesses who wanted to help with the Hurricane Sandy recovery efforts. SBA continues to share updated information within the SBA internal and external structure, including SBA's network of District Offices in addition to our resource partners, stakeholders, and small businesses. Information is also posted on the SBA's Disaster Office web site.*
- 3. The SBA's Office of Government Contracting (GC) staff, in addition to District Office staff continues to counsel small businesses and provide them with this information. Information includes Hurricane Sandy federal procurement opportunities listed in the Federal Business Opportunity (FBO) web site – including instructions on how to search for updates; listings of large prime contractors who have received Hurricane Sandy contracts including all contact information; New York City, New York state and New Jersey state Hurricane Sandy procurement recovery program opportunities; information on how vendors can register for Hurricane Sandy procurement opportunities; FEMA information and GSA Schedule information.*

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4. *The SBA has also contacted the large businesses that have received recovery and reconstruction contracts and provided them with information on the Robert T. Stafford Disaster Relief and Emergency Assistance Act, which requires prime contractors to make every effort to procure products and services from vendors that reside in, or primarily do business in the disaster-impacted areas. The SBA has assisted these companies in identifying potential local small business subcontractors. We have also requested that large prime contractors post any subcontracting related procurement opportunities on the SBA Sub-Net site which allows small businesses to identify available subcontracting opportunities.*

We will continue these efforts to help ensure that local small businesses are able to continue participation in Hurricane Sandy relief and recovery efforts.

4. As a result of the current devastating financial crisis, surety companies, those who provide the funding to small business contractors, continue to reject bond applications because the applicants (usually contractors in the construction industry) could not show that adequate financing in place to complete the project. The American Recovery and Reinvestment Act temporarily increased the Small Business Administration's (SBA) guarantee limit on surety bond contracts, from \$2 million to \$5 million dollars, with the option to guarantee as high as \$10 million under the SBA's discretion. That provision was an unqualified success, far exceeding targets set by SBA for both the amount of bonds issued and job creation. The initial target for the program was to issue \$147 million in bonds to support projects over \$2 million. The March 2010 SBA Performance Report indicated that more than \$360 million in bonds were actually issued.

Mr. Rivera, how would the proposal (which is included in the Administration's supplemental request) to raise the surety bond guarantee limits impact construction firms that are struggling to attain surety bonds in the wake of disasters?

Answer: Since the hearing, the National Defense Authorization Act of 2013 was passed which raised the eligible contract amount in the Surety Bond Guarantee (SBG) Program from \$2 million to \$6.5 million. In addition, if a Federal contracting officer certifies that the SBA guarantee is necessary to obtain bonding, SBA can guarantee a bond on a contract up to \$10 million. These higher contract ceilings are expected to increase surety participation in the SBG Program, resulting in greater access to bonding for small business concerns. This will enable

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small businesses to obtain more public and private contracts, generally, and during major disaster recovery efforts.

What level of participation is the SBA currently experiencing with respect to the SBA Surety Guaranty program following Hurricane Sandy?

Answer: Total SBG Program activity in fiscal year 2013 has increased 49% over the same period in fiscal year 2012. It is still very early in the disaster recovery process, and it will take years to rebuild the affected areas. SBA anticipates that the increased contract limit will result in the participation of more small businesses in the recovery efforts following Hurricane Sandy.

5. According to an advisory memorandum issued by SBA’s Office of Inspector General this past July, the SBA’s National Disaster Loan Resolution Center (NDLRC) has failed to comply with the Debt Collection Improvement Act of 1996 (DCIA) and significantly mismanaged the SBA’s recovery on defaulted disaster loans. Specifically, the OIG found that the SBA failed to comply with the DCIA by not transferring \$171.1 million in disaster loans in liquidation status to the Treasury Department when required by that statute to do so. In response to the OIG’s advisory memorandum, the SBA agreed to, among other things, train all staff at its Santa Anna NDLRC to comply with the DCIA and the Treasury Managing Federal Receivables Guide.

How proficient do you believe staff has become in these areas? How is the SBA evaluating their proficiency level?

Answer:

SBA does not agree with the OIG advisory memorandum and stated so in our response to the memorandum. The report is not an accurate depiction of SBA’s compliance with the Act or its prudent management of loan recovery for the disaster loan program.

As recommended by OIG, and to further the education of our employees, SBA requested and Treasury provided training for SBA staff involved with servicing and liquidating loans. The training was effective and will assist SBA in continuing to both comply with the Debt Collection Improvement Act and maximize recovery for the disaster loan program. SBA monitors the

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recoveries in the disaster loan program, and monitors NDLC staff proficiency and compliance through quality control and performance reviews.

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1. Small Business Development Centers provide invaluable educational services to business across the United States, at more than 900 locations, by helping them start-up, expand, and diversify. SBDC assistance is particularly helpful to small businesses that are struggling to recover from natural disasters, such as the recent and devastating Hurricane Sandy. Despite the importance of SBDCs to recovery efforts, current law frustrates their ability to aid in them to the best of their ability because SBDCs are not authorized to assist small businesses outside their home states, without regard to geographical proximity. In the Restoring Tax and Regulatory Certainty to Small Businesses Act of 2012, which I introduced in September, I included a provision that would remove this limitation.

In the SBA’s view, would permitting the SBA to authorize Small Business Development Centers to assist small businesses outside their home states if those small businesses are located in areas for which the President has declared a natural disaster, without regard to geographical proximity, aid in Hurricane Sandy recovery efforts?

Answer: When a major disaster strikes mobilizing assistance as quickly as possible helps to mitigate the length of time a business is disrupted. Business recovery assistance after a major disaster occurs and is most effective when SBA’s Office of Entrepreneurial Development program managers are able to cut through red tape to quickly deploy resources to provide needed assistance to small businesses. Each time there is a major disaster, OED’s Office of Small Business Development Centers (OSBDC) has had to process a temporary modification to allow SBDC counselors from out-of-state to travel to assist small businesses in another state. Permitting the SBA to authorize Small Business Development Centers – without regard to proximity -- to assist small businesses outside their home states if those small businesses are located in areas for which the President has declared a natural disaster would allow SBDCs to best match those SBDC networks who have resources with those networks who have the greatest need at any given time, thus expediting aid to small businesses after a major disaster.

2. As part of the President’s recent supplemental appropriations request for Hurricane Sandy relief and recovery efforts, the President has asked this Congress for \$20 million in additional funding for industry clusters and accelerators. These programs are not authorized by Congress and continue to lack sufficient metrics and oversight. I have long urged this Congress to authorize these programs to help ensure their efficiency and accountability, and believe that

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approving additional funding for them without a more detailed explanation of how that funding would be used would be unwise.

How, specifically, would the SBA spend an additional \$20 million in funding for industry clusters and accelerators, if it were provided?

Answer: The Sandy Supplemental provides \$20 million for small business technical assistance for the counties designated under Presidential or Administrative disaster declarations in the wake of Sandy. Due to cuts from sequestration (\$1 million), SBA will deploy the \$19 million in two phases. This two phased approach will allow us to jumpstart the recovery process and invest in rebuilding the small business economic ecosystem while building enhance resiliency strategies into existing businesses. The two phases are:

Phase 1: Immediate Recovery (March - August 2013, \$5.8 million): This is a six month initiative to meet immediate, short-term needs for supporting business recovery. The funds will be distributed to Small Business Development Centers, Women's Business Centers and SCORE based on detailed, up-front spending plans. The entire period of performance for this phase will be six months. During these six months, our resource partners will deliver immediate, intensive small business counseling and training services in the Sandy-affected counties. All existing Resource Partner output and outcome metrics will be reported into the Agency's central metrics collection system, the EDMIS database. Unused Phase 1 funding may be reallocated to support Phase 2 grants.

Phase 2: long Term Resiliency (March 2013-March 2015, \$13.2 million): Phase two is a two-year initiative to build longer-term community-based small business recovery and resiliency in Sandy affected counties. In their grant proposals, applicants must provide detailed plans for coordination and collaboration among SBA Resource Partners and with state and local economic development efforts. These plans will help avoid duplication of efforts while ensuring integrated community economic recovery efforts. Each state will receive a single grant, which will be awarded to a collaborative team led by an SBA Resource Partner. Output and outcome metrics will be reported into the Agency's central metrics collection system, the EDMIS database.

Each phase will be implemented through an independent round of grants, which will be awarded by SBA's Office of Entrepreneurial Development ("OED"). OED will provide oversight, program management and financial reviews as well as outcome reporting.

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Business Administration and Mr. Michael Chodos, Associate Administrator, Office
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1. To what extent are SBA officials attempting to identify proactively businesses that may have been impacted by Hurricane Sandy and what types of data sources is the SBA using to accomplish this?

Answer: SBA is using a myriad of resources to provide outreach to the business community. SBA has created a dedicated Hurricane Sandy page on its Website that allows disaster victims to access recovery resources 24/7, including the Electronic Loan Application (ELA). SBA has participated in numerous phone calls with various State and local officials and agencies including Governors, Mayors, Chambers of Commerce, Trade Associations, etc. to provide disaster recovery information. As of April 6, 2013, we have participated in the following, in the Hurricane affected areas:

*Media Contacts and Interviews – 6,147
Congressional Contacts - 1,508
Stakeholder, SBDC and Chamber Contacts - 12,263
Meetings and Activities Attended - 936*

In order to provide additional resources to the business community, in addition to having SBA representatives in each of the Federal Disaster Recovery Centers, SBA has also opened more than 25 Business Recovery Centers (BRCs) in the Hurricane Sandy affected states.

In an attempt to target additional disaster victims SBA has engaged in the use of social media. SBA has placed ads on Facebook that appear on profiles of individuals in the States that have been Presidentially declared. Blogs have also been instrumental in helping SBA get the word out about disaster assistance. Since the disaster, there have been five blog posts by the Associate Administrator for Disaster Assistance covering different topics: SBA Coordinating with Our Federal Partners; SBA Standing Ready to Help Businesses, Homeowners and Renters Recover; Top Five Reasons You're Eligible to Apply for SBA Disaster Assistance; Send Us Your Completed Loan Application before the Deadline and A Lending Milestone as Congress Adds Recovery Funds.

Questions for the Record from Ranking Member Olympia J. Snowe
To: Mr. James Rivera, Associate Administrator, Office of Disaster Assistance, U.S. Small Business Administration and Mr. Michael Chodos, Associate Administrator, Office of Entrepreneurial Development, Small Business Administration

United States Senate
Committee on Small Business and Entrepreneurship

Hearing entitled:
“Hurricane Sandy: Assessing the Federal Response and Small Business Recovery Efforts”

December 13, 2012

In coordination with our resource partners, SBA has also launched a Technical Assistance Loan Application Initiative (TALAI). The goal of this initiative is to provide follow-up assistance to disaster business applicants whose business loan applications were either declined or withdrawn. Declined and withdrawn business applicants are referred to SBA’s resource partners to get additional counseling and guidance to help strengthen their loan applications for resubmission and possible reconsideration.

- 2. What steps are the Small Business Development Centers and/or Business Recovery Centers taking to vet businesses and identify potentially fraudulent or otherwise high-risk applicants for assistance?**

Answer: The primary responsibilities of Small Business Development Centers and Business Recovery Centers during disaster recovery are to assist business applicants in navigating the recovery process by counseling and helping them complete applications. Eligibility determinations are made after completed applications are received by SBA, at which point they are subject to a wide array of internal controls including identity verifications (social security number, address, etc.), on-site verifications of the disaster damaged properties, use of personal credit reports and Business Dunn and Bradstreet reports and the rule of two which requires a recommending and concurring signature on all inspection and loan actions. Additionally, an independent confirmation of income is made by receiving tax transcripts from the Internal Revenue Service (IRS).

- 3. How is the SBA coordinating assistance efforts with FEMA, insurance companies and other government agencies to identify and track applicants for disaster assistance and avoid overlap of efforts between the disparate organizations supporting the recovery from Hurricane Sandy?**

Answer: There are several check points throughout the application and disbursement process. A Computer Matching Agreement (CMA) is in place that allows SBA and FEMA’s computer systems to share and update data several times throughout the day.

Questions for the Record from Ranking Member Olympia J. Snowe
To: Mr. James Rivera, Associate Administrator, Office of Disaster Assistance, U.S. Small Business Administration and Mr. Michael Chodos, Associate Administrator, Office of Entrepreneurial Development, Small Business Administration

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This data includes business loan referrals and duplication of benefit (DOB) information. Additionally, when loans are being processed, loan officers look for the most recent information from FEMA and contact the applicants' insurance companies to ensure that all DOBs are considered. SBA also has an MOU with the Department of Housing and Urban Development (HUD) and works directly with HUD Grantees to exchange DOB information.

- 4. Does SBA plan to profile the businesses impacted by Hurricane Sandy and the impact of its assistance on the operational status and growth (in terms of revenue and number of employees) of those businesses in the following months and years?**

Answer: Each year SBA utilizes the American Customer Satisfaction Index (ACSI) to survey disaster loan recipients.

Business statistics are included as outcome measures in the survey. Included in the survey, for Physical and Economic Injury Disaster Loans (EIDLs), borrowers are asked if the business is in operation 6 months after full disbursement of the loan.

Question for the Record from Ranking Member Olympia J. Snowe to Mr. James King, State Director, New York State Small Business Development Center Central Administration; The Honorable Dawn Zimmer, Mayor, Hoboken, New Jersey; and Mr. Kevin S. Law, President & Chief Executive Officer, Long Island Association

**United States Senate
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On Thursday, December 13, we heard very informative testimony from all of our witnesses, and delved into a number of specific issues related to the Hurricane Sandy recovery efforts. While it always important to examine every detail of a recovery effort, including this one, it also helpful to look at it broadly.

Based on your first-hand experience, what letter grade would you give the SBA for its overall response to Hurricane Sandy?

Thank you Senator Snowe. If I had to give a letter grade, it would probably be a B+.

However, I'd like to offer to offer a brief point to clarify. We have had several opportunities to work with the SBA Office of Disaster Assistance during my tenure as the State Director in New York. This dates back to the horrific circumstances of 9-11 to the damaging ice storms of four years ago to the extreme flooding our upstate Southern Tier Region suffered following Tropical Storm Lee.

Following 9-11, we were extremely disappointed in the attitude and working relationship. It seemed that the attitude that was prevalent implied that no one else could be of assistance. That reluctance to provide an open, assistive relationship has steadily improved, including more recent requests from the Agency to encourage input early in the process, as well as, after the fact feedback on areas that could be further improved.

With Hurricane Sandy, we were involved in the initial siting of many of the Disaster Recovery Centers (DRCs) and able to work with our host higher educational institutions to arrange centrally located space in areas where necessary space would otherwise be difficult to arrange, especially with working infrastructure (e.g. electricity, web access and public transportation). Once established, these DRCs became small business application, triage and assistance locations for the myriad of services needed to facilitate recovery activities.

Is there still room for improvement? Yes. But, if recent past performance is an indicator, I think that is guaranteed and reflects positively on the efforts of the Committees, the Agency and the Office of Disaster Assistance to implement continuous improvement.

**Question for the Record from Ranking Member Olympia J. Snowe
to Mr. James King, State Director,
New York State Small Business Development Center Central Administration**

**United States Senate
Committee on Small Business and Entrepreneurship**

**Hearing entitled:
“Hurricane Sandy: Assessing the Federal Response and Small Business Recovery Efforts”**

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Small Business Development Centers provide invaluable educational services to businesses across the United States, at more than 900 locations, by helping them start-up, expand, and diversify. SBDC assistance is particularly helpful to small businesses that are struggling to recover from natural disasters, such as the recent and devastating Hurricane Sandy. Despite the importance of SBDCs to recovery efforts, current law frustrates their ability to aid in them to the best of their ability because SBDCs are not authorized to assist small businesses outside their home states, without regard to geographical proximity. In the Restoring Tax and Regulatory Certainty to Small Businesses Act of 2012, which I introduced in September, I included a provision that would remove this limitation.

Do you believe that permitting the SBA to authorize Small Business Development Centers to assist small businesses outside their home states if those small businesses are located in areas for which the President has declared a natural disaster, without regard to geographical proximity, would aid the Hurricane Sandy recovery efforts in New York?

Senator Snowe, Thank you for co-sponsoring the inclusion of authorization for the national SBDC network to share critical expertise when dealing with declared disasters outside our home states. ASBDC whole-heartedly supports your legislation and believes it makes perfect sense.

The SBDC national network represents a huge resource that if permitted, can be marshaled in support of small business recovery in times of need. Collectively, our network has probably the greatest amount of talent and expertise in assisting small business recovery in the nation, outside of the SBA's Office of Disaster Assistance,.

Under the direction of Deputy Administrator James Rivera, we have developed an extremely strong working relationship at all levels and this partnership is contributing to the timely improvement of early disaster recovery assistance to the small business community. At the field level, small business owners affected by a disaster don't care where someone is from, as long as they can provide accurate and timely information immediately after a disaster. This is so important because there are, regretfully, many less than capable offers of assistance that tend to rush to areas of distress and prey upon small businesses when they are most vulnerable.

Question for the Record from Ranking Member Olympia J. Snowe
to Mr. James King, State Director,
New York State Small Business Development Center Central Administration

United States Senate
Committee on Small Business and Entrepreneurship

Hearing entitled:
“Hurricane Sandy: Assessing the Federal Response and Small Business Recovery Efforts”

December 13, 2012

The ability to augment local SBDC resources with experienced staff from previous disaster locations simply maximizes the benefit of the network. In support of your legislative initiative, the SBDC network would seek to enter into a more formalized mutual aid agreement that would pre-designate states with experienced staffs that would be available, an ‘on-call list’, to temporarily relocate to areas of need. In some cases, that could help handle the surge of inquiries following a disaster and in other instances, these experienced staff could serve as trainers for staff in areas not previously experienced in disaster recovery.

In brief, we sincerely hope that your legislative leadership in this area is successful and that we will have the support and authorization to be better equipped to handle calls for assistance from our peer programs in the future. In times of disaster, we do not think of ourselves as solely tied to our host state but rather, in the true tradition of our nation, ready to assist the impacted wherever they reside.

United States Senate
WASHINGTON, DC 20510

December 6, 2012

The Honorable Karen G. Mills
Administrator
U.S. Small Business Administration
409 Third Street, SW
Washington, D.C. 20416

Dear Administrator Mills:

We write to you regarding the disaster response of the U.S. Small Business Administration (SBA) to Hurricane Sandy. By all accounts, the SBA was better prepared and deployed staff quickly following Sandy – a marked difference than its sluggish and ineffective response following Hurricanes Katrina and Rita of 2005. As of November 30th, your agency had already deployed over 369 staff to the impacted states. The SBA has also begun opening 31 Business Recovery Centers (BRCs) run by the local Small Business Development Centers (SBDCs) and State/local officials. These centers provide a wide range of services to assist businesses impacted by the hurricane.

While there have been major improvements to the SBA's disaster programs since the 2005 hurricanes, we believe there are key areas that still require attention. These areas are critical to ensuring SBA's disaster programs are efficient and responsive to the victims of Hurricane Sandy. With this in mind, we respectfully request your attention to the following items which may help ongoing disaster efforts from Sandy as well as the SBA's response to future disasters:

- **Disaster Funding:** As of November 26th, the SBA had approximately \$100 million in administrative funding and \$330 million in subsidy for the disaster loan program. We encourage the SBA to work closely with the Congress to ensure there is appropriate funding for these disaster accounts as well as for Small Business Development Centers in the disaster area.
- **Coastal Barrier Resources Act Prohibition:** The *Coastal Barrier Resources Act* prohibits Federal financial assistance, including SBA disaster loans, to applicants located in the Coastal Barrier System. We appreciate the SBA's ongoing coordination with relevant Federal agencies, such as the U.S. Fish and Wildlife Service, to establish clear guidance and maps for distribution. This coordination and aggressive outreach needs to continue as the vast majority of disaster loan applicants resulting from Sandy do not live in Coastal Barrier areas.
- **Aquaculture Business Assistance:** The *Small Business Jobs Act of 2010* (P.L. 111-240) included a provision that allowed aquaculture businesses to apply for SBA Economic Injury Disaster Loans (EIDLs), so long as disaster assistance is not provided by other Federal agencies. We encourage the SBA to review its ability to provide disaster assistance to small aquaculture businesses impacted by Sandy.

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December 6, 2012

- **Duplication of Benefits:** After Hurricane Katrina, the SBA deducted Louisiana Road Home recovery grant proceeds (funded via U.S. Department of Housing & Urban Development Community Development Block Grants) before they were awarded to borrowers. According to the SBA, these actions were taken to address "duplication of benefits (DOB)" between Road Home grants and SBA disaster home loans made to the borrowers. Deducted grant proceeds were used to pay down balances on SBA disaster home loans. In many instances, this left disaster victims without sufficient funds to rebuild their homes or to address needs that arose subsequent to the disaster (such as contractor fraud, increases in building costs, or additional damage to partially repaired homes). We understand that late last year HUD and the SBA signed an agreement that improves agency coordination on this issue. Please provide us with an update on this agreement and how it includes provisions ensuring assistance for borrowers with unmet disaster needs.
- **Regional Outreach and Marketing of SBA Disaster Programs:** *The Small Business Disaster Response and Loan Improvements Act of 2008* (P.L. 110-246) required the creation of a marketing and outreach plan, including regional marketing ahead of disasters likely to occur in each area of the country. While SBA disaster loans are universal for every disaster, each disaster impacts regions/businesses differently. Just as disaster victims must prepare differently for each disaster, the SBA must tailor its outreach for different disasters that may impact certain parts of the country – including targeted outreach before annual disaster seasons. We request that the SBA provide an update on regional disaster outreach in the East Coast this year and prominently feature hurricane-related information in future agency disaster outreach in this region.
- **Guaranteed Disaster Loan Pilot Programs:** *The Small Business Disaster Response and Loan Improvements Act of 2008* (P.L. 110-246) also created two Guaranteed Disaster Loan Pilot Programs (a \$25,000 Immediate Disaster Assistance Program and a \$150,000 Business Expedited Disaster Loan Program). In subsequent Appropriations cycles, Congress has provided the SBA with the necessary funds to test these programs with local lenders. In the event that these programs may be activated for Hurricane Sandy, we request an update on the SBA's piloting of these programs, its review of lessons learned, and the promulgating of final regulations.

In closing, we thank you for your consideration of this request. For our part, we remain committed to ensuring that the SBA has the sufficient resources and authority necessary to effectively respond following Hurricane Sandy and future disasters.

Sincerely,

Page Three
December 6, 2012

Mary of Gardiner Richard Blumenfeld
Kay R. Hazan Mark R. Lautenberg
Charles Sch Kirsten E. Gillibrand
Jon Hill Rahit Menon

Ripchensky, Darla (SBC)

From: Sanchez, Ami (SBC)
Sent: Monday, December 17, 2012 1:23 PM
To: Ripchensky, Darla (SBC)
Cc: Johnson, Alex (SBC)
Subject: Committee Insert for 12/13/12 Hearing: Map of Federal Disaster Assistance Locations
Attachments: Sandy Disaster Assistance Map_FINAL_12.17.12.pdf

Hi Darla,

Per our conversation, please find the attached map for inclusion in the record for the hearing held on Thursday, December 13, 2012. If you could please include the following note with the insert, I would greatly appreciate it:

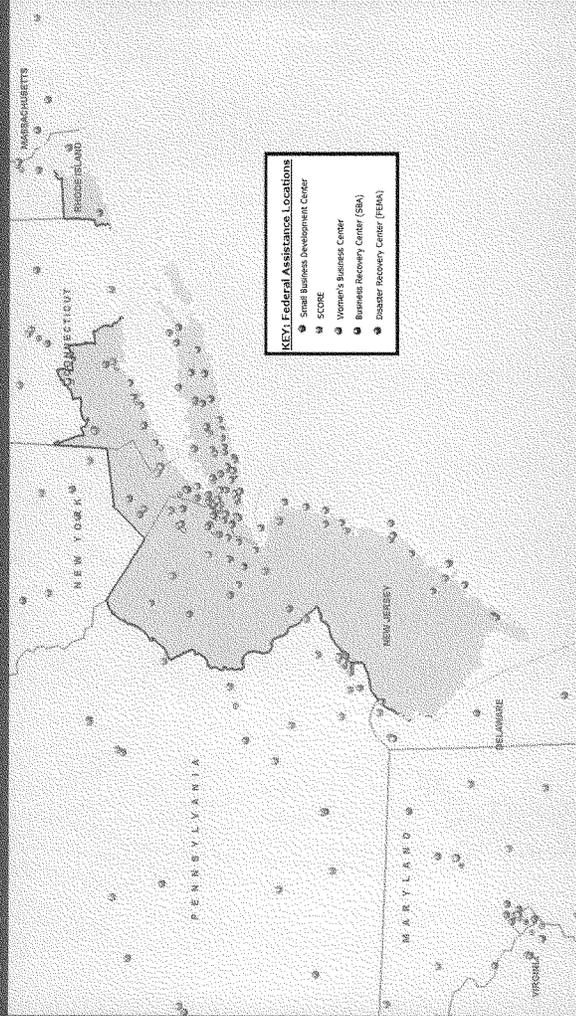
NOTE: Disaster Recovery Centers (DRCs) remain open based on the needs of the community at the request of the local Emergency Management Agency's (FEMA) state and local partners. For the most up-to-date information on DRC locations and hours in New York, Connecticut and New Jersey, please refer to FEMA's Disaster Recovery Center Locator <http://www.fema.gov/inter/locator/home.htm>

Thankst [Insert document here:]

Ami M. Sanchez
Counsel
Chair Mary Landrieu
Senate Committee on Small Business and Entrepreneurship
Phone: (202) 224-8482
Fax: (202) 228-1814
www.sbc.senate.gov

↑
Please insert
this note in
the record
of for Chair
Landrieu

HURRICANE SANDY: Federal Disaster Assistance Locations



The locations of Business Recovery Centers (BRCs) and Disaster Recovery Centers (DRCs) are based on information obtained from the Small Business Administration (SBA) and the Federal Emergency Management Agency (FEMA), respectively, on Friday, December 15, 2012.



8990 Burke Lake Road, 2nd Floor, Burke, VA 22015 ☎ Tel: 703-764-9850 ☎ Fax: 703-764-1234 ☎ E-mail: info@asbdc-us.org

December 13, 2012

Honorable Mary Landrieu
Chair
Committee on Small Business and Entrepreneurship
United States Senate
428A Russell Senate Building
Washington, DC 20515

Dear Senator Landrieu,

Thank you for giving the Association of Small Business Development Centers (ASBDC) the opportunity to testify before your committee on the issues facing small businesses struggling to recover in the wake of Hurricane Sandy. As Jim King, our ASBDC Chairman and Director of the New York State Small Business Development Center (SBDC) network pointed out, this recovery effort will take years and require substantial resources.

President Obama has already taken a significant first step in addressing those resource issues with his Supplemental Disaster Funding request for \$60.4 billion dollars. You and your Senate colleagues are already moving forward with that request and the small businesses of New York, New Jersey and the other affected areas appreciate your swift action.

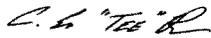
As you know, that supplemental request contains \$20 million for small business technical assistance through SBA partners like SBDCs. This funding will be instrumental in allowing SBDCs to both meet the needs of small businesses affected by the disaster and continue to meet the ongoing service needs of the small business community. As Mr. King testified, SBDC resources are already stretched to the breaking point as they shift what resources they can to respond to the disaster victims. However, there is a restriction in the SBDC authority that would make the application of these supplemental funds difficult and could complicate the recovery process.

Under the section 21(b)(3) of the Small Business Act (15 USC 648(b)(3)) SBDCs are limited in their ability to provide services across state lines. This prevents SBDCs dealing with disaster recovery, like New York and New Jersey, from being able to draw upon the resources available in our nationwide network of nearly 1,000 centers with over 4,500 business advisors. It likewise prevents states with great experience in disaster recovery assistance like, Louisiana and Florida, from providing assistance to their colleagues.

We would respectfully urge you and your colleagues to include language in the pending Disaster Supplemental to waive the SBDC geographic service restriction for the purposes of providing disaster support and assistance. This waiver need not be permanent, as I know you are working on a reauthorization bill to address this issue, amongst others. However, even a temporary waiver for the purposes of the pending Hurricane Sandy response would greatly expand the ability of SBDCs to rebuild the small business in the Northeast.

Thank you again for kind attention and continuing support of small business.

Sincerely,

A handwritten signature in black ink, appearing to read "C. E. 'Tee' Rowe". The signature is cursive and somewhat stylized.

C. E. "Tee" Rowe
President/CEO
ASBDC



December 10, 2012

Testimony from Manhattan Chamber of Commerce re SBA Response to Sandy & Needs of the Business Community

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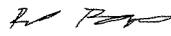
Our local small businesses who have had damage and no flood insurance nor business interruption insurance (the majority of small businesses, unfortunately) are not in a position to take advantage of offerings by SBA for low interest loans (4% and 6% if you have assets ie own home). They are wary of loans at this time and also find the paperwork overwhelming as they are trying to get back on their feet. FEMA has been a big help as has our city's government in other ways as well but working capital is needed to get businesses re-opened and functioning. With economic conditions in the past several years, small businesses have very little savings, no access to lines of credit, etc. and run their businesses day to day. And now with Sandy and so many areas in Lower Manhattan without power, the customers and clients are just not there to even manage day to day.

Since small businesses provide so many jobs, perhaps there can be some tax relief for the employer and/or some type of matching grant if they are able to sustain and even hire new employees.

And something similar for those who have to purchase new equipment to get back up and running-tax credits, etc.

One issue I noted which is not just a business issue but issue for residents as well is that FEMA is only working with US Citizens. I know an individual who has a green card, works/owns in a business in Texas (IT) and is also attending NYU Grad program. He lost everything at his home in Long Island and is getting absolutely no help. I fully appreciate that FEMA is not about to support those who are non-US citizens and in this country illegally but I think you cannot make a sweeping statement that will only help "US Citizens." We need to take into account those with green cards who are living here legally and are contributing members of our society.

Best Regards,


Ronald I Paltrowitz
Chairman


Nancy Ploeger
President

Ps. Good overview in recent *NY Times* article about status of Lower Manhattan..

<http://www.nytimes.com/2012/12/10/nyregion/lower-manhattan-continues-to-grapple-with-recovery.html?ref=nyregion&r=0>

Hurricane Sandy & SBA Disaster Loans
Overall Approved: \$205.8 Million – Overall Disbursed: \$6.1 Million

Business Loans Account for 13% of Overall Sandy Applications

(Data as of 12.12.12)

STATE	APPLICATIONS RECEIVED	APPLICATIONS DECLINED	APPLICATIONS APPROVED	LOANS DISBURSED	AVERAGE LOAN DISBURSED
CONNECTICUT	98	15	8 \$538,200	0	-
NORTH CAROLINA	4	0	0	0	-
NEW JERSEY	1,498	226	68 \$6,512,200	9 \$112,200	\$12,467
NEW YORK	2,474	403	105 \$10,062,100	12 \$166,300	\$13,858
RHODE ISLAND	6	0	0	0	-
VIRGINIA	0	-	-	-	-
TOTALS	4,080	644	181 \$17,112,500	21 \$278,500	\$13,262

**The average time for reviewing and administering a Hurricane Sandy business Disaster Loan is currently 10 days.*

Hurricane Sandy & SBA Disaster Loans
Overall Approved: \$205.8 Million – Overall Disbursed: \$6.1 Million

Homeowner Loans Account for 87% of Overall Sandy Applications

(Data as of 12.12.12)

STATE	APPLICATIONS RECEIVED	APPLICATIONS DECLINED	APPLICATIONS APPROVED	LOANS DISBURSED	AVERAGE LOAN DISBURSED
CONNECTICUT	716	129	111 \$6,157,700	14 \$184,400	\$13,171
NORTH CAROLINA	5	2	1 \$5,000	0	-
NEW JERSEY	8,788	2,090	914 \$56,897,600	166 \$2,244,500	\$13,521
NEW YORK	19,074	3,718	2,078 \$125,528,100	252 \$3,377,400	\$13,402
RHODE ISLAND	27	4	2 \$45,500	0	-
VIRGINIA	0	-	-	-	-
TOTALS	28,610	5,943	3,106 \$188,633,900	432 \$5,806,300	\$13,441

**The average time for reviewing and administering a Hurricane Sandy business Disaster Loan is currently 9 days.*

Hurricane Sandy SBA Disaster Staff on the Ground

(Data as of 12.01.12)

State	Staff	Centers
Connecticut	30	7 DRCs, 1 MDRC, 1 BRC
New Jersey	128	34 DRCs, 10 BRCs
New York	201	18 DRCs, 18 MDRCs, 19 BRCs, 2 ICs
Rhode Island	10	3 DDRCs, 1 BRC
TOTALS	369	118

**SBA has a total of 2,100 disasters response staff employed at call processing centers.*

Damage Comparison

Assessment Category	Sandy (NY)	Sandy (NJ)	Sandy (Overall)	Katrina
Fatalities	60	40	132	1,833
Total Damage Assessed (\$)	\$41.8 billion	\$36.9 billion	\$70+ billion	\$128 billion
Housing Units Damaged/Destroyed	305,000	346,000	651,000+	352,930
Businesses Damaged/Destroyed	265,300	189,500	454,800+	18,700
Power Outages (At Peak)	2.19 million	2.4 million	8.51 million	2.77 million
IA Registration Applications	185,000	233,000	686,000	1.7 million
IA Registration Approvals	98,692	50,419	490,254	738,318
Disaster Declared Counties	12	21	40	79
Disaster Recovery Centers	30	33	63	110
FEMA Personnel Deployed	3,536	2,288	7,099	6,000

Average SBA Disaster Business Loans

DISASTER	AVERAGE BUSINESS LOAN
KATRINA	\$116,402
RITA	\$95,076
WILMA	\$135,186
IKE	\$129,066
GUSTAV	\$59,485
ISAAC	\$39,500
SANDY	\$13,262

Average Business Loan Processing Time:

Katrina: 66 Days

Sandy: 10 Days

