

Small Business Administration: Targeted Outreach about Disaster Assistance Could Benefit Rural Communities

GAO-24-106755
Q&A Report to Congressional Committees
February 22, 2024

Why This Matters

We have previously reported that the number and cost of weather and climate disasters, such as tornadoes and wildfires, are increasing in the United States. In recovering from a disaster, rural communities may face different challenges than urban communities because of their distinctive characteristics. According to the 2020 Census, approximately 20 percent of the U.S. population lived in rural areas, and rural areas represented 97 percent of the land area.

The Disaster Assistance for Rural Communities Act includes a provision for GAO to examine the unique challenges rural areas face when seeking disaster assistance from the Small Business Administration (SBA) and identify potential legislative recommendations for improving rural areas' access to such assistance.¹ This report examines how SBA's disaster loan program assists communities after disasters, disaster loan trends in rural and urban areas for fiscal years 2017–2022, challenges rural communities may face after disasters, and SBA's actions that may address those challenges.

Key Takeaways

- Applications for disaster loans from rural and urban areas were approved and declined at comparable rates from fiscal years 2017 through 2022.
- Rural areas have characteristics that can make disaster recovery difficult. These include infrastructure vulnerabilities, limited local capacity and resources, and rural demographics or social norms.
- Rural areas face challenges in seeking SBA assistance following a disaster. For example, disaster survivors may lack awareness or understanding of SBA's disaster loans. SBA has taken some actions that may help address these types of challenges, but they are not specifically targeted to rural areas.
- SBA has issued a regulation and taken other steps to implement the newly authorized rural disaster declaration, which provides SBA with an additional way to declare a disaster that is specific to rural areas.
- We recommend that SBA distinguish between rural and urban communities in its outreach and marketing plan. SBA concurred with our recommendation.

What SBA assistance is available for rural communities after a disaster?

SBA's Disaster Loan Program is available to rural and urban communities to cover qualified losses after a declared disaster. Disaster loans are intended to help homeowners, renters, businesses, and nonprofits repair, rebuild, and recover from physical and economic losses after a declared disaster. The three main types of loans for disaster-related losses are (1) home and personal property loans, (2) business physical disaster loans, and (3) Economic Injury

Disaster Loans (EIDL) to cover normal operating expenses that cannot be met due to the disaster (see table 1).²

Table 1: Characteristics of SBA Disaster Loans

Type of loan	Eligible borrowers	Lending limits and use of funds ^a
Home and personal property loans	Homeowners and renters	Homes. Up to \$500,000 to replace or repair primary residences. Personal property. Up to \$100,000 to replace or repair property (e.g., clothing, furniture, cars, and appliances) damaged or destroyed in a declared disaster.
Business physical disaster loans ^b	Most types of businesses and nonprofit organizations regardless of size	Up to \$2 million to repair or replace property damaged in a declared disaster that is owned by the business, including leasehold improvements, furniture and fixtures; to refinance liens on damaged property; and to implement mitigation measures to protect the damaged or destroyed property from future disasters.
Economic Injury Disaster Loans (EIDL)	Small businesses, small agricultural and producer cooperatives, small aquaculture enterprises, designated small nurseries, and private nonprofit organizations	Up to \$2 million of working capital to help meet financial obligations and operating expenses that cannot be met as a result of the disaster.

Source: GAO analysis of Small Business Administration (SBA) information. | GAO-24-106755

^aThe home and personal property loan limits apply to disasters declared on or after July 31, 2023, and the current business loan limits have been in place since 2008.

^bDisaster business loans, including both physical disaster loans and EIDLs, to the same borrower, together with its affiliates, cannot exceed \$2 million. 13 C.F.R. § 123.202.

This report uses Census Bureau definitions of “rural area” and “urban area,” and it uses “rural community” to refer to a place, such as a county, that predominately consists of rural areas. According to the Census Bureau, urban areas represent densely developed territory and encompass residential, commercial, and other nonresidential urban land uses. Each urban area must encompass at least 2,000 housing units or at least 5,000 people. Rural areas encompass all population, housing, and territory not included within an urban area.

How does SBA administer the Disaster Loan Program?

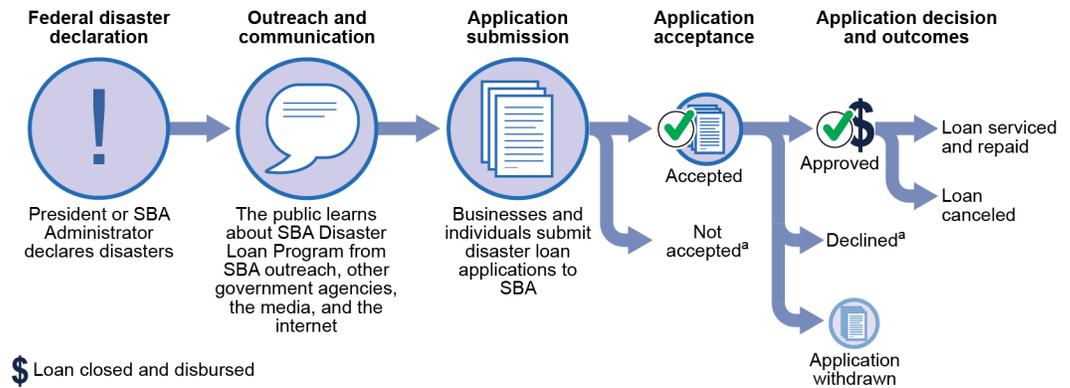
To administer the Disaster Loan Program, SBA’s Office of Disaster Recovery and Resilience has two Field Operations Centers that establish and maintain field operations and conduct SBA outreach in disaster areas.³ These efforts may include allocating SBA staff to federal Disaster Recovery Centers, which inform disaster survivors about available federal assistance. The Field Operations Centers also set up SBA Disaster Loan Outreach Centers and Business Recovery Centers at disaster locations to help individuals and businesses apply for disaster loans. In addition, SBA’s Office of Disaster Recovery and Resilience reviews disaster declaration requests and works with federal agencies and state and local governments to determine whether a minimum amount of damage or economic injury occurred for a disaster declaration.

SBA’s Office of Capital Access is responsible for all disaster lending policy and loan-making operations, including loan origination, processing, closing, disbursement, and servicing. It also manages the Disaster Customer Service Center to respond to incoming disaster survivor phone calls and emails.

What is the process for making SBA disaster loans available to disaster survivors?

The process for making SBA disaster loans available to disaster survivors has several phases, including disaster declaration, local outreach, and application submission and processing, loan closing and disbursement, and loan servicing (see fig. 1).

Figure 1: SBA Disaster Loan Process



Source: GAO analysis of Small Business Administration (SBA) documents. | GAO-24-106755

^aSBA refers applicants that do not meet minimum income and credit requirements or are declined to the Federal Emergency Management Agency, which offers financial and direct services to eligible disaster survivors.

A federal disaster must be declared by the President or SBA Administrator for SBA disaster loans to become available to homeowners, renters, businesses, or nonprofits in the disaster area. The type of disaster declaration governs the eligible borrowers and types of loan products available. Some declarations make all three types of SBA disaster loans available to eligible homeowners, renters, businesses, and nonprofits. Other declarations limit the loan type and eligible borrowers, such as declarations that make only EIDLs available for small businesses and private nonprofits. Disaster declarations define the disaster area as the county or counties directly affected by the disaster (referred to as primary counties). Depending on the type of declaration, the disaster area may also include counties contiguous with the primary counties or other political subdivisions.

After a disaster is declared, SBA conducts outreach to raise public awareness and inform eligible homeowners, renters, businesses, and nonprofits about the available disaster loan products. SBA deploys staff to the disaster area and provides information to local media. Other federal, state, and local officials who are knowledgeable about the Disaster Loan Program and who are operating in the disaster area may augment SBA's outreach.

Homeowners, renters, businesses, and nonprofits submit disaster loan applications directly to SBA. SBA accepts an application if it is complete and meets minimum qualifying requirements for disaster loans.⁴ SBA then underwrites the application and decides to approve or decline the loan, depending on whether the applicant meets SBA's eligibility and underwriting criteria. If an application is approved and the loan is closed (i.e., loan documents are signed and returned to SBA), the funding is disbursed to the borrower.

In addition, applicants may withdraw their applications prior to SBA's underwriting decision, and applicants or borrowers can cancel their loans or reduce their loan amount before or after the loan is closed. Additionally, SBA may withdraw an application if the applicant's information cannot be verified or if the applicant fails to provide requested documentation. SBA may cancel a loan if the applicant fails to complete closing documents, or if the borrower fails to satisfy the terms and conditions of the loan or experiences adverse economic changes.

How do SBA disaster loan outcomes compare in rural and urban areas?

Applications for disaster loans from rural and urban areas were approved and declined at comparable rates for disasters that occurred in fiscal years 2017 through 2022.

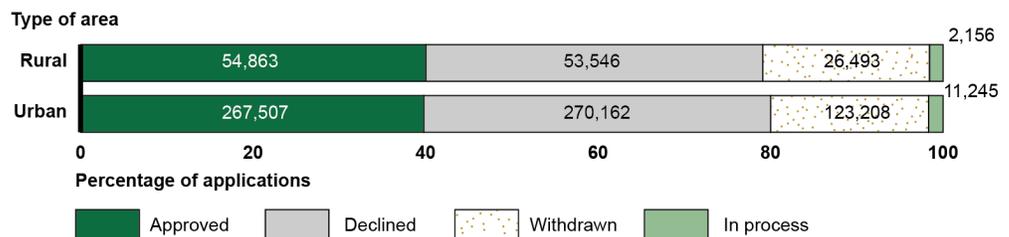
Accepted applications

During this 6-year period, SBA received 1,165,635 applications (15.7 percent of these were from rural areas) and accepted 809,180 (16.9 percent were from rural areas) that met minimum qualifying requirements for disaster loans. SBA accepted a higher proportion of applications from rural areas (75 percent) than from urban areas (68 percent). SBA received more applications from urban areas because more individuals and businesses are located in urban areas. The number of applications and loans fluctuated from year to year due to variation in the number, intensity, and location of disasters.⁵

Loan outcomes

Overall, disaster loan applications from rural and urban areas had similar outcomes for fiscal years 2017–2022 (see fig. 2). Across both types of areas, SBA approved about 40 percent and declined about 40 percent of accepted applications.⁶ The remaining applications were withdrawn (18.5 percent) or were still in process as of June 2023 (1.7 percent).

Figure 2: Outcomes of Disaster Loan Applications SBA Accepted by Geographic Area, Fiscal Years 2017–2022



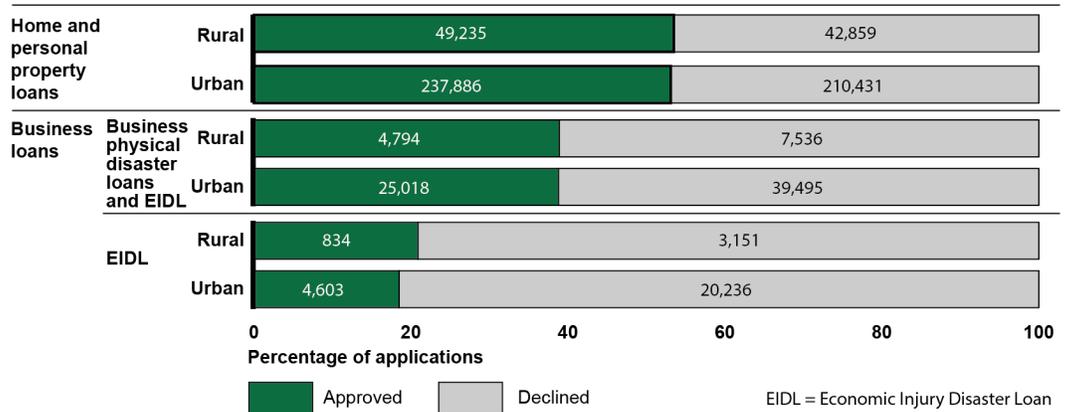
Source: GAO analysis of Small Business Administration (SBA) and Census Bureau data. | GAO-24-106755

Note: Our analysis includes applications SBA accepted as meeting minimum qualifying requirements and excludes 16,581 duplicate applications and 4,301 applications that could not be classified as rural or urban. A duplicate application occurs when an applicant submits more than one application for the same event. In-process applications were still undergoing review by SBA as of June 2023.

Loan product approval rates

Loan outcomes were also similar for rural and urban areas when analyzed by loan type (see fig. 3).⁷

Figure 3: Approval and Decline Rates of Disaster Loan Applications SBA Accepted, by Loan Product and Geographic Area, Fiscal Years 2017–2022



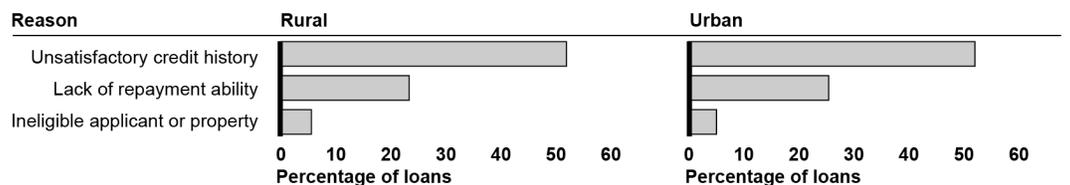
Source: GAO analysis of Small Business Administration (SBA) and Census Bureau data. | GAO-24-106755

Note: Our analysis includes applications SBA accepted as meeting minimum qualifying requirements and excludes duplicate applications and applications that could not be classified as rural or urban. The approval rate represents the number of approved applications divided by the sum of approved and declined applications. Homeowners and renters may apply for home and personal property loans, and businesses may apply for a combined physical disaster loan and EIDL or only an EIDL. Business loans include loans to nonprofits.

Reasons loans were declined or applications were withdrawn

The top reasons SBA declined loans were generally consistent across rural and urban areas (see fig. 4).

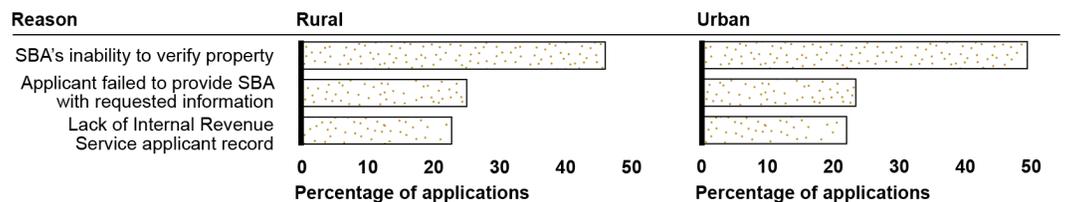
Figure 4: Top Reasons SBA Declined Disaster Loans, by Geographic Area, Fiscal Years 2017–2022



Source: GAO analysis of Small Business Administration (SBA) and Census Bureau data. | GAO-24-106755

Similarly, the top reasons SBA or applicants withdrew applications were generally consistent across rural and urban areas (see fig. 5). In addition, overall, about a third of applications were withdrawn by the applicants. A higher proportion of applicants from rural areas (35 percent) than from urban areas (30 percent) withdrew their applications.

Figure 5: Top Reasons SBA Withdrew Disaster Loan Applications, by Geographic Area, Fiscal Years 2017–2022

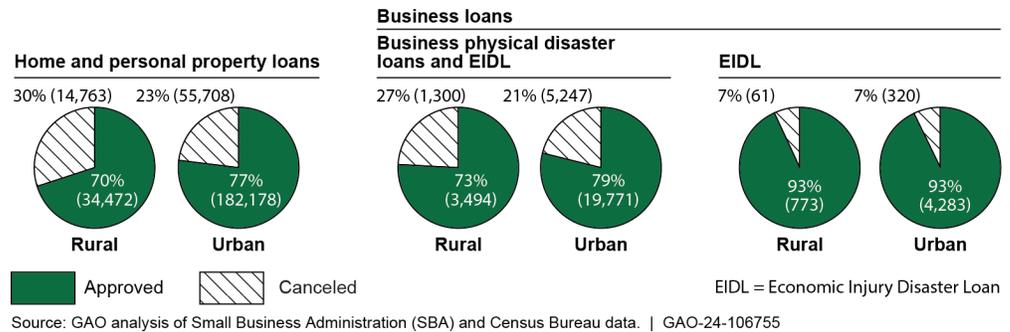


Source: GAO analysis of Small Business Administration (SBA) and Census Bureau data. | GAO-24-106755

Canceled loans

After a disaster loan application is approved, the loan may be canceled by the borrower or SBA. A higher proportion of disaster loans from rural areas (29 percent) than from urban areas (23 percent) were canceled, and cancellation rates varied by loan product (see fig. 6).

Figure 6: Proportion of SBA Disaster Loans That Were Canceled, by Loan Type and Geographic Area, Fiscal Years 2017–2022



The reasons loans were canceled were consistent across rural and urban areas. Overall, about 60 percent of canceled loans were canceled at the borrower’s request. SBA canceled the remaining loans, with the top reasons being that borrowers did not complete their closing documents (55 percent), had adverse changes in their economic circumstances (23 percent), or failed to satisfy terms and conditions of the loan (9 percent). SBA referred borrowers with adverse economic changes to the Federal Emergency Management Agency’s Individuals and Households Program.

What characteristics of rural communities can make recovering from a disaster difficult?

Rural communities may have characteristics—related to infrastructure, local capacity and resources, and demographics and social norms—that can make recovery difficult.

Infrastructure vulnerabilities

Infrastructure vulnerabilities in rural communities include limited telecommunication networks, issues with transportation networks, certain types of geography, and lack of temporary housing. These vulnerabilities can affect disaster recovery.

Telecommunications. Rural communities are more likely to have limited telecommunication services because of geographic barriers, such as mountains, or limited demand due to smaller and sparser populations. A lack of reliable telecommunication services, such as broadband and cellular, can hamper communication and outreach to survivors, according to representatives from two regional nonprofit organizations, SBA field offices, and five state and local stakeholders we interviewed. It can also make it harder for disaster survivors to apply for disaster assistance. We reported in 2020 that lack of or intermittent cellular service can make it difficult for SBA to communicate with other staff and with disaster survivors.⁸ We also reported in 2021 that lack of consistent internet access makes it difficult for disaster survivors in rural locations to apply for federal assistance.⁹

Transportation networks. Transportation issues can leave rural communities isolated. Closed roads caused by fallen debris can make it hard to reach survivors to provide outreach, assistance, or basic supplies. Rural communities also often lack public transportation, which can hinder survivors in getting to locations offering disaster assistance, such as Disaster Recovery Centers or SBA Business Recovery Centers, according to some regional nonprofit organizations we spoke with.

Geography. Geography in rural communities can make it harder to access resources, such as supplies for basic needs, clean-up, or rebuilding, according to three state and local stakeholders. Isolated rural areas may have limited supplies

nearby, according to some state and local officials, and the cost of supplies may increase substantially following a disaster.

Mountainous terrain can make it especially difficult to get supplies to a disaster-affected area. Such terrain can also make recovery after a wildfire challenging. For example, in one mountain community we visited, a state official explained that burned utility poles must be replaced on mountainsides using helicopters or by carrying them up the mountain.

Temporary housing. Disasters can result in increased demand for housing from both displaced survivors and aid workers. Rural communities may lack sufficient temporary housing, especially when a disaster damages or destroys existing housing stock, according to officials from two regional nonprofit organizations and six state and local stakeholders. The National Low Income Housing Coalition reported that following a disaster, lack of affordable housing can cause rural families to be displaced by more than 100 miles from their homes, schools, and jobs.¹⁰ This can require disaster survivors to make difficult decisions about whether to stay in the community and rebuild or to leave, according to an official we interviewed at one regional nonprofit organization.

Limited local capacity

Rural communities tend to have limited local capacity and resources, including both human resources and funding. We reported in December 2021 that communities that have not previously experienced a disaster may lack knowledge about the federal resources available and how to access them.¹¹ Two state entities and seven local stakeholders from the disaster locations we visited told us their local officials had limited knowledge of or prior experience with a large-scale disaster.

Low-income and rural communities often do not have the capacity to support recovery activities, as we reported in 2021. For example, some rural communities may not have funding available to create or staff emergency management departments.¹² Rural areas may also experience outsized economic effects. For example, one disaster location we visited relied heavily on a single large employer that was destroyed during a disaster, greatly affecting the town's tax base.

Rural demographics and social norms

The demographics or social norms of certain rural communities may affect their ability to recover from disasters. According to a 2007 paper, many rural communities are characterized by poverty, which can shape their capacity to respond to and recover from disasters.¹³ According to the most recent estimates from the 2019 American Community Survey, the poverty rate for rural areas was 15.4 percent, compared to 11.9 percent for urban areas.

Building trust is important because some people in rural communities distrust outsiders, including the federal government, according to multiple stakeholders we interviewed. SBA officials from one district office told us they had better engagement with disaster survivors when they worked closely with local officials to reach out to the community. The importance of building trust was echoed throughout our conversations with four state and local stakeholders, who noted that rural disaster survivors were often hesitant to engage with the federal government.

People in rural communities also tend to prefer in-person outreach, according to research and six state and local stakeholders. In April 2022, the Consumer Financial Protection Bureau reported that people in rural communities prefer

working with smaller banks and conducting all banking activities in person.¹⁴ One state entity suggested that SBA do more face-to-face outreach for its disaster loans to help build trust with disaster survivors.

What are some of the challenges to obtaining SBA assistance?

Challenges to obtaining SBA disaster assistance in rural areas can include qualifying for a disaster declaration, survivors' lack of awareness, and a complex application process, according to our prior work and interviews with selected regional nonprofit organizations and state and local officials.¹⁵ However, these challenges may not be unique to rural areas.

Qualifying for a disaster declaration

Qualifying for certain types of disaster declarations requires a minimum number of damaged properties or a minimum amount of economic injury to businesses. Communities must conduct and submit damage assessments, which can be time consuming and onerous, according to some state and local stakeholders. Some disasters create challenges in collecting damage data. For example, wildfires can destroy markers, such as house numbers that identify a property, according to one state official.

Furthermore, because rural areas are less densely populated than urban areas, historically it has been difficult for rural areas to meet damage thresholds to qualify for assistance. For example, some rural communities have had too few damaged homes following disasters to qualify for federal assistance, according to a representative of one regional nonprofit organization providing assistance in disaster relief and recovery.

As discussed later in this report, the Disaster Assistance for Rural Communities Act gave the SBA Administrator authority to make a rural disaster declaration when, among other things, just one qualifying property has incurred significant damage.

Survivors' lack of awareness and understanding

SBA's Office of Disaster Recovery and Resilience Outreach and Marketing Plan states that one of SBA's biggest challenges is communities' lack of awareness of SBA disaster assistance.¹⁶ Officials we interviewed from three regional nonprofit organizations and local officials in the three disaster locations we visited told us that disaster survivors were not aware that SBA offered disaster loans to homeowners in addition to businesses. In one location we visited, SBA conducted its outreach virtually because the disaster occurred during the early stages of the COVID-19 pandemic. SBA offered a 1-800 number, email address, and website for disaster survivors to obtain information on SBA assistance. However, most local stakeholders we spoke with were not aware of these resources.

SBA's application process

State and local officials at two disaster locations we visited described the SBA application process as complex, slow, and inefficient. According to three regional nonprofit organizations, following a disaster, people are traumatized, which makes it even more difficult to navigate a complex process. State officials at two disaster locations said disaster survivors preferred having someone walk them through the application process in person rather than using a website. State and local officials at two locations we visited described examples of SBA requesting the same document multiple times, which was frustrating for residents.

In a February 2020 report, we described challenges experienced by disaster loan applicants and the providers that assist them.¹⁷ Reported challenges to applying for assistance included the time and burden of providing the required loan documentation, frequent changes in loan officers or case managers, poor customer service, lack of translation services, and delayed loan disbursements.

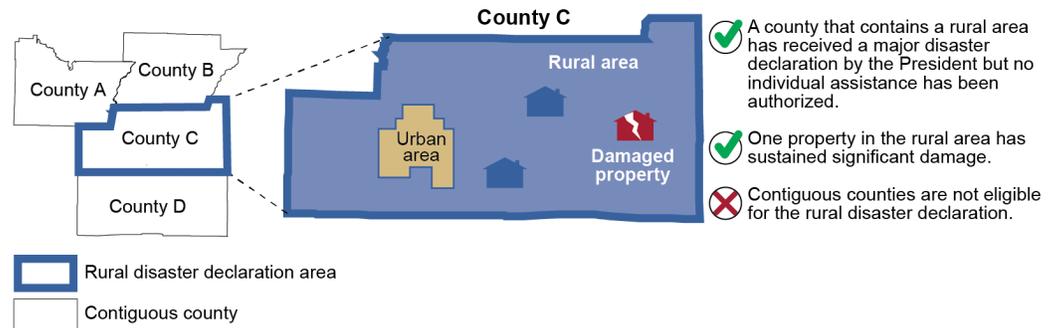
How can the new rural disaster declaration increase access to SBA disaster assistance?

The Disaster Assistance for Rural Communities Act authorized the SBA Administrator to declare a disaster in a rural area when just one qualifying property has incurred significant damage and other criteria are met, as further described below.¹⁸ This new declaration may increase access to the Disaster Loan Program for homeowners, renters, and businesses in rural areas.

Legislative history indicates that the rural disaster declaration was intended to address situations in which a natural disaster significantly affects a large proportion of a small, sparsely populated rural community but does not reach the minimum threshold of damaged properties to be eligible for another type of agency disaster declaration.¹⁹ SBA implemented the new disaster declaration by issuing a direct final rule that became effective on June 5, 2023. SBA is authorized to declare a disaster in a rural area upon request by the governor of the state or the chief executive of the Indian tribal government in which the rural area is located if certain conditions are met.²⁰

Similar to other disaster declarations, SBA issues a rural disaster declaration at the county level. A county may include rural and urban areas as defined by the Census Bureau. Figure 7 describes the characteristics for the SBA rural disaster declaration.

Figure 7: Characteristics of an SBA Rural Disaster Declaration



Source: GAO analysis of Small Business Administration (SBA) information; GAO (map and icons). | GAO-24-106755

SBA estimates that approximately 50 additional disaster declarations will occur annually with this new type of declaration. According to SBA officials, this estimate is based on the average number of annual disaster declarations for which only Public Assistance was authorized between 2013 and 2022.

How is SBA implementing the new rural disaster declaration?

To implement the Disaster Assistance for Rural Communities Act, SBA has issued an implementing regulation, developed internal policies and guidelines, and conducted training on the new disaster declaration. From June to November 2023, the new authority allowed SBA to issue 12 rural disaster declarations across 11 states—Alabama, California, Colorado, Illinois, Mississippi, Missouri, Nevada, New Jersey, Oklahoma, Vermont, and Wyoming. According to SBA, these declarations likely would not have occurred without SBA’s new authority.

Regulation. The act required SBA to issue implementing regulations within 120 days after enactment to carry out implementation of the rural disaster declaration.²¹ On April 19, 2023, SBA issued a direct final rule with an effective

date of June 5, 2023, which implemented the rural disaster declaration now codified at 13 C.F.R. § 123.3(a)(6).²²

Guidelines. SBA has developed guidelines for field operations staff to determine if a damaged property is located within a rural area for declaration purposes. SBA officials told us the disaster assistance standard operating procedures will be updated to include the rural disaster declaration in fiscal year 2024. They said they will use the same outreach approaches for the rural disaster declaration as for all other disaster declarations.

Reporting. The act requires SBA to provide a report to Congress within 120 days of enactment and annually thereafter highlighting certain information pertaining to rural areas and the rural disaster declaration.²³ On May 2, 2023, SBA provided a report to congressional committees that noted the following:

- Between April 19, 2022, and April 20, 2023, SBA approved 2,478 EIDLs for \$137.3 million in rural areas in response to major disasters declared by the President.
- No rural disaster declarations had yet been made because the implementing regulations were not yet effective.
- SBA published a direct final rule to implement the new declaration authority on April 19, 2023, within the statutory deadline.

Training. SBA has conducted internal and external training on the new rural disaster declaration, according to agency officials. SBA officials told us they provided training to their field operations staff, who are responsible for conducting damage assessments and coordinating outreach efforts with federal, state, and local partners. According to agency officials, two external trainings were conducted in May 2023, which included state emergency managers, SBA resource partners, and chambers of commerce. Further, SBA officials stated in January 2024 that they have incorporated training on the rural disaster declaration into their default trainings.

What changes has SBA been making to its outreach?

SBA has introduced new outreach approaches in recent years.

Portable outreach centers. SBA set up its first Portable Loan Outreach Center in October 2022 in Florida following Hurricane Ian. These centers can be established in any hard-to-reach area, including rural communities. Subsequent centers were set up in Alabama, Mississippi, and Hawaii (see fig. 8). The centers are staffed by customer service representatives who can provide full disaster recovery center services for survivors, including application intake and loan closing. These centers allow the agency to rapidly set up outreach and assistance operations without the assistance of Federal Emergency Management Agency or other resource partners. In January 2024, SBA stated that it planned to add five additional Portable Loan Outreach Centers.

Figure 8: Portable Loan Outreach Center in Rolling Fork, Mississippi, following March 2023 Tornadoes



Source: Small Business Administration. | GAO-24-106755

Virtual outreach. SBA began using virtual outreach for the Disaster Loan Program in 2020 during the COVID-19 pandemic. Officials say they will continue to use this approach in an effort to meet survivors where they are. For virtual outreach, SBA officials told us they contact survivors referred by state and local entities and publicize a phone number and email address survivors can use to contact SBA directly. Virtual outreach can be effective for some survivors who are located far from SBA outreach centers, according to one regional nonprofit organization.

“Whole-of-SBA” approach. The new “whole-of-SBA” approach is intended to align the Disaster Loan Program with core SBA programs (i.e., small business loans and resources). The purpose of this effort is to better meet the needs of disaster survivors. The Office of Disaster Recovery and Resilience is leading this new approach to disaster response and recovery to connect disaster survivors in both rural and urban communities with other SBA assistance, such as small business counseling and training. According to officials, the “whole-of-SBA” approach was introduced internally to SBA in August 2023 and will be initiated in 2024 with the launch of a working group and the development of tools, guidance, and policies and procedures.

Does SBA’s outreach distinguish between rural and urban communities?

No. SBA’s outreach policies and procedures do not distinguish between rural and urban communities, and SBA does not tailor its outreach to address the specific needs of these communities.

To guide its implementation of outreach activities after a disaster, SBA officials use the 2018 Disaster Assistance Program Standard Operating Procedures, the 2019 Disaster Preparedness and Recovery Plan, the SBA Fiscal Year 2022–2026 Strategic Plan, and the 2023 Office of Disaster Recovery and Resilience Marketing and Outreach Plan. As of December 2023, these documents did not yet include guidance on Portable Loan Outreach Centers, virtual outreach, or the “whole-of-SBA” approach, as these initiatives were all relatively new. SBA officials told us they plan to update the 2019 Disaster Preparedness and Recovery Plan in 2024.

None of these new outreach approaches or their associated policies and procedures are designed specifically for or targeted to rural communities. SBA officials told us that their overall outreach activities address the needs of all communities, including rural communities, affected by a disaster.

SBA’s Fiscal Year 2022–2026 Strategic Plan includes an equity measure to increase the number of outreach activities to underserved communities. SBA’s 2022 Equity Action Plan identifies people who live in rural areas as an

underserved community and includes actions to reduce barriers and improve access to the Disaster Loan Program for underserved communities. SBA officials agreed that rural communities face unique challenges after disasters, but SBA's outreach plans do not recognize these challenges or include strategies for addressing them. Developing outreach plans with specific methods to address challenges rural communities face after disasters could help improve their access to SBA's Disaster Loan Program.

What other efforts does SBA have to improve its Disaster Loan Program?

SBA has begun implementing plans to enhance relationships with stakeholders, train local resource partners, and improve its disaster loan application process.

Increased coordination with stakeholders. The 2023 Office of Disaster Recovery and Resilience Marketing and Outreach Plan states that SBA will partner with mayors who can help facilitate local partnerships to increase SBA's outreach efforts to survivors. SBA's Fiscal Year 2022–2026 Strategic Plan also includes a strategy to improve coordination and collaboration with federal, state, and local partners.

Training for local partners. The 2023 Office of Disaster Recovery and Resilience Marketing and Outreach Plan includes plans to train resource partners on the range of SBA programs available to business owners, including the Disaster Loan Program. It also includes plans to provide media training for SBA Regional Administrators and District Directors.

Improvements to the application process. SBA's Fiscal Year 2022–2026 Strategic Plan says that SBA will leverage technology to expedite disaster application processing. To do this, SBA officials told us they are moving all loan application processes to a single system called the Unified Lending Platform. SBA officials said that the new platform is accessible via the MySBA Loan Portal and was fully implemented as of January 2024.

Conclusions

SBA's Disaster Loan Program can provide homeowners, renters, businesses, and nonprofits in rural communities with assistance to help them recover after a disaster. The new rural disaster declaration may make it easier for rural communities to access this assistance. While SBA has several new outreach approaches for the Disaster Loan Program, none are specifically targeted to rural communities. As a result, SBA may not be addressing some of the special challenges rural communities face in accessing disaster assistance.

Recommendation for Executive Action

The SBA Administrator should ensure that the Associate Administrator of the Office of Disaster Recovery and Resilience distinguishes between rural and urban communities in SBA's outreach and marketing plan and incorporates actions to mitigate challenges encountered by rural communities in accessing the Disaster Loan Program. (Recommendation 1)

Agency Comments

We provided a draft of this report to SBA for review and comment. In its comments, reproduced in appendix II, SBA agreed with our recommendation. SBA stated that it is in the process of updating its strategy for conducting outreach to survivors of disasters and will include ongoing engagement and trainings specifically focused on rural communities. SBA also provided technical comments, which we incorporated as appropriate.

How GAO Did This Study

To describe how SBA's Disaster Loan Program assists communities after a disaster, we reviewed legislation, regulations, and SBA documents. We interviewed officials from SBA offices responsible for the Disaster Loan Program,

including the Office of Disaster Recovery and Resilience and its two Field Operations Centers, the Office of Capital Access, and three district offices.

To compare disaster loan outcomes in rural and urban areas, we obtained data from SBA disaster loan applications from disasters declared during fiscal years 2017 through 2022.²⁴ We selected this time frame because 2017 had three large hurricanes affecting a wide geographic range and because fiscal year 2022 was the most recent complete fiscal year at the beginning of our review. We geocoded the loan addresses to classify each application as either rural or urban using Census Bureau definitions.²⁵ We analyzed the data to determine the percentage of approved loans and other application outcomes from rural and urban areas.²⁶ Official damage estimates from SBA and others were not available for all declared disasters or loan applications; therefore, we were unable to compare the extent of damage in rural and urban areas with loan applications.²⁷ We assessed the reliability of the application data by reviewing relevant documentation, interviewing knowledgeable agency officials, and performing electronic testing. We determined these data were sufficiently reliable for the purpose of describing the outcomes of the disaster loan applications for fiscal years 2017 through 2022.

To identify challenges rural communities may face after disasters, we conducted site visits to three selected areas that experienced declared disasters in fiscal years 2021 or 2022 that affected both rural and urban areas (per Census Bureau definitions), were geographically diverse, were generally smaller in scale, and were generally caused by different incident types. We then selected the primary county within the declaration's disaster area that was mostly rural and had more disaster losses than other mostly rural counties within the disaster area.

Based on these criteria, we conducted visits in person to Graves County, Kentucky, and Grand County, Colorado, and we conducted a virtual visit to Poinsett County, Arkansas. For more information on the disasters that affected these counties, see appendix I. For these sites, we interviewed six state entities, including emergency management departments and Small Business Development Centers at the state level. We interviewed 12 local or regional stakeholders, including Small Business Development Centers, emergency managers, and government officials. We also interviewed nonprofit long-term recovery organizations and disaster case management organizations. In addition, we interviewed SBA officials from headquarters, both Field Operations Centers, and three district offices. We also interviewed representatives from four selected regional nonprofit organizations that work with rural communities (Center for Rural Strategies, Center for Disaster Philanthropy, Catholic Charities-Archdiocese of Oklahoma City, and Rural Community Assistance Corporation). To inform our questions for these interviews, we conducted a literature review of selected studies and reports issued from 2017 through 2022 to identify challenges rural areas may face after disasters. We also analyzed SBA disaster loan data and Census data for these selected areas to summarize the incidents, impacted areas, and SBA disaster loan assistance for the disasters.

To understand how SBA conducts outreach for the Disaster Loan Program, we reviewed SBA's policies and procedures, including its Fiscal Year 2022–2026 Strategic Plan, 2022 Equity Action Plan, and its 2023 Outreach and Marketing Plan. We analyzed these documents to determine the extent to which SBA has policies designed to address challenges faced by rural communities seeking disaster assistance. We also reviewed SBA's direct final rule implementing the Disaster Assistance for Rural Communities Act and other documents related to the new SBA rural disaster declaration. In addition, we discussed with SBA

officials how they conduct outreach and address challenges faced by rural communities seeking disaster assistance.

We conducted this performance audit from April 2023 to February 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

List of Addressees

The Honorable Jeanne Shaheen
Chair
The Honorable Joni Ernst
Ranking Member
Committee on Small Business and Entrepreneurship
United States Senate

The Honorable Roger Williams
Chair
The Honorable Nydia M. Velázquez
Ranking Member
Committee on Small Business
House of Representatives

We are sending copies of this report to the appropriate congressional committees, the Administrator of the Small Business Administration, and other interested parties.

GAO Contact Information

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Staff Acknowledgments: Lisa Moore (Assistant Director), Rhonda Rose (Analyst-in-Charge), Lauren Capitini, Chelsea Carter, Lorraine Ettaro, Ying Long, Colleen Moffatt Kimer, John Milberg, John Mingus, Marc Molino, Minda Nicolas, Jennifer Schwartz, and Farrah Stone.

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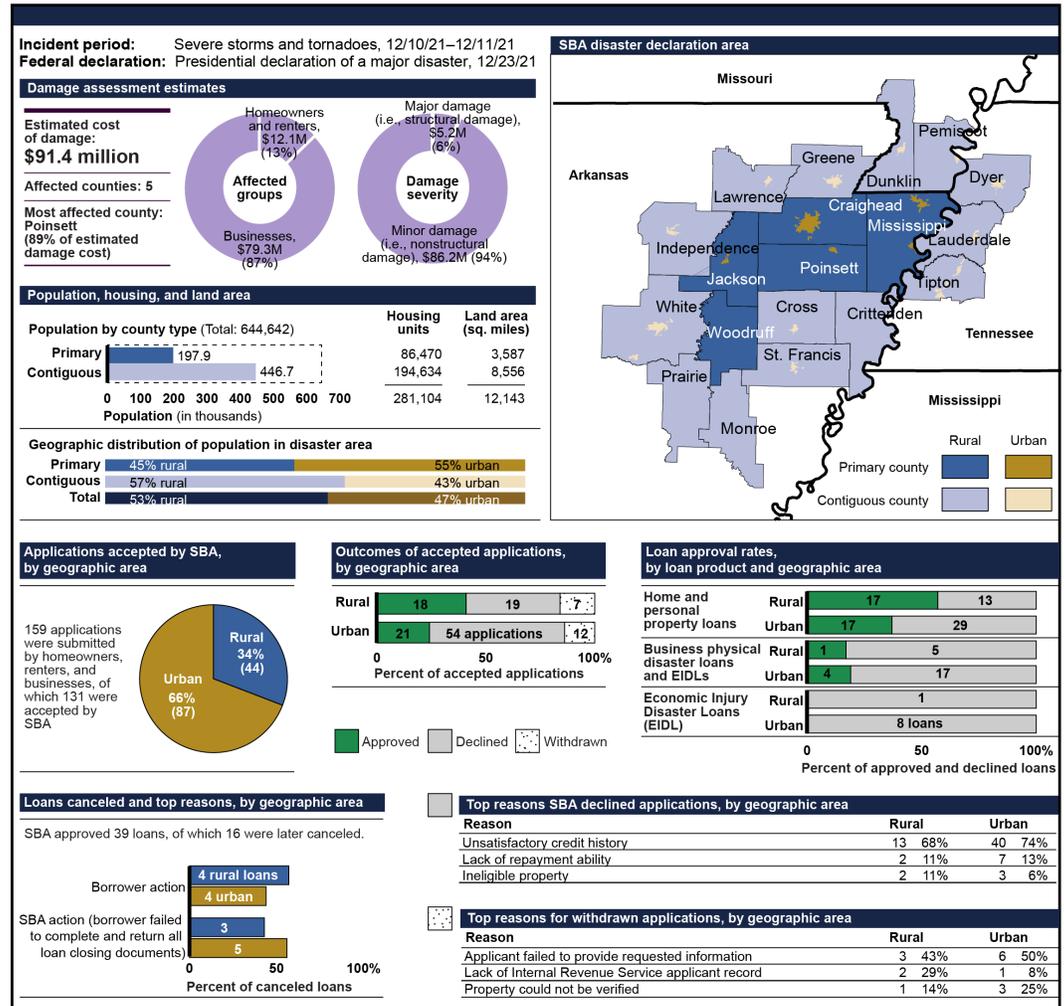
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Appendix I: Profiles of Selected Disasters and SBA Assistance

This appendix summarizes the incidents, affected areas, and SBA disaster loan assistance for the three sites we selected to visit for this report (see figs. 9–11):

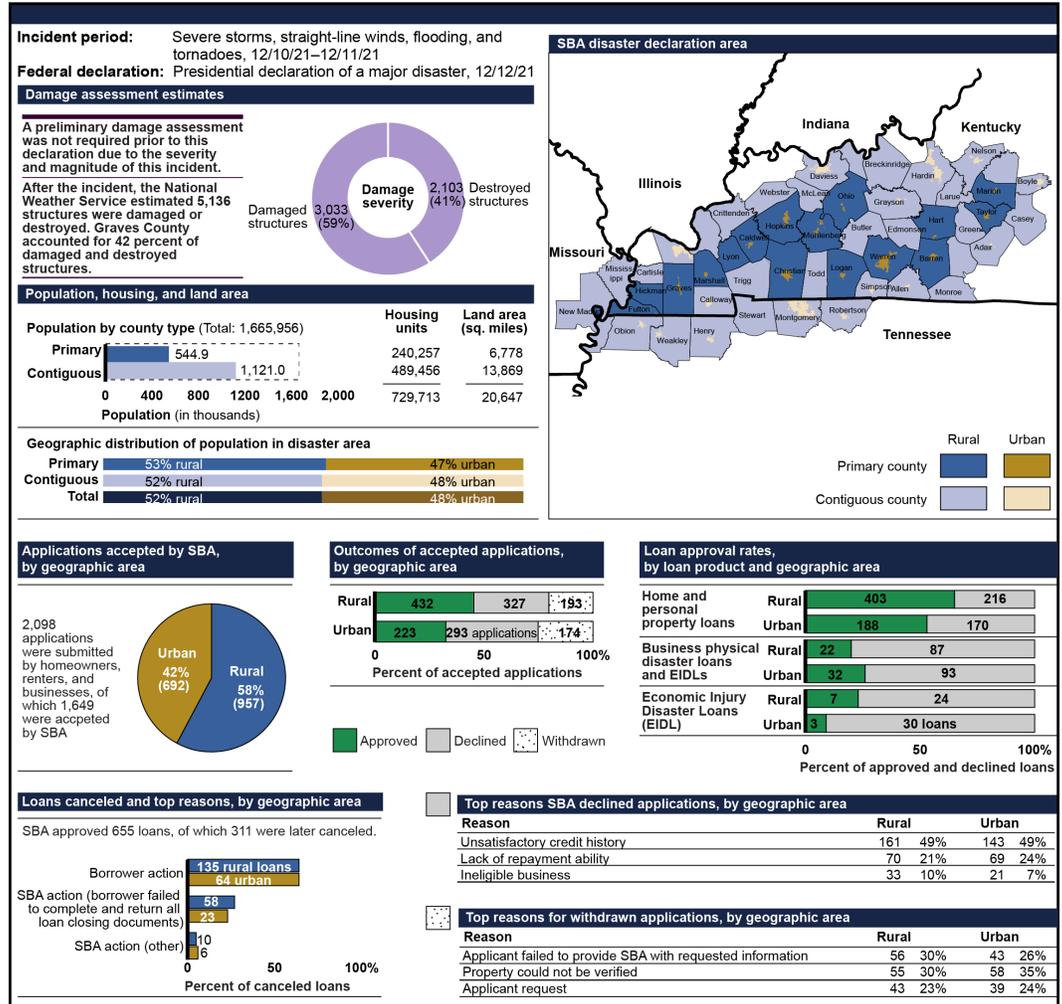
- northeast Arkansas, which experienced severe storms and tornadoes;
- southwest Kentucky, which experienced severe storms, flooding, and tornadoes; and
- northern Colorado, which experienced wildfires.

Figure 9: Summary of 2021 Severe Storms and Tornadoes in Northeast Arkansas (AR-00120)



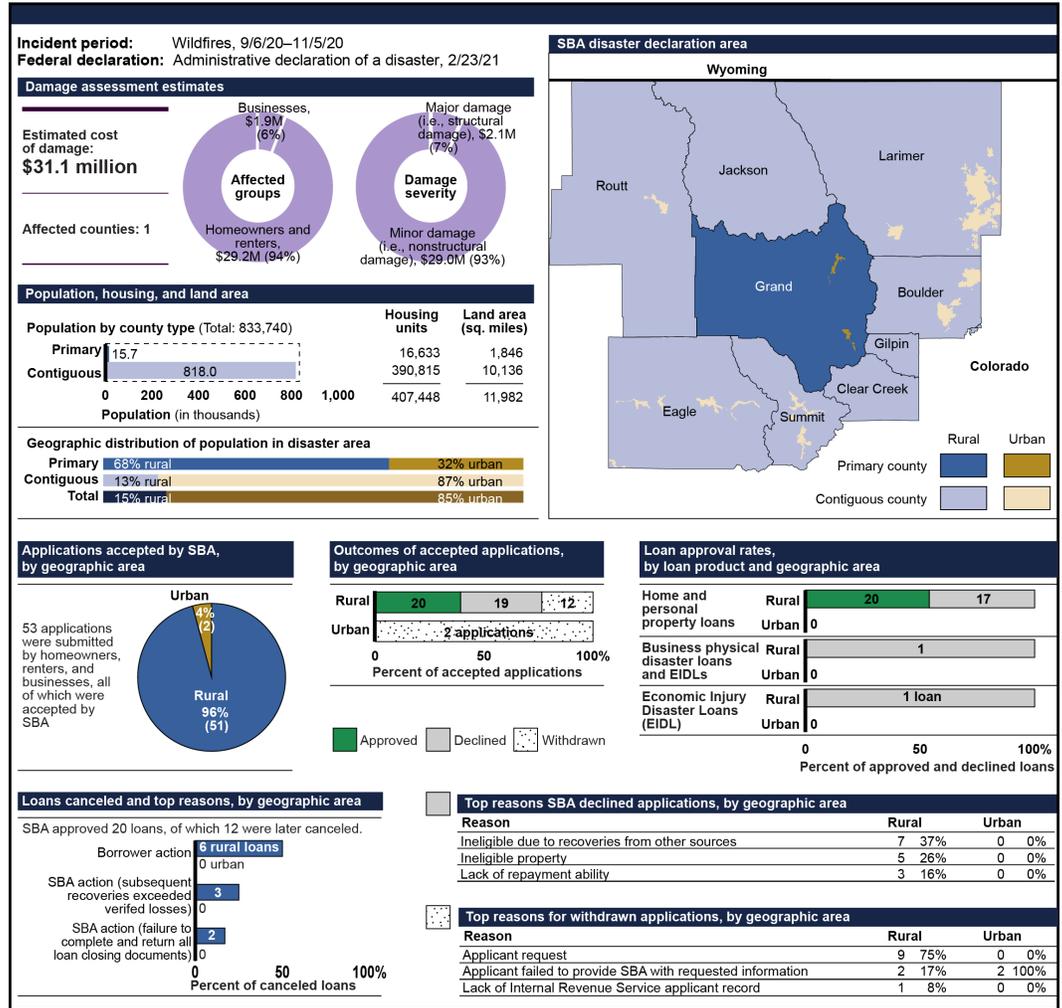
Source: GAO analysis of Small Business Administration (SBA) and Census Bureau data. | GAO-24-106755

Figure 10: Summary of 2021 Severe Storms, Flooding, and Tornadoes in Southwest Kentucky (KY-00087)



Source: GAO analysis of National Weather Service, Small Business Administration (SBA), and Census Bureau data. | GAO-24-106755

Figure 11: Summary of 2020 Wildfires in Northern Colorado (CO-00130)



**Appendix II: Comments
from the Small
Business
Administration**



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

January 24, 2024

Dan Garcia-Diaz, Managing Director,
Financial Markets and Community Investment Team
Government Accountability Office
Washington, D.C. 20548

Dear Mr. Dan Garcia-Diaz:

Thank you for providing the U.S. Small Business Administration (SBA) with the opportunity to comment on the Government Accountability Office (GAO) draft report titled, "Targeted Outreach About Disaster Assistance Could Benefit Rural Communities" (24-106755).

The draft examines unique challenges rural areas face when seeking disaster assistance from the Small Business Administration (SBA) as well as the methods and effectiveness of SBA's engagement to these communities. The report (1) undertakes an effort to describe the types of SBA disaster assistance available to rural communities; (2) examines SBA's administration and procedures in making disaster loans available for survivors; (3) describes the GAO's understanding of the difficulties in rural communities' recovery from disasters and some of the challenges that can occur in obtaining SBA assistance; and (4) assesses SBA's performance in implementing the new rural disaster declaration throughout the disaster lifecycle. In its draft report, GAO issues one recommendation to the Office of Disaster Recovery and Resilience (ODR&R).

DRAFT REPORT COMMENTS: On Page 10 of the draft report, GAO states that, "As of September 2023, SBA did not have plans for additional training." While this was true for the report used for the initial implementation of the RCA authorities, SBA ODR&R continually trains federal, state, local tribal, and territorial stakeholders as well as SBA staff regarding the RCA. It has in fact been rolled into our default trainings as one of the types of disaster declarations that SBA offers. Within the report, SBA was very pleased to note that GAO included the new Portable Loan Outreach Center (PLOC) deployments on more recent events. We would request that GAO include in its report that SBA ODR&R is in the process of procuring an additional 5 PLOCs to enhance our flexibility on the ground in meeting survivors where they are. We otherwise have no immediate comment and note that the average rates of application and decisioning were comparable in our DLP delivery covering the 5-year period 2017-2022, showing an essential uniformity of the assistance being made available.

Addressing Recommendations:

Executive Recommendation 1: “The SBA Administrator should ensure the Associate Administrator of the Office of Disaster Recovery and Resilience distinguishes between rural and urban communities in SBA’s outreach and marketing plan and incorporates actions to mitigate challenges encountered by rural communities in accessing the Disaster Loan Program (*Recommendation One*).”

The Office of Disaster Recovery and Resilience agrees with Recommendation #1 related to distinguishing the difference in rural and urban communities in its outreach and marketing plan.

ODR&R is in the process of updating the Outreach, Engagement and Marketing Strategy for conducting pre- and post- event outreach to stakeholders and survivors of disasters. This Strategy will include ongoing engagements and trainings and updates of materials that will specifically focus on rural communities.

Thank you for allowing SBA the opportunity to comment on GAO’s draft report, “Targeted Outreach About Disaster Assistance Could Benefit Rural Communities” (24-106755), and for taking SBA’s views into consideration.

Sincerely,

RAFAELA
MONCHEK

Digitally signed by
RAFAELA MONCHEK
Date: 2024.01.24
17:04:45 -05'00'

Francisco A. Sánchez, Jr.
Associate Administrator, Office of Disaster Recovery and Resilience

Encl
SBA Technical Comments

Endnotes

¹Pub. L. No. 117-249, § 2(c), 136 Stat. 2350, 2351 (2022). While the mandate asks GAO to identify potential legislative recommendations, we are making one recommendation to SBA, consistent with our findings.

²SBA also offers the Military Reservist Economic Injury Disaster Loan, which does not require a disaster declaration. This type of loan is for qualifying small businesses that have suffered or are likely to suffer substantial economic injury as a result of a qualifying essential employee who has been called up to active service for a period of more than 30 consecutive days. 13 C.F.R. § 123.501.

³SBA's Office of Disaster Recovery and Resilience was formerly known as the Office of Disaster Assistance. According to SBA, in addition to being renamed, it will have an expanded focus on recovery and resilience through enhanced coordination and a whole-of-agency approach to deploying all of SBA's programs to communities affected by disasters.

⁴SBA refers applicants that do not meet minimum qualifying credit and income requirements to the Federal Emergency Management Agency's Individuals and Households Program, which provides financial and direct services to eligible individuals and households affected by a disaster. This assistance is intended to meet basic needs and supplement disaster recovery efforts.

⁵For fiscal years 2017–2022, 49 percent of applications were from disasters that occurred in fiscal year 2017, 20 percent were from disasters that occurred in fiscal year 2021, and 12 percent were from disasters that occurred in fiscal year 2022. The remainder of applications were from 2018, 2019, and 2020.

⁶More specifically, in rural areas, SBA approved 40.0 percent and declined 39.1 percent of accepted applications, 19.3 percent of applications were withdrawn, and 1.6 percent of applications were still in process as of June 2023. In urban areas, SBA approved 39.8 percent and declined 40.2 percent of accepted applications, 18.3 percent of applications were withdrawn, and 1.7 percent of applications were still in process as of June 2023.

⁷SBA calculates approval rates by dividing the total number of approved applications by the sum of both approved and declined applications.

⁸GAO, *Small Business Administration: Disaster Loan Processing Was Timelier, but Planning Improvements and Pilot Program Evaluation Needed*, [GAO-20-168](#) (Washington, D.C.: Feb. 7, 2020).

⁹GAO, *Disaster Recovery: Additional Actions Needed to Identify and Address Potential Recovery Barriers*, [GAO-22-104039](#) (Washington, D.C.: Dec. 15, 2021).

¹⁰National Low Income Housing Coalition, *Housing Needs in Rural America* (Washington, D.C.: Mar. 31, 2021).

¹¹[GAO-22-104039](#).

¹²[GAO-22-104039](#).

¹³M.A. Brennan and Courtney G. Flint, "Uncovering the Hidden Dimensions of Rural Disaster Mitigation: Capacity Building Through Community Emergency Response Teams," *Journal of Rural Social Sciences*, vol. 22, no. 2 (Dec. 31, 2007).

¹⁴Consumer Financial Protection Bureau, *Data Spotlight: Challenges in Rural Banking Access* (Apr. 2022).

¹⁵[GAO-20-168](#).

¹⁶Small Business Administration, *ODR&R Outreach and Marketing Plan* (Mar. 6, 2023). The outreach plan is developed by SBA's Office of Disaster Recovery and Resilience.

¹⁷[GAO-20-168](#).

¹⁸"Significant damage" means uninsured losses of 40 percent or more, calculated consistent with 13 C.F.R. § 123.3(a)(6)(ii), which must be incurred by any home, small business concern, private nonprofit organization, or small agricultural cooperative in the rural area.

¹⁹S. Rep. No. 117-103, at 2 (2022).

²⁰Pub. L. No. 117-249, § 2, 136 Stat. 2350 (2022) (codified at 15 U.S.C. § 636(b)(16)). See also the implementing regulation at 13 C.F.R. § 123.3(a)(6). For purposes of the rural disaster declaration, "rural area" is defined as "any county or other political subdivision of a State, the District of Columbia, or a territory or possession of the United States that is designated as a rural area by the Bureau of the Census." In addition, the federal government has consistently recognized Indian Tribes as distinct, independent political communities with inherent powers of limited sovereignty.

²¹Pub. L. No. 117-249, § 2(b) (Dec. 20, 2022).

²²88 Fed. Reg. 24107 (Apr. 19, 2023).

²³Pub. L. No. 117-249, § 2, 136 Stat. 2350, 2350-2351 (2022) (codified at 15 U.S.C. § 636(b)(16)(C)).

²⁴SBA provided data from the Disaster Credit Management System, which stores and processes disaster loan applications and loans, including loan application decisions and loan disbursements. For the period of our data analysis (fiscal years 2017–2022), these loan limits were lower than the current limits. Homeowners could apply for up to \$200,000 to repair or replace their primary residences, and both homeowners and renters could apply for up to \$40,000 to replace or repair personal property.

²⁵The Census Bureau delineates urban areas after each decennial census by applying specific criteria to the decennial census and other data.

²⁶Application outcomes, including loan approvals, were calculated using all available fiscal year 2017–2022 application data except for duplicate applications and applications that could not be classified as rural or urban. Application decline or withdrawal reasons were estimated with a sample of the available data so that we could sufficiently compare and rank the reasons across rural and urban areas.

²⁷Disasters may be declared without a preliminary damage assessment when the anticipated or actual impact is deemed unmanageable by the state or local government without national resources (e.g., a category four or five hurricane).