

New PPP Report Shows Trump Administration And Big Banks Left Behind Struggling Small Businesses

Oct 16, 2020 | Press Release

Documents Reveal Treasury Pushed Banks to Limit Access to PPP, Hurting Minority and Women-Owned Businesses

Washington, D.C. (October 16, 2020) -- Today, the Select Subcommittee on the Coronavirus Crisis released a staff report (<https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/PPP%20Report%20Final%20%283%29.pdf>) on the Paycheck Protection Program (PPP) following a months-long investigation (<https://coronavirus.house.gov/news/press-releases/select-subcommittee-launches-investigation-disbursement-ppp-funds>). The report shows that Treasury and SBA encouraged big banks to provide loans to their wealthy existing clients at the expense of truly struggling small businesses in underserved communities:

“The report finds that contrary to Congress’s clear intent, the Trump Administration and many big banks failed to prioritize small businesses in underserved markets, including minority and women-owned businesses. As a result, small businesses that were truly in need of financial support during the economic crisis often faced longer waits and more obstacles to receiving PPP funding than larger, wealthier companies.”

Congress established the PPP in the CARES Act to help small businesses and non-profit organizations survive the coronavirus crisis by providing forgivable loans to cover payroll, rent, and utility payments. The CARES Act urged SBA to issue guidance “to ensure that the processing and disbursement of covered loans prioritizes small business concerns and entities in underserved and rural markets,” including businesses owned by veterans, members of the military community, socially and economically disadvantaged individuals, and women.

The Select Subcommittee’s investigation found that Treasury, SBA, and several large financial institutions failed to implement PPP as Congress intended in at least three critical respects:

- 1. Treasury privately encouraged banks to limit their PPP lending to existing customers, excluding many minority and women-owned businesses.** Documents obtained by the Subcommittee show that Treasury privately told lenders to “go to their existing customer base” when issuing PPP loans. Banks recognized this created “a heightened risk of disparate impact on minority and women-owned businesses,” but many banks followed Treasury’s direction. In response to questions from Select Subcommittee staff, Treasury officials claimed inaccurately that the Department “never addressed anything about lenders prioritizing existing customers.”
- 2. SBA and Treasury failed to issue guidance prioritizing underserved markets, including minority and women-owned businesses.** SBA and Treasury did not issue any meaningful guidance to lenders to prioritize underserved markets as Congress urged in the CARES Act. Instead, SBA sent a vague tweet—immediately after the Select Subcommittee launched its investigation and just two weeks before the program expired—which lenders said had no impact on the program.

3. Several lenders processed bigger PPP loans for wealthy customers at more than twice the speed of smaller loans for the neediest small businesses. Several financial institutions set up PPP lending programs in which larger commercial clients enjoyed a separate, faster process. JPMorgan—the biggest PPP lender—processed loans above \$5 million almost four times faster than loans under \$1 million. PNC and Truist processed their largest loans at approximately twice the speed of the smallest loans. These three lenders also processed loans to larger companies with more than 100 employees on average 70% faster than loans to smaller companies with 5 or fewer employees.

“The Administration’s implementation failures had consequences,” the report observed. “The Federal Reserve Bank of New York reported, ‘Since the onset of the COVID-19 pandemic, Black business ownership has sharply dropped.’ Forty-one percent of businesses owned by African Americans failed between February and April 2020, higher than any other demographic group and more than double the percentage of White-owned businesses that closed over the same period.”

On June 15, 2020, the Select Subcommittee launched an investigation (<https://coronavirus.house.gov/news/press-releases/select-subcommittee-launches-investigation-disbursement-ppp-funds>) into the Administration’s implementation of the PPP following reports that the program favored large companies over the neediest small businesses. Chairman Clyburn and all Democratic Members of the Select Subcommittee sent document requests to Treasury, SBA, and eight large financial institutions.

On September 1, 2020, the Select Subcommittee released a preliminary staff report (<https://coronavirus.house.gov/news/press-releases/select-subcommittee-releases-preliminary-analysis-paycheck-protection-program>) showing that billions of dollars in PPP loans may have been diverted to fraud, waste, and abuse.

Click here to read today’s report

(<https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/PPP%20Report%20Final%20%283%29.pdf>).

###

116th Congress