

**Statement of James Rivera
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**before the
House Committee on Small Business
Hearing on “Surveying Storms: A Deeper Dive
into SBA’s Disaster Response”
September 5, 2018**

Chairman Chabot, Ranking Member Velazquez, and members of the committee, thank you for the opportunity to testify about SBA’s Office of Disaster Assistance.

Let me start by saying, on behalf of Administrator Linda McMahon and the entire agency, we appreciate your strong support of our disaster assistance mission and your continued leadership to ensure that, as a country, we are able to meet the challenges of disaster events like the ones we experienced in 2017.

SBA’s disaster assistance mission is to provide affordable, timely and accessible financial assistance following a declared disaster to businesses of all sizes, private non-profit organizations as well as homeowners and renters. This financial assistance is available in the form of low-interest, long-term direct federal loans for disaster losses not covered by insurance or other recoveries. Since SBA’s inception in 1953, we have provided over two million disaster loans for more than \$63 billion dollars. SBA disaster loans are a critical part of the federal government’s response and recovery effort because they help to rebuild homes and businesses, replace contents, preserve jobs and spur economic recovery.

About the SBA Disaster Loan Program

Even though SBA is on the ground immediately following a disaster, we are not a “first responder” agency. Our primary focus is to provide affordable disaster loans for privately-owned property losses as part of the recovery effort in coordination with other federal, state, local, territories, and tribal partners. The SBA, through the Federal Emergency Management Agency (FEMA) as the coordinating agency, partners to ensure disaster survivors are being referred to appropriate sources of disaster assistance. For Presidential disaster declarations including Individual Assistance, disaster survivors should first register on DisasterAssistance.gov to see what types of assistance they are eligible for, and what best meets their immediate needs.

As part of an overall effort to assist disaster survivors to get back on their feet, SBA provides loan assistance up to \$200,000 to help homeowners repair or replace their damaged or destroyed primary residence. We also provide up to \$40,000 to help homeowners and renters replace damaged or destroyed personal property such as furniture, clothing, appliances, and vehicles. For businesses of all sizes and private non-profit organizations, SBA provides up to \$2 million dollars to repair or replace damaged real estate, leasehold improvements, furniture and fixtures, inventory, and machinery and equipment.

Additionally, SBA offers Economic Injury Disaster Loans (EIDL) to small businesses, small agricultural cooperatives, and most private non-profit organizations that have suffered economic injury caused by a disaster. These loans provide working capital to a business or organization until normal operations can resume following a disaster.

SBA also provides additional loan funds for mitigation – up to 20 percent of the total physical losses as verified by SBA – for protective measures to help prevent damages from similar disaster events which may occur in the future. In some cases, SBA can also provide additional funds to refinance existing mortgages in order to help make recovery affordable for the disaster survivor. SBA disaster loan funds can only be used for uninsured, underinsured or uncompensated losses. However, in order to expedite the availability of much needed disaster assistance to survivors, SBA can approve and disburse loan funds even if the insurance claim is still pending by taking an assignment of the insurance proceeds.

Agency/General Disaster Preparation

Over the past several years, SBA has made a number of key improvements that help us to better respond to disaster survivors. We have implemented streamlined process improvements that utilize technology and private-sector lending practices to upgrade the SBA Disaster Loan Program so that it improves the overall applicant experience. For example, we now use credit-scoring business rules as a tool to make expedited credit decisions and desktop verifications to quickly estimate property damages. These streamlined process improvements are especially important during such an active hurricane season like 2017 because they increase our bandwidth to provide timely credit decisions to a larger number of applicants.

I want to thank this Committee for meaningful change through the Recovery Improvements for Small Entities After Disaster Act of 2015 (RISE Act). Among those provisions were important measures for disaster survivors, such as increasing the unsecured loan limit from \$14,000 to \$25,000; expanding mitigation assistance to include safe rooms and storm shelters; and the creation of a Disaster Loan Assistance Portal that provides disaster survivors with quick and easy access to their loan application status, filing requirements, document uploads, and introduced electronic signature capability.

Increasing the unsecured loan limit to \$25,000 for physical damage loans makes a real difference to the disaster survivor who is rebuilding a home or business. SBA typically makes an initial disbursement within five days of receiving the borrower's signed loan closing documents (other than the security documents), but instead of a business or homeowner only receiving \$14,000, they can now receive \$25,000, helping to speed reconstruction.

Similarly, a small business that has both physical damage and economic injury can now receive \$50,000 in an initial disbursement – \$25,000 for the physical repairs and \$25,000 for working capital – within five days of returning the signed loan closing documents. This results in SBA getting more disaster loan funds into the hands of disaster survivors faster. As many of you may know, the increase in the unsecured loan limit is temporary and authority will sunset in

November 2018. We look forward to working with the committee to extend this provision before the November expiration.

The creation of the Disaster Loan Assistance Portal has changed the way SBA interacts with disaster survivors. Prior to the launch of the portal, the primary way for disaster survivors to check on the status of their loan application was to call the customer service center. While our customer service representatives are helpful and quick to respond, disaster survivors deserve more options and expect online access, especially during spikes in activity like we experienced this past Hurricane Season. The portal provides disaster survivors with online communications regarding the status of their application, access to filing requirements and SBA forms, even the ability to electronically sign the IRS Form 4506-T, which is needed to verify income and establish repayment ability. To maintain pace with the lending industry online advancements, SBA plans to continue enhancing the portal so that disaster survivors receive the best customer service experience possible when applying for SBA assistance.

2017 Activity

The 2017 Hurricane Season was the most active season SBA has responded to since the 2005 Gulf Coast Hurricanes Katrina, Rita and Wilma. The President declared a major disaster for Hurricane Harvey in Texas on August 25, 2017. The U.S. Virgin Islands received a major disaster declaration for Hurricane Irma on September 7, 2017; Florida and the Commonwealth of Puerto Rico were declared on September 10, with various states like Georgia, South Carolina, Alabama, and Louisiana receiving related declarations. Hurricane Maria struck the U.S. Virgin Islands on September 16 and Puerto Rico on September 17. To put this in perspective, in a three-week period, three major disaster events struck the U.S. in three separate locations. On its own, the disaster loan approval activity for Hurricane Harvey rises to the level of the second largest event in SBA's history. Despite this unprecedented disaster activity, SBA responded immediately to each declaration and had staff on the ground within 48 hours to coordinate federal, state and local recovery efforts.

Our staff on the ground was co-located at all FEMA-State Disaster Recovery Centers to assist disaster survivors in person, one-on-one with their SBA disaster loan application. SBA also opened Business Recovery Centers throughout the disaster areas to provide assistance to business owners. SBA worked closely with its Resource Partners – Small Business Development Centers, SCORE Counseling Centers and Women's Business Centers – to go beyond disaster loans and connect businesses with free technical assistance and business counseling services. Our strong partnership with SBA Resource Partners enabled us to respond quickly to business community needs.

In less than 45 days, SBA approved over \$1 billion for Hurricanes Harvey, Irma and Maria combined. This is record time compared to past major disaster events such as Hurricanes Katrina, Rita and Wilma in 2005; Superstorm Sandy in 2012; and the Northridge Earthquake in 1994; which all took over 90 days to reach the \$1 billion milestone. As of August 30, 2018, SBA has approved 43,493 disaster loans for a total of over \$3.4 billion for Hurricane Harvey; 41,349 disaster loans for a total of \$1.73 billion for Hurricane Irma; and 55,763 disaster loans for \$2.07 billion for Hurricane Maria. In total, we have approved over \$7.2 billion in disaster loan

assistance in response to the 2017 Hurricane Season. Currently, we're still approving more than \$5 million per day in disaster loan funds for the 2017 hurricanes.

Under normal conditions, and per SBA's Disaster Preparedness and Response Plan, ODA maintains 1,750 workstations in our Fort Worth Processing and Disbursement Center and 350 more surge workstations in our Sacramento Disaster Center. We also expand the loan processing footprint to include 50 additional workstations at the Buffalo Call Center. At the peak of our response to Hurricanes Harvey, Irma and Maria, we reached a total staffing level of over 5,000 disaster personnel.

In addition to the three hurricanes, and the loan figures and personnel numbers shared in response to them, SBA's Office of Disaster Assistance dealt with a very high overall volume of activity in 2017. The agency serviced 23 presidentially declared disasters, as well as 53 SBA declared disasters. These ranged from the aforementioned hurricanes to flooding, tornadoes, wildfires, and mudflows. Overall, we provided \$1.6 billion in total loan assistance in Fiscal Year 2017. Most of the loan approval activity for Hurricanes Harvey, Irma and Maria is recorded in Fiscal Year 2018 activity.

Agency After-Action Response

In April, our program office conducted an after-action workshop with our senior leadership to review our performance during Hurricanes Harvey, Irma and Maria. The group captured best practices and lessons learned. Later, we discussed those items among the agency's senior staff as well as with the Administrator.

Among those key areas are to continue improving how we establish and maintain our Office of Disaster Assistance staff and customer service presence in the areas affected by a disaster. We also want to ensure that our Electronic Loan Application process remains robust and can handle the requisite volume of application activity, that we effectively assess and verify property damage, and that we can efficiently staff and identify any barrier to overall application processing. We are also modernizing our Disaster Credit Management System to maximize technology in order to improve business processes and enhance volume processing functions such as auto-decisioning and parallel actions. Lastly, we want to make the end-process of closing and disbursing the disaster loans as expedient as possible for the disaster survivor.

2018 Activity

So far, disaster activity has been active and diverse. To date, there have been ten presidentially declared disasters and 33 SBA agency declarations. SBA is providing disaster assistance across 22 states in response to severe storms, tornadoes, wildfires, floods, and lava flows, to name a few.

In looking at states represented by this committee, we have declarations for wildfires in California, a tropical storm in American Samoa, hurricanes in Florida and Puerto Rico, flooding in Illinois, Kentucky and New York, and severe storms and tornadoes in Iowa, Mississippi,

Pennsylvania and Virginia. As Tropical Storm Gordon approaches the Gulf Coast, and as other potential future disasters impact states across the country, SBA will continue to answer the call.

In closing, I appreciate the opportunity to update this committee on SBA's disaster recovery efforts. We firmly believe that reforms we instituted enabled us to be better prepared to respond to the 2017 Hurricane Season, and we are implementing further changes to improve our 2018 efforts. Administrator McMahon had pushed us to be ready for the 2017 season, and I am proud of the hard work and many long hours put in by our Office of Disaster Assistance staff. I also want to recognize the support of my SBA colleagues, as well as the response from other federal agencies and our federal disaster assistance partners. This collective effort, in my view, contributed to a successful disaster and hurricane response effort by the agency.

Thank you, Mr. Chairman, and committee members. I look forward to answering any questions you may have.