Lee Fernandez has given up.

Like more than 80 percent of Louisiana business owners whose shops were damaged by hurricanes Katrina or Rita, Fernandez applied for an emergency loan from the Small Business Administration, was approved and never saw a dime.

He applied for SBA aid after his office on the Interstate 10 Service Road took in a few inches of water and windows were blown out.

When the SBA did not come through, he was forced to tap his savings to pay employees, utilities and rent for his medical laboratory business, Bio-Chem Medical Services Inc. in Metairie. Now, 10 months later, he doesn't even want the $62,000 loan any more.

"At this point, I'm really not that interested," Fernandez said. "But if a businessman needed that check, they'd go under waiting."
Fernandez is one of many Louisiana business owners and governmental officials decrying the SBA emergency loan process as crippling slow.

Nearly all Gulf Coast business disaster loans - 99.5 percent - were approved for a total of $10.1 billion. But less than 16 percent - $1.6 billion - has reached business owners, said spokeswoman Carol Chastang. The snail's pace of the SBA loan payouts caused business owners and some Congress members to criticize the process for reviewing applications and disbursing loans.

Under normal circumstances, loan applications take seven to 21 days to process, said Chastang, but the "massive lot of applications hampered" the process. Many communities were inaccessible to loan inspectors at first and the mammoth scale of destruction was unprecedented.

Problems addressed

Last hurricane season taught the SBA "a lot" and it's "certainly in a better position" for hurricane response this year, said Herbert Mitchell, SBA associate administrator for disaster administration.

SBA officials streamlined the application process in October by waiving the need to file tax and business records covering the past three years. The SBA also expedited loans under $100,000 for businesses with satisfactory credit
ratings, gross income of more than $25,000 and a SBA loan history.

The SBA hired 3,500 workers to process loan applications this hurricane season. The SBA also hopes to contract with one or more banks to help process disaster loan applications during periods of high demand, Chastang said. Several as-yet unidentified banks are under review, she said.

Gulf Coast loan approvals in December 2005 alone hit $1 billion, a record average pace of $36 million a day, according to the SBA. That has increased to weekly averages of up to $60 million a day at times. By comparison, emergency loans approved after multiple hurricanes hit Florida in 2004 totaled just $1.86 billion.

To keep up pace, Congress gave the SBA $542 million more this month. That fails to satisfy to Fernandez.

"SBA, I hate to say it, is a joke," he said. "It's getting to the point where it's ridiculous. Now I'm laughing about it."

Outdated systems

Don Pierson, assistant secretary for Louisiana Economic Development foundation, blamed the SBA for using an archaic method of paper documents to
file claims, responses and correspondences. The agency should convert to electronic filing, he said.

"Certainly, it's very frustrating," Pierson said. "They're not utilizing the tools of electronic forms. That's really hampered their time. Some people just aren't getting these things."

Walter Isaacson, vice chairman of the Louisiana Recovery Authority, the panel overseeing storm recovery, testified to Congress he's "devastated" by the length of time it takes the SBA to approve and sort a loan, especially considering it's the program designed to resuscitate hurricane-ravaged businesses.

The rejection rate is alarmingly high at 49 percent, Isaacson said. SBA Administrator Hector Barreto said loans were traditionally designed as longer-term investment aids - not as an immediate salve for tens of thousands of cash-strapped companies. Although the SBA does handle disaster recovery work, nobody was prepared for Katrina, Rita and Wilma, he said.

"There's a tremendous amount of need and the SBA programs can truly only address a small portion of the problem," he said.

Pierson said 85 percent of the state economy involves small businesses.
Katrina affected 80,000 and fewer than 60,000 have reopened, he said.

"How important are (small businesses) to Louisiana's economy? Front and center," he said. "Especially important because they are taking care of even the large companies like a gas station feeding the trucking company."

Fernandez said the SBA needs to shape up.

"I just want to stir it up so that other people, who really need the money to survive, get it," he said. "I don't know what else to do."