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## **PERC Report Finds Evidence of Recovery Within Small Business Community—Notes Unevenness Across Groups**

**New Orleans, LA:** The Center for Competitive Credit, an applied studies center at the Political and Economic Research Council (PERC), has released a full-length report combining results from a survey of over 1,000 Gulf Coast small business owners with extensive small business credit and profile information that details the extent of small business recovery in the areas most directly affected by hurricanes Katrina and Rita.

The report, titled “Recovery, Renewal, & Resiliency: Gulf Coast Small Businesses Two Years Later” found that although recovery is evident, it is not being enjoyed by all groups equally. “Nearly 25% of all small business owners are doing better today than they were two years ago,” remarked Dr. Michael Turner, President of PERC. “And a vast majority—70% of respondents to our survey—are optimistic about their business prospects, while another one-third plan to hire new staff this year,” Turner continued.

Hispanic-owned businesses fared the best, with 60% earning the same or more revenue today than before the hurricanes. More than 1 in 4 Hispanic business owners reported current revenues between 100% and 200% of pre-Katrina levels.

“Respondents expressed tremendous appreciation for the efforts of the Hispanic community in rebuilding areas devastated by Katrina and Rita,” said Dr. Robin Varghese, Research Director at PERC.

By contrast, African-American owned businesses fared the worst, with 78% reporting lower revenue than before the hurricane compared with 60% of Caucasian-owned businesses. African Americans also had greater concerns about diminished demand than Caucasians or Hispanics. They further reported a much harder time accessing credit, with 40% reporting trouble, compared with 28% for Hispanics and 25% for Caucasians.

Small business owners of all types singled out insurance as the greatest challenge to their continued operation. While nearly 8 in 10 respondents received a full or partial settlement, subsequent rate hikes of more than 200 percent have angered many small business owners. “They feel betrayed by their insurers,” said Dr. Turner. “Many have been policy holders for years—some for decades—and now they are either paying much more for a lot less coverage, or they can’t afford any coverage at all.”

“Hispanic small business owners singled out dealings with the government as one of their greatest challenges,” stated Patrick Walker, a co-author of the report. “In particular, they voiced concerns about the lack of bi-lingual government workers and difficulty accessing Spanish-language documents needed for doing business.”

Others expressed mostly negative sentiments when asked their impression of the role of government in small business recovery efforts to date. In particular, the SBA was singled out as a source of great frustration. Surprisingly, while SBA disaster loan approval rates were much higher for survey respondents than for the broader affected population (57% vs. 28%), experience with the SBA tended to have more of a negative than a positive impact on how small business owners viewed the SBA.

“Small business owners found the loan application process complex and confusing,” said Dr. Turner. “They felt that the requirements for collateral were forcing them to make a choice between where they live, and how they earn a living.”

Dr. Turner will present the report’s key findings at the Pan American Life Insurance Building, 600 Poydras Street, New Orleans from 9:00 to 10:30 AM, August 29, 2007.

**About PERC:** The Political and Economic Research Council is a non-profit, non-partisan organization devoted to research, public education and outreach on public policy matters. PERC's goal is to educate and engage policy makers, consumers, the financial/economic community and the larger public, in the firm belief that a better informed public makes better decisions. Areas of expertise include information policy, credit access and the global information economy. The Council is funded by both for-profit and not-for-profit organizations that support the Institute's general mission and agenda.

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