



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

April 17, 2007  
(House)

## STATEMENT OF ADMINISTRATION POLICY

### **H.R. 1361 – Relief for Entrepreneurs: Coordination of Objectives and Values for Effective Recovery (RECOVER Act)**

(Rep. Velazquez (D) New York and 12 cosponsors)

Following Hurricane Katrina, the Small Business Administration (SBA) has processed more than 420,000 loan applications and has worked to address problems experienced while helping small businesses and homeowners respond to this disaster. As one result of these reforms, 98 percent of SBA's loan approvals are being completed within 16 days. The Administration looks forward to working with Congress to ensure that this progress in providing disaster assistance to small businesses and others continues.

The Administration, however, opposes House passage of H.R. 1361 unless it is amended to delete provisions in Title II of the bill that would substantially raise the cost to taxpayers of providing disaster assistance and increasing risks of default losses. In particular, unwarranted and costly provisions in this title would: (1) require mandatory payment deferments or other changes in repayment terms for all borrowers regardless of need; (2) prohibit SBA from requiring borrowers to use their best available collateral for loans; (3) prohibit SBA from requiring borrowers that have developed substantially increased cash flows to increase repayment amounts; (4) require disbursement of loan proceeds in amounts greater than are usually required for construction, thereby raising risks of unrecoverable default losses; (5) permit SBA to issue grants that duplicate benefits provided by other Federal programs and private insurance; and (6) increase maximum loan amounts to unacceptably high levels. The bill also creates an unwarranted program to give grants, rather than disaster loans, to certain Gulf businesses.

The bill also could lessen SBA's ability to respond to disasters by requiring the creation of unnecessary positions or by imposing unnecessarily restrictive administrative or procedural requirements.

OMB's scoring is still under development. The bill would significantly increase program costs that are subject to discretionary appropriations. Further, the bill would establish an unwarranted precedent by waiving longstanding prohibitions against providing duplicative benefits for the same loss. This waiver could allow disaster victims to receive compensation for twice the amount of damage experienced.

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