

[By Thatcher Moats](#)

Vermont's congressman says Tropical Storm Irene exposed flaws in a federal disaster loan program designed to aid businesses, and Monday he proposed a solution that could make it easier for the smallest establishments to get a quick cash influx after a disaster.

Democratic Rep. Peter Welch is urging the Small Business Administration to create a "microloan" program that would quickly disburse disaster loans to businesses with 50 or fewer workers.

Welch said his proposal — outlined in a letter to Karen Mills, the head of the Small Business Administration — grew out of meetings with Vermont business owners after Irene tore through the state in August.

Business owners working hard to clean up the mess Irene left behind struggled to compile the extensive paperwork needed to apply for a loan, said Welch.

Some businesses were unable to access information, Welch wrote in his letter, because "the required three years of financial history had just been washed down the river."

Welch said the problems with the existing disaster loan program are evident in the SBA's results in Vermont.

After Irene, he said, the SBA distributed more than 1,900 business disaster loan applications. Only 234 businesses submitted a completed application, and only 137 loans were approved, according to Welch's office.

"It tells me it was not a practical program that could benefit small businesses," Welch said in an

interview. "Ninety percent of our small businesses have fewer than 10 employees, and the paperwork burdens associated with the applications made it impossible to meet."

Welch said his proposal was not to create lower loan standards but instead to tailor them to the realities of small businesses, making what's "supposedly available practically available."

The current disaster loan requirements, Welch said, may be easy to meet for companies with full-time staff accountants or accounting firms working for them but are too cumbersome for many of the small businesses that populate rural Vermont.

"This one-size-fits-all regulation doesn't work," said Welch.

An SBA spokeswoman said in a written statement that the agency is "committed to providing local communities in Vermont and across the country with the most effective and customer-focused response possible to assist homeowners, renters and businesses with federal disaster loans."

"We recently announced a streamlined electronic disaster loan application process that saves time and is more user-friendly, making the first steps toward recovery more convenient," said Emily Cain, press secretary for the SBA, in an email.

Welch believes the Small Business Administration has the authority to create the microloan program without an act of Congress, and he hopes to meet with Mills to examine the idea.

The SBA, however, believes it can't create the program on its own.

"Congressman Welch's proposal would require Congress to pass legislation before the SBA can act, but we look forward to working with Congressman Welch and other members of Congress on ways to further improve the federal disaster loan process," Cain wrote.