

August 16, 2012

The Honorable Kristen Gillibrand
United States Senator
780 Third Avenue, Suite 601
New York, New York 10017

Dear Senator Gillibrand:

Thank you for your recent inquiry on behalf of the Stack family, owners of the Gardens on Catlin Creek (Catlin Gardens), regarding the status of their approved U.S. Small Business Administration (SBA) disaster business loan for damages incurred during Hurricane Irene.

By way of background, on February 24, 2012, SBA approved Catlin Gardens' disaster loan application. We originally verified Catlin Gardens' physical losses in the amount of \$656,843 for which they received no insurance or other compensation. We calculated another \$216,900 for working capital needs due to economic injury. These combined totals for physical losses and economic injury make up Catlin Gardens' total approved loan amount of \$873,800.

Your office inquired about the disbursement status of Catlin Gardens' disaster loan. On August 13, 2012, we scheduled an initial disbursement of \$19,000 with designated use of proceeds of \$14,000 to replace machinery and equipment located at the damaged property and \$5,000 for working capital.

The SBA takes necessary steps to ensure that loan funds are used as intended. The purpose of these steps is to protect the Federal government's interest as a creditor and to be sure disaster recovery objectives are met. Accordingly, loan funds are disbursed in increments as construction progresses. Our Processing and Disbursement Center in Fort Worth, Texas, is diligently working with Catlin Gardens to ensure that all conditions and documents required to schedule subsequent disbursements are being met such as the Borrower's Progress Certificate (SBA Form 1366), copies of receipts for construction expenses, a construction contract, and collateral conditions. If the Stacks have any questions regarding next steps or conditions that must be met to receive subsequent disbursements in excess of \$19,000 they should contact Mr. John Mittvick, Case Manager, at 1-800-366-6303 extension 5350.

Additionally, the Stack's original letter to your office indicated that they estimated damages to be \$1.9 million, which is considerably higher than the physical losses originally verified by SBA. The Stacks did not specify if the estimated \$1.9 million was for physical damages only or included an amount for economic injury. We show no record in our communication history with

Catlin Gardens that they believed the actual physical damages were greater than the losses verified by SBA.

Since Catlin Gardens has indicated to your office that their disaster damages exceed SBA's original verification calculations, the case manager is contacting them to discuss a re-verification. When requested, SBA will re-verify losses to assure that the approved loan amount is sufficient to cover all necessary repairs. These requests are usually submitted in writing and include documentation that shows the cost to restore the damaged property to predisaster condition exceeds our original verified losses. However, we are taking steps to initiate that process with the Stacks.

We appreciate your continued support of the SBA Disaster Assistance Program. If you and your staff have additional questions, please contact the SBA Office of Congressional and Legislative Affairs at (202) 205-6700.

Sincerely,

James E. Rivera
Associate Administrator
for Disaster Assistance