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## AP Washington

# Democrats: Bush Rejects Needed Storm Loans

By **FRANK BASS**  
Associated Press Writer

March 15, 2006, 7:09 AM EST

WASHINGTON -- The White House has rejected hurricane disaster-recovery loans at a higher rate than any other administration in the last 15 years, according to a congressional study by Democrats.

The report, expected to be released Wednesday, said business and home loan approval rates averaged about 60 percent after Hurricane Andrew devastated much of south Florida in 1992. The trend continued through the rest of President George H.W. Bush's administration and into the Clinton administration, according to Democratic members of the House Small Business Committee.

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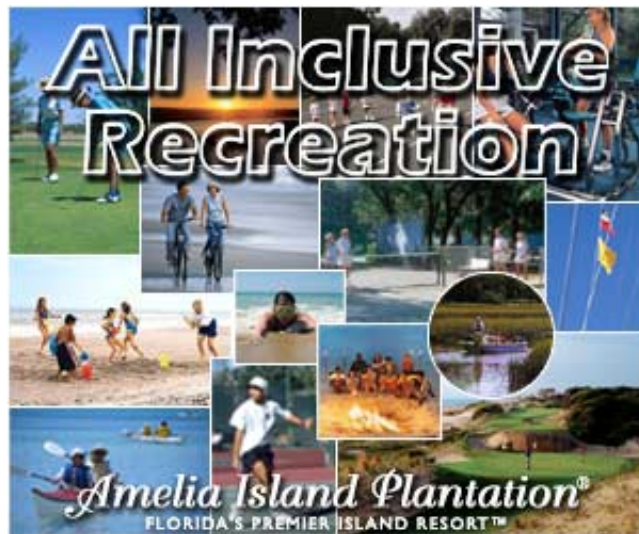
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After Hurricane Wilma surged ashore in south Florida last year, the approval rate for low-interest, taxpayer-guaranteed loans by the Small Business Administration had dropped to barely 15 percent. Overall, Democrats said, approval rates for home and business disaster loans since 2004 have averaged about 35 percent.

"This was a monumental disaster, and it requires a monumental response," said New York Rep. Nydia Velazquez, the panel's top Democrat. "That hasn't happened. People are suffering, and it's the SBA's role to provide assistance."

The SBA has tripled its staff over the past year to deal with the series of major Gulf Coast hurricanes. Despite the increase -- from 1,500 employees to 4,500 -- the report found the agency's approval rate has continued to drop with each disaster.

SBA officials, who were expected to defend their efforts before the House panel Wednesday, offered several explanations for the sharp drop-off in loan approval rates, including changes to the loan application process.

During previous disasters, officials have said they tallied only applications that stood a chance of approval. A new computerized system, however, counts all applications, whether or not the loan might be approved.

The SBA also has argued that the scope of the devastation caused by three successive Gulf Coast hurricanes and the area's high number of low-income families and business owners have been responsible for higher rejection rates.

In Louisiana, for example, nearly 3 in 5 applicants couldn't meet credit standards, the SBA said. Another 1 in 4 said they couldn't repay the loans, and 1 in 10 didn't make enough money.

Finally, the agency said, it still offered a record \$6 billion in low-interest, taxpayer-guaranteed loans to more than 80,000 Gulf Coast home and business owners. Last week, the SBA announced it would extend until April 10 the deadline for victims of Hurricane Katrina and Rita to apply for a physical damage loan.

"SBA has very lenient lending requirements with regard to the disaster loan program," agency spokeswoman Anne Marie Frawley said. "However, it is necessary that the applicant have the ability to repay the loan, based on their pre-hurricane financial standing. It's a balance between making all the loans we can and responsibly using taxpayer dollars."

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Rich Carter, a spokesman for Republicans on the House panel, said the agency should be given the benefit of the doubt since the approval rate tends to increase with time. Generally, a large percentage of applications received early in the recovery effort will be rejected, giving an artificially high rejection rate, Carter said.

Velazquez has urged the White House to fire Hector Barreto, head of the small business agency. She acknowledged that early results often show high rejection rates. "But this is what, seven, eight months later?" she asked.

The SBA drew the ire of many lawmakers last month when it announced it was almost out of disaster loan money. Lawmakers gave the green light to the SBA to spend \$100 million in early February; later in the month, the Senate approved legislation to provide \$712 million for the agency's program, which is expected to keep it afloat through the end of April.

The agency's slowness in responding to the hurricanes and the funding shortfall angered lawmakers on both sides of Capitol Hill. Last month, Sens. John Kerry, D-Mass., and Mary Landrieu, D-La., blasted the SBA for not asking for more disaster loan recovery money until it was almost broke. The two lawmakers have asked the agency to give them a daily accounting of the balance in the loan program.

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On the Net:


Small Business Administration: <http://www.sba.gov/>

House Small Business Committee: <http://wwwc.house.gov/smbiz/>

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