

Payment Integrity Scorecard

Program or Activity
Paycheck Protection Program (PPP) Loan Guaranty Purchases

Reporting Period
Q1 2024

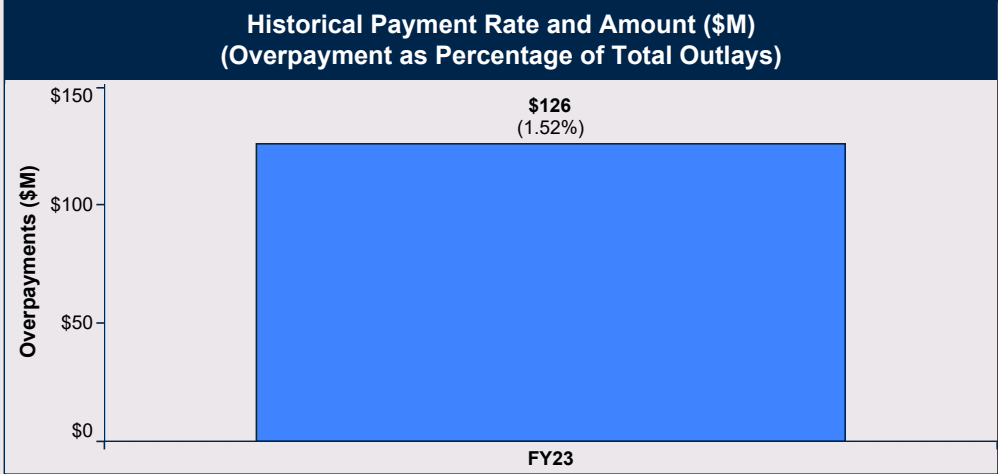
FY 2023 Overpayment Amount (\$M)* **\$126**

*Estimate based a sampling time frame starting 4/2022 and ending 3/2023

SBA Small Business Administration
Paycheck Protection Program (PPP) Loan Guaranty Purchases

Brief Program Description & summary of overpayment causes and barriers to prevention:

The CARES Act established the Paycheck Protection Program (PPP) loans to provide economic relief to small businesses. PPP loans can be forgiven if the funds are used for payroll costs or other eligible expenses. If the loan is not forgiven, the SBA may purchase (honor) all or part of the PPP loan guaranty. The root cause of PPP Guaranty Purchase Improper Payments was Failure to Access Data/Information. Improper payments stemmed primarily from lenders' failure to verify the eligibility of the borrower. The sample of 376 loans included 176 loans where lenders didn't return sufficient documentation for the SBA to assess whether the payments were proper or improper. These loans were categorized as "Unknown" payments.



Discussion of Actions Taken in the Preceding Quarter and Actions Planned in the Following Quarter to Prevent Overpayments

In the previous quarter, SBA took the following actions to prevent overpayments in PPP loan guaranty purchases. SBA conducts two levels of review for PPP loan guaranty purchases. The first review level looks at five statutory underwriting requirements. SBA verifies the following (1) receipt of borrower certifications; (2) that lender complied with bank Secrecy Act/Anti-Money Laundering requirements, or equivalent for non-bank lenders; (3) that the business was in existence prior to February 2020; (4) that borrower had employees for which it paid salaries and payroll taxes; and (5) that lender confirmed the dollar amount of payroll costs. The second level review confirms that the lender has met the five statutory underwriting requirements, or that the lender has overcome identified deficiencies. If deficiencies are not overcome, SBA notifies lender of denial of guaranty. SBA also reviews for duplicate loans submitted by different lenders, in order to determine which lender created the duplicate loan. SBA verifies funding dates and information provided on the borrower's application. SBA conducts two level of review of loans for which the lender has re-submitted its certification in order to clear a "hold" code; and makes a determination as to whether documentation submitted is sufficient. SBA also reviews loans which contain discrepancies in dates and/or amounts.

Accomplishments in Reducing Overpayment		Date
1	SBA is developing procedures for the recovery of PPP loan guaranty purchases. Although in its beginning stages, SBA anticipates using the same procedure as it has for its 7(a) loan portfolio.	Dec-23
2	The agency's primary goal for PPP loan guaranty purchases is to reduce and resolve the volume of Unknown payments. SBA requests documentation from the lenders to resolve loans with unknown payments. SBA has held calls with stakeholders to collect documentation.	Dec-23

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Goals towards Reducing Overpayments	Status	ECD	Recovery Method	Brief Description of Plans to Recover Overpayments	Brief Description of Actions Taken to Recover Overpayments
<p>1</p> <p>The agency's primary goal for PPP loan guaranty purchases is to reduce and resolve the volume of Unknown payments. SBA requests documentation from the lenders to resolve loans with unknown payments. SBA has held calls with stakeholders to collect documentation.</p>	On-Track	Sep-24	<p>1</p> <p>Recovery Activity</p>	<p>SBA notifies the lender of the deficiency and requests that the lender send documentation to overcome the deficiency. SBA plans to utilize the existing 7(a) guaranty recovery process for PPP loan guaranty purchases.</p>	<p>SBA has notified affected lenders.</p>

Amt(\$)	Root Cause of Overpayment	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
\$126M	<p>Overpayments within agency control that occurred because of a Failure to Access Data/Information Needed.</p>	<p>The root cause of PPP Guaranty Purchase Improper Payments was Failure to Access Data/Information. Improper payments stemmed primarily from lenders' failure to verify the eligibility of the borrower.</p>	<p>Change Process – altering or updating a process or policy to prevent or correct error.</p>	<p>SBA is developing procedures for the recovery of PPP loan guaranty purchases. Although in its beginning stages, SBA anticipates using the same procedure as it has for its 7(a) loan portfolio.</p>

At the end of the fiscal year, lenders did not return sufficient supporting documentation for 176 of 376 loans. The inability to assess whether these loans were proper or improper required the SBA to categorize these loans as "Unknown" payments. The agency's primary goal for PPP loan guaranty purchase is to resolve the volume of Unknown payments. SBA requests documentation from lenders in order to resolve loans with unknown payments. SBA is currently working to resolve these Unknown payments and will report on the status in its Annual Financial Report.