

The Virgin Islands Consortium

Opinion | SBA Disaster Lending Is Not The Disaster Assistance Expected

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Following Maria and Irma I submitted economic assistance applications to SBA's Disaster Assistance Processing and Disbursement Center in Fort Worth. The experience has been frustrating and eleven- months later still ongoing. There has been little effort made by the SBA staff to go beyond voicing their appreciation of the application's challenges to translating that concern into facilitating the application and approval process. Some staff personnel have been helpful, others much less so.

Applying for assistance in 2017/2018 seems less streamlined and accommodating than was the process in 1995, post hurricane Marilyn. This begs the question, why, particularly given the learning experience of Katrina in 2008.

Is SBA truly motivated to provide relief to small businesses or is disaster lending now commoditized with the resulting loss of sense of mission?

My recent experience suggests that this lending process is indifferent to situational realities and inflexible even when loan security and repayment is not compromised. The following illustrates my point.

The Disaster Assistance application requires both a current stamped tax filing as well as an IRS 4506 submission. For the mainland tax filer, these documents are easy to obtain. However, the form 4506 does the SBA little good in obtaining information from the VI Bureau of Internal Revenue. Obtaining archival material from the Bureau is no easy task in the best of times and even more challenging in a post hurricane environment. The SBA's inability to develop a work around to obtain the required applicant's tax filings is just one example of what I experienced as an inability to adapt application requirements to situational realities. (Update: ten months after the storms, the SBA now has an on-site liaison that assists in retrieving the required tax filings).

The Center also appears incapable of acknowledging that some of its own problems complicate the processing of applications. The Center's work force swelled from 500 persons to thousands in the aftermath of the 2017 disasters, according to one of the Center's staff persons. And, it is possibly that this increase in temporary staff explains the inconsistency in qualifying applicants for assistance.

Two of my submitted applications were approved and then subsequently determined ineligible for assistance or ineligible for the amount of funding. On one of the applications, it was not until the final review of the mortgage and closing file that this decision was determined and/or communicated. In that instance, the decision had nothing to do with the eligibility of the applicant, the satisfactory nature of the loan collateral or the ability to repay. The decision turned on the calculation the SBA itself made as to the amount of economic assistance the applicant was qualified to receive. The processing staff was non responsive to requests to discuss this new decision and offered no information of an appeal process separate and apart from to those who were then making this new decision.

What is apparent is that applicant success is at the mercy of the loan/case officer responsible for loan processing/loan underwriting. And, dependent on whom that person is, the decisions made may be different. On more than one occasion, members of the Center's staff informed me that some supervisors were more accommodating than others. Those supervisors used the regulations to find opportunity to approve eligibility while others chose to do the opposite.

The disaster assistance application process begs for transparency and an applicant advocate. Advocacy would ensure guidance and support throughout the application process. The advocate could run interference as well as recommend intervention when the predilection of a particular loan or caseworker seems at odds with the loan program's mission.

Conversations with others seeking assistance for non-insurance reimbursed property damage indicates their experience is no different, though the details of the problems they confront may differ.

In the months following the storm the premium seemed to be getting the small business sector back on its feet. More recently that emphasis appears to have shifted to just another small business lending program that conforms to a set script in defining eligibility and going about the processing of applications.

Is this an attempt to bring structure, procedure and regulation to a process that veered off course because of the number of disaster declarations in 2017, or is it an attempt to limit the amount of dollars spent on disaster recovery?

Was the experience of small businesses in Sandy Hook 2012, and Houston 2017, the same as the Virgin Islands or do they differ because the Virgin Islands is a Territory?

The opacity of the review process and the lack of leverage the individual enjoys suggest that absent a congressional investigation, an unlikely occurrence in light of the relative indifference to the deficiencies of disaster relief in the territories, there are no answer to these questions.

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