

Payment Integrity Scorecard

Program or Activity

Paycheck Protection Program (PPP) Loan Guaranty Purchases

Reporting Period

Q1 2025

FY 2024 Overpayment Amount (\$M)*

\$1,662

*Estimate based a sampling time frame starting 4/2023 and ending 3/2024



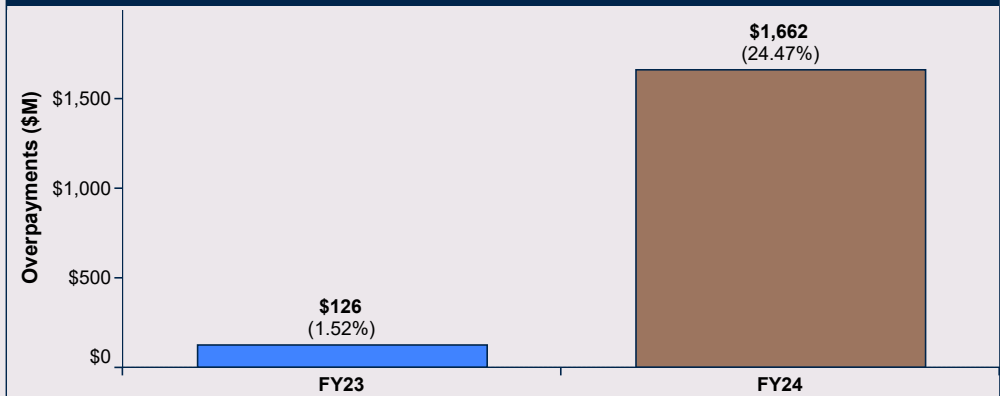
Small Business Administration

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 loans to provide economic relief to small businesses and incentivize small businesses to keep their workers on the payroll because of the COVID-19 pandemic. The SBA separated PPP into three payment integrity reporting categories - PPP Approvals, PPP Forgiveness, and PPP Purchases. PPP ended in May 2021. Although no new PPP funds are being disbursed, lenders may request guaranty purchase of a PPP loan. The predominate reasons for improper payments in PPP Guaranty Purchases were (1) lender's failure to verify that the borrower was in business on February 20, 2020; (2) lender's failure to verify average monthly payroll; and (3) unacceptable or missing identification of the borrower.

Historical Payment Rate and Amount (\$M) (Overpayment as Percentage of Total Outlays)



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

In the previous quarters, 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 level of review looks at five statutory underwriting requirements; SBA verifies the following (1) receipt of borrower certifications; (2) that the 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 the borrower had employees for which it paid salaries and payroll taxes; and (5) that the lender confirmed the dollar amount of payroll costs. The second level review confirms that the lender has met the 5 statutory underwriting requirements, or that the lender has overcome identified deficiencies. If deficiencies are not overcome, SBA notifies the lender of denial of guaranty. SBA also reviews for duplicate loans submitted by different lenders to determine which lender submitted the duplicate. SBA verifies funding dates and information provided in the borrower's application. SBA conducts two levels of review for loans which the lender has resubmitted its certification in order to clear a hold code; and SBA 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	The agency's primary goal for PPP Loan Guaranty Purchases is to reduce the volume of Unknown payments from 2023 to 2024. SBA requests documentation from the lenders to resolve loans with unknown payments.	Sep-24
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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
1 The agency's primary goal for PPP Loan Guaranty Purchases is to reduce the volume of Unknown payments from 2023 to 2024. SBA requests documentation from the lenders to resolve loans with unknown payments.	On-Track	Sep-25	1 Recovery Activity	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.	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.

Amt(\$)	Root Cause of Overpayment	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
\$1,662M	Overpayments within agency control that occurred because of a Failure to Access Data/Information Needed.	The predominate reasons for improper payments in PPP Purchases were (1)lender's failure to verify that the borrower was in business on February 20, 2020; (2)lender's failure to verify average monthly payroll; and (3)unacceptable or missing identification of the borrower.	Change Process altering or updating a process or policy to prevent or correct error.	SBA is developing procedures for the recovery of PPP loan guaranty purchases. Although in its beginning stages, SBA anticipates using the same procedures as it has for its 7(a)loan portfolio.

At the end of fiscal year 2023, lenders had not returned sufficient supporting documentation for 178 of 376 loans. The inability to assess whether these loans was proper or improper required the SBA to categorize these loans as "Unknown" payments, which yielded an Unknown Payment Rate for PPP Loan Guaranty Purchases of 47.63 percent. The agency's primary goal for PPP loan guaranty purchase is the reduce the volume of Unknown payments between 2023 and 2024. The SBA contacted lenders to obtain missing documentation. The Unknown Payment Rate for PPP Loan Guaranty Purchases in 2024 was 0.25 percent.