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United States Senate
COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

March 23, 2006

BY FACSIMILE
ORIGINAL BY U.S. MAIL

The Honorable Hector V. Barreto
Administrator
U.S. Small Business Administration
409 Third Street, S.W.
Washington, DC 20416

Dear Hector:

I am writing to express my concern that the Small Business Administration (SBA) has reduced its rate of resolving disaster loan applications from businesses in the Gulf Coast region.

As of March 3, 2006, according to data provided by the SBA, the Agency had resolved (*i.e.*, approved or denied) 90.08 percent of business disaster loan applications submitted by victims of Hurricanes Katrina and Rita. Over the eighteen-day period from February 13 to March 3, the Agency resolved 355 business applications per day, resulting in an increase of total resolved business applications from 77.32 percent of all business applications on February 13 to 90.08 percent on March 3.

Since March 3, however, the Agency has resolved applications at a much slower pace. During the eighteen days from March 3 through March 21, the Agency resolved business applications at a rate of only 99 per day, down from the previous level of 355 per day. As a result, only 88.85 percent of the business disaster loan applications received had been resolved as of March 21, a decrease from the 90.08 percent resolved on March 3.

At the same time, the total number of SBA disaster assistance staff has decreased by 682 employees since March 1. This reduced efficiency is very troubling, particularly because the SBA staff has indicated to the Committee that the Agency's initial goal was to resolve 90 percent, rather than 100 percent, of business loans, and that it desires to slow down its rate of resolving business applications. I am deeply disturbed by the Agency's reluctance to finish resolving all of the applications submitted by hurricane victims.

The Agency has informed my staff that one of the causes of this slow-down in resolving business disaster loan applications is a shift in focus from business applications to homeowner applications. Homeowner applications have not been resolved any faster, however, since the rate of business applications resolved leveled off at approximately 90 percent. During the eighteen days prior to March 3, the SBA resolved 10.47 percent of all pending homeowner applications. During the eighteen days from March 3 through March 21, the SBA resolved only 8.67 percent of

all pending homeowner applications. This decrease in efficiency in resolving homeowner applications does not support the SBA's justification for the stagnation in processing business applications.

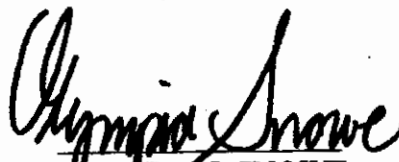
I am also concerned about the decrease in the SBA's disaster assistance staff. It appears that the reduction in personnel has led to a decrease in productivity. At a time when efficiency and production are of such high importance, I am perplexed by the timing of the Agency's decision to reduce its personnel.

Please provide an explanation for the recent slow-down in resolving business disaster loan applications, as well as the SBA's planned timeline for completing 100 percent of all disaster loan applications submitted by victims of the Gulf Coast hurricanes. Please also provide an explanation for the decrease in disaster assistance personnel. These responses should be submitted to my staff no later than March 30.

Thank you for your continued efforts to assist disaster victims during this challenging recovery process. I intend to continue to support the SBA and its mission and welcome suggestions on how the Committee can provide assistance to the Agency.

If you have any questions or need any additional information, please do not hesitate to call me or have your staff contact Wes Coulam, Staff Director of the Committee, at (202) 224-5175.

Sincerely,


OLYMPIA J. SNOWE
Chair