



INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

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February 13, 2013

The Honorable Mary L. Landrieu
Chair
Committee on Small Business and Entrepreneurship
United States Senate

And

The Honorable James E. Risch
Ranking Member
Committee on Small Business and Entrepreneurship
United States Senate
Russell Senate Office Building, SR-428A
Washington, DC 20510

Dear Senator Landrieu and Senator Risch,

On behalf of the International Economic Development Council (IEDC), please accept our appreciation for this opportunity to provide comments related to proposed changes to federal disaster assistance programs offered by the United States Small Business Administration (SBA). Your continuing support of these critical programs is worthy of praise and we thank you for your leadership.

IEDC has a strong history of supporting disaster planning and recovery. Our organization, with a membership of over 4,000 dedicated professionals, responded to communities in need following the 2005 hurricane season, the BP Gulf oil spill and other disaster-related incidents by providing economic development recovery assistance. We have continued our work in this area through technical assistance projects and partnerships with federal agencies and other non-governmental organizations. Our profession is invested in helping our country prepare for and respond to disasters, much the same as you and your colleagues on the Committee on Small Business and Entrepreneurship. To this end, we support proposed changes that will allow SBA to more effectively deliver disaster recovery assistance to local businesses in need of federal aid.

Rebuilding the local economy must be a top priority following a disaster, second only to saving lives and homes. IEDC supports the targeted changing of the current collateral requirements that state a business

owner must place their home up as collateral in order to secure an SBA disaster business loan of \$200,000 or less. In times of crisis, affected business owners are understandably reluctant to place their personal homes up as collateral in order to obtain a much needed loan to rebuild their business. Consequently, SBA loans put in place to help businesses rebuild following a disaster go underutilized. As lawmakers, you have a responsibility to protect the taxpayer, which is why we understand the need for posting collateral of equal or greater value to the amount of the loan. The proposed targeted change that eliminates the specific requirement of using a home as collateral to guarantee a loan of \$200,000 or less, and instead allowing business assets to act as collateral, will promote greater utilization of the loans. This is an idea we can all get behind; one that will lead to greater, faster economic recovery.

When disaster strikes, we should do everything in our power to bring the full resources of the federal government to bear in the impacted community. This includes, most especially, bringing in top experts who can immediately begin helping businesses and local economies recover. The national network of over 1,100 Small Business Development Centers (SBDC) could be an excellent resource to stricken communities. Unfortunately, current rules prevent SBDC's from assisting their counterparts in other jurisdictions. For example, those communities in the mid-Atlantic and New England impacted by Sandy are not able to benefit from the enormous amount of knowledge and experience in storm recovery held by SBDC's in Florida and the Gulf region. Certainly, we can all agree that disasters warrant an extraordinary response and that response must include qualified expertise from all corners of the federal government.

Forty to sixty percent of small businesses that close as a result of a disaster do not reopen. This is an unacceptably high number. We would not accept that level of loss in homes and we cannot accept that level of loss in jobs; our communities cannot sustain such losses and duty dictates we make certain they don't have to. By enacting common sense legislation, like that which is under consideration here, and freeing the flow of capital and expertise, we are taking concrete steps to give our small businesses and local economies the greatest chance to recover.

IEDC is your partner in the work of job creation. We thank you for your leadership in support of small business and stand ready to offer our assistance in this and future efforts.

Sincerely,

A handwritten signature in black ink that reads "Paul Krutko". The signature is fluid and cursive, with a long horizontal stroke at the end.

Paul L. Krutko
Chairman, International Economic Development Council
and
President and CEO, Ann Arbor SPARK