

# GAO@100 Highlights

Highlights of [GAO-21-577](#), a report to congressional addressees

## Why GAO Did This Study

Since March 2020, Congress has provided commitment authority of about \$814 billion for PPP, which provides small businesses with low-interest loans that SBA fully guarantees.

The CARES Act includes a provision for GAO to monitor funds provided for the COVID-19 pandemic. This report examines (1) safeguards that SBA put in place during the PPP loan approval process, (2) the PPP loan forgiveness process, including processes for unforgiven loans, and (3) SBA's oversight of PPP loans and lenders.

GAO reviewed SBA documentation; surveyed a generalizable sample of PPP lenders; analyzed data on loan forgiveness applications; compared SBA processes against federal guidance on credit programs; and interviewed staff from SBA, the Department of the Treasury, and four trade associations representing lenders.

## What GAO Recommends

GAO recommends that SBA (1) finalize a process for claiming the PPP loan guarantee, (2) implement the statutory requirement to purchase PPP loans in advance of loan forgiveness or seek statutory exceptions to the requirement, (3) finalize procedures for the steps of its loan review process that are not yet documented, and (4) develop and implement a process to ensure timely communication with lenders. SBA generally agreed with the four recommendations, including seeking statutory flexibility or repeal of the requirement to purchase PPP loans in advance of loan forgiveness.

View [GAO-21-577](#). For more information, contact William B. Shear at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov).

July 2021

## PAYCHECK PROTECTION PROGRAM

### SBA Added Program Safeguards, but Additional Actions Are Needed

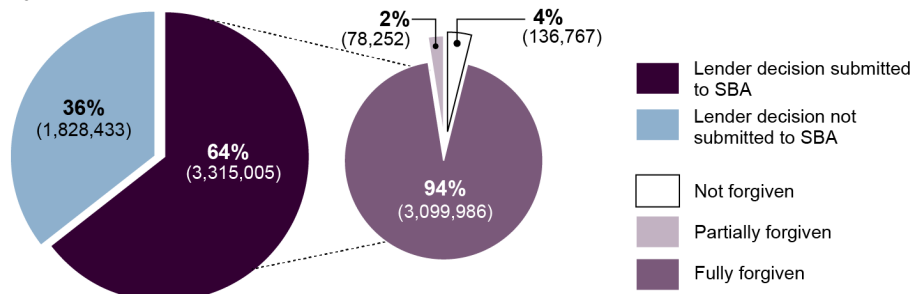
## What GAO Found

The Small Business Administration (SBA) quickly implemented the Paycheck Protection Program (PPP) in April 2020 to assist small businesses adversely affected by COVID-19. But SBA's initial limited program safeguards resulted in improper payments and fraud risks. In June 2020 and March 2021, GAO recommended that SBA do more to oversee PPP and identify and respond to fraud risks. In response, SBA implemented compliance checks for applications submitted in 2021 and stated it would conduct a fraud risk assessment.

PPP loans are fully forgivable (do not have to be repaid) if borrowers meet certain conditions. As of May 2021, SBA had made determinations on 3.3 million loan forgiveness applications (see figure) but had not issued guidance for key aspects of the forgiveness process. Specifically:

- SBA had not yet finalized a process on how lenders can claim the SBA guarantee if the loan is not fully forgiven or when they have evidence the business ceased operations or declared bankruptcy. Without such a process, lenders' capital will remain tied up, limiting their ability to make non-PPP loans to small businesses.
- SBA had not implemented, nor sought exceptions to, a statutory requirement to purchase loans prior to loan forgiveness upon submission of reports by lenders concerning the amount expected to be forgiven.

SBA Loan Forgiveness Determinations on PPP Loans Made During Round 1, as of May 17, 2021



Source: GAO analysis of Small Business Administration (SBA) Paycheck Protection Program (PPP) loan forgiveness data. | [GAO-21-577](#)

SBA has enhanced its oversight of PPP, such as by conducting in-depth reviews of selected loans, but it has not documented certain loan review steps or developed a process to improve communication with lenders.

- SBA has not yet finalized procedures for senior-level reviews of borrower eligibility and loan forgiveness decisions, increasing the risk of inconsistent or incorrect loan determinations.
- Although SBA has developed tools such as a web portal to communicate with lenders, it has not developed a process to ensure its responses to lenders are timely. Some lenders responding to GAO's survey said SBA had not responded in a timely manner or at all to inquiries on loan forgiveness applications, which has created confusion and uncertainty for lenders and borrowers and made it difficult for them to make management decisions.