

Buried under paperwork, rules

San Diego County rebuilding.

3-11-90

SCOTTS VALLEY — After years of working for other people, Rick and JoEllen Smith took a big step and opened their own business, Rick's Mercedes Works, in June 1989.

Four months later the earthquake struck, sparing the business but flattening the Smith's Zayante area home. JoEllen Smith immediately applied for a Small Business Administration home loan, but filling out the form was complicated because most of the couple's financial records were trapped in the house.

Then a letter from the agency was lost — apparently in the mail — and progress on the Smith's loan application skidded to a halt.

"We got a letter from them (Dec. 1) saying our application had been made inactive because we didn't respond to their letter dated Nov. 21," said JoEllen Smith. "We had no idea what letter they were referring to. We never got the letter."

The couple appealed, and after several panicky weeks received a postcard saying their application had been revived. That was six weeks ago, and there is still no word on the fate of their loan.

"We're waiting to see if we're accepted or denied before we can apply for any other kind of aid," said Rick Smith. "But we're stuck at this gate."

SBA officials have no explanation for the disappearance of the Nov. 21 letter, but say the Smiths

didn't respond to the Dec. 1 letter until February, which slowed the process considerably.

The Smith's application was further complicated by their new business.

New ventures rarely show a profit the first year, and Rick's Mercedes Works had been open only four months. Profit and loss projections had to be constructed without a full year of receipts on which to base the estimates.

"All of the bookkeeping was done at home by yours truly," said JoEllen Smith. "We didn't have any idea how to do a profit and loss projection."

The Smith's application is still not complete, even though some of the documents buried in the house were retrieved. After being contacted by the Sentinel, SBA officials found a consulting firm to assist the Smiths with their application for free.

The Smiths think the SBA should help applicants more, prioritize victims with the worst problems, and offer bigger loans. Their home will cost \$144,000 to repair, yet the maximum SBA loan they can get is \$100,000.

"There's no way \$100,000 is going to replace you a house," said JoEllen Smith. "What we had was valuable, now we may be forced to sell, or give it back to the bank, and that would leave us unable to ever buy a house in this county again."