# EXHIBIT F

SELECT SUBCOMMITTEE ON THE CORONAVIRUS CRISIS



"WE ARE NOT THE FRAUD POLICE":

# HOW FINTECHS FACILITATED FRAUD IN THE PAYCHECK PROTECTION PROGRAM

**STAFF REPORT**
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## I. EXECUTIVE SUMMARY

This staff report presents findings from an investigation conducted by the Select Subcommittee on the Coronavirus Crisis into the role of financial technology companies (fintechs) in facilitating a disproportionately high rate of fraudulent and otherwise ineligible loans through the Paycheck Protection Program (PPP). The Select Subcommittee initiated this investigation following reports that fintechs participating in the PPP approved a high volume of fraudulent PPP loan applications. While the PPP delivered vital relief to millions of eligible small businesses, at least tens of billions of dollars in PPP funds were likely disbursed to ineligible or fraudulent applicants, often with the involvement of fintechs, causing tremendous harm to taxpayers.

The Select Subcommittee's investigation found that fintechs were given extraordinary responsibility in administering the nation's largest pandemic relief program—a responsibility that some of the fintechs that facilitated the highest volumes of loans were either unable or unwilling to fulfill. Despite fintechs' claims that their use of technology and innovation would allow them to better administer the PPP than traditional financial institutions, many of these companies appear to have failed to stop obvious and preventable fraud, leading to the needless loss of taxpayer dollars. The Select Subcommittee's investigation found that many fintechs, largely existing outside of the regulatory structure governing traditional financial institutions and with little to no oversight from lenders, took billions in fees from taxpayers while becoming easy targets for those who sought to defraud the PPP.

The investigation found that two unvetted and unregulated fintechs that, together, facilitated nearly one in every three PPP loans funded in 2021—Womply and Blueacorn—failed to implement systems capable of consistently detecting and preventing fraudulent and otherwise ineligible PPP applications. Their lending partners, who were tasked with supervising the activities of these fintechs, often did little to oversee the activities of the companies to which they delegated their responsibilities.

The Select Subcommittee investigation found that established fintechs Kabbage and Bluevine also faced challenges in properly administering the program. Internal Kabbage documents show that the fintech missed clear signs of fraud in a number of PPP applications, including loans given to fake farms. Internal communications show that Kabbage's staff expressed confusion and concern with the fintech's fraud prevention processes. After Kabbage's acquisition by American Express in October 2020, PPP borrowers were left at the mercy of an underfunded and understaffed spin-off company that failed to properly service their loans and would later file for bankruptcy.

Although initially observing high levels of fraud, Bluevine appears to have adapted to ongoing fraud threats better than Kabbage, Womply, and Blueacorn, likely due to its long-established partnership with a traditional financial institution that pressed the fintech to make appropriate investments in fraud controls and to comply with Small Business Administration (SBA) standards.

Specifically, the Select Subcommittee's investigation found:

**Fintechs and Lenders Observed Significant Fraud in the PPP, Which They Attributed to Program Mismanagement as They Sought to Evade Responsibility**

- **Internal emails obtained by the Select Subcommittee show that PPP lenders and fintechs saw high rates of fraudulent PPP loans and that fraud associated with the PPP strained the financial crime resources of even the more established fintechs and lenders.** In a November 2020 internal email, PPP lender Celtic Bank noted that its participation in the PPP led to **"an uptick in fraudulent and money laundering activities."** A Celtic Bank financial crime manager wrote in a March 2021 email to Bluevine that **"the surge in fraud associated with PPP has strained all of our resources."**

- **Fintechs and lenders blamed the Trump Administration's mismanagement of the PPP for the high volume of fraud.** In a September 2020 email, Kabbage's head of policy wrote**: "At the end of the day, it's the SBA's shitty rules that created fraud, not [Kabbage]."** In response to an August 2020 SBA email announcing a webinar on preventing PPP fraud, Celtic Bank's president called the Trump Administration's action "a bit late," remarking that the **"horse has been out of the barn for a while now"** with respect to PPP fraud.

- **Fintechs and lenders sought to avoid taking responsibility for taxpayer money that was lost to fraud.** In an internal email obtained by the Select Subcommittee, the Chief Executive Officer (CEO) of Celtic Bank wrote that **"the industry should push hard to make sure the SBA accepts the fraud risk."**

**Blueacorn Took Only Minimal Steps to Prevent Fraud in Its Facilitation of Billions of Dollars in PPP Loans, While Abusing the Program to Enrich Its Owners**

- **Blueacorn received over $1 billion in taxpayer-funded processing fees but spent little on fraud prevention and eligibility verification.** Blueacorn received over $700 million in fees from Prestamos and over $385 million in fees from Capital Plus for their underwriting and other PPP facilitation services. **Blueacorn gave nearly $300 million in profits to its ownership while only spending $8.6 million—less than one percent of the fees it received for its PPP work—on its fraud prevention program.** Blueacorn also gave approximately $666 million to a marketing firm controlled by members of its senior leadership—almost 50 times more than the $13.7 million the fintech spent on eligibility verification.

- **Despite promising to use "high-quality, proprietary lending software and fraud detection tools," Blueacorn relied on off-the-shelf fraud screening software and manual human reviews largely managed by an inexperienced company, Elev8 Advisors, run by a member of Blueacorn's senior leadership.** For the 1.7 million loans reviewed, Blueacorn had only **"one direct employee who assisted with processing PPP loan applications."** To conduct these reviews, the fintech "almost

exclusively relied on third-party companies and contractors" to process PPP loan applications—including contractors hired by consultancy Elev8 Advisors. According to a former employee, Elev8 Advisors "hired at least 30 of [the owner's] closest friends and family to work as underwriters submitting PPP loans to the SBA through Blueacorn." In a text message obtained by the Select Subcommittee, Elev8 Advisor's owner, Kristen Spencer, made her motivation clear: **"We are doing this for the people we hired to make money. Our friends and family. That is where the money is going. And it will be life changing money for anyone who does it."**

- **Blueacorn loan reviewers, who spoke to the Select Subcommittee on condition of anonymity, reported receiving poor training and of being pressured to "push through" PPP loans, even if the reviewers doubted the authenticity of the loan's supporting documentation.** A former Blueacorn loan reviewer reported that the company's reviewers were **"submitting PPP loans to the SBA the first minute of the first day"** of their employment despite having **"no formal or informal training on loan underwriting, as well as no training on how to properly identify and report fake government identification such as a driver's license."** The reviewers were told "**the faster the better**" and that each loan application review "**should take you less than 30 seconds**."

- **Blueacorn gave priority and less scrutiny to high dollar loans and those loan applications identified as "VIPPP" by Blueacorn's founder, and improperly charged some PPP applicants for loan processing services.** Blueacorn's ownership directed reviewers to prioritize **"monster loans [that] will get everyone paid"** and created an exclusive category of PPP loans, called "VIPPP" loans. Blueacorn's ownership directed loan reviewers "to prioritize and submit large ["VIPPP"] loans without following protocols that [loan reviewers] had been trained to complete." While prioritizing "VIPPP" loans, Blueacorn's owners were dismissive of other loans, writing **"delete them," "who fucking cares," and "[w]e're not the first bank to decline [PPP] borrowers who deserve to be funded … they go elsehwere [sic]."** In addition, according to their former business partners, Blueacorn founders Nathan Reis and Stephanie Hockridge attempted to directly charge some applicants a 10 percent fee for successfully procuring PPP loans—in violation of SBA rules.

- **Blueacorn's founders arranged PPP loans for themselves through Blueacorn, some of which show signs of potential fraud.** In addition to likely taking over $120 million in taxpayer-funded PPP processing fees, Mr. Reis and Ms. Hockridge received nearly $300,000 in PPP loans, some of which were facilitated by their own company: Blueacorn. A review of these loans—some of which Blueacorn lending partner Capital Plus later demanded be repaid—identified supporting documentation with suspicious elements. In one application, **Mr. Reis falsely claimed to be an African American and a veteran**. Other applications contain questionable information that merits further investigation. The Select Subcommittee discovered that, after participating in the PPP and getting many of their PPP loans forgiven, Mr. Reis and Ms. Hockridge relocated to Puerto Rico, where they apparently founded another lender service consultancy.

- **Elev8 Advisors—Blueacorn's primary eligibility verification and compliance consultants—received PPP loans for themselves, their businesses, and their family members through Blueacorn's lending partners.** Elev8 Advisors owners' Adam Spencer and Kristen Spencer used Blueacorn to secure at least $200,000 in PPP loans for themselves, their companies, and family members. Around the time that they applied for forgiveness for these loans, they also purchased—in cash—an $8 million mansion, and acquired multiple luxury cars. A review of the Spencers' loan applications revealed suspicious elements, including companies with suspiciously high profit margins and claims of income that appear unsupported by the documentation that they provided. In one such case, Ms. Spencer received a PPP loan based on a claim that she was paid six figures for "interior architect" services at the office of her husband's company, which seems unlikely since Ms. Spencer appears to have had no experience as an "interior architect" and her husband's company offices are located at a WeWork shared office space. Separately, according to a whistleblower, Mr. Spencer directed at least one family member—who also served as a Blueacorn PPP loan reviewer—to fraudulently apply for a PPP loan for an ineligible or non-existent business through Blueacorn.

**Womply's PPP Fraud Screenings Failed to Prevent "Rampant Fraud"—and Were Accompanied by Questionable Business Practices—Despite Generating Over a Billion in Profits**

- **Lenders paid Womply over $2 billion in processing fees for Womply's "PPP Fast Lane" program to screen PPP loans for fraud and eligibility.** In the first round of the PPP, Womply provided referral services to lenders, receiving just $3 million from lenders for its services. Womply later rebranded itself as a "technology service provider" that, according to its lending partners, **was responsible for handling eligibility and fraud verification for over a million PPP loans through their "PPP Fast Lane" product**, taking billions more in fees. Harvest Small Business Finance—which received more than 800,000 PPP loan applications from Womply—told the Select Subcommittee that **"Womply assured Harvest that it would only refer to Harvest complete applications that Womply's platform had confirmed were for eligible borrowers."**

- **Multiple Womply lending partners criticized Womply's fraud prevention practices, describing its systems as "put together with duct tape and gum" and accusing Womply of allowing "rampant fraud" to infiltrate the PPP.** Womply's PPP lending partners determined that the fintech often failed in its duty to detect PPP fraud and exclude otherwise ineligible applicants. PPP lender DreamSpring warned Womply that it was referring PPP applications containing **"obvious fraudulent information."** Lendistry, a fintech also involved in PPP lending, told Womply that it **"noticed a meaningful increase in the number of third-party and other inquiries related to fraud"** in connection with batches of applications associated with Womply. Benworth, which issued $4.6 billion in PPP loans in 2021, warned Womply that **"the services promised by Womply, have not only not been provided, but have also placed our company in a very bad predicament due to the high likelihood of fraud involved in many of the referred loans from your company."**

- **Womply had a windfall 2021 net revenue of over $2 billion, largely thanks to taxpayer-funded PPP processing fees, and took over $5 million in PPP loans for itself, which the SBA later determined it was ineligible to receive.** In 2021, Womply secured a gross profit of $1.8 billion and gross profit margin of nearly 90 percent. Yet, **Womply received over $5 million in PPP loans from its largest partner**, Harvest Small Business Finance, and asked forgiveness for these loans in 2021. After reviewing Womply's application for PPP loan forgiveness, **the SBA determined that Womply was ineligible for the loans that Harvest approved for them**—and required the fintech to repay them in full. Both Womply's CEO and its President also received PPP loans for themselves, despite earning over $400,000 in salary in 2021 and likely taking tens of millions in taxpayer-funded PPP processing fees as personal profits.

- **Womply CEO Toby Scammell—who was convicted of insider trading in 2014 and has been permanently barred from participating in the securities industry—led Womply's fraud prevention efforts and instructed his company not to cooperate with federal PPP fraud investigators.** Womply not only failed to detect fraud on the front end, but also resisted helping investigators catch fraud on the back end as well. Despite telling its lending partners that Womply was working closely with the SBA and the SBA Office of Inspector General (OIG), Mr. Scammell resisted providing information to federal investigators conducting PPP fraud investigations. The SBA OIG and Fountainhead, one of Womply's lending partners, made multiple requests for information from Womply "so that the SBA can investigate potential fraudulent loan activity carried out by PPP borrowers." Womply refused. **Ultimately, Fountainhead was forced to get "a temporary restraining order against [Womply], so they can't destroy these [PPP loan] documents."**

- **Womply may have transferred the sensitive personal and financial data of hundreds of thousands of PPP borrowers to a new business.** In May 2022, Womply updated its privacy agreement to notify its customers—likely including PPP applicants—that the company claimed the right to transfer **"over 2 [million] tax documents, over 1.5 [million] bank accounts from applicants"** to its new company, Solo Global, Inc. Womply refused to tell the Select Subcommittee whether it has transferred sensitive PPP applicant personal and financial data to this new company, how it is using sensitive PPP applicant data, and whether it is using this data to generate profits for their new company.

**Fintechs Such as Womply and Blueacorn Were the "Paths of Least Resistance" for Criminal Gangs and Fraudsters Looking for PPP Loans**

- **Criminals specifically targeted Blueacorn, Womply, and other fintechs to commit PPP fraud.** Fraudsters discovered that Blueacorn and Womply were among the easiest companies to apply for fraudulent PPP loans due to the ease of securing a loan through either company. Members of drug gangs in Florida that were involved in PPP fraud were recorded by police discussing Womply and Blueacorn. **One gang member asked another to "show me Blueacorn" while another described Womply as "the website that['s] [] really hittin…'" and that "everybody in the hood" was using Womply.**

Investigators believe the PPP loans obtained by these gang members were then used to finance their criminal enterprises, including the purchase of guns and drugs.

**Capital Plus, Harvest, and Other Fintech-Partnered Lenders Conducted Little Oversight Over Womply and Blueacorn's Activities, Allowing Fraud to Infiltrate the PPP**

- **In the course of the Select Subcommittee's investigation, multiple PPP lenders admitted to having no formal program to monitor their fintech partners or to detect fraud in the PPP loans that they submitted**. Nearly every lender investigated by the Select Subcommittee admitted to delegating their fraud prevention and eligibility verification responsibilities to their fintech partners. Yet, few lenders appear to have conducted close and proactive oversight of their fintech partners. **Multiple lenders described their oversight as being limited to "spot checks" conducted at random on a small percentage of fintech-referred application files.** In one case, lender Capital Plus approved dubious loans to Blueacorn's founders but claimed not to have been aware that it issued these loans until months later. **Despite this lack of oversight, multiple for-profit lenders—including Capital Plus and Harvest—reported windfall profits as a result of their participation in the program.**

**Kabbage's Activities in the PPP Illustrate the Lack of Sufficient Incentives in the PPP's Structure for Fintechs to Implement Strong Fraud Prevention Controls or Appropriate Borrower Servicing**

- **Kabbage, which facilitated over 310,000 PPP loans, implemented a system that confused and concerned employees and financial institutions**. Multiple employees expressed concern about Kabbage's loan review process, with one employee informing her supervisor that she was **"really uncomfortable with the review procedures"** for loans and expressing her belief that **"the level of fraud we're reviewing is wildly underestimated."** A bank working with Kabbage expressed **"concern[] about the significant increase in the fraudulent transactions confirmed by Kabbage"** during the first round of the PPP.

- **Kabbage approved loans with clear indicators of likely fraud, partly because the program imposed minimal risk on lenders who approved questionable applications**. In one exchange, a Kabbage risk manager supervising fraud specialists told his team that "a fundamental difference" between the level of diligence applied in the PPP, as opposed to normal lending by Kabbage, was that **"the risk here is not ours – it is SBA's risk."**

- **As fraud surged in the program, Kabbage reduced its full-time fraud prevention staff.** Between May and June of 2020, during the height of the PPP, Kabbage reduced its risk and account review teams, which were primarily responsible for fraud reviews, by approximately half. After American Express acquired the majority of Kabbage's assets in October 2020, the PPP loan portfolio was transferred to a minimally-resourced spin-off entity. That company continued to fund tens of thousands of loans while retaining only one full-time anti-fraud employee.

**Bluevine Initially Faced Significant Fraud Rates, But Its Longstanding Partners Intervened to Improve Fraud Prevention Over the Course of the Program**

- **Federally regulated bank partners successfully pushed Bluevine to improve its controls during the PPP, likely reducing fraud.** In contrast to the other fintechs and lenders examined by the Select Subcommittee, Bluevine's lending partner Celtic Bank conducted continuous oversight of Bluevine's anti-fraud controls and prompted Bluevine to introduce new software and manual review processes. These changes were followed by a steep decline in fraud incidents.

- **However, overwhelmed by fraud despite improved controls, Bluevine faced difficulties in facilitating timely reporting of fraud to law enforcement.** Delays at Bluevine caused Celtic Bank to submit late Suspicious Activity Reports (SARs), in violation of applicable banking regulations and to the possible detriment of law enforcement efforts to address ongoing fraud. These issues raise concerns about adequate and full reporting of PPP fraud by other third-party service providers—especially those lacking experience in filing SARs—who were facing the same fraud threats but received less rigorous oversight from lending partners.

**The Track Record of the Most Prolific Fintechs Involved in the PPP Should Prompt Caution When Allowing Lightly Regulated and Unregulated Entities to Administer Federal Lending Programs**

- **Fintechs—many of whom were newly-established or new to small business lending—were delegated many of the most important aspects of the PPP.** These fintechs largely operated without strong oversight and many had never previously been subject to anti-money laundering (AML) and Bank Secrecy Act (BSA) requirements. This allowed actors with little experience and overstated technological capabilities, such as Blueacorn and Womply, to facilitate millions of loans and allow large-scale fraud to occur.

- **Based on these findings, Congress and the SBA should consider carefully whether unregulated businesses such as fintechs, many of which are not subject to the same regulations as financial institutions, should be permitted to play a leading role in future federal lending programs.** The SBA and SBA OIG should continue to investigate fraud in the PPP to establish the extent of taxpayer losses and identify misconduct by PPP participants. In addition to requiring stricter oversight during emergency programs, the experience of the PPP should inform the SBA's ongoing activities. Any expansion of SBA programs to unregulated lenders or agents must be accompanied by greater oversight by the agency.

## II. BACKGROUND

### A. The Paycheck Protection Program Provided Support to Millions of Small Businesses Affected by the Pandemic

The Coronavirus Preparedness and Response Supplemental Appropriations Act and the Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted into law on March 27, 2020 amid severe economic dislocation caused by the coronavirus pandemic, provided more than $2 trillion in emergency funds.[1] The CARES Act created the Paycheck Protection Program (PPP), which provided forgivable, uncollateralized, low-interest loans of up to $10 million to sole proprietors and businesses with fewer than 500 employees.[2]

By its conclusion in May 2021, the PPP provided nearly $800 billion dollars in forgivable loans to small businesses.[3] The PPP cost taxpayers as much as the three rounds of Economic Impact Payments and approximately the same amount as the federal pandemic unemployment benefits programs.[4] Only slightly smaller in scale than the entire American Recovery and Reinvestment Act of 2009,[5] the PPP was the largest small business support program in American history.[6]

### B. The PPP Was Administered by Private Lenders as Part of the Small Business Administration's Pre-Existing 7(a) Small Business Lending Program

#### 1. In Addition to the Existing 7(a) Lenders, the SBA Allowed New Entities to Take Crucial Roles in Administering the PPP

The CARES Act created the PPP under the 7(a) program, the SBA's most common loan program that provides financial help for small businesses with special requirements.[7] All existing SBA-certified 7(a) lenders were given delegated authority to process PPP loans, and all federally insured depository institutions, federally insured credit unions, and non-bank and non-insured depository institutions lenders were eligible to make PPP loans once approved and enrolled in the program by the SBA.[8]

Immediately following the passage of the CARES Act, Trump Administration SBA Administrator Jovita Carranza emphasized the crucial role that private lenders would have in the PPP, describing it as an "unprecedented public-private partnership."[9] She stated that the Trump Administration's "goal [was] to position lenders as the single point-of-contact for small businesses—the application, loan processing, and disbursement of funds will all be administered at the community level."[10] Accordingly, nearly 5,500 lenders ultimately participated in the PPP.[11]

#### 2. Lenders Were Responsible for Processing and Underwriting PPP Loans

PPP lenders were responsible for processing and underwriting PPP loans.[12] Given the unique emergency nature of the PPP, the underwriting requirements for PPP loans differed greatly from those of traditional 7(a) loan programs. Normally, under SBA Standard Operating

Procedures (SOP) and regulations, lender underwriting and lending criteria are focused on a borrower's creditworthiness and ability to repay the loan with earnings from their business.[13]

In contrast, the PPP underwriting process did not include a check for creditworthiness, instead specifying a program-specific set of underwriting requirements.[14] Under the rules of the PPP, lenders were required to underwrite PPP loans by (1) confirming receipt of borrower certifications; (2) confirming receipt of information demonstrating that a borrower had employees for whom the borrower paid salaries and payroll taxes on or around February 15, 2020; (3) confirming the dollar amount of average monthly payroll costs; and (4) following applicable Bank Secrecy Act (BSA) requirements.[15]

3. Lenders Frequently Used Third-Party Companies (Agents) to Process and Service PPP Loans

PPP lenders turned to a variety of third parties, usually described as "agents" by the SBA, to conduct certain activities on their behalf. Two types of agents were important to the execution of the PPP: referral agents and lender service providers (LSPs). A referral agent is a person or entity that identifies and refers an applicant to a lender or a lender to an applicant.[16] An LSP, as defined by the SBA, is an entity "who carries out lender functions in originating, disbursing, servicing, or liquidating a specific SBA business loan or loan portfolio for compensation from the lender."[17] The SBA describes an LSP as including individuals or entities that "[p]erform any pre-qualification review based on SBA's eligibility and credit criteria or the 7(a) Lender's internal policies prior to submitting the Applicant's information to the 7(a) Lender" or "[p]rovide to the 7(a) Lender an underwritten application, whether through the use of technology or otherwise."[18] According to the SBA OIG, LSPs are "deeply involved in all phases of the loan life cycle."[19]

As LSPs and other agents are delegated many lender functions, under SBA regulations, a lender "must be able to demonstrate that it exercises day-to-day responsibility for evaluating, processing, closing, disbursing, servicing, liquidating and litigating its SBA portfolio."[20] As participants in a 7(a) program, lenders, referral agents, and LSPs involved in the PPP were all subject to SBA rules governing their conduct, and the SBA could have, for good cause, suspended or revoked the privilege of any agent to participate in the PPP.[21]

4. Lenders and Their Agents Received Tens of Billions in Processing Fees from the SBA

As participants in the PPP, lenders—and, by extension, LSPs and other agents who were used by the lenders—were paid a "substantial processing fee from the SBA" so that they had "ample inducement…to participate in the PPP."[22] The structure and parameters of this compensation changed over the course of the program.

Under the PPP, agent fees could only be paid by the lender out of a lender's SBA processing fees, as agents were expressly prohibited by the SBA from collecting any fees from a PPP applicant.[23] Under the PPP's initial rules, lenders earned a five percent fee on loans of $350,000 or less, a three percent fee on loans of more than $350,000 and less than $2 million,

and a one percent fee on loans of $2 million and above.[24] This fee structure proved extremely profitable for lenders. According to an analysis by the Miami Herald and McClatchy, PPP-participating banks received nearly $18.2 billion in fees in the 2020 rounds of the program.[25]

On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act made changes to the PPP.[26] Pursuant to these changes, the SBA issued an updated procedural notice regarding PPP processing fees.[27] While the fees for loans of more than $50,000 remained unchanged, the fee associated with loans of $50,000 or less changed from a flat fee of five percent of the loan amount to the lesser of 50 percent of the loan amount or $2,500—a significant increase in small-loan profitability.[28] According to one analysis, under the first PPP processing fee structure, lenders of loans of $50,000 or less received approximately $3.14 billion in fees during the first round of PPP lending.[29] Under the revised fee structure, first round lenders would have received nearly three times as much in SBA fees for approving the same type and number of loans.[30]

### C. Experts Warned the Trump Administration that the PPP Could Be Highly Vulnerable to Fraud

#### 1. The Trump Administration Did Not Heed Early SBA OIG Warnings That the PPP's Structure Would Lead to Fraudulent and Otherwise Ineligible Applications

While the CARES Act was being debated, congressional Democrats advocated for the inclusion of strong oversight and accountability provisions. Congressional Republicans ultimately agreed to establish the Pandemic Response Accountability Committee (PRAC), comprised of Inspectors General across the federal government charged with overseeing funds disbursed by the entire bill; the Congressional Oversight Commission, four congressional leadership appointees charged with activities of the Treasury Department and Federal Reserve; and the Special Inspector General for Pandemic Recovery, a presidential appointee charged with overseeing the $500 billion fund for large businesses administered by the Treasury Department.[31]

Given the significant discretion provided to Executive Branch officials, Democrats advocated for "multiple layers of strict oversight."[32] However, rather than adding oversight mechanisms, President Trump, despite being warned that the PPP could lead to "the biggest fraud in the history of our country," fired the chair of the PRAC one week after his appointment while criticizing and limiting oversight of various CARES Act programs.[33]

On the day that the SBA began issuing PPP loans, the SBA OIG warned that the program's structure—specifically, requiring limited documentation from loan applicants—had resulted in inappropriate or unsupported loan approvals in past SBA programs.[34] OIG urged the SBA to implement proper controls before disbursing funds, such as having clear requirements and timely communications with lending partners, establishing and monitoring performance measures, developing internal controls, and establishing a plan to prevent and detect improper payments.[35]

In June 2020, Treasury Secretary Steve Mnuchin announced that he would not allow the names of PPP recipients to become public, after claiming for months that such data would be

disclosed.[36] A week after that announcement, a letter submitted by various Inspectors General to Congress revealed that the Trump Administration had issued legal rulings curtailing independent oversight of CARES Act funding. The Inspectors General wrote that Trump Administration attorneys determined that the Administration did not have to provide the PRAC with information regarding the beneficiaries of programs created by the CARES Act's "Division A," which included the PPP and another large SBA program, Economic Injury Disaster Loans (EIDL). In response to public pressure, the Treasury Department and the SBA agreed to disclose details concerning small business loan recipients in June 2020.[37]

Republican opposition to oversight continued throughout the program. Congressional Republicans opposed the Small Business Transparency and Reporting for the Underbanked and Taxpayers at Home (TRUTH) Act, which would have required the SBA to disclose, explain, and justify disbursements of relief funds under the PPP.[38] A Republican Congressman serving on the Congressional Oversight Commission called the bill "redundant" and stated that "this whole PPP program is already burdened with tremendous paperwork" requirements—notwithstanding the fact that the public could not obtain basic information such as which businesses were receiving PPP loans.[39]

That same month, Senate Republicans opposed a unanimous consent vote on a bill to require daily and weekly public reporting on SBA lending programs, broken down by geography, demographics, and types of industry. A Republican Senator—who later incorrectly claimed that the PPP fraud rate was 0.76 percent[40]—stated that such transparency requirements were not the "right approach" and dismissed fraud concerns, stating that the PPP "by far … has been the most successful part of the CARES Act."[41]

The SBA OIG would later determine that the SBA under the Trump Administration did not heed their early warnings. In a report issued in May 2022, the SBA OIG summarized its findings by stating:

> SBA did not have an organizational structure with clearly defined roles, responsibilities, and processes to manage and handle potentially fraudulent PPP loans across the program. In addition, the agency did not establish a centralized entity to design, lead, and manage fraud risk. This problem occurred because the agency did not establish a sufficient fraud risk framework at the start of and throughout PPP implementation.[42]

2. <u>The Government Accountability Office Repeatedly Warned That the Trump Administration's Management of the PPP Left It Needlessly Vulnerable to Fraud</u>

In June 2020—just two months into the program—the Government Accountability Office (GAO) released a report warning of "a significant risk that some fraudulent or inflated applications were approved," in part because of the program's "limited safeguards."[43] GAO attributed the lack of safeguards to the SBA's program management.[44] While the CARES Act imposed good faith certification requirements on borrowers, the SBA had "streamline[d] the process" by "requir[ing] minimal loan underwriting from lenders."[45] GAO cautioned that these Trump Administration SBA decisions made the program "more susceptible to fraudulent applications."[46] GAO also observed that borrowers and lenders experienced ongoing "questions

and confusion" about the SBA's and Treasury's various iterations of rules and frequently asked questions.[47]

In the same report, GAO expressed concern that the Trump Administration's SBA had not developed concrete plans for "crucial" "ongoing oversight" of PPP applications to mitigate those risks.[48] The SBA had failed to explain how it would review high value loans and provided no information on "any specific oversight plans for . . . loans of less than $2 million"—which made up the vast majority of the PPP loans issued, and would become the primary focus of fintechs.[49] The report concluded that the SBA's "limited safeguards and lack of timely and complete guidance and oversight planning have increased the likelihood that borrowers may misuse or improperly receive loan proceeds."[50]

Warnings regarding weaknesses in the program continued. In September 2020, after conducting its own analysis of loan-level PPP data from the first round of the program, the Select Subcommittee recommended specific controls for loan forgiveness, improvements in audit plans for loans, and increased cooperation with oversight bodies.[51] In November 2020, GAO recommended that the SBA expeditiously review and estimate improper PPP loans and error rates, due to "concerns about the possibility that improper payments, including those resulting from fraudulent activity, could be widespread."[52] In January 2021, GAO expressed concern that 27 of its 31 previous recommendations concerning the Trump Administration's pandemic response "remained unimplemented."[53] GAO's report singled out the SBA, which—under the Trump Administration—had yet to implement recommendations concerning fraud controls and improper payment testing for the PPP, as "fall[ing] far short of transparency and accountability expectations" and "creat[ing] risk of considerable improper payments."[54]

In contrast, the SBA made progress on these issues under the Biden Administration's leadership. In July 2021, GAO reviewed the SBA again and determined that the agency had implemented compliance checks for applications submitted in 2021 and had plans to conduct a fraud risk assessment. GAO noted, however, that the SBA needed to provide further guidance on loan forgiveness processes.[55]

### D. Multiple Indicators Pointed to Massive PPP Fraud

#### 1. The SBA OIG Reported an Unprecedented Increase in Hotline Complaints, and Banks Filed a Record Number of Suspicious Activity Reports

SBA Inspector General Hannibal Ware reported a 10,000 percent increase in hotline complaints after the passage of the CARES Act—an indicator that the PPP had triggered a potentially large volume of fraud.[56] He further described the SBA OIG as being "inundated with contacts to our investigative field offices across the nation from financial institutions across the nation."[57]

According to a *Bloomberg* report, banks filed an abnormally high number of reports of suspected business loan fraud in July 2020, shortly after the start of the PPP and other pandemic relief programs.[58] According to their analysis, the number of SARs in June 2020 was more than triple the average monthly number and was the second-highest monthly number of SARs for

suspected business loan fraud in history.[59] There were 1,044 SARs filed in July 2020, nearly seven times the average number of monthly reports of suspected business loan fraud and the highest monthly number of SARs for suspected business loan fraud since reporting requirements began.[60]

2. The SBA Flagged Millions of PPP Loans for Further Review

According to information obtained by the Project on Government Oversight (POGO), the SBA also determined that a large number of PPP loans had indicators of suspicious activity or potential fraud.[61] POGO's reporting found that internal SBA data showed that the agency flagged nearly 2.3 million PPP loans worth at least $189 billion—about a quarter of all PPP dollars disbursed—for further review between August 2020 and September 2021.[62]

POGO's analysis of SBA data also revealed that the agency issued 4.3 million flags—each signifying concerns that a loan was potentially fraudulent, the recipient was possibly ineligible, or the loans in question merited closer examination for some other reason. The SBA issued a flag on nearly 800,000 loans indicating that the recipient businesses did not exist prior to February 15, 2020, and therefore were not eligible to receive loans. SBA also noted that nearly 240,000 loan recipients had an "inactive business."[63]

Although a flagged PPP loan does not necessarily mean that the loan was fraudulent or the recipient ineligible, a large number of flags could be indicative of a large number of improper payments in the program.[64]

3. Researchers Estimated That 1.4 Million PPP Loans—Totaling Over $64 Billion—Had at Least One Indicator of Potential Fraud

In August 2021, after the conclusion of the program, researchers at the McCombs School of Business at the University of Texas analyzed PPP loans for indicators of potential fraud by borrowers. Using these indicators, the researchers estimated that more than 11 percent of PPP loans, totaling $64.2 billion—at least 1.41 million of the 11.5 million total loans analyzed—had at least one indicator of potential fraud.[65] The researchers also found that fintech-facilitated or issued loans were over three times as likely to have at least one primary indicator of misreporting compared to traditional loans. Of loans with a primary indicator of fraud, those that were fintech-facilitated were 6.5 times as likely to also have a secondary fraud indicator.[66]

4. U.S. Attorneys' Offices Have Brought Over 1,000 Cases of PPP Fraud—Totaling Over $1.5 Billion in Alleged Actual Loss to Taxpayers

The first federal fraud charges related to the PPP came just a month after the program began.[67] Since then, law enforcement has used tips from the public, SARs, and other information to prosecute those who defrauded the PPP. As of October 2022, the Fraud Section of the Criminal Division of the Department of Justice (DOJ) has charged approximately 235 defendants in pandemic fraud related matters in 162 cases, with actual loss totals of approximately $336 million.[68] U.S. Attorneys' Offices have charged an additional 1,616 defendants in 1,050 cases with a total of over $1.284 billion in alleged actual loss.[69]

## E. Fintechs Eagerly Stepped Forward to Participate in the PPP, Claiming That They Were More Capable of Quickly Issuing PPP Loans Than Government Agencies and Traditional Banks

1. Unregulated or Lightly-Regulated Fintechs Increased Their Reach in the Years Before the Pandemic, and Expanded Further During the Crisis

Fintechs are involved in a wide range of financial services, ranging from online or mobile checking accounts to mortgages, insurance, investing, payment processing, and cryptocurrencies.[70] Due to the broad range of services that fintechs offer, there is no single licensing or regulatory agency that oversees all of these companies.[71] Those fintechs that are licensed or supervised often interact with local, state, or federal regulators on a functional, or activity-based, basis.[72] However, some fintechs, based on their activities, may face little or no regulatory oversight.[73]

The fintech industry was growing steadily prior to the pandemic.[74] In addition to the inherent convenience of online and mobile financial services, fintechs have held out the promise of technology-driven operational efficiencies that would decrease costs and facilitate the inclusion of underserved customers traditionally left out of the banking sector.[75] In addition to attracting consumers, fintechs also partner with financial institutions as they increasingly delegate many of their functions to fintechs through complex partnerships.[76] The demand for fintech services increased at an even higher rate during the coronavirus crisis.[77]

2. Fintech Industry Groups Sought to Be Included in the Administration of Pandemic Relief Programs, Claiming to Be Better Positioned Than Traditional Financial Institutions

Multiple fintech industry groups advocated for the inclusion of fintechs in the administration of pandemic relief programs. Before the passage of the CARES Act, a fintech industry group submitted a letter to Congress asking that Treasury be directed to permit online non-bank lenders to disburse pandemic relief funds, alone and through partnerships with non-fintech financial institutions.[78] The industry group claimed that fintechs had the "payment processing data and other technologies" and "digital infrastructure to move money rapidly" to small businesses in need of relief.[79]

Another fintech industry group specifically advocated for the inclusion of fintechs in pandemic relief targeting small businesses, claiming that "government agencies are ill-equipped to handle the volume of small businesses that are going to need emergency financing and, even in the best of times, could not supply businesses with the funding they will need quickly enough."[80] Fintech industry groups promoted fintechs as a solution to these limitations, promising that "innovative financial technology companies [could] handle that [large] amount of data and underwriting quickly" as "both service providers that work on behalf of banks that already partner with SBA as well as non-bank lenders providing emergency credit with an SBA guarantee or as an emergency conduit for SBA originated credit."[81] The head of the fintech industry group claimed that, if allowed to help facilitate small business lending, they would "[underwrite] loans using algorithms at speed and scale."[82]

Lawmakers and regulators ultimately allowed fintechs to participate in the PPP as lenders and agents. The first fintechs were approved to participate in the PPP in mid-April 2020, and soon others—including PayPal, Square, Intuit, Lendistry, MBE Capital Partners, LLC (MBE Capital), Bluevine, and Kabbage (along with Kabbage and Bluevine's partners, Celtic Bank and Cross River Bank)—also became participants.[83] In early 2021, following the change in the PPP fee structure, newer and less experienced fintechs, including Womply and Blueacorn, entered the program and took leading roles.[84]

3. Once Included in the PPP, Fintechs Took a Leading Role in the Program

Fintechs, acting as both lenders and LSPs, became prominent in the PPP. By the end of 2021, the vast majority of the largest PPP lenders, by both value and volume (nine out of ten), were fintechs or fintech-partnered lenders.[85] Although the SBA states that fintechs (and other state regulated lenders) approved over 1.2 million PPP loans, totaling nearly $22 billion, in just 12 months,[86] this figure is likely a significant undercount, as it does not include the billions of dollars in PPP loans that were issued by lenders that partnered with fintechs to issue loans.[87]

According to a fintech industry group, fintechs "served more than double the small businesses" as Community Development Financial Institutions (CDFIs).[88] In a June 24, 2021, opinion article, the CEO of a fintech industry group claimed that 41 fintechs were "collectively the third largest facilitators of PPP based on the number of loans (18 percent) and loan dollars (eight percent) distributed by lender type."[89] He wrote: "policymakers and the media have been disproportionately focused on a very small percentage of fraud that took place in the program."[90]

## F. Analysis Indicated that Fintechs Likely Facilitated a Disproportionately High Number of Fraudulent and Otherwise Ineligible PPP Loans

1. Early DOJ Prosecutions of PPP Fraud Cases Disproportionately Involved Fintechs

An SBA OIG official tasked with investigating PPP fraud described fintechs as "the paths of least resistance" for bad actors seeking a PPP loan.[91] Multiple analytical projects based on PPP fraud prosecutions lend credence to this opinion and indicate that fintechs were disproportionately linked to PPP fraud. In October 2020, a *Bloomberg* analysis found that

fintechs handled 75 percent of the approved PPP loans that had been connected to fraud by DOJ, despite arranging just 15 percent of PPP loans overall at that point.[92] An October 2020 analysis conducted by POGO found that nearly half of the approved PPP loans in the first 56 PPP fraud cases involved just seven fintechs and fintech-partnered banks.[93]

2. Experts Found That Fintechs and Fintech-Partnered Lenders "Specialized in Dubious Loans"

Researchers at the McCombs School of Business at the University of Texas found that fintechs and fintech-partnered financial institutions were the PPP lenders most closely associated with potentially fraudulent loans. According to media reports, the researchers found that certain fintech-partnered lenders appeared to "specialize in dubious loans," with the analysts concluding that fintechs made around 32 percent of PPP loans but accounted for more than 60 percent of all suspicious PPP loans originated.[94] Their findings indicated that "replacing traditional lending with FinTech lending amplified misreporting problems."[95]

The study also found that "the four largest FinTech lenders, Cross River [Bank], Prestamos [affiliated with Blueacorn], Harvest [affiliated with Womply], and Capital Plus [affiliated with Blueacorn] exhibited high rates of misreporting and large lending volume growth" and that they did not get better over time, as "[fintech] lenders often doubled or tripled their potential misreporting rates in round 3 compared to rounds 1 and 2."[96] The researchers asserted that "not all [fintech] lenders have high misreporting rates," citing low rates at fintechs Square and Intuit and concluding that "online lending in and of itself does not appear to be the problem."[97] However, the study's authors concluded that:

> [T]he increasing scale of [fintech] misreporting through time indicates that current penalty and enforcement systems are not effective. If the system is not changed for future programs, the most likely outcome is even more of the same.[98]

Ultimately, the study concluded that some "established FinTech lenders persistently have low rates of misreporting, indicating that [fintech] lending need not be substandard" and that "incentives in the PPP appear misaligned in that [fintech] lenders with widespread indicators of misreporting made billions of dollars dispersing loans with apparently lax oversight procedures."[99]

## G. The Select Subcommittee's Investigation into Fintechs' Handling of Fraudulent and Otherwise Ineligible PPP Loans

On May 27, 2021, the Select Subcommittee requested documents and information from four companies—Kabbage, Bluevine, Cross River Bank (Cross River), and Celtic Bank (Celtic)—after public reports alleged that these fintechs and bank partners failed to adequately screen PPP loan applications for fraud.[100] On November 23, 2021, the Select Subcommittee expanded its investigation to include Blueacorn and Womply after researchers at McCombs School of Business at the University of Texas issued a study indicating that these highly prolific fintechs may have also been disproportionally linked to financial crime in the PPP.[101]

The Select Subcommittee also obtained information from Harvest, Capital Plus, Prestamos, American Express, Fountainhead, Benworth, Wells Fargo, Bank of America, and CDC Small Business Finance. In the course of the investigation, Select Subcommittee staff reviewed more than 83,000 pages of internal documents and had multiple briefings and conversations with former fintech employees and others with knowledge of fintech activities. The Select Subcommittee also was briefed by staff of the SBA and the SBA OIG.

## III. INVESTIGATIVE FINDINGS

### A. Fintechs and Lenders Observed Significant Fraud in the PPP, Which They Attributed to Program Mismanagement as They Sought to Evade Responsibility

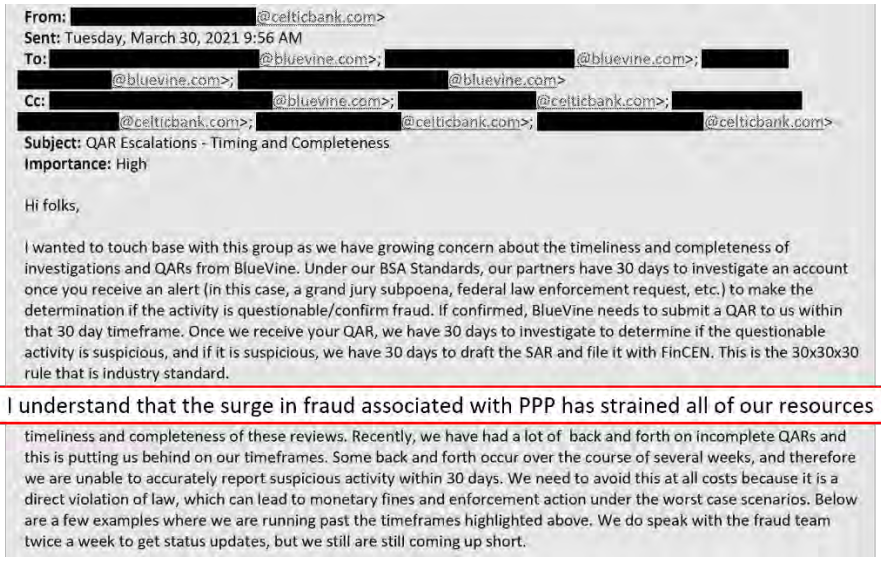
#### 1. Fintechs and Lenders Observed Large-Scale PPP Fraud

Internal communications obtained by the Select Subcommittee show that fintechs and their lending partners both anticipated and observed high levels of fraud in the PPP. As early as April 2020, Cross River's Chief Risk Officer warned in an internal email that "there will be fraud rings going after these [PPP] funds."[102] Months later, in an October 2020 email, the CEO of Celtic Bank wrote that "[t]he [PPP] fraud is definitely getting up there," noting that the level of fraud was "not surprising given the program guidelines."[103]

Eight months after the start of the PPP, it was clear to some lenders that the fraud they had predicted was occurring and was not well controlled. In an internal November 2020 email, a Celtic Bank compliance manager noted that the company's involvement in the PPP had led to increased fraud:

> While Celtic's Bank's participation in the Paycheck Protection Program provided emergency funding to small businesses throughout the Country [sic], we have also seen an uptick in fraudulent and money laundering activities identified across the Bank and our Strategic Lending Partnerships.[104]

This high level of fraud taxed the financial crime compliance capabilities of PPP lenders. In March 2021, a full year into the PPP program, a Celtic Bank financial crime manager again observed that the high levels of fraud related to the PPP continued, telling a Bluevine financial crime manager that "the surge in fraud associated with [the] PPP has strained all of our resources."[105]



From: [redacted]@celticbank.com>
Sent: Tuesday, March 30, 2021 9:56 AM
To: [redacted]@bluevine.com>; [redacted]@bluevine.com>; [redacted]@bluevine.com>; [redacted]@bluevine.com>
Cc: [redacted]@bluevine.com>; [redacted]@celticbank.com>; [redacted]@celticbank.com>; [redacted]@celticbank.com>; [redacted]@celticbank.com>
Subject: QAR Escalations - Timing and Completeness
Importance: High

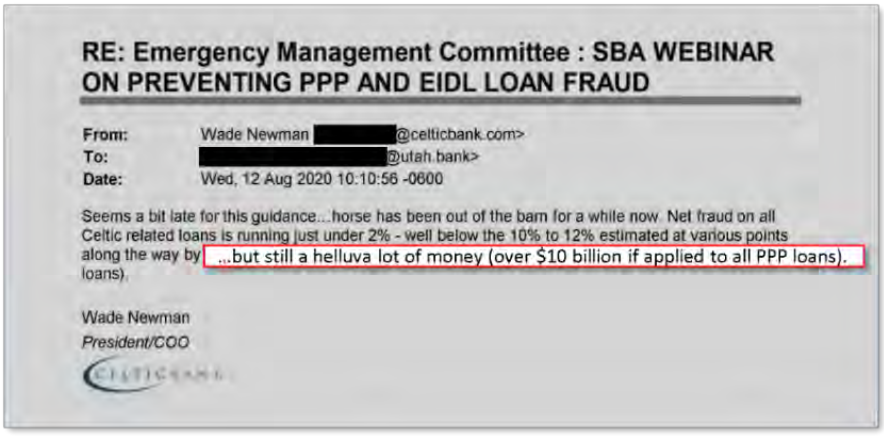
Hi folks,

I wanted to touch base with this group as we have growing concern about the timeliness and completeness of investigations and QARs from BlueVine. Under our BSA Standards, our partners have 30 days to investigate an account once you receive an alert (in this case, a grand jury subpoena, federal law enforcement request, etc.) to make the determination if the activity is questionable/confirm fraud. If confirmed, BlueVine needs to submit a QAR to us within that 30 day timeframe. Once we receive your QAR, we have 30 days to investigate to determine if the questionable activity is suspicious, and if it is suspicious, we have 30 days to draft the SAR and file it with FinCEN. This is the 30x30x30 rule that is industry standard.

I understand that the surge in fraud associated with PPP has strained all of our resources

timeliness and completeness of these reviews. Recently, we have had a lot of back and forth on incomplete QARs and this is putting us behind on our timeframes. Some back and forth occur over the course of several weeks, and therefore we are unable to accurately report suspicious activity within 30 days. We need to avoid this at all costs because it is a direct violation of law, which can lead to monetary fines and enforcement action under the worst case scenarios. Below are a few examples where we are running past the timeframes highlighted above. We do speak with the fraud team twice a week to get status updates, but we still are still coming up short.

While observing that the rate of fraud was high and noting that their capabilities to detect and respond to this fraud were under strain, lenders struggled to determine exactly how much taxpayer money was being lost to PPP fraud. In an August 12, 2020, email obtained by the Select Subcommittee, Celtic Bank's President and Chief Operating Officer estimated that potential fraud losses in the PPP could have already reached "over $10 billion" and described potential overall taxpayer losses to PPP fraud as a "helluva lot of money."[106] On July 18, 2020, a senior Kabbage official wrote that "Experian data services reports 4.5 [percent] [PPP fraud rate] in their network."[107] In a September 8, 2020 email, a Kabbage executive claimed that consumer credit reporting agency Equifax was "seeing confirmed [PPP] fraud between 4 and 10 [percent],"[108] which would amount to as much as $80 billion in fraudulent loans across the entire life of the program, if the rate was consistent.



RE: Emergency Management Committee : SBA WEBINAR ON PREVENTING PPP AND EIDL LOAN FRAUD

From: Wade Newman [redacted]@celticbank.com>
To: [redacted]@utah.bank>
Date: Wed, 12 Aug 2020 10:10:56 -0600

Seems a bit late for this guidance...horse has been out of the barn for a while now. Net fraud on all Celtic related loans is running just under 2% - well below the 10% to 12% estimated at various points along the way by ...but still a helluva lot of money (over $10 billion if applied to all PPP loans). loans).

Wade Newman
*President/COO*

2. Fintechs and Lenders Sought to Shift Risks of Fraud Losses to the Taxpayer and Criticized Trump Administration Mismanagement

Internal emails obtained by the Select Subcommittee show that PPP lenders expressed concern that they would be held accountable for taxpayer losses if and when the extent of PPP

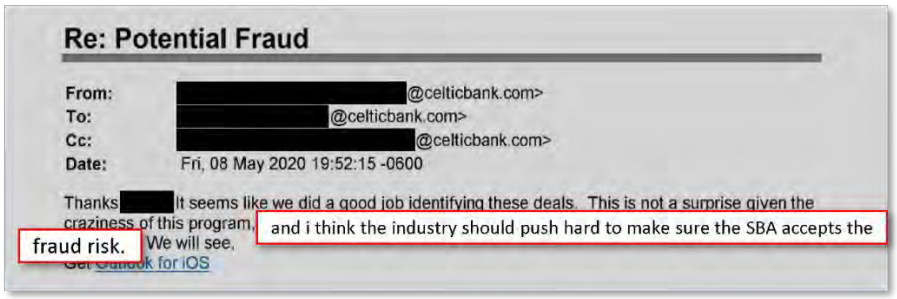
fraud became publicly known. At the working level, in response to an analyst's question about flagging potentially fraudulent applications, a Kabbage risk manager told his team:

> I do think we should not look at fraud here from a kabbage [sic] lending perspective. … a fundamental difference is the risk here is not ours - it is SBAs [sic] risk.[109]

In response, a Kabbage risk management employee wrote:

> I understand that[.] I think I personally am just concerned something will come back at us. Can we be included in any discussions regarding the SBAs [sic] feelings about our reviews? I personally would like to know if we're under heat from the gov [sic] for fraudsters robbing the gov [sic].[110]

At the executive level, lending executives involved in the PPP who witnessed fraud rates increase at their institutions expressed trepidation not only about potential reputational harm, but also that their institutions would be held financially liable for the taxpayer losses. In an internal email obtained by the Select Subcommittee, the CEO of Celtic Bank wrote that "the industry should push hard to make sure the SBA accepts the fraud risk"—presumably so that the consequences of the fraud would fall upon taxpayers, not the lenders.[111] The CEO of Benworth—a top PPP lender—suggested that he was concerned about the amount of PPP fraud that their fintech partner failed to detect, writing in an internal email: "When the party is over and the lights turn on, we will be the only ones at the party (and it seems standing naked)."[112]


Re: Potential Fraud

From: [redacted]@celticbank.com>
To: [redacted]@celticbank.com>
Cc: [redacted]@celticbank.com>
Date: Fri, 08 May 2020 19:52:15 -0600

Thanks [redacted] It seems like we did a good job identifying these deals. This is not a surprise given the craziness of this program, and i think the industry should push hard to make sure the SBA accepts the fraud risk. We will see,

Get Outlook for iOS

Fintechs and their lending partners recognized that high fraud rates resulted from the Trump Administration's mismanagement of the PPP. In a September 30, 2020 email, Kabbage's head of policy wrote: "At the end of the day[,] it's the SBA's shitty rules that created fraud, not [Kabbage]."[113] Another bank executive pointed out that the Trump Administration was too slow to provide guidance on how to identify and prevent PPP fraud. In response to an August 2020 SBA email announcing a webinar on preventing PPP fraud, Celtic Bank's President called the Trump Administration's action "a bit late," remarking that the "horse has been out of the barn for a while now" with respect to PPP fraud.[114]

### B. Blueacorn Took Only Minimal Steps to Prevent Fraud in Its Facilitation of Billions of Dollars in PPP Loans, While Abusing the Program to Enrich Its Owners

Blueacorn, a fintech startup, was founded by a group of Arizona entrepreneurs in April 2020 specifically to facilitate PPP loans.[115] To support the company in facilitating PPP loans, Blueacorn hired Arizona-based consultancy Elev8 Advisors to advise it on compliance with relevant laws and regulations related to the PPP and to assist with responding to subpoenas and other requests for records.[116] Elev8 Advisors also provided applicant "verification services" to Blueacorn and hired contractors to review PPP applications on the fintech's behalf for eligibility and to flag potentially fraudulent applications.[117] In presentations to lending partners, Blueacorn included one of the owners of Elev8 Advisors as part of their leadership team.[118]

In 2021, Blueacorn was involved in the processing of nearly all of the loans facilitated by the top two PPP lenders that year by loan volume—Capital Plus and Prestamos.[119] Blueacorn's partner lenders together facilitated almost three times as many PPP loans in 2021 than JPMorgan Chase and Bank of America combined.[120]

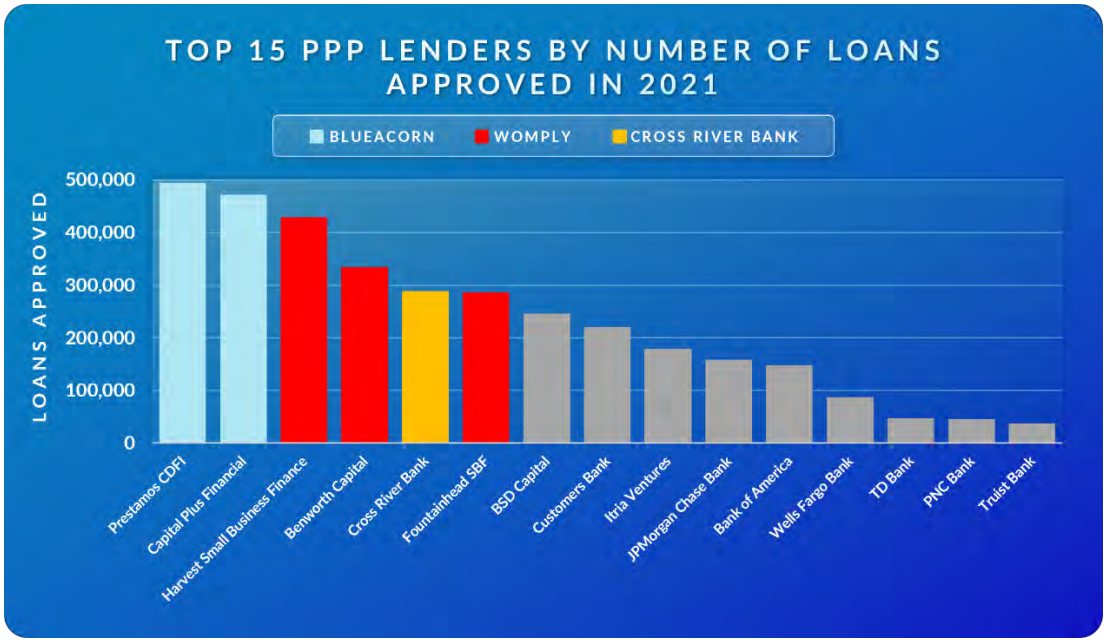



*Figure 1: Chart showing the top PPP lenders by number of loans approved in 2021, indicating that entities partnering with Blueacorn (Prestamos and Capital Plus) and with Womply (Harvest and Benworth) approved the highest number of PPP loans.* [121]

Blueacorn provided fraud prevention, eligibility verification, customer support, and other services for Capital Plus and Prestamos. Both lenders told the Select Subcommittee that they largely delegated their fraud prevention and eligibility verification functions to Blueacorn and relied on the fintech to screen applications.[122] For its work, Blueacorn received over $1 billion in taxpayer dollars from Prestamos and Capital Plus.[123]

The scale of Blueacorn's involvement in the PPP amplifies concerns about their failures and potential misconduct. In a conversation with Select Subcommittee staff, an SBA OIG

employee involved in PPP fraud described fintechs, including Blueacorn specifically, as "paths of least resistance" for those looking to commit PPP fraud, as discussed in Section D below.[124] DOJ prosecutions of multiple borrowers that received PPP loans from Blueacorn's lending partners appear to support this assessment.[125] In addition to concerns over Blueacorn's handling of financial crime prevention, public allegations of poor borrower support have also plagued the fintech. A *ProPublica* article described the dissatisfaction that multiple PPP applicants felt towards Blueacorn.[126] A review of Blueacorn's social media accounts show that the company received thousands of customer complaints, more than they were able to respond to at the time.[127] Despite these failings, by the beginning of 2022, Blueacorn had disbursed to its ownership as profits over $250 million of the funds that they were given in 2021 to facilitate the PPP.[128]

As detailed below, the Select Subcommittee's investigation found that Blueacorn spent less than one percent of its budget on fraud prevention efforts. In addition to spending little on this function, multiple former Blueacorn employees told the Select Subcommittee that they were both poorly trained and pressured by Blueacorn leadership to approve potentially fraudulent loans. The Select Subcommittee's investigation also found examples of potential misconduct by Blueacorn and its leadership. Internal communications and statements made by Blueacorn insiders indicate that Blueacorn—which claimed to be focused on the underserved—both prioritized and gave less scrutiny to high dollar loans. Most troublingly, the Select Subcommittee's investigation found that Blueacorn's leadership—including those tasked with preventing fraud in the PPP—may have themselves committed PPP fraud or used their company to improperly obtain PPP loans.

1. Blueacorn Processed a High Volume of PPP Loans, Despite Lacking Adequate Preparation or Expertise

*a. Blueacorn Processed $12.5 Billion in PPP Loans in 2021, Becoming One of the PPP's Most Significant Participants*

Blueacorn was founded in April 2020 with "the singular purpose" of facilitating PPP loans for small businesses.[129] The initial Blueacorn leadership team consisted of cell phone accessory merchant and former Lehman Brothers subprime derivative salesman Nathan "Nate" Reis (Co-Founder and former Chief Executive Officer), his wife and former television newscaster Stephanie Hockridge (Co-Founder and former Customer Service Lead), technology entrepreneur Noah Spirakus (Co-Founder and Chief Technology Officer), and other Arizona-based entrepreneurs.[130] In January 2021, Blueacorn turned to Elev8 Advisors, an Arizona-based consultancy, as a compliance consultant and marketing partner.[131] Elev8 Advisors was founded in March 2018 by Adam Spencer, a former payments processing executive, and his wife, Kristen Spencer, who previously worked at a retail branch of a bank and sold insurance.[132]

Blueacorn, a self-described "fintech lender service provider," stated that it "facilitate[d] the application for and fulfillment of PPP loans predominantly for businesses and workers who qualified as independent contractors, self-employed individuals, freelancers, and gig workers."[133] Blueacorn claimed that it "ultimately support[ed] 808,000 small business owners / sole proprietors via disbursement of $12.5 billion in SBA PPP funds."[134] As such, Blueacorn was

involved in the disbursement of more PPP funds in 2021 than America's largest bank, JP Morgan Chase.[135] Blueacorn's participation in the PPP was also significant in terms of number of loans approved. According to Blueacorn, out of the over 1.7 million loan applications that were formally submitted by potential borrowers (after completing initial screening), the fintech approved and sent to lenders 739,282 PPP loan applications for funding in 2021.[136]

Blueacorn, with the assistance of Elev8 Advisors, facilitated PPP loans through lenders Capital Plus and Prestamos. In January 2021, Blueacorn entered into an LSP agreement with Capital Plus, under which Blueacorn was to provide "staff services" to Capital Plus "to carry out certain functions related to the PPP Loan Portfolio rather than hiring employees directly for those same staff functions."[137] According to that agreement, this arrangement was meant to "be more economical and [] result in a higher level of service and expertise to provide better delivery to the small business concerns."[138] On April 14, 2021, Prestamos and Blueacorn signed a similar LSP agreement under which Blueacorn would engage "in the origination, marketing, underwriting, and funding of loans" for Prestamos.[139]

In its partnerships, Blueacorn promised to provide crucial underwriting activities that were required as part of the PPP, including gathering and verifying business information, loan eligibility information, and applicant-supplied tax documents.[140] In a presentation obtained by the Select Subcommittee, Blueacorn promised Capital Plus that it would "process[], underwrite[], approve[] & fund[] loans that qualify for the PPP."[141] Blueacorn claimed to have a "proprietary document intake engine [that] allows our team to process certain types of [PPP] applications in 5 minutes."[142]

Blueacorn also touted its underwriting expertise and claimed to "have contracted a trusted partner to provide highly trained, skilled, and vertically focused underwriters who have come from various walks of the Financial Services industry including small business services, lending, and payments."[143] In a marketing presentation given to Prestamos, Blueacorn promised to provide "technology and financial expertise to streamline the [PPP] application process,"[144] and stated that the fintech had an "extensive vetting and approval process."[145] Prestamos told Select Subcommittee staff that, under their arrangement with the fintech, "the majority of the [PPP processing] workflow was going to go through [Blueacorn]."[146]

*b. Blueacorn Advertised "Free Money" and Loan Qualification in "Less Than 30 Seconds," Attracting Millions of PPP Applicants*

According to company data, over 4.1 million applicants completed Blueacorn's online eligibility questionnaire and started a PPP application.[147] Blueacorn used targeted internet advertisements, referral agreements, billboards, radio commercials, and other traditional marketing mediums to attract prospective applicants to its website with promises of easy loan qualification.[148]

In one promotional appearance, Ms. Hockridge described the PPP as "$100 billion dollars of free money," directing applicants to Blueacorn's website to "find out in less than 30 seconds" whether they qualified for a PPP loan.[149] Ms. Hockridge promised potential applicants that, "if you end up making it to the [Blueacorn] log-in page, you qualify" for a PPP loan.[150] In

Facebook advertisements, Blueacorn reportedly told prospective borrowers that the loans were "100% forgivable, meaning you don't need to pay anything back" and offered approval in one to two days.[151]

*c. Blueacorn Received Over $1 Billion in Taxpayer-Funded Fees for Its PPP Services*

Blueacorn received over $1.08 billion from its lending partners as fees for its PPP services in 2021.[152] According to internal financial information obtained by the Select Subcommittee, Prestamos paid Blueacorn $700 million and Capital Plus paid Blueacorn $386 million in PPP processing fees.[153] Under their LSP agreements, Capital Plus and Prestamos gave Blueacorn the majority—up to 70 percent—of the processing fees that they received from the SBA.[154] In communications obtained by Select Subcommittee staff, Mr. Reis remarked on Blueacorn's success, bragging that his company had made nearly $1.5 billion dollars in less than half a year and that the company's accounts held $750 million in cash.[155]

*d. Despite Becoming an LSP a Year into the PPP, Blueacorn Admitted to Being Unprepared for the Role It Took in the Program*

Unlike the fintechs and lenders that were faced with the challenge of reviewing PPP loans in the uncertain environment at the start of the program in April 2020, by 2021, Blueacorn's operators had a year to observe the program and to formulate strong systems before entering the LSP market. Despite this, Blueacorn executives admitted that the fintech's services were hastily assembled.

Ms. Hockridge described Blueacorn's operation as "building the parachute after we jumped out of the plane."[156] In an interview posted to Medium, CEO Barry Calhoun described Blueacorn as "a fly-by-seat-of-the-pants sort of environment."[157] In an April 2020 Twitter message, another Blueacorn co-founder wrote that Blueacorn's founders "built a Fintech airplane while falling from the sky, in three minutes (weeks, but who's counting)."[158]

*e. Blueacorn's Eligibility Verification and Fraud Investigations Leadership Lacked Significant High-Level Experience in Financial Crime Prevention and Fraud Investigations*

Blueacorn Chief Operating Officer Matt Yahes and another Blueacorn employee who served as underwriting manager were identified by Ms. Spencer as being the Blueacorn leadership members who supervised the fintech's eligibility verification processes.[159] According to conversations with former Blueacorn employees and discussions with Blueacorn, the fintech primarily relied on three senior staffers—an operations manager, the aforementioned underwriting manager, and an investigations manager—to develop Blueacorn's fraud detection process, produce PPP loan review guidance documents, supervise fraud investigations, and answer questions related to fraud and eligibility by loan reviewers.[160]

Despite drafting Blueacorn's primary guidance document for verifying eligibility and identifying fraud, neither Blueacorn's underwriting manager nor its operations manager appear

to have had any prior training or experience in developing institution-wide policies for identifying or preventing fraud in large volume lending programs.[161] Yet, in its promotional material, Blueacorn prominently mentioned that its underwriting manager "came from Silicon Valley Bank and underwrote loans in PPP Round 1."[162] This is an apparent reference to an individual who appears to have spent just 17 months at Silicon Valley Bank in a relatively junior underwriting position and had less than three years total of banking experience when he joined Blueacorn.[163] According to multiple Blueacorn reviewers who spoke to Select Subcommittee staff on condition of anonymity, this underwriting manager was relied on to train reviewers and to answer their questions regarding fraud and eligibility.[164]

Blueacorn's operations manager also appears to have had little experience in banking and virtually no experience in fraud detection or financial crime compliance before managing the review of hundreds of thousands of taxpayer-backed PPP loans. Describing his role in the fintech, the operations manager claimed to have "built a [Blueacorn] department from the ground up" that "managed a team of 200+ and processed over 1 million PPP applications for borrowers."[165] Blueacorn's operations manager, who was 25 years old and appears to have had four years of experience with financial entities, authored the primary eligibility review and fraud detection documents used by Blueacorn application reviewers as their primary resource guide.[166]

Similarly, Blueacorn's investigations manager supervised the company's dedicated fraud investigations team for the duration of the fintech's involvement in the PPP.[167] Despite supervising Blueacorn's crucial fraud investigation function, this manager appears to have had no prior professional experience in investigations, financial crime compliance, banking, or fraud prevention, having previously worked in the areas of health care analysis and marketing.[168]

*f. Elev8 Advisors' Co-Owners, Unqualified to Review PPP Loan Applications for Fraud and Eligibility, Hired Similarly Unqualified Friends and Family to Perform These Tasks*

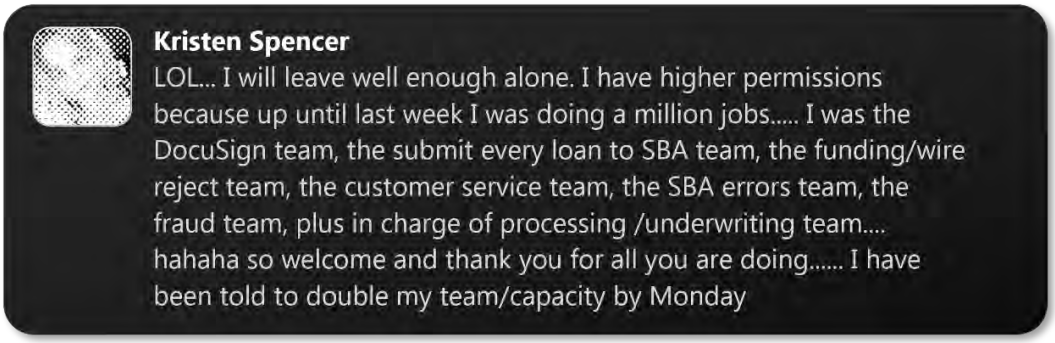
Blueacorn told the Select Subcommittee that it had only "one direct employee who assisted with processing PPP loan applications."[169] The company explained that it "almost exclusively relied on third-party companies and contractors" to process PPP loan applications.[170] As noted above, Blueacorn relied heavily upon Elev8 Advisors—a small Arizona-based payment consultancy owned by husband and wife entrepreneurs Adam and Kristen Spencer—to review Blueacorn's hundreds of thousands of PPP loans.[171] Despite being involved in the review of hundreds of thousands of PPP applications, Elev8 Advisors had just a single employee, according to an August 2021 PPP loan forgiveness application.[172]

Elev8 Advisors informed the Select Subcommittee that it "performed significant advisory services, including those relating to banking as a service, . . . for very sophisticated financial service clients that we can't reveal because of confidentiality."[173] In response to requests from the Select Subcommittee, Elev8 Advisors declined to furnish specific examples of prior experience that was similar to or would otherwise have prepared the consultancy for the role that it played with respect to Blueacorn and the PPP. Citing confidentiality obligations, the company declined to identify a single company for which it had provided loan underwriting consultancy or

Know Your Customer (KYC), Anti-Money Laundering (AML), Bank Secrecy Act (BSA) compliance, fraud prevention, and compliance auditing consulting services prior to the PPP.[174]

Ms. Spencer was herself a key supervisor in Blueacorn's eligibility verification and fraud prevention program, managing a group of contractors who worked as eligibility verifiers and document processors for Blueacorn.[175] Ms. Spencer, who personally reviewed PPP application for signs of fraud, also received escalation of potential fraud from the reviewers under her company's supervision, and was responsible for directing these escalations to Blueacorn senior staff.[176] One Blueacorn PPP application reviewer told Select Subcommittee staff that Ms. Spencer played a central role in the fintech's fraud prevention processes: "At one point I contacted Kristen Spencer to ask what the fraud department was and she said that she was the fraud department."[177]

Ms. Spencer had no prior experience leading or performing fraud prevention or underwriting services for multibillion-dollar federal programs.[178] Her most recent experience prior to her work with Elev8 Advisors was as the owner of an online clothing shop.[179] Prior to that, Ms. Spencer worked in retail banking and insurance sales until 2006.[180] According to a former Elev8 Advisors contractor who spoke to Select Subcommittee staff on condition of anonymity, Ms. Spencer quickly became overwhelmed by her role as the recipient of applications potentially flagged for fraud and sought to minimize the number of applications that were being flagged for fraud by those under her supervision.[181] The contractor told Select Subcommittee staff that Ms. Spencer admonished PPP loan application reviewers for sending "too many loan applications to her for fraud review" and stated that "she could not process this amount."[182] Slack messages obtained by the Select Subcommittee appear to confirm this account. In one message to a Blueacorn information technology consultant, Ms. Spencer wrote, "I was doing a million jobs…I was…the fraud team, plus in charge of [the] processing / underwriting team."[183]




Elev8 Advisors hired its co-owners' inexperienced friends and relatives, including the couple's parents, siblings, and children, to review and underwrite PPP applications in connection with its fraud-prevention contract with Blueacorn.[184] According to a former Blueacorn contractor:

> [Mr. Spencer] hired at least 30 of his closest friends and family to work as underwriters submitting PPP loans to the SBA through Blueacorn[]. These employees include but are

not limited to his wife, sons, brother and sisters in law, father in law [sic] and mother in law [sic], and friends of himself and his sons.[185]

Documents obtained by the Select Subcommittee confirm that Mr. Spencer's children (one of whom had just recently graduated from high school) and other close relatives worked as PPP application reviewers and loan underwriters.[186] These individuals included multiple professionals from industries with no connection to the financial sector, and with no apparent experience in financial crime compliance, fraud prevention, or underwriting.[187] In a Slack message sent from Ms. Spencer to Ms. Hockridge, Ms. Spencer called her teenaged son a "really strong underwriter" and later shared with Ms. Hockridge a picture of him "looking up bank accounts" as part of reviewing PPP loans.[188]

2. Blueacorn Spent Little on Fraud Prevention and Eligibility Verification, While Directing Hundreds of Millions of Dollars to Its Owners and Executives

Internal Blueacorn financial documents obtained by the Select Subcommittee indicate that Blueacorn allocated few of its financial resources to fraud prevention, eligibility verification, or customer support functions—directing a significant majority of the SBA processing fees that it received to its owners as profit and to a marketing firm owned by Blueacorn's own strategic advisors.[189] According to these documents, $666 million of the $1.08 billion in taxpayer funded SBA processing fees that Blueacorn received—well over half of the total—went to Paynerd (also known as Paynerdier), a marketing company founded and operated by Blueacorn Strategic Advisor Matt Mandell and Blueacorn Chief Marketing Officer Taylor Hendricksen.[190] Nearly two-thirds of the remaining funds—$258 million—were disbursed to Blueacorn's owners as profits.[191]

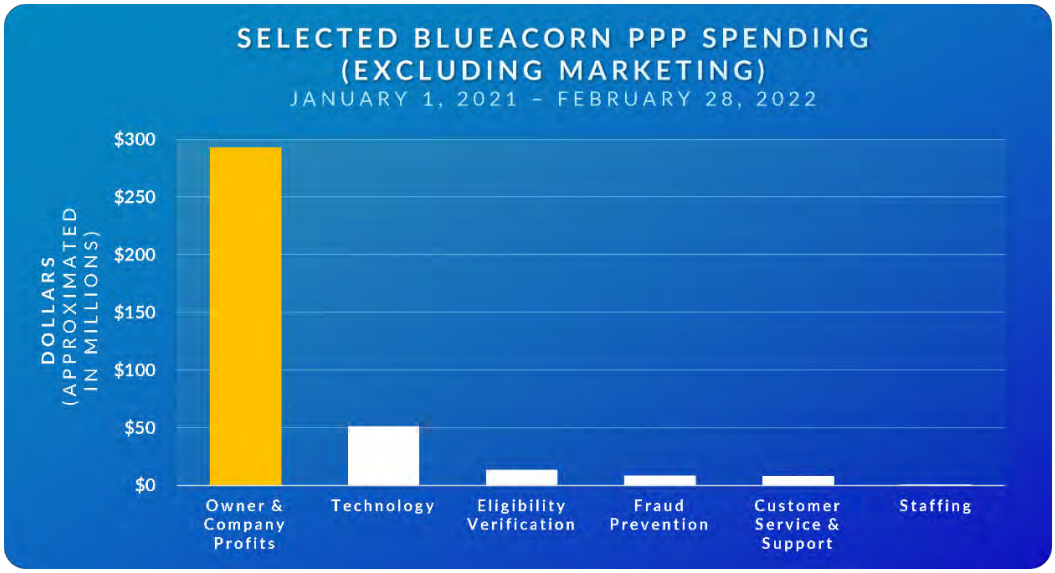


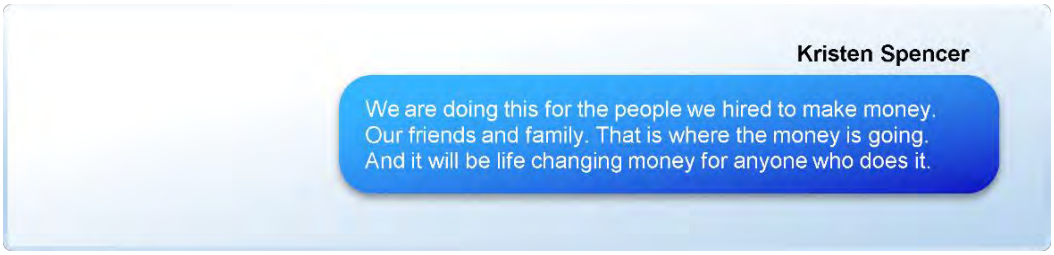

*Figure 2: Selected expenditures of Blueacorn related to the PPP. The largest expense, and the bulk of Blueacorn's PPP proceeds, $666 million, went to Paynerd for marketing. The second largest expenditure was owner and company profits.*[192]

Blueacorn spent little on eligibility verification, fraud prevention, or technology compared to the large amount of taxpayer money that went to its owners and a marketing firm

whose principals were part of Blueacorn's senior leadership.[193] According to internal financial documents, Blueacorn spent 0.79 percent ($8,682,207) of its total income on fraud prevention, 1.26 percent ($13,713,563) on eligibility verification, and 4.75 percent ($51,597,240) on technology.[194] Similarly, just 0.75 percent of Blueacorn's total income was spent on customer service and support, despite the fintech being inundated with complaints from borrowers about the quality of their customer support.[195] By contrast, Blueacorn gave its owners approximately 24 percent of its total income in 2021 as profits and gave a marketing firm controlled by the fintechs' senior leadership over 60 percent of its total income in 2021.[196]

In an email obtained by the Select Subcommittee, Mr. Spencer pitched potential PPP partnerships to banks as a "new profit center" and "low to no risk fee generator."[197] He also wrote that the PPP provided an "immediate influx of potential customer growth to cross-sell other bank products with no Cost of Acquisition."[198] Although the company disclosed its profits and disbursements, Blueacorn declined to provide the Select Subcommittee with profit information related to individual owners. However, according to a Blueacorn operating agreement obtained by the Select Subcommittee, Mr. Spirakus owned a 50 percent interest in Blueacorn while Mr. Reis and Ms. Hockridge jointly owned the other 50 percent.[199] This ownership stake could have entitled Mr. Spirakus to $129 million, while Mr. Reis and Ms. Hockridge would have shared the other half. A video created by Mr. Reis and Ms. Hockridge and obtained by Select Subcommittee staff show Mr. Reis showing off large amounts of cash in a bar on December 21, 2021.[200] According to public records, Mr. Reis relocated to San Juan, Puerto Rico, which has no capital gains tax, following his work at Blueacorn and has registered another company, Lender Service Consultants LLC.[201] In an October 8, 2021, video obtained by Select Subcommittee staff—geolocated to San Juan, Puerto Rico—Ms. Hockridge recorded Mr. Reis on the balcony of a luxury beachfront apartment.[202]

Messages obtained by the Select Subcommittee made clear that the Spencers saw Elev8 Advisors' involvement in the PPP as a significant opportunity to enrich themselves and their family members. In a text message obtained by the Select Subcommittee, Ms. Spencer told family members, some of whom worked as PPP loan reviewers, that the PPP was a "once in a lifetime opportunity."[203] Ms. Spencer told family members whom the Spencers had hired to conduct the PPP review process: "We are doing this for the people we hired to make money. Our friends and family. That is where the money is going. And it will be life changing money for anyone who does it."[204] Referring to the money that she and her family would make from the PPP, she continued, "[a]nd while [money is] not everything--it's a fucking lot."[205]



3. Blueacorn Application Reviewers Alleged Poor Training and Reported Being Pressured to "Push Through" Potentially Fraudulent Applications

Multiple staff working for Blueacorn to review PPP applications reported serious concerns about the company's processing of PPP loan applications. An SBA OIG complaint obtained by the Select Subcommittee submitted by a former Blueacorn PPP application reviewer alleged multiple control weaknesses and poor processes in the fintech's PPP review program. In the complaint, the former Blueacorn PPP application reviewer described their lack of training:

> I was submitting PPP loans to the SBA the first minute of the first day I started working….and I was given no formal or informal training on loan underwriting, as well as no training on how to properly identify and report fake government identification such as a driver's license. I was given no training on how to identify fraudulent tax and bank documents such as Schedule C and bank transaction history.[206]

The reviewer noted that the lack of training did not slow down Blueacorn's review process, writing: "On my first day, without knowing what I was doing, but following instruction from my superiors, I submitted at least 300 PPP loans to SBA without any training or any understanding of loan underwriting."[207]

The reviewer also alleged that Blueacorn's application review process "incentivized the fast and inaccurate submission of PPP loans to the SBA by offering cash bonuses…for submitting as many PPP loans to the SBA as quickly as possible."[208] The reviewer also reported that they felt pressure from Blueacorn's leadership to reduce the number of applications flagged for fraud, writing:

> After several days of trying to accurately perform my job duties and flag potentially fraudulent applications for further scrutiny, I was contacted by my superiors about what they considered to be an excessive number of flagged loans. I was subsequently pressured to submit a higher number of loans to the SBA despite my concerns of the applications potentially containing fraudulent documents. I was told we were expected to process at least 30 to 40 application[s] per hour.[209]

The reviewer also reported that Blueacorn's leadership disregarded and downplayed the risk of fraud in the PPP:

> When I complained to my superiors that I was uncomfortable identifying potential fraud and submitting PPP loans to the SBA at this rate, without proper training, I was told on multiple occasions by [Blueacorn leadership] that "We are not the fraud police. Even if the applicants are submitting fraudulent documents, we are covered by the applicants[']attestation that what they are submitting is truthful, and even fraud will help stimulate the economy."[210]

According to the reviewer, Blueacorn management told them: "We want you to submit. The more you submit, the more we get paid."[211]

Select Subcommittee staff spoke with a former Blueacorn eligibility verification supervisor, on condition of anonymity, who expressed similar concerns. The supervisor, who managed 15 reviewers that were responsible for reviewing the applications and supporting documents submitted by PPP applicants as part of their loan applications, told Select Subcommittee staff that Blueacorn reviewers were originally told to screen applications for fraud.[212] However, according to the supervisor, Blueacorn later de-emphasized fraud screening in favor of approving more applications. The supervisor stated: "Towards the beginning, they wanted us to check for fraud and send it to a fraud department if we noticed anything." However, according to the supervisor, Blueacorn leadership gave new instructions as the program progressed. The supervisor told Select Subcommittee staff that "anything we thought was fraud they still wanted us to push it through, and they informed us the SBA would handle any fraud we didn't stop."[213]

The Blueacorn supervisor also told Select Subcommittee staff that reviewers frequently saw applications with signs of fraud, despite those applications having already cleared Blueacorn's automated systems. The supervisor informed Select Subcommittee staff that reviewers told Blueacorn's management that they saw fraud that the automated checks did not detect, but that Blueacorn management took no action: "They told us to keep pushing everything through."[214]

Specifically, the supervisor explained that Blueacorn reviewers were told to approve applications even when "the formatting of the bank statements was just off," and that reviewers were told not to reject applications even when their experience indicated that the applications were likely fraudulent.[215] They said: "We learned to notice when the bank statements looked off and were just pulling info from another company's bank statement."[216] The supervisor told Select Subcommittee staff that their staff were instructed to approve applications that "just didn't look right."[217]

A non-supervisory former Blueacorn application reviewer—who also spoke with Select Subcommittee staff on condition of anonymity—raised similar issues as those highlighted in the SBA OIG complaint and relayed to Select Subcommittee staff by the former Blueacorn supervisor. The former reviewer was responsible for "trying to identify the initial levels of fraud or inaccurate information on those initial applications."[218] However, according to the reviewer, they received little guidance from Blueacorn as to how to verify applicants' eligibility for a PPP loan:[219]

> There were a lot of little intricacies with the program or the process that I'm not familiar with, not having worked in that industry at all. There were a lot of questions that came up constantly that we'd try to reach out to get answered, and just very seldom could we get an answer. We were told that the rules were constantly changing on what was and was not ok.[220]

The reviewer told Select Subcommittee staff that Blueacorn did little to answer reviewers' questions of whether an application was fraudulent or not. The reviewer stated: "Sometimes questions would get answered, sometimes they wouldn't. Sometimes they would just reference a document and say hey it's in there read it to find the answer to your question."[221]

Another non-supervisory former Blueacorn PPP loan reviewer who also spoke to Select Subcommittee staff on condition of anonymity stated that they also had concerns about Blueacorn's PPP loan review process. This reviewer said that untrained and newly hired Blueacorn PPP loan reviewers would ask each other whether applications appeared fraudulent. The reviewer told Select Subcommittee staff: "On a Slack group chat, people would ask whether something looked fraudulent to anyone else, and people would either say 'I don't know, looks fine to me' or 'I don't know, that looks crazy, send it to fraud.'"[222] This informal process was apparently used to determine which PPP applications would be approved and moved forward in the process and which PPP applications would be flagged for potential fraud.

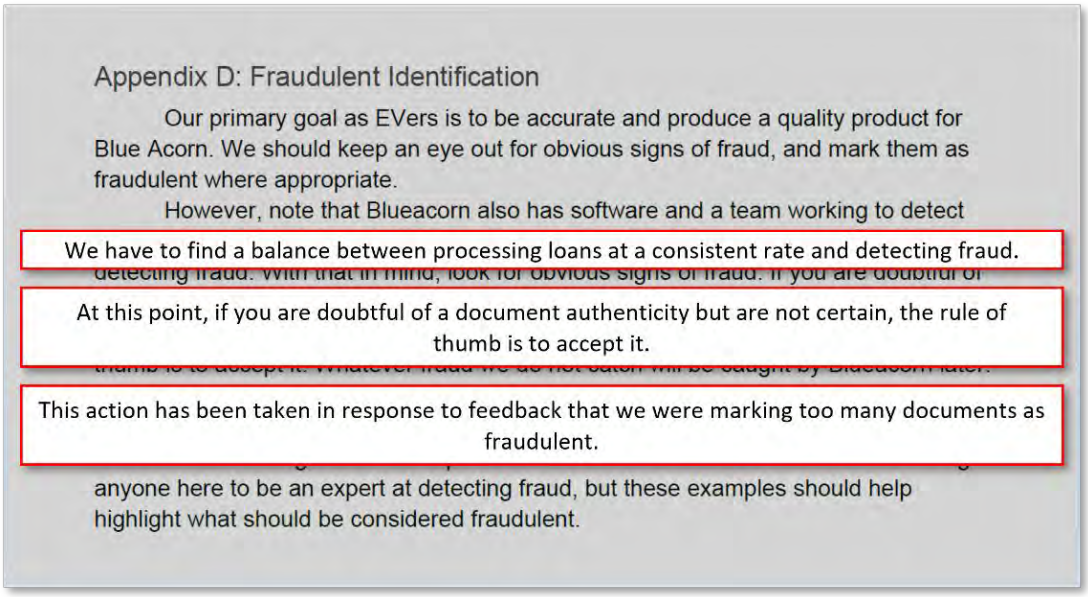
Despite their inexperience, reviewers noted that some applications appeared to be fraudulent. One former reviewer stated that they saw suspicious applications with "the same backgrounds on ID pictures or something that looked like a stock photo."[223] The reviewer told Select Subcommittee staff that, in response to questions on how to deal with apparent fraud, Blueacorn leaderships instructed: "Continue doing what you're doing. If it's outright suspicious, flag it, otherwise push it through."[224]

In addition to concerns regarding the handling of PPP application reviews, multiple former Blueacorn PPP application reviewers told Select Subcommittee staff that they were concerned with how the company was treating sensitive PPP applicant data. A former Blueacorn reviewer told Select Subcommittee staff that Blueacorn was "not using encrypted systems when dealing with personally identifiable information such as Social Security Numbers" and that, on at least one occasion, they "accidentally download[ed] people's driver's licenses onto my [personal] computer."[225]

4. Internal Blueacorn Documents Show That Reviewers Were Instructed to Ignore All but "Extremely Obvious Fraud"

The statements of former Blueacorn PPP application review staff are supported by the internal documentation used by Blueacorn to guide the individuals tasked with determining whether applicants were eligible for PPP loans. The Select Subcommittee obtained Blueacorn's PPP Processing Script, which the company used as "a training document . . . to onboard and instruct members of the Eligibility Verification team on how to process loan applications" and which served as the "primary resource for processing loans throughout the project."[226]

In one section, the PPP Processing Script warned Blueacorn's loan reviewers that the company believed that reviewers were identifying too many fraudulent documents and flagging too many loans for additional fraud review.[227] The PPP Processing Script informed reviewers that application review process changes were being made "in response to feedback that [reviewers] were marking too many documents as fraudulent."[228] The document instructed Blueacorn's PPP loan application reviewers to accept loans with suspicious supporting documentation: "if you are doubtful of a document authenticity but are not certain, the rule of thumb is to accept it."[229]



Appendix D: Fraudulent Identification

Our primary goal as EVers is to be accurate and produce a quality product for Blue Acorn. We should keep an eye out for obvious signs of fraud, and mark them as fraudulent where appropriate.

However, note that Blueacorn also has software and a team working to detect

We have to find a balance between processing loans at a consistent rate and detecting fraud.

At this point, if you are doubtful of a document authenticity but are not certain, the rule of thumb is to accept it.

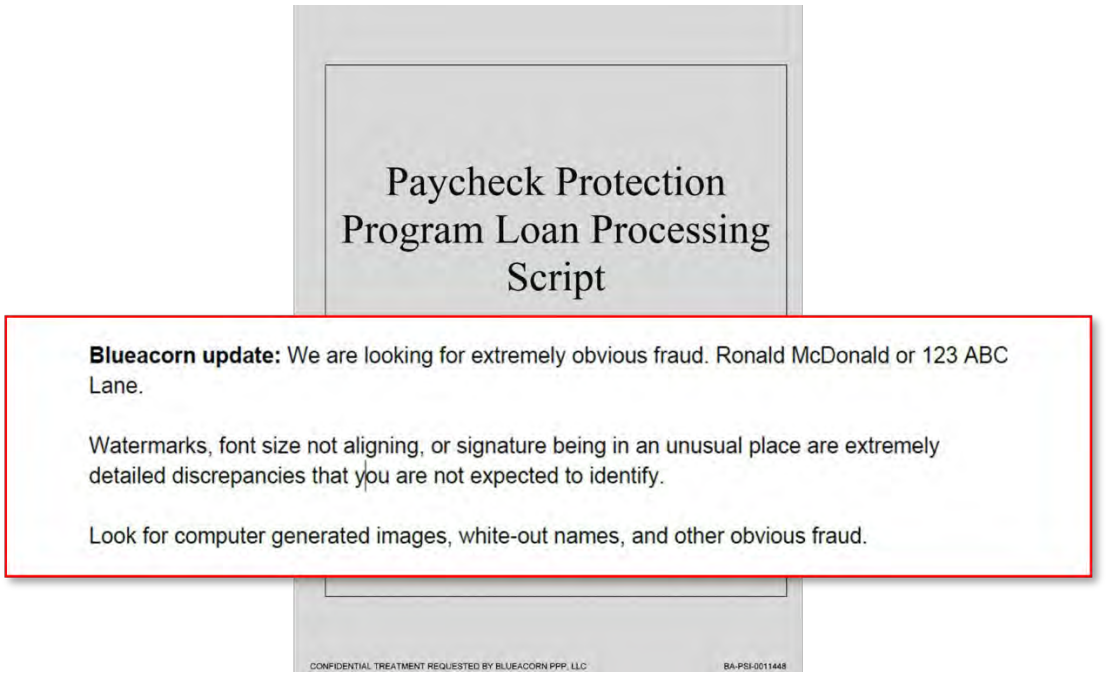
This action has been taken in response to feedback that we were marking too many documents as fraudulent.

anyone here to be an expert at detecting fraud, but these examples should help highlight what should be considered fraudulent.

Asked why Blueacorn's "primary resource for processing loans" warned reviewers to flag fewer applications for fraud, Blueacorn attempted to blame former strategic advisor and Paynerd owner Matthew Mandell, telling the Select Subcommittee that it was "likely" Mr. Mandell who had complained that Blueacorn reviewers were identifying too many potentially fraudulent documents.[230] The company stated that Mr. Mandell "regularly suggested to Blueacorn leadership that Blueacorn's increasingly rigorous system was too sensitive."[231] Blueacorn claimed that Mr. Mandell was likely motivated to make these comments to maximize his personal profits since his "company [Paynerd] was compensated only for marketing leads that ripened into completed loans."[232]

While Blueacorn blamed Mr. Mandell for suggesting that fraud controls be weakened, evidence appears to indicate that Blueacorn's leadership did not push back. On the contrary, the suggestion that PPP application reviewers apply only limited scrutiny to potentially fraudulent applications was reflected in the company's primary guidance document.[233] Blueacorn's own revenue and the compensation of many of its executives was also tied to the number of applications that ripened into completed loans, meaning that any incentive that Mr. Mandell had to maximize the number of completed loans was also shared by the company itself.

The PPP Processing Script also instructed Blueacorn's PPP application reviewers to only flag applications with "extremely obvious fraud" and to ignore other less blatant attempts to submit fraudulent identification documents.[234] Blueacorn PPP loan reviewers were instructed not to flag identification documents with strange font alignment, signatures in unusual places, or incorrect or missing watermarks.[235] Instead, Blueacorn asked its reviewers to be on alert for loan applications with such extremely obvious markers of fraud as applications in the name of "Ronald McDonald" or with an address of "123 ABC Lane."[236] Blueacorn's guidance explicitly told PPP loan reviewers *not* to check drivers' licenses received as part of a PPP loan application against websites with examples of genuine drivers' licenses.[237]




Blueacorn defended its decision to instruct its reviewers not to report indicators of fraud, informing the Select Subcommittee that "individual reviewers were ill-suited to identify any but the least sophisticated fake identification documents."[238] Blueacorn argued that other layers of review, namely an "enhanced due diligence" (which began on June 11, 2021—after the PPP program ended) and a specialized investigations team, were better equipped to identity fraud.[239] However, Blueacorn's specialized teams only reviewed applications that were already flagged for fraud by individual reviewers or other sources, meaning that they did not effectively act as a backstop to the initial review team's work.[240]

5. Elev8 Advisors Encouraged PPP Loan Application Reviewers to Minimize Time Spent on Application Reviews and to Overlook Fraud Flags

With Blueacorn's apparent encouragement, Elev8 Advisors encouraged the friends and family it hired to review applications at a pace that risked compromising the effectiveness of their reviews. Ms. Spencer pushed reviewers to get through as many applications as possible, apparently because doing so would maximize Blueacorn's and Elev8 Advisors' profits. In a Slack message obtained by the Select Subcommittee, Ms. Spencer claimed that Blueacorn's Chief Operating Officer, Mr. Yahes, instructed her to "do nothing outside of making sure [eligibility reviewers] get through 5000 files a day."[241] Blueacorn's information technology consultant responded, "oy vey, that's a lot haha."[242] According to internal Blueacorn communications, Mr. Yahes was one of two Blueacorn employees primarily responsible for directing their eligibility verification team.[243]



A former Elev8 Advisors contractor who conducted PPP loan reviews for Blueacorn informed Select Subcommittee staff that Elev8 Advisors' loan reviewers were told "the faster the better" and that each loan application review "should take you less than 30 seconds."[244] In another instance, Ms. Spencer told eligibility reviewers that Blueacorn expected reviewers to complete, at a minimum, one PPP loan application review every two minutes.[245] Elev8 Advisors also assisted Blueacorn in obtaining the services of a publicly-traded company, Business Warrior, to also conduct PPP loan verification services.[246] In a series of emails between the President of Business Warrior and two top Blueacorn executives, Business Warrior's President stated that their loan verification staff would be able to review a PPP application in just 90 seconds and complete 40 applications per hour per reviewer.[247] Emails obtained by the Select Subcommittee show that Blueacorn approved Business Warrior's proposal and arranged to pay the company three dollars per PPP application reviewed.[248]

6. Blueacorn's Automated Review Process Used Off-the-Shelf Technology That Was—on at Least One Occasion—Weakened to Ensure Higher Loan Approval Rates

Blueacorn claimed that it "simplif[ied] the application processes" for lending programs by using "high-quality, proprietary lending software and fraud detection tools."[249] Documents obtained by the Select Subcommittee reveal that Blueacorn largely relied on off-the-shelf fraud and KYC technology software subscriptions. According to Blueacorn, it relied on four commonly used third party software products (Plaid, Giact, Onfido, and IDology) to "help improve our risk posture and mitigate fraud."[250] The Select Subcommittee's investigation determined that, at one point, even one of these off-the-shelf technologies was put aside to decrease the amount of potential fraud flagged and increase the number of applicants receiving loans (which, by extension, would increase Blueacorn's profits).

At the end of March 2021, Blueacorn began using IDology, a software that used an applicant's social security information to generate a list of multiple-choice questions that only the applicant should be able to answer (such as which home address in a multiple-choice list was associated with the applicant).[251] In using this tool, Blueacorn determined that IDology questions were "quite difficult" for many PPP applicants to correctly answer and flagged a large number of applications as suspicious.[252] Beginning in early April 2021, Blueacorn began to use Onfido as its primary method of identity verification instead of the more rigorous IDology questions or human reviews.[253] Following Blueacorn's switch to Onfido, applicants were only directed to the IDology system if they failed Onfido or if their application was subsequently flagged as suspicious at a later point in the application process.[254]

7. Blueacorn Prioritized and Gave Less Scrutiny to High Value Loans and Applicants Deemed "VIPPP"

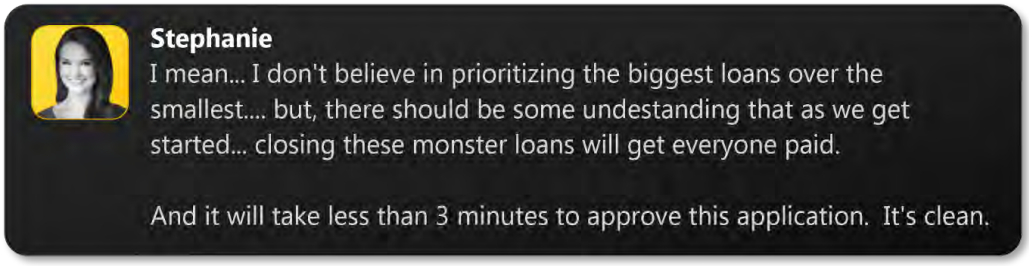
Contrary to Congress's clear intent, the Trump Administration and many big banks failed to prioritize small businesses in underserved markets, including minority and women-owned businesses.[255] As a result, small businesses that were truly in need of financial support during the economic crisis often faced longer waits and more obstacles to receiving PPP funding than

larger, wealthier companies.[256] The Biden-Harris Administration took steps to reach women-owned, minority-owned, low- and moderate-income, rural, and other underserved communities through the PPP.[257] Blueacorn claimed to support this mission and stated that reaching "[t]iny businesses, self-employed individuals, and minority communities [that] are left out in the cold" was their fintech's "core mission."[258] Despite this proclamation, information uncovered by the Select Subcommittee indicates that Blueacorn instructed its staff to prioritize—and give less scrutiny to—high dollar loans that would earn the company higher commissions.

In communications obtained by the Select Subcommittee, Blueacorn's senior leadership instructed a Blueacorn contractor to prioritize certain large dollar PPP loan applications for review and approval over small dollar PPP loans. In one such communication, Ms. Hockridge reminded Ms. Spencer, who supervised Blueacorn-contracted loan reviewers, that large dollar PPP loans were more profitable for the company:

> I mean…I don't believe in prioritizing the biggest loans over the smallest…but, there should be some understanding that as we get started…closing these monster loans will get everyone paid.[259]

In the same message, Ms. Hockridge also suggested that Blueacorn's loan reviewers did not need to closely review a "monster loan[]" and wrote that it "will take less than 3 minutes to approve this application," assuring Ms. Spencer that the loan was "clean."[260]




In another Slack message obtained by the Select Subcommittee, Ms. Hockridge suggested that Blueacorn loan review contractors should prioritize a high dollar PPP loan in the amount of $1.9 million. Ms. Hockridge wrote:

> I have a $1.9M deal that's been sitting in UW [underwriting] Ready for 5 DAYS!!! I don't need to tell you how much Blueacorn makes off that loan alone …[261]



In addition to prioritizing large dollar loans over smaller loans, Blueacorn also created an exclusive category of PPP loans that were tagged with a "VIPPP" code and managed by Ms. Hockridge outside of the standard Blueacorn workflow.[262] Ms. Hockridge appears to have been eligible to receive an additional commission for each funded VIPPP loan.[263] Evidence obtained by the Select Subcommittee indicates that Ms. Hockridge, on multiple occasions, appeared to instruct Blueacorn loan reviewers to give loans in her VIPPP channel preferential treatment and less scrutiny.

In an email between Blueacorn and a PPP loan applicant that were posted to an internet message board, a Blueacorn employee reporting directly to Ms. Hockridge apologized for delays that the PPP applicant faced related to their PPP loan.[264] In that email, the employee wrote, "Your loan did not come to us at VIPPP. You may have applied on the website, rather than our link for VIPPP."[265] The employee attributed the poor service given to this PPP loan applicant to being "assigned to the regular side of Blueacorn."[266] The employee then promised that she would "work on getting you assigned to us at VIPPP" and promised that being assigned to the special VIPPP channel would allow her to "get things moving right away."[267]

In at least one instance, Ms. Hockridge instructed a Blueacorn application reviewer to approve large dollar "VIPPP" loans without following Blueacorn loan review procedures and without running the applications through Blueacorn's automated fraud detection software system.[268] Representatives of a Blueacorn contractor told the Select Subcommittee:

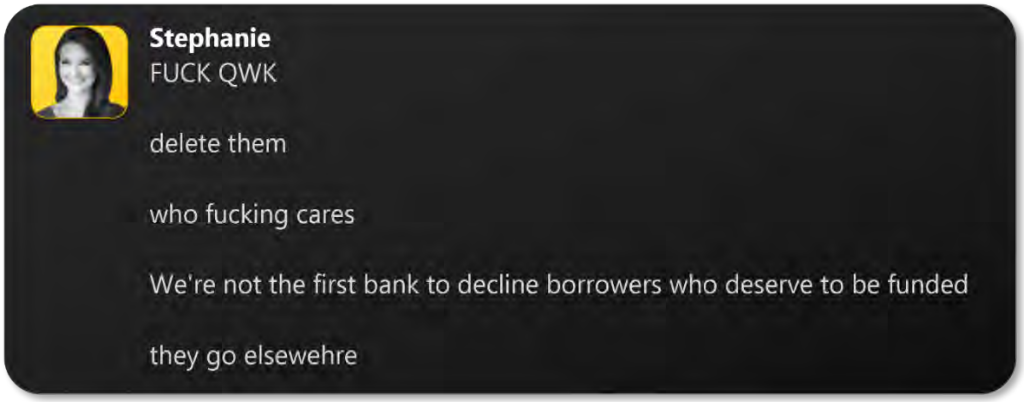
> In May 2021, [a Blueacorn loan reviewer] was asked to assist Ms. Hockridge in reviewing these VIPPP loans. [The Blueacorn loan reviewer] informed [her supervisor] that Ms. Hockridge was asking her to prioritize and submit large loans without following protocols that [loan reviewers] had been trained to complete.[269]

In another communication obtained by the Select Subcommittee documenting a separate incident, Ms. Hockridge instructed that Blueacorn contractors should approve a "VIPPP" PPP loan application without full review, writing: "no need to put your spot=checker [sic] on it--the file is good…just needs approval from someone other than me…since it's in my channel."[270]




Ms. Hockridge also instructed subordinates to deprioritize non-VIPPP loans. In Slack messages obtained by the Select Subcommittee, Ms. Hockridge directed a Blueacorn loan reviewer to "delete" certain loan applications not affiliated with her VIPPP channel, including loans that were part of another channel referred to as "QWK."[271] Referring to these loans, Ms. Hockridge wrote, "FUCK QWK," "delete them," and "who fucking cares."[272] Blueacorn's

founder made clear that the focus on approving and funding VIPPP loans meant that some non-VIPPP loans might not be funded, but that she did not care about the disruption that it would cause to regular—non VIPPP—PPP applicants.[273] Ms. Hockridge wrote, "We're not the first bank to decline [PPP] borrowers who deserve to be funded … they go elsewehre (sic)."[274]




8. Blueacorn Executives Improperly Charged PPP Applicants for Loan Processing

According to PPP program guidance, agent fees could only be paid by the lender from the fees the lender received from the SBA. PPP rules expressly prohibited loan agents from collecting fees directly from borrowers or being paid out of PPP loan proceeds.[275] However, according to Blueacorn's primary compliance consultants, Blueacorn co-founders Mr. Reis and Ms. Hockridge requested that PPP borrowers directly pay them substantial fees out of the proceeds of their PPP loans.[276] Representatives for the principals of Elev8 Advisors told the Select Subcommittee that Mr. Reis and Ms. Hockridge attempted to charge multiple PPP applicants a fee of up to 10 percent of the loan value for PPP application preparation and processing services, in violation of SBA rules.[277]

Elev8 Advisors' representatives also told the Select Subcommittee that Elev8 Advisors' owners informed Blueacorn's Chief Operating Officer that Ms. Hockridge had asked PPP applicants to pay her directly for Blueacorn's PPP assistance services.[278] The representatives of Elev8 Advisors also told the Select Subcommittee that Mr. Reis asked Elev8 Advisor's owners for payments after he helped them get a first round PPP loan approved.[279] The Select Subcommittee could not confirm how many loans Ms. Hockridge may have improperly charged additional fees for.

9. Blueacorn Executives Gave PPP Loans to Themselves, Their Businesses, and Their Business Associates Without Controls to Prevent Conflicts of Interest

The Select Subcommittee's investigation revealed that individuals with senior leadership positions at Blueacorn and their close business or family associates—including those affiliated with Elev8 Advisors—received more than $650,000 in PPP loans.[280] Of that amount, Mr. Reis, Ms. Hockridge, and companies that they owned received nearly $300,000 in PPP loans, nearly $200,000 of which came through Blueacorn or from Blueacorn's most important business partners: Prestamos and Capital Plus.[281] A Blueacorn loan review supervisor who spoke with

Select Subcommittee staff on condition of anonymity said that the fintech had no formal controls or policies to govern the issuance of loans to insiders.[282]

In 2021, Mr. Reis received a $20,832 PPP loan for himself as an independent contractor,[283] a separate $20,832 PPP loan for Juuice, LLC (a company in which he is the sole member and employee),[284] and a $62,500 loan for Juuice, Inc. (a separate mobile phone accessory company that he both owned and claimed to be one of three employees of).[285] The loans for Mr. Reis and Juuice, Inc. were both facilitated by Blueacorn and the loan for Juuice, LLC was issued by Blueacorn partner Prestamos.[286]

In 2021, Ms. Hockridge received a $14,427 PPP loan for herself as an independent contractor[287] and a separate $20,832 PPP loan for Body Politix, LLC (a company in which she is the sole member and employee),[288] and likely benefited from the $62,500 PPP loan Mr. Reis obtained for Juuice, Inc., a company that Ms. Hockridge claimed paid her a six-figure salary.[289] Ms. Hockridge and her affiliated companies received nearly $100,000 in PPP loans—each facilitated by Blueacorn—in the same year that she was leading Blueacorn's loan processing and review operations.[290]

**BLUEACORN FOUNDERS TOOK OVER $200,000 IN PPP LOANS**

| LOAN RECIPIENT | LOAN AMOUNT | LENDER | LOAN STATUS |
|---|---|---|---|
| NATHAN REIS | $18,758 | Bank of America | Forgiven |
| NATHAN REIS | $20,832 | Capital Plus Financial | Disbursed |
| STEPHANIE HOCKRIDGE | $14,427 | Capital Plus Financial | Disbursed |
| STEPHANIE HOCKRIDGE | $15,000 | CDC Small Business Finance | Forgiven |
| BODY POLITIX, LLC | $20,832 | Capital Plus Financial | Disbursed |
| BODY POLITIX, LLC | $19,832 | Prestamos CDFI | Forgiven |
| JUUICE, INC | $62,500 | Capital Plus Financial | Disbursed |
| JUUICE, INC | $69,870 | CDC Small Business Finance | Forgiven |
| JUUICE, LLC | $20,832 | Prestamos CDFI | Forgiven |
| JUUICE, LLC | $20,832 | Prestamos CDFI | Forgiven |

*Figure 3: Table of PPP loans received by Blueacorn's Founders.*[291]

Other Blueacorn owners and executives also received PPP loans that were facilitated by the company. Blueacorn Co-Founder Michael Cota was linked to two Blueacorn PPP loans.[292] Lincoln Jore, another of Mr. Reis' business partners who was then-president of Juuice, Inc., received at least $108,000 in PPP loans through Blueacorn's lending partners for himself and his business, Men's Revival LLC.[293]

On June 8, 2021, Capital Plus Chief Financial Officer (CFO) Farzana Giga asked Blueacorn to provide it with a list of PPP loans received by Ms. Hockridge, Mr. Reis, their affiliated companies, and other Blueacorn insiders.[294] Capital Plus did not disclose the reason for this request or how the lender became aware of the loans, months after they were issued.[295] In

response to Capital Plus' request, Blueacorn identified 11 loans related to Blueacorn insiders.[296] Much of the paperwork associated with these loans had been signed by Ms. Giga.[297]

In a June 23, 2021 letter to Capital Plus, Blueacorn claimed that, "[i]n the course of compiling the list," the company "developed questions about several of the applications."[298] Ms. Hockridge and Mr. Reis, at Capital Plus' request, repaid the PPP loans totaling over $100,000 in July 2021.[299] At least six of the PPP loans (totaling at least $165,124) that Mr. Reis and Ms. Hockridge received from Blueacorn-partner Prestamos and other lenders were forgiven, according to public records.[300]

10. Blueacorn's Co-Founders May Have Fraudulently Received PPP Loans

The PPP loan applications for Mr. Reis and Ms. Hockridge contain inconsistencies indicating that Blueacorn's owners—who were personally involved in running fraud prevention and eligibility verification efforts for the fintech—may have themselves committed fraud against the PPP. In a PPP loan application signed by Mr. Reis on February 5, 2021, Mr. Reis falsely claimed to be both a military veteran and an African American,[301] contradicting other PPP loan applications where he listed himself as white and a non-veteran.[302] Mr. Reis may have falsely listed himself as an African American veteran in an effort to take advantage of changes made in early 2021 to prioritize veteran and minority-owned businesses.[303]

In another example of potentially suspicious activity, Mr. Reis—claiming to be an independent contractor—was granted a PPP loan on April 27, 2020 based on documentation he submitted purporting to show that he received $96,000 from Body Politix—a company owned by his wife, Ms. Hockridge.[304] However, a bank statement supplied by Mr. Reis as part of his PPP application to Capital Plus show no transfers from this company, or any transactions indicating that he received $96,000 in consulting income.[305] Further, in PPP loan applications submitted by Ms. Hockridge for Body Politix in June 2020 and February 2021, the company did not list the purported payments to Mr. Reis when providing details on the company's expenses.[306] These inconsistencies raise concerns that Body Politix did not, in fact, make the payments that Mr. Reis claimed as the basis of his income in his PPP loan application.

Although the SBA required PPP applicants to disclose as part of their application any other businesses that they owned, both Mr. Reis and Ms. Hockridge checked the "No" box on multiple PPP applications to indicate that they did not have any other businesses.[307] This is apparently contradicted by other PPP applications and public records indicating the couple's ownership in Juuice, Inc., Juuice, LLC, Body Politix, and Blueacorn. The failure to disclose ownership in other companies may have been an effort to prevent additional SBA scrutiny of the multiple streams of PPP funding that they received.

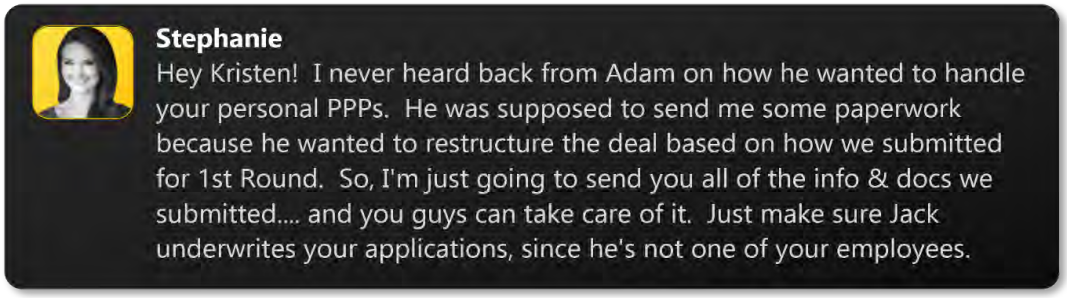
As noted in Section 12 below, Capital Plus informed the Select Subcommittee that it initiated an investigation into loans that it issued to Mr. Reis, Ms. Hockridge, and their affiliates. After that investigation, Mr. Reis and Ms. Hockridge repaid some of these loans at Capital Plus's request.[308] Nevertheless, the inconsistencies and indicators of potential fraud in the PPP applications of Mr. Reis, Ms. Hockridge, Juuice, Inc., Juuice, LLC, and Body Politix, LLC—in addition to their approval by Blueacorn—merit further investigation by the SBA OIG and, if warranted, DOJ.

11. Elev8 Advisors' Owners Worked with Blueacorn Leadership to Give Themselves Dubious PPP Loans Through Blueacorn

On February 15, 2021, days after securing multiple PPP loans for herself and her company, Ms. Hockridge—who at the time owned Blueacorn and took a leading role in its loan underwriting operations—sent a message to Ms. Spencer informing her that she would be "creating applications for Elev8 [Advisors] and Sweet Pea [sic] today."[309] In the same February 15, 2021 message, Ms. Hockridge told Ms. Spencer: "Sorry for the delay – I didn't realize that Nate [Reis] had told you we would take care of [your PPP loans]. My bad! I'll fix that today."[310]




One month later, on March 8, 2021, Ms. Hockridge again messaged Ms. Spencer regarding their personal PPP loans, writing: "Hey Kristen! I never heard back from Adam [Spencer] on how he wanted to handle your personal PPPs. … I'm just going to send you all of the info [and] docs we submitted…and you guys can take care of it."[311] Ms. Hockridge also instructed the Spencers to direct their personal PPP applications to a specific employee of Ms. Hockridge's, writing: "Just make sure Jack [Blueacorn's underwriting manager] underwrites your applications, since he's not one of your employees."[312] Communications obtained by the Select Subcommittee show that Ms. Hockridge then sent corporate information related to the Spencers and their businesses to Ms. Spencer.[313] The Spencers would later receive PPP loans through Blueacorn for themselves and at least one of their businesses.[314]




In March 2021, Mr. Spencer, Ms. Spencer, two of their sons (one of whom had recently graduated high school), two other close relatives, and Sweet P Designs (owned by Ms. Spencer) each received PPP loans from Blueacorn partner Capital Plus.[315] These loans totaled over $117,000 and were all forgiven.[316] Ms. Spencer's Sweet P Designs received another PPP loan in May 2021 worth $20,515 from Blueacorn partner Prestamos.[317] Each of these loans came through Blueacorn, even though, at the time, the Spencers were performing a significant amount of Blueacorn's eligibility verification and fraud prevention work.[318] Additionally, Elev8 Advisors' subcontractor, Business Warrior—which also reviewed PPP applications for

Blueacorn—and its CEO received over $80,000 in PPP loans facilitated by Blueacorn's lending partners.[319]




*Figure 4: Loans issued to the Spencers, their children, and the Spencers' other businesses.*[320]

The Select Subcommittee reviewed the applications corresponding to each PPP loan granted to Mr. and Ms. Spencer, their businesses, and their family members. As with the loans Mr. Reis and Ms. Hockridge secured for themselves, multiple loan applications contain markers potentially indicative of fraud. Nearly all of these loans were approved by Blueacorn while the Spencers were contracted to conduct eligibility verification and fraud screening for PPP loans. In a spreadsheet obtained by the Select Subcommittee from Elev8 Advisors, multiple loans to the Spencers, their businesses, and their family members were marked as having an "elev8" partner code, indicating that the consultancy was involved in the processing of their own PPP loans.[321]

Despite listing themselves as co-owners of Elev8 Advisors Group LLC on a June 26, 2020 PPP loan application to Prestamos[322]—and despite Mr. Spencer's ownership of Vital Card, Inc. and vending services company Evergreen and Ms. Spencer's ownership of Sweet P Designs[323]—neither Mr. nor Ms. Spencer disclosed their ownership in these companies on PPP loan applications, as required. In this regard, the Spencers appear to have made false statements in an application for Sweet P Designs (signed by Ms. Spencer on March 2, 2021, and submitted to Capital Plus),[324] in an application for Ms. Spencer (signed by Ms. Spencer on March 15, 2021, and submitted to Capital Plus),[325] and in an application for Mr. Spencer (signed by Mr. Spencer on March 18, 2021, and submitted to Capital Plus).[326]

Ms. Spencer made other questionable representations on multiple PPP loan applications. In an application submitted to Prestamos, Ms. Spencer successfully sought a PPP loan based on a claim that she was paid nearly $200,000 for "interior architect" services for her husband's company.[327] This claim appears improbable since not only does Ms. Spencer not appear to have had previous experience as an "interior architect," but her husband's company's office address matches the address of a WeWork shared office space and therefore likely had little need for

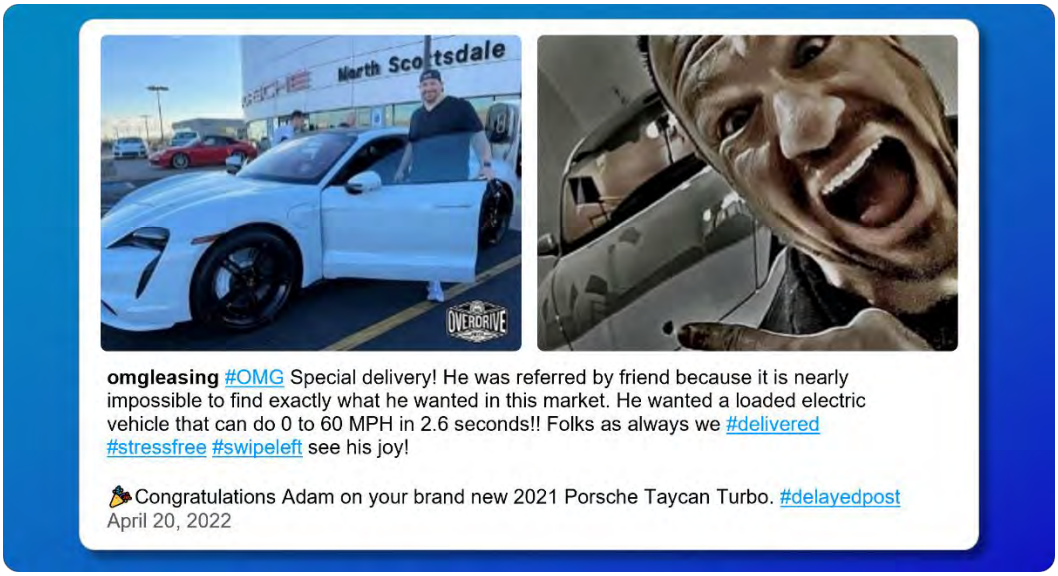
"interior architect," architectural, or interior design services.[328] Additionally, the bank statements supplied as part of her application did not show financial transactions matching these income claims.[329]

As part of another PPP loan application submitted to Capital Plus, Ms. Spencer claimed that her Facebook clothing design store earned over $100,000 in 2020, achieving a net profit margin of 80 percent.[330] Ms. Spencer's business's purported net profit margin of over 80 percent is almost 12 times higher than the average online retail apparel firm[331]—and is particularly remarkable since the Facebook store has posted no activity since March of 2019.[332] Additionally, financial documents related to Ms. Spencer's company listed the cost of goods sold as $11,500 and total expenses of $4,615 ($1,500 in "car and truck expenses" and $3,115 for rented or leased "vehicles, machinery, and equipment")—but notably listed no costs for inventory or actual t-shirts.[333]

PPP loan applications associated with Mr. Spencer also contain details of questionable veracity. In supporting documentation that Mr. Spencer submitted to Prestamos based on his purported work as an independent contractor for Vital Card, Inc.—a company co-founded by Mr. Spencer which does not appear to have brought a product to market as of 2020[334]—Mr. Spencer claimed to have received $237,328 from the company in 2019.[335] Yet, a second PPP loan application submitted by Mr. Spencer based his PPP loan on income received as a "Financial Transactions Processing, Reserve, and Clearinghouse Activities" contractor (possibly in reference to his work for Elev8 Advisors), rather than on any income from Vital Card, Inc.[336]

In addition to the suspicious indicators in the Spencers' own loans, a person with knowledge of the Spencers' activities during the PPP informed Select Subcommittee staff on condition of anonymity that the Spencers instructed at least one family member who did not qualify for a PPP loan to submit a loan application to Blueacorn with false employment and income information.[337] Altogether, at least 11 PPP loans (totaling nearly $200,000) that Blueacorn facilitated for the Spencers, their companies, and their relatives were forgiven—including all those containing suspicious information.[338]

The Spencers and Elev8 Advisors also earned millions from reviewing PPP loans.[339] These profits—which ultimately derived from taxpayer funds—appear to have had a significant impact on the Spencers' lifestyle. The couple made a number of large purchases shortly after the conclusion of the PPP. In July 2021, they purchased a nearly 11,000 square foot hilltop mansion in Silverleaf, Arizona for nearly $8 million in an all-cash deal.[340] Shortly thereafter, they used a series of real estate transactions to give ownership of the mansion to an entity called Elev8 Holdings LLC.[341] In 2021 and 2022, the Spencers acquired several luxury cars, including a Porsche Taycan Turbo with an MSRP of $153,600.[342]




Public records also show that at least 16 PPP loan application reviewers working for Elev8 Advisors on behalf of Blueacorn received over $150,000 in PPP loans through Blueacorn.[343] A former Blueacorn supervisor told Select Subcommittee staff that Blueacorn and Elev8 Advisors had no formal controls or policies in place governing the manner by which employees or contractors could receive PPP loans themselves.[344] According to the supervisor, employees of Blueacorn and Elev8 Advisors were encouraged to apply for PPP loans but were given no special instructions, except for being instructed to ask other team members to review their loans, instead of reviewing their own loans.[345] Troublingly, a person with knowledge of Blueacorn contacted the Select Subcommittee to report that Mr. Spencer instructed members of his family to apply for loans through Blueacorn, despite knowing that those family members did not have eligible businesses.[346]

Mr. Reis, Ms. Hockridge, or Blueacorn were involved in the issuance of nearly all of the PPP loans received by Mr. Spencer, Ms. Spencer, and their companies.[347] Ms. Spencer and Ms. Hockridge discussed their efforts to secure some of these PPP loans in Slack messages obtained by the Select Subcommittee.[348] Ms. Hockridge specifically mentioned that she and Mr. Reis submitted the documentation for the first round of PPP loans that the Spencers received.[349] Ms. Hockridge also told Ms. Spencer that Mr. Spencer "wanted to restructure the deal based on how we submitted for 1st Round."[350] In regard to later PPP loans obtained by the Spencers, Ms. Hockridge told the Blueacorn financial crime consultants that "you guys can take care of it."[351]

12. Capital Plus, Which Had Primary Responsibility for Overseeing Blueacorn Under PPP Program Rules, Reaped Windfall Profits While Not Conducting Sufficient Oversight

Blueacorn partnered with Capital Plus, a small, for-profit CDFI with 34 full-time employees, to jointly facilitate the issuance of over half a million PPP loans.[352] According to Capital Plus, Blueacorn was engaged to "provide[]significant identity and eligibility verification and fraud compliance services."[353] Blueacorn ultimately submitted a total of 521,221 loan applications to the SBA on Capital Plus' behalf.[354] Capital Plus told the Select Subcommittee

that they "relied on Blueacorn's technological solutions to determine borrower eligibility and combat fraud efficiently and at scale."[355] However, as an SBA lender, Capital Plus was required to "exercise[] day-to-day responsibility for evaluating, processing, closing, disbursing, servicing, liquidating, and litigating its SBA portfolio."[356]

Despite the fact that Capital Plus was responsible under SBA regulations for each PPP loan that it issued with Blueacorn, the lender also provided little evidence of a formal governance structure to monitor anti-fraud efforts or more generally conduct oversight of Blueacorn's activities.[357] Instead of proactively screening loans received from Blueacorn, Capital Plus told the Select Subcommittee that "personnel reviewed loan applications and other materials upon becoming aware of some indication of fraud or ineligibility."[358] Capital Plus was unable to tell the Select Subcommittee how many of the loan applications that it received from Blueacorn were given a manual review by employees of Capital Plus to verify eligibility or to identify fraud. Capital Plus told the Select Subcommittee: "Capital Plus does not maintain statistics regarding the number of PPP loan applications that were manually reviewed by Capital Plus personnel to verify eligibility or to identify fraud"[359] and that it "does not maintain a comprehensive log of all individual loan applications manually reviewed by Capital Plus personnel."[360]

When asked whether Capital Plus held executive or senior leadership meetings concerning potential, suspected, or confirmed fraud or other financial crime related to PPP loans or loan applications that came from Blueacorn, the lender did not provide details of any such meetings. Capital Plus claimed that "senior leadership regularly discussed combating potential fraud related to PPP loans and applications," but no minutes were kept of those meetings.[361] Capital Plus declined to provide briefing materials related to those meetings and it is unknown if any were created.[362] Capital Plus similarly declined to provide total amounts budgeted for and spent on AML, BSA, eligibility verification, and fraud compliance during the PPP.[363] However, Capital Plus engaged Everett Advisors, the same consultancy retained by Blueacorn, to conduct audits and assessments of Capital Plus's antifraud and compliance programs.[364]

Capital Plus also issued hundreds of thousands of dollars in loans to Blueacorn's principals and their businesses.[365] Capital Plus issued these loans despite the fact that Blueacorn's principals were clearly named as owners or key employees in documents supporting loan applications.[366] Ms. Giga—Capital Plus' CFO—signed off on the loan to Mr. Reis where he inaccurately described himself as an African American and a veteran.[367] Ms. Giga also attested that she had no "financial interest in the applicant" of each loan, as required by the SBA application.[368] However, although she did not have a personal ownership interest in these applicants, her employer stood to profit from fees on the large quantities of loans that Blueacorn referred to Capital Plus through their ongoing business partnership. Capital Plus also signed off on a number of other loans that appear to raise similar conflicts of interest, including loans to Elev8 Advisors' principals, their businesses, and their family members.[369] All of these loans were processed through Blueacorn itself.[370] In response to inquiries by the Select Subcommittee, Capital Plus representatives claimed that it was "made aware" of the Blueacorn founders' loans through an unidentified source sometime after they were approved, despite Ms. Giga having authorized the loans in the first instance.[371]

Despite these issues, the CEO of Capital Plus' publicly traded parent company, Crossroads Systems, Inc., said in the second quarter of 2021 that "our success in the [PPP] has put us into the best position we have ever been in."[372] As of the end of the PPP in May 2021, Capital Plus was fourth in the SBA's list of top lenders by number of PPP loans approved in 2021.[373] Shareholder disclosures by Capital Plus' parent company would later describe 2021 as a "transformational year" for the company, in part because Capital Plus' "[p]articipation in PPP resulted in total revenue from operations for the fiscal year ended October 31, 2021 of $930.6 million compared to $36.6 million for the same period of 2020, or 2,440%."[374] The increase in revenue was attributable to PPP lender fees, which were paid by SBA as a percentage of PPP loan amounts, scaled to incentivize lenders to distribute smaller loans.[375]

13. Blueacorn Took the Majority of SBA Processing Fees from Prestamos CDFI—Its Non-Profit Lending Partner

Prestamos is a wholly owned subsidiary of a nonprofit organization, Chicanos Por La Causa (CPLC).[376] At approximately $7.7 billion in loans issued, Prestamos was the third-ranked lender for PPP by net dollar value of loans issued in 2021, after JP Morgan Chase Bank and Bank of America.[377] Prestamos approved nearly half a million loans in 2021, more than any of the other top PPP lenders for that year.[378] As of late December 2019, Prestamos had provided "more than $50 million in loans supporting more than 400 businesses" since its formal inception in 2000.[379] In other words, in the two decades prior to the pandemic, Prestamos likely issued less than one percent of the funds that it issued in 2021 as part of the PPP.

Prestamos issued 925 PPP loans (worth $26 million total) in 2020 and more than 2,200 loans in 2021 through its preexisting SBA lending platform.[380] According to Prestamos, its employees manually reviewed each of those applications.[381] Upon entering the contract with Blueacorn, Prestamos immediately and dramatically increased its PPP lending. Between April 14, 2021, and the end of round three in June 2021, Prestamos processed approximately 434,000 loans.[382]

Prestamos' review process for loans issued from April to June 2021 with Blueacorn was less intensive than the process for loans it directly issued before partnering with Blueacorn. Prestamos told the Select Subcommittee that it primarily conducted oversight of the loans processed by "spot-check[ing] certain loans" at random but that this "QC effort" did not involve "digging into every file."[383] Prestamos said that these spot checks were "not formally logged or documented as they occurred."[384] Prestamos informed the Select Subcommittee that it would reject an application received by Blueacorn "only if a flag arose," including loans flagged by the SBA or a bank receiving the funds.[385] Prestamos also did not conduct hands-on oversight of Blueacorn's anti-fraud systems. When asked whether Prestamos gave direction to Blueacorn as to how to do fraud checks or directed the fintech to change their processes in any way, Prestamos' CEO stated: "No, we didn't. We did spend a lot of time on the front end to try to understand what they were doing to prevent or eliminate any fraud."[386]

In a briefing with Select Subcommittee staff, Prestamos' President acknowledged that the CDFI was "not prepared for all the applications we received" during the PPP[387] and said that the nonprofit knowingly took on a role larger than it had been prepared to handle because they saw a

limited number of PPP funds going to underserved communities and believed that Blueacorn could help them serve those communities without compromising program requirements: "[W]e're looking at it from the mission perspective, of: Who else is going to serve the rest of the country? Nobody else was doing it the way we were."[388]

### C. Womply's PPP Fraud Screenings Failed to Prevent "Rampant Fraud"—and Were Accompanied by Questionable Business Practices—Despite Generating Over a Billion Dollars in Profits

Multiple high volume PPP lenders relied on Womply to review PPP applications for eligibility and potential fraud, even though the fintech lacked prior experience in conducting high volume small business lending, managing large scale financial crime compliance, or creating scalable automated fraud prevention technology.

Communications obtained by the Select Subcommittee show that some of Womply's partners—who collectively issued over $16 billion in PPP loans in 2021—accused the fintech of referring to them hundreds of thousands of PPP applications containing "rampant fraud."[389] Throughout the PPP, many of Womply's closest business partners questioned its fraud prevention capabilities—in one case describing the fintech's technological systems as "put together with duct tape and gum."[390]

This ad hoc system resulted in Womply referring applications with "obvious[ly] fraudulent" supporting documentation and led the fintech to become one of the "paths of least resistance" for those looking to commit PPP fraud.[391]

#### 1. Lenders Paid Womply $2 Billion in SBA Processing Fees to Review PPP Applications for Fraud and Verify Applicant Eligibility

Womply, also known as Oto Analytics, Inc., was founded in 2011 as a provider of reputation management, email marketing, and business intelligence services for small businesses.[392] Womply's leadership team, led by Founder and CEO Toby Scammell and Co-Founder and President Cory Capoccia, were deeply involved in all aspects of the fintech's operations during the PPP.[393]

The fintech—which had never before involved itself in loan processing or high volume fraud prevention screening—began its involvement in the PPP in April 2020 as a referral agent.[394] In this role, Womply created a website through which small businesses seeking a PPP loan could input their personal information that Womply would, in turn, submit to a lender.[395] Upon receipt of the referral, lenders would conduct all other tasks associated with processing, managing, and tracking the PPP loans, including verifying borrower identity and auditing borrowers.[396]

Womply entered into referral agent agreements with ten lenders or platforms and ultimately referred approximately 7,000 PPP loans totaling $360 million in taxpayer dollars while acting as a referral agent. The average amount of these loans was approximately

$52,000.[397] In 2020, Womply received just under $3 million from lenders for its referral services.[398]

Beginning in February 2021, Womply initiated a "PPP Fast Lane" service, which it claimed would provide PPP lenders with technological, marketing, underwriting, pre-qualification review, eligibility verification, and other services.[399] PPP lenders Harvest Small Business Finance, LLC ("Harvest"), Benworth Capital Partners, LLC ("Benworth"), Fountainhead SBF LLC ("Fountainhead"), DreamSpring, and the Sunshine State Economic Development Corporation used Womply's PPP Fast Lane service.[400] These five PPP lenders, to whom Womply provided both referral and LSP services, collectively issued over a million PPP loans (totaling more than $16 billion) in 2021.[401]

In a presentation to Select Subcommittee staff, Womply explained that, as part of its new PPP Fast Lane service, the fintech's staff (1) conducted automated eligibility checks; (2) identified and verified their PPP borrowers' identities through automated and manual KYC management; (3) conducted automated and manual bank and tax document analysis to confirm PPP program eligibility; and (4) implemented automated and manual anti-fraud tools and measures to detect application fraud, in service of BSA requirements.[402] Applicants that passed Womply's pre-qualification reviews were then forwarded to one of its partner lenders. According to information obtained by the Select Subcommittee, PPP loan applicants submitted a total of over 3.7 million applications in 2021 through Womply, with most likely going through their PPP Fast Lane program.[403] Of that 3.7 million, 70 percent, or 2.58 million applications, were sent to lenders after passing Womply's pre-qualification reviews and underwriting processes.[404]

In March 2021 alone, Womply referred 889,275 PPP loan applications to lenders.[405] In April 2021, Womply's busiest month, the fintech referred over 1.2 million PPP loan applications to lenders.[406] In just one week of that month, the fintech reviewed, processed, and referred over 375,000 PPP loan applications.[407] Ultimately, over 1.3 million PPP loans that went through Womply—out of the 2.58 million that Womply referred to lenders—were funded.[408] By the end of the program, Womply reviewed and referred approximately $16 billion in taxpayer dollar-funded PPP loans.[409] Womply claimed that the services it provided were "crucial to the success" of the PPP.[410]

Womply's lending partners that participated in its PPP Fast Lane program told the Select Subcommittee that they relied on the fintech to weed out ineligible and fraudulent PPP applicants. Harvest—which was referred more than 800,000 PPP loan applications by Womply—told the Select Subcommittee that "Womply assured Harvest that it would only refer to Harvest complete applications that Womply's platform had confirmed were for eligible borrowers."[411] In a conversation with Select Subcommittee staff, Harvest's Managing Director and Chief Operating Officer Adam Seery said that Harvest understood that "Womply's system had checkmarks that would check every part of eligibility requirements. At the point when [the PPP application] came to us, the loan should be ready to go."[412]

Womply lending partner Fountainhead told the Select Subcommittee that Womply was a "super loan agent" that it believed had the ability to "use some technology to do a lot of the KYC

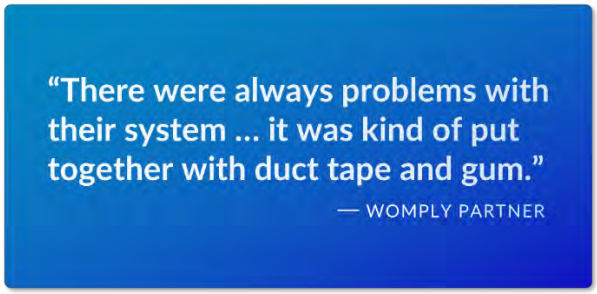
and AML type mechanisms that were clearly spelled out as part of PPP guidelines."[413] Similarly, Womply lender Benworth, which received over 400,000 PPP applications from Womply, also relied on the fintech to review PPP loan applications.[414] According to Benworth, "Womply handled eligibility verification and fraud prevention in connection with hundreds of thousands of PPP applications referred to Benworth by Womply."[415] Benworth told the Select Subcommittee that the "key service" that Womply provided was "verifying—on the basis of such information and documents—[a PPP] applicant's eligibility for a PPP loan" and that a "primary reason why Benworth contracted with Womply was [PPP] Fast Lane and its ability to identify ineligible applicants and stop fraud."[416] Benworth also told the Select Subcommittee that it relied on Womply to prevent fraud related to identity theft and the use of fake documents by using its systems to validate a PPP applicant's identity, authenticity, and type of documents submitted, calculations for the PPP loan amount, and bank account information, among other underwriting services.[417]

Agreements between Womply and its lending partners obtained by the Select Subcommittee reveal that Womply often took at least half—and in some cases up to 90 percent—of all the taxpayer-funded fees allocated to lenders by SBA to compensate it for processing PPP loans.[418] Under these agreements, Womply was entitled to fees both for referring applicants to PPP lenders and for providing its PPP Fast Lane pre-qualification review, eligibility verification, and fraud detection services.[419] According to Womply, the vast majority of its revenue—$1.9 billion in 2021—was "PPP Technology Service Revenue" from the PPP Fast Lane.[420] Additionally, multiple Womply contracts contain provisions that imposed "Under-Funding Fees" that required lenders to pay Womply additional funds as a penalty for failing to fund a certain value of PPP loans in a calendar week.[421]

2. <u>As Womply Pushed Lenders to Fund as Many PPP Loans as Possible, Its PPP Lending Partners Observed That the Company Had Poor Processes and Was Approving a Large Number of Seemingly Fraudulent Applications</u>

*a. Womply's PPP Lending Partners Expressed Concern About the Quality of the Company's Fraud Screenings, with One PPP Lender Accusing Womply of Referring PPP Loan Applications with Missing Documents and "Obvious Fraudulent Information"*

In a conversation with Select Subcommittee staff, the CEO of Fountainhead—one of Womply's major lending partners—described the PPP Fast Lane as "kind of put together with duct tape and gum."[422] The lender said that, despite Womply having developed the system specifically to process PPP loans, "I don't think [Womply's] system was built to handle the workload it was put under" and that "there were always problems with their system in terms of tech glitches."[423]




Womply lending partner DreamSpring also expressed concern about Womply's pre-qualification review capabilities and repeatedly stated that the fintech was referring obviously fraudulent PPP applications. In a March 20, 2021 email, DreamSpring's Chief Lending and Client Experience Officer notified Womply that some of the applications that the fintech referred to the lender, mostly from Florida, had "a bunch of fraud."[424] In a March 30 email to Mr. Capoccia, DreamSpring's Chief Operations and Innovation Officer told Womply that the fintech had referred PPP applications containing "[t]ax returns with obvious fraudulent information."[425] DreamSpring also told Womply that the fintech had referred "[applications] with no [t]ax return attached" as required. [426] In the same email, DreamSpring's Chief Operations and Innovation Officer stated that the company was "still seeing some important issues come up during our review" of the PPP applications referred by Womply and that the lender wanted to have a discussion with Womply to "see how [we] can work together to mitigate the risk of receiving more volume with errors…"[427] In a March 31 email, DreamSpring told Mr. Capoccia that "we need to address [these errors] asap."[428]

On April 13, 2021, Mr. Capoccia pressed DreamSpring to fund more PPP loans. Mr. Capoccia asked DreamSpring's Chief Operations and Innovation Officer by email if the lender would "increase your daily [PPP] funding amounts closer to the $20m/day that we originally discussed a while back?" [429] In response, DreamSpring's Chief Operations and Innovation Officer again stated that Womply was sending the lender ineligible and likely fraudulent loans:

> Yes we can but are having difficulty doing so because we continue to find applications that ARE NOT eligible to fund. As you know, we are fully responsible and hold all the risk associated to the loans. To answer your question, the only way we can get there is if we can be reassured that everything in our pipeline is completely eligible.[430]

In that email, DreamSpring informed Womply that it would "be providing a list of DUPLICATE names/apps, from a very small sample, we have just found today which are evidently fraudulent loans" as evidence of the large amount of ineligible loans that the lender was receiving from Womply.[431] In the same email, DreamSpring's Chief Operations and Innovation Officer described the impact that their referral of "evidently fraudulent loans" had on the lender's operations and explained that failures in Womply's screening processes, which were still occurring in mid-April 2021, slowed down the funding of PPP loans:

> All of this prompts us to review larger samples of the loans Womply is providing and thus slows down our process. I am sure you understand that impedes us from funding loans blindly in large volumes. I hope you understand and we will continue to fund on a daily basis as much as we can while we mitigate potential risks to DreamSpring.

> Everything that is eligible in the pipeline will get funded. The $20m was based on the assumption that we would not be having to review larger and larger samples of applications.[432]

The CEO of PPP lender Lendistry—a fintech which itself issued over $4.7 billion in PPP loans in 2021—also expressed concerns to Womply and its lending partner Harvest regarding their fraud prevention and screening processes and asked for details on the companies' fraud mitigation processes. On June 8, 2021, Lendistry's CEO emailed Mr. Scammell and Harvest's Mr. Seery:

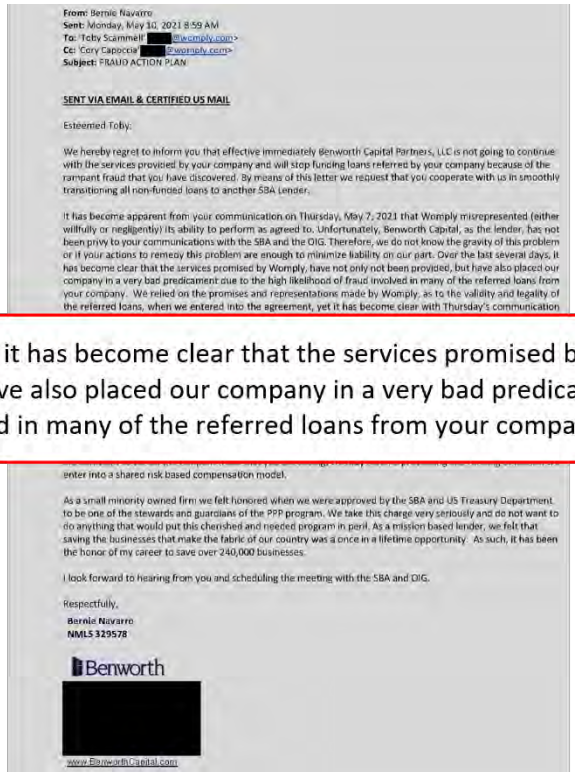
> We have noticed a meaningful increase in the number of third-party and other inquiries related to fraud associated with applicants coming through Harvest. Can you confirm that your team is focused on making sure these issues are resolved and provide us with a written summary or other documentation of your team's fraud mitigation processes?[433]

Mr. Seery, adding Mr. Capoccia to the email chain, responded by asking for "specific examples of what you are seeing on your end" and stated that he would "connect with Womply and our accounting team to review and investigate."[434]

*b. Benworth—Womply's Second Largest PPP Lending Partner—Criticized the Fintech for Referring Applications with "Rampant Fraud"*

The Select Subcommittee obtained a series of May 2021 emails between Womply and Benworth, the fintech's second-largest PPP lending partner, in which Benworth's senior leadership expressed serious concerns about Womply's fraud prevention and eligibility verification program capabilities.[435] These emails show that, in late April and early May 2021, Womply discovered what Benworth described as "rampant fraud" in the over 200,000 PPP loan applications Womply had referred to Benworth.[436] Subsequently, Benworth became concerned that Womply's application screening processes were inadequate and had exposed it to "a dangerous amount of liability."[437] On May 10, 2021, Benworth's CEO wrote to Mr. Scammell and Mr. Capoccia:

> Over the last several days, it has become clear that the services promised by Womply, have not only not been provided, but have also placed our company in a very bad predicament due to the high likelihood of fraud involved in many of the referred loans from your company. We relied on the promises and representations made by Womply, as to the validity and legality of the referred loans, when we entered into the agreement, yet it has become clear…that Womply is unable to perform as agreed to.[438]



From: Bernie Navarro
Sent: Monday, May 10, 2021 8:59 AM
To: Toby Scammell [redacted]@womply.com>
Cc: Cory Capoccia [redacted]@womply.com>
Subject: FRAUD ACTION PLAN

SENT VIA EMAIL & CERTIFIED US MAIL

Esteemed Toby,

We hereby regret to inform you that effective immediately Benworth Capital Partners, LLC is not going to continue with the services provided by your company and will stop funding loans referred by your company because of the rampant fraud that you have discovered. By means of this letter we request that you cooperate with us in smoothly transitioning all non-funded loans to another SBA Lender.

It has become apparent from your communication on Thursday, May 7, 2021 that Womply misrepresented (either willfully or negligently) its ability to perform as agreed to. Unfortunately, Benworth Capital, as the lender, has not been privy to your communications with the SBA and the OIG. Therefore, we do not know the gravity of this problem or if your actions to remedy this problem are enough to minimize liability on our part. Over the last several days, it has become clear that the services promised by Womply, have not only not been provided, but have also placed our company in a very bad predicament due to the high likelihood of fraud involved in many of the referred loans from your company. We relied on the promises and representations made by Womply, as to the validity and legality of the referred loans, when we entered into the agreement, yet it has become clear with Thursday's communication

Over the last several days, it has become clear that the services promised by Womply, have not only not been provided, but have also placed our company in a very bad predicament due to the high likelihood of fraud involved in many of the referred loans from your company.

enter into a shared risk based compensation model.

As a small minority owned firm we felt honored when we were approved by the SBA and US Treasury Department to be one of the stewards and guardians of the PPP program. We take this charge very seriously and do not want to do anything that would put this cherished and reputed program in peril. As a mission based lender, we felt that saving the businesses that make the fabric of our country was a once in a lifetime opportunity. As such, it has been the honor of my career to save over 240,000 businesses.

I look forward to hearing from you and scheduling the meeting with the SBA and OIG.

Respectfully,

Bernie Navarro
NMLS 329578

Benworth
[redacted]
www.BenworthCapital.com

Benworth wrote that banks involved in disbursing PPP loans referred by Womply had previously voiced concerns about the high incidence of fraud in Womply-reviewed loans.[439] On May 7, 2021, Benworth's CEO wrote to Mr. Scammell and Mr. Capoccia: "We are managing our banking relationship very closely because they are anxious with the amount of fraud they are seeing. Bluntly stated, we have been on the brink of being closed 3 times."[440] Benworth's CEO told Mr. Scammell: "I have given our bank assurances that we have every protocol in place to mitigate fraud. Now it seems that may not be the case."[441]

In a May 10, 2021 email, Benworth's CEO alleged that Womply had "misrepresented (either willfully or negligently) its ability to perform [PPP application review services]" and had improperly excluded Benworth from the fintech's communications with the SBA and SBA OIG concerning fraud.[442] Prior to that, on May 7, 2021, Benworth's CEO wrote:

> What happened to the systems you had in place that you were so quick to remind me of yesterday? Are they no longer good enough? Have the services provided and promised by Womply not as reliable as had been promised therefore requiring changes? Should we be worried about the 200,000 loans already funded through the use of your Company's systems?[443]

In an earlier email to Benworth, dated April 8, 2021, Womply proposed changes to its pre-qualification, fraud prevention, and other screening processes to better address fraud.[444] Those changes included increased manual reviews and sending an email to PPP applicants stating that "they should not attempt to commit fraud through [Womply]."[445] Womply told Benworth that such a warning would "minimize casual fraud."[446] However, in a May 10 response, Benworth's CEO characterized Womply's new proposed fraud review process as

"unproven" and "last minute,"[447] and pointed out that these changes would not detect fraud in the 200,000 loans that Womply had already referred to the lender.[448]

In a letter to the Select Subcommittee, Benworth stated that it had multiple concerns with Womply's performance, and had "many discussions" with Womply about the fintech's performance.[449] For example, Benworth discovered documentation errors, and "[i]n the final weeks of PPP, Benworth discovered that Womply was not providing Benworth with the applicants' supporting documents in many of the packages being submitted."[450] Benworth further stated that its concerns with Womply's performance grew towards the end of the PPP as "Benworth also started receiving complaints—and even some subpoenas—relating to loans referred by Womply."[451] Benworth's CEO had earlier warned Womply that the fintech's activities left both companies exposed to criticism or penalty after the PPP ended, cautioning, "When the party is over and the lights turn on, we [Benworth] will be the only ones at the party (and it seems standing naked)."[452]

3. Womply's CEO Has a History of Unethical Behavior, Including a Conviction for Criminal Fraud That May Have Warranted His Exclusion from SBA Programs, Including the PPP

The SBA may prohibit entities from participating in its 7(a) lending program due to a history of unethical or illegal conduct—including debarments and prior convictions for fraud.[453] Mr. Scammell—who served as Womply's CEO and ran its fraud prevention operations—was previously convicted of financial crime and barred from the securities industry.[454] Despite this, Mr. Scammell's company was allowed to oversee the distribution of billions of dollars of taxpayer funds, with Mr. Scammell serving as the highest ranking Womply executive that had "responsibilities related to the KYC process and anti-fraud measures implemented by Womply for the Fast Lane Program."[455]

In 2009, Scammell was charged with stealing proprietary and confidential information from his girlfriend related to a potential merger between Disney and Marvel Entertainment, and trading on that information using bank accounts belonging to his brother.[456] On August 11, 2011, the SEC filed a civil action alleging that Mr. Scammell engaged in unlawful insider trading through that conduct.[457] On June 15, 2012, Scammell consented to the entry of a permanent injunction prohibiting him from participating in the securities industry.[458] On April 21, 2014, in a parallel criminal case, Mr. Scammell pleaded guilty to "'knowingly and with intent to defraud' engag[ing] in a fraudulent scheme" related to insider trading and was sentenced to three months of imprisonment and $120,000 in restitution, in addition to the $801,000 he was to pay under a civil settlement with the SEC.[459]

In its opinion regarding the case, the SEC noted "the high degree of scienter involved in [Mr. Scammell's] offense and his intentional acts of concealment," and concluded that "there is a significant risk that, given the opportunity, he would commit further misconduct in the future."[460] Further, the SEC determined that "Scammell's misappropriation of material, nonpublic information for his own personal benefit and profit demonstrates that he is unfit to take on such heightened responsibilities in any capacity in the securities industry."[461]

The SEC stated that Mr. Scammell provided misleading information regarding Womply in the course of their 2011 investigation, noting that Mr. Scammell "tried to impede the [SEC's] investigation through a lack of candor in responding to the staff's questions," and that Mr. Scammell continued his dishonest behavior even after his civil and criminal punishments.[462] The SEC wrote that, "[d]espite Scammell's consent to an injunction, it is questionable whether he has learned anything or has been 'chastened and deterred' as a result of his prior conduct."[463]

The SEC also observed that "Scammell's financial condition is [] closely tied to the financial condition of Oto Analytics and Womply" and accused Mr. Scammell of lying to federal regulators about Womply's financial condition in an attempt to frustrate government's efforts to determine the appropriate amount of monetary relief owed in the underlying civil injunctive action.[464] Additionally, according to the SEC, Mr. Scammell also improperly used Womply investor funds for his personal legal defense.[465]

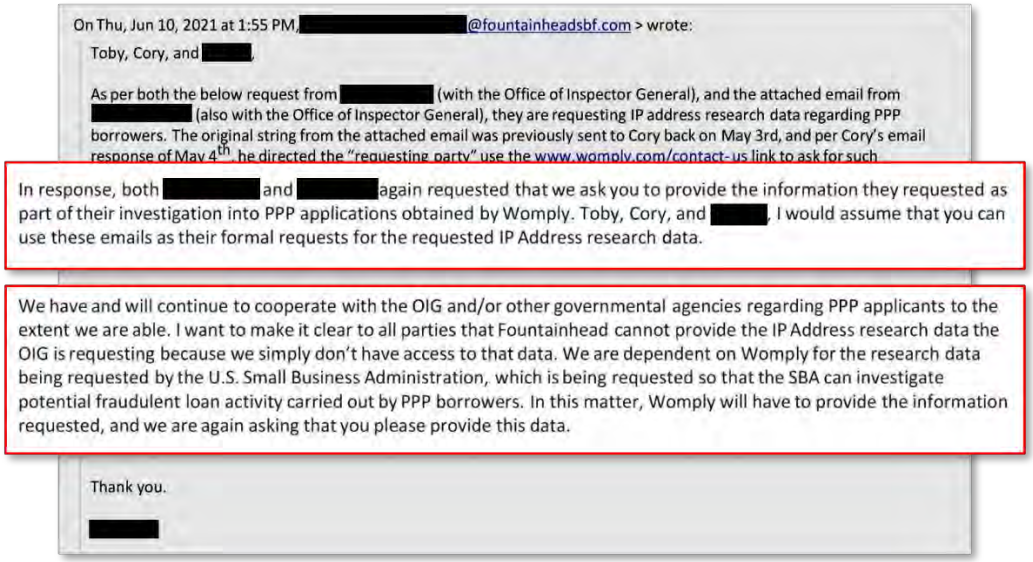
Mr. Scammel's criminal history may have constituted good cause for the SBA to revoke or suspend Womply and Mr. Scammell's privilege to conduct business with the SBA. Rules contained in 13 C.F.R. § 103.4(f) allow the SBA to revoke the right to participate in SBA programs any entity found to be "engaging in any conduct indicating a lack of business integrity or business honesty, including debarment, criminal conviction, or civil judgment within the last seven years for fraud, embezzlement, theft, forgery, bribery, falsification or destruction of records, false statements, conspiracy, receiving stolen property, false claims, or obstruction of justice."[466] Mr. Scammell's permanent injunction prohibiting him from participating in the securities industry and criminal conviction may have also constituted good cause to disallow Womply from participating in SBA 7(a) programs in 2020 and 2021.

4. <u>On Multiple Occasions, Womply Resisted Providing Information to Support SBA OIG Investigations into Pandemic Relief Fraud and Was Criticized by the SBA OIG and the SBA for Its Behavior</u>

Despite purportedly working on the PPP program in an effort to help the federal government provide relief to American small businesses, Womply declined requests to help the federal government prevent fraud in the program and ensure that loans were going to only eligible Americans. Beginning in May 2021, Fountainhead—which was the lender of record for a group of Womply-referred PPP loans under investigation—and the SBA OIG repeatedly requested that Womply provide information to aid the SBA OIG in an investigation into potential fraud related to those loans.[467] According to internal emails provided to the Select Subcommittee, Womply declined to provide this information for at least two months. Mr. Scammell (copying Mr. Capoccia) wrote to Fountainhead and the SBA OIG to state that the company would not comply with the SBA OIG's requests.[468]

A month after its initial request for PPP loan applicant data, an SBA OIG official emailed Fountainhead stating: "Can you please make the below request to Womply again?" and stated that "Womply should be providing this information to it's [sic] lenders…"[469] Fountainhead, following the SBA OIG's direction, again pleaded with Womply for this information, writing on June 10, 2021, "[w]e are dependent on Womply for the research data being requested by the U.S.

Small Business Administration, which is being requested so that the SBA can investigate potential fraudulent loan activity carried out by PPP borrowers."[470]



On Thu, Jun 10, 2021 at 1:55 PM [redacted]@fountainheadsbf.com > wrote:

Toby, Cory, and [redacted],

As per both the below request from [redacted] (with the Office of Inspector General), and the attached email from [redacted] (also with the Office of Inspector General), they are requesting IP address research data regarding PPP borrowers. The original string from the attached email was previously sent to Cory back on May 3rd, and per Cory's email response of May 4th, he directed the "requesting party" use the www.womply.com/contact-us link to ask for such

In response, both [redacted] and [redacted] again requested that we ask you to provide the information they requested as part of their investigation into PPP applications obtained by Womply. Toby, Cory, and [redacted], I would assume that you can use these emails as their formal requests for the requested IP Address research data.

We have and will continue to cooperate with the OIG and/or other governmental agencies regarding PPP applicants to the extent we are able. I want to make it clear to all parties that Fountainhead cannot provide the IP Address research data the OIG is requesting because we simply don't have access to that data. We are dependent on Womply for the research data being requested by the U.S. Small Business Administration, which is being requested so that the SBA can investigate potential fraudulent loan activity carried out by PPP borrowers. In this matter, Womply will have to provide the information requested, and we are again asking that you please provide this data.

Thank you.

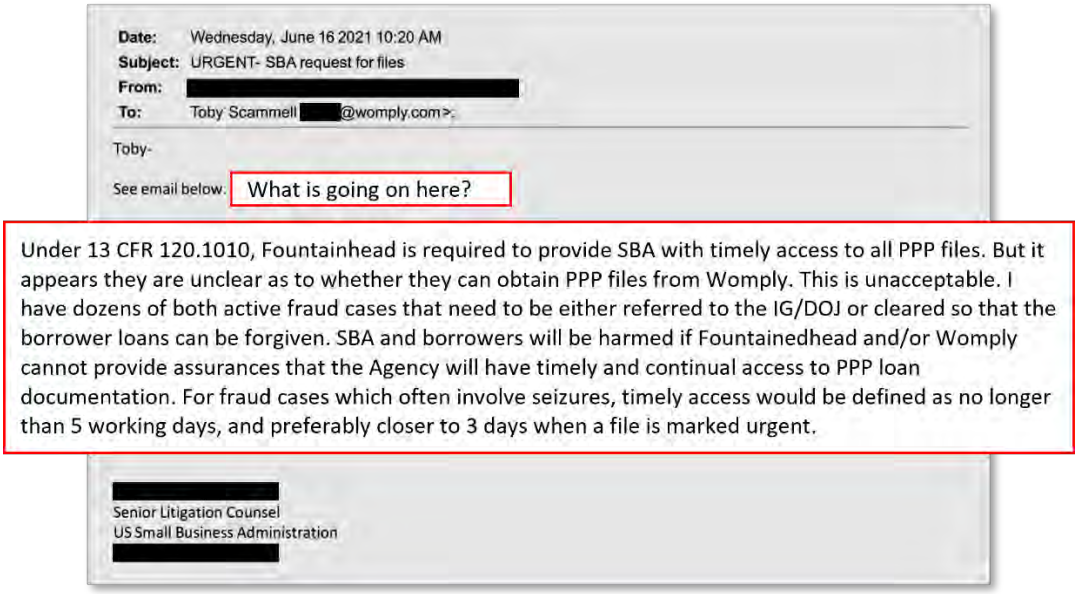
[redacted]

Despite this plea, that same day, Mr. Scammell responded to Fountainhead and the SBA OIG and declined their request for information to aid the SBA OIG's PPP fraud investigation. In that email, Mr. Scammell stated that Womply would not "agree to undertake the substantial work involved in researching and packaging the requesting information" unless Womply was paid additional money "pursuant to a new contract [that] would be subject to our a la carte list of technology service fees for research requests."[471]

Mr. Scammell, on behalf of Womply, also stated that the fintech would not provide the requested information to aid the SBA OIG investigation because "Womply is not interested in contracting with Fountainhead for such purposes." Womply claimed that it was not obligated to assist in the SBA OIG investigation because "Womply is not a lender—it is a technology provider with no existing contractual relationship with either SBA or Fountainhead."[472] Womply even claimed that it was "inappropriate for Fountainhead to direct SBA OIG information requests to Womply."[473]

Mr. Scammell's refusal on Womply's behalf to assist in the SBA OIG investigation drew a response from both Fountainhead and the SBA. One day later, Fountainhead's COO responded to Mr. Scammell, arguing: "The status of Fountainhead's relationship with Womply should not have any impact on the OIG agents' requests, which were initially forwarded to [Mr. Capoccia] over a month ago."[474] On June 16, 2021, the SBA again requested information from Fountainhead regarding two loan files. In response, Fountainhead's COO directed the SBA request to Womply's "Contact Us" page and suggested that the SBA may need to subpoena Womply for the information.[475] A senior litigation counsel for the SBA contacted Mr. Scammell directly in response, asking "What is going on here?"[476] In her email to Mr. Scammell, she described the importance of Womply providing the files and the impact that the fintech's resistance to doing so would have on fraud prosecutions and innocent borrowers:

> [I]t appears [that Fountainhead] are unclear as to whether they can obtain PPP files from Womply. This is unacceptable. I have dozens of both active fraud cases that need to be either referred to the IG/DOJ or cleared so that borrower loans can be forgiven. SBA and borrowers will be harmed if Fountainhead and/or Womply cannot provide assurances that the Agency will have timely and continually access to PPP loan documentation…
>
> Please confirm that Womply will assist Fountainhead in complying with SBA file requests in a timely fashion. And of course, please confirm that Womply is not requiring SBA to issue subpoenas for PPP files.[477]



**Date:** Wednesday, June 16 2021 10:20 AM
**Subject:** URGENT- SBA request for files
**From:** [redacted]
**To:** Toby Scammell [redacted]@womply.com>;

Toby-

See email below. What is going on here?

Under 13 CFR 120.1010, Fountainhead is required to provide SBA with timely access to all PPP files. But it appears they are unclear as to whether they can obtain PPP files from Womply. This is unacceptable. I have dozens of both active fraud cases that need to be either referred to the IG/DOJ or cleared so that the borrower loans can be forgiven. SBA and borrowers will be harmed if Fountainedhead and/or Womply cannot provide assurances that the Agency will have timely and continual access to PPP loan documentation. For fraud cases which often involve seizures, timely access would be defined as no longer than 5 working days, and preferably closer to 3 days when a file is marked urgent.

[redacted]
Senior Litigation Counsel
US Small Business Administration
[redacted]

In a conversation with Select Subcommittee staff, Fountainhead confirmed that the lender had "difficulties getting complete loan files out of Womply" in response to requests from federal investigators.[478] Fountainhead said that the lender was forced to get "a temporary restraining order against [Womply], so they can't destroy these [PPP loan] documents."[479]

Womply also resisted providing data to Benworth to assist an SBA OIG investigation. On April 27, 2021, an SBA OIG official requested from Benworth electronic copies of loan files and IP address information related to a PPP borrower in connection with an investigation.[480] Benworth provided the loan files but informed the SBA OIG official that Womply held the requested IP address information.[481] On May 17 the SBA OIG requested these files directly from Womply.[482] Womply declined to provide the information to Benworth and directed the SBA OIG to fill out a web form on the "Contact Us" section of Womply's website.[483]

In response to Womply's refusal to provide the information to Benworth, an SBA OIG official wrote directly to Mr. Scammell stating that "Womply should be providing the lender the related loan information for any related loans associated with the requesting lender" and making clear to Womply that their response was "not acceptable protocol for SBA / SBA OIG when a request was made to an SBA Lender."[484] By June 17, 2021, Womply still had not provided the information that the SBA OIG requested.[485]

Separately, on June 11, 2021, the SBA formally warned Womply that the fintech was potentially engaged in "unlawful or unethical activity" related to its acceptance of PPP loan applications after the PPP deadline and described information on Womply's home page as "misleading."[486] Specifically, Womply's website indicated that the fintech was still accepting PPP applications although the PPP had ended weeks earlier.[487] The SBA warned Womply that the fintech had "currently no authority…to accept PPP applications" and warned that Womply should not be "accepting PPP loan applications, charging applicants fees for submitting PPP loan applications (if applicable), or collecting personal information from applicants."[488] The SBA wrote: "Womply's continued acceptance of PPP applications may constitute unlawful or unethical activity as provided for in 13 CFR part 103, *et seq.*" [489]

5. Lenders and SBA OIG Officials Accused Womply of Leveraging Its Close Connection with the Trump Administration's SBA to Convince Lenders of Its Reliability

Harvest's Adam Seery told Select Subcommittee staff that he was under the impression that Womply "had their own direct tie ins to the SBA and Treasury" and that "one of the big reasons we decided to partner with [Womply] was because of the interaction they were having directly both with Treasury and SBA."[490] SBA rules warn that entities that claim or imply special connection to SBA officials may be engaged in unethical behavior.[491] According to Harvest, "Womply, both to Harvest and publicly, represented it was capable of performing this service because of its close association with the SBA."[492] Harvest also noted that "Womply indicated that it was working directly with Bill Briggs, head of the Paycheck Protection Program at the SBA [during the Trump Administration], to ensure the [PPP Fast Lane] program was meeting all of the SBA's requirements."[493]

In early 2021, Mr. Scammell and Mr. Briggs hosted an online seminar on the PPP. In one Facebook ad, Womply said, "We teamed up with Bill Briggs from the Small Business Administration" to "answer your PPP burning questions."[494] Mr. Scammell also texted Mr. Briggs directly. In a text message obtained by the Select Subcommittee, Mr. Scammell asked Mr. Briggs if he would participate in "two more high profile livestreams next week: one on Instagram and the other on LinkedIn" and speculated that he could "get hundreds of thousands of viewers."[495]




*Figure 5: Womply CEO Toby Scammell in a joint virtual appearance with Trump Administration SBA Official Bill Briggs.*

An SBA OIG staff member told the Select Subcommittee that they first became aware of Womply because "we were starting to get a lot of contacts from financial institutions who were starting to get [PPP loan payments] into people's personal bank accounts for people they knew did not own their own business and a lot of returned funds were [originated by lenders] using these companies BA [Blueacorn] and Womply."[496] In a briefing with the Select Subcommittee, an SBA OIG staff member said that Mr. Scammell was "trying to position himself to utilize his communications with SBA and SBA OIG" as "propaganda to get more lenders to partner with Womply."[497] According to SBA OIG staff, Mr. Scammell also appeared to have misrepresented his relationship to the SBA and SBA OIG: "I'd talk to lenders and they'd say [Scammell] says he's coordinating with SBA. I'd say 'I've seen that communication and that's not what's happening.'"[498] When asked about the usefulness of the information that Mr. Scammel provided regarding potential fraud, the SBA OIG staff told the Select Subcommittee: "I can't say for certain that the stuff Womply sent over was specifically utilized."[499]

The SBA OIG staff recalled that, in April 2021 conversations between the SBA OIG, Harvest, and Fountainhead, "Womply said [to their lenders] they had spoken to SBA about what they were doing and what they are doing is appropriate for the program,"[500] and that Womply "was selling propaganda to the lenders claiming [Mr. Scammell] had communications with SBA, or OIG, or other law enforcement saying that what was happening in his programs was catching the fraud."[501] Although senior Trump Administration officials collaborated with Womply on outreach efforts, Biden Administration officials had a different interaction with Mr. Scammell. A Biden Administration SBA official told the Select Subcommittee that Mr. Scammell "was hoping to get support from SBA to build new contractual relationships with other lenders and certainly that's not what we do. We just listened and took notes. I wouldn't say we used any of the information he provided."[502]

### 6. Despite Windfall Company and Owner Profits, Womply and Its Executives Received Millions of Dollars' Worth of Taxpayer-Funded PPP Loans

According to internal company financial information obtained by the Select Subcommittee, in 2021, Womply's total net revenue was $2.09 billion, gross profit of $1.8 billion, constituting an 87.6 percent profit margin.[503] This financial information shows that

Womply's operating expenses were $160 million and "other income expenses" were $379 million.[504] Womply's total net income was over $1.3 billion.[505] By contrast, in the last pre-pandemic year for which the Select Subcommittee has figures, Womply was unprofitable, losing $11 million.[506]

Despite this windfall, Womply, using the name Oto Analytics, Inc., was approved to receive $5.1 million in PPP loans from taxpayers.[507] Mr. Capoccia, in his role as Womply's President, signed the application for the fintech's 2020 PPP loan.[508] In a potential conflict of interest, these PPP loans were approved by Harvest, the entity that would become Womply's most important PPP business partner.[509] In Womply's second PPP loan, received shortly before it began working on the PPP, Mr. Scammell and Mr. Capoccia corresponded directly with Harvest senior executives, including close business partner and Harvest Managing Director Adam Seery, in securing the multi-million-dollar loan for Womply.[510] Womply's second loan was for $1,999,997, just three dollars below the threshold for receiving heightened scrutiny by the Treasury Department, which had announced in May 2020 that it would not audit PPP loans under $2 million.[511]

On August 19, 2021, Mr. Scammell signed Womply's PPP Loan Forgiveness Application Form for its first PPP loan.[512] On September 10, 2021, he signed the company's PPP Loan Forgiveness Application Form for the second PPP loan.[513] On September 1, 2022, the SBA informed Harvest that both of the PPP loans it had approved for Womply were denied forgiveness.[514] According to the SBA Denial Justification letter obtained by the Select Subcommittee, both loans issued to Womply and approved by Harvest were later determined to have been ineligible. In a letter to Harvest, the SBA explained that it "determined that [Womply] was ineligible for the PPP loan amount" that it received in the first draw.[515]

The SBA further "conclude[d] that the documentation provided [by Womply was] insufficient to support forgiveness" and noted that "[m]ultiple requests were made for documentation to determine eligibility and not all requested information were provided."[516] The SBA further noted that, by virtue of Womply being ineligible for its first draw PPP loan, the company was also ineligible for the second draw PPP loan.[517] As such, the SBA is now requiring that Womply pay back the PPP loans that it received, in full.[518]




*Figure 6: Loans Received by Mr. Scammell, Mr. Capoccia, and Womply (d/b/a Oto Analytics).*[519]

Womply declined to disclose to the Select Subcommittee full details of its ownership structure, including the percentage of the company that Mr. Scammell and Mr. Capoccia owned.[520] However, according to a PPP application submitted by Womply to Harvest, as of 2020, Mr. Scammell owned 18 percent of Womply, and Mr. Capoccia owned five percent.[521] Based on the ownership percentages presented in Womply's PPP application, Mr. Scammell may be entitled to as much as $324 million of the taxpayer funds paid to Womply for its involvement with the PPP, and Mr. Capoccia may be entitled to take $90 million, assuming a $1.8 billion gross profit.

Womply owners Mr. Scammell and Mr. Capoccia also received separate PPP loans for themselves or their other companies. Mr. Scammell received a PPP loan for himself through his single member limited liability company, Chasm LLC.[522] Mr. Capoccia also received two personal PPP loans through Womply's partners with at least one facilitated by Womply.[523] Despite receiving over $400,000 in salary from Womply, including a nearly $160,000 bonus and up to $324 million in profits, in 2021, Mr. Scammell received taxpayer forgiveness for his PPP loan.[524] Mr. Capoccia received forgiveness for his loans despite receiving over $400,000 in salary in 2020, including $150,000 bonus and potentially millions in additional profits.[525]

The Select Subcommittee offered Mr. Scammell and Mr. Capoccia an opportunity to speak directly with the Select Subcommittee to discuss potential waste, fraud, and abuse in the PPP.[526] Both Womply executives declined. Mr. Scammell, through his counsel, told the Select Subcommittee that he was unavailable to speak to the Select Subcommittee, either in person or virtually, at any time this summer, because he was in Europe.[527]

7. Womply May Have Given the Sensitive Personal Information and Private Business Data of Millions of PPP Applicants to Its New Business to Market and Sell Additional New Products to PPP Loan Recipients

Mr. Scammell, Mr. Capoccia, and other Womply executives founded Solo Global, Inc. in 2022, after their work on the PPP concluded.[528] The company, for which Mr. Scammell serves as President, markets a mobile application and other financial and marketing services to small businesses.[529] On May 20, 2022, Womply updated its privacy policy to notify PPP applicants who had previously applied for PPP loans through Womply that Womply's (retroactively) updated terms gave Solo Global, Inc. the right to use the personal data of PPP loan applicants for its own purposes, "including, but not limited to, improving their products and services and marketing their products and services to you."[530] This change gave Mr. Scammell, Mr. Capoccia, and their new business access to "over 2 [million] tax documents, over 1.5 [million] bank accounts from applicants, and over 1 [million] completions of various KYC/CIP/KBA inquiries," from small businesses and sole proprietors who had used Womply to apply for federal relief benefits.[531]

In their privacy policy update, Womply notified PPP applicants that the fintech would share their names, email addresses, phone numbers, bank account numbers, full credit card numbers, IP addresses, geolocation data, tax return details, social security numbers, income and wage information, information about bank account balances (including current and available balance), and professional information (including information about a PPP applicant's

employer), among other highly sensitive information to their new for-profit business venture.[532] As a result, the sensitive personal and business data of anyone who applied for a PPP loan through Womply is now available to Solo Global, Inc. and can be used to further Mr. Scammell and Mr. Capoccia's business interests.

Personal information submitted to government agencies, including the SBA, is typically protected by the Privacy Act of 1974, which places limitations on federal agencies' use and disclosure of data on individuals that is controlled by federal agencies.[533] However, although the SBA's application form for PPP borrowers cited Privacy Act protections for borrowers,[534] the Privacy Act may not have applied to private entities such as fintechs where they were neither supervised by the SBA nor contractually obligated via government contracts to comply with the Act.[535]

The Select Subcommittee asked Womply for details as to how PPP applicant information was being used. In response, the fintech referred the Select Subcommittee to its May 20, 2022, privacy policy,[536] and declined to answer questions regarding what PPP information was given to Solo Global, Inc. and how the new company was using or intended to use the sensitive personal information of over a million pandemic relief applicants.

8. Womply Claimed to Be a "Technological Service Provider" to Avoid Accountability for Its PPP Actions, Despite Likely Meeting the Definition of an LSP

Womply has described itself as a "technology service provider," despite performing functions usually associated with LSPs, and has used its purported status to avoid accountability. Evidence obtained by the Select Subcommittee indicates that Womply likely should have been considered an LSP and therefore been subject to SBA regulation. While Womply did provide some technology services, its core functionalities appear to closely resemble the SBA's criteria for an LSP.

The SBA defines an LSP as an entity "who carries out lender functions in originating, disbursing, servicing, or liquidating a specific SBA business loan or loan portfolio for compensation from the lender."[537] The Select Subcommittee obtained evidence showing that multiple PPP lenders delegated functions in originating, disbursing, and servicing loans to Womply.[538] Further, the SBA specifically states that individuals or entities who "[p]erform any pre-qualification review based on SBA's eligibility and credit criteria or the 7(a) Lender's internal policies prior to submitting the Applicant's information to the 7(a) Lender[,] or [p]rovide to the 7(a) Lender an underwritten application, whether through the use of technology or otherwise," "meet the definition of an LSP."[539] Evidence further indicates that Womply independently conducted pre-qualification reviews on PPP applications based on SBA and lender criteria before referral to lenders.[540]

When SBA OIG asked for Womply's help in an investigation into a potentially fraudulent loan, Womply told the SBA OIG and a lending partner that the fintech was not obligated to assist the investigation, asserting: "Womply is not a lender—it is a technology

provider with no existing contractual relationship with either SBA or Fountainhead. As such, it is inappropriate for Fountainhead to direct SBA OIG information requests to Womply."[541]

Womply used the same reasoning to avoid responsibility for approving fraudulent loans through its PPP Fast Lane service. In a letter to the Select Subcommittee, Womply claimed that, as technology service provider, it was "not subject to the Bank Secrecy Act or any of its anti-money laundering ('AML') program requirements" and that it was "not a Lender Service Provider subject to SBA regulations."[542] Had Womply been designated as an LSP, it would have been subject to SBA regulations and required to follow rules set forth by the SBA that governed LSPs, including the potential exclusion of LSPs with a criminal history of fraud, such as Mr. Scammell.[543]

Womply, in a lawsuit against Capital Plus, emphasized that its status as a "technology service provider" meant that the company should be treated differently from lenders' "agents" that provide loan application preparation and referral services. Womply also stressed that its status as a "technology service provider" meant that it was not subject to any SBA caps on how much money the company could take in SBA processing fees.[544]

Benworth similarly accused Womply of miscategorizing itself as a "technology service provider" in order to secure higher shares of taxpayer-funded fees. According to Benworth, Womply, "taking advantage of its superior bargaining position," tried to "mask[] the lender service provider [] relationship the companies enjoyed."[545] Benworth stated that Womply, by improperly categorizing itself as a "technology service provider," was able to demand a payment structure that would lead to "Benworth pay[ing] Womply more than 90% of the total fee collected" from certain PPP loans.[546]

9. Womply's Largest Partner—Harvest Small Business Finance—Took Home Millions in Profits While Delegating Anti-Fraud Measures to Womply and Conducting Little Oversight of Their Fraud Controls

Womply reviewed, processed, and referred 800,000 applications to Harvest.[547] Harvest estimates that it ultimately submitted 600,000 of these PPP applications to the SBA.[548] Prior to partnering with Womply, Harvest relied on a manual process to review PPP loans.[549] In a briefing with Select Subcommittee staff, Harvest's COO estimated that its PPP loan review process took approximately half an hour per loan, and that Harvest funded approximately 5,200 loans through this process in round one of the PPP.[550] After contracting for Womply's PPP Fast Lane services, Harvest used Womply to review loan applications in later rounds of the PPP.[551]

As an SBA lender, Harvest was required by SBA regulations to "exercise[] day-to-day responsibility for evaluating, processing, closing, disbursing, servicing, liquidating, and litigating its SBA portfolio."[552] These requirements existed despite Harvest's delegation of these functions to Womply. Harvest initially reviewed "a sample" of the loans Harvest was submitting, but ceased its manual spot-checks early in their PPP processing relationship.[553] Harvest also did not perform any formal audits, assessments, or evaluations of Womply.[554] Instead, Harvest relied on Womply's assurance "that it would only refer to Harvest complete applications that Womply's platform had confirmed were for eligible borrowers."[555]

Harvest was unable to provide to the Select Subcommittee a breakdown of its total budgets for, and amounts allocated to, AML, BSA, eligibility verification, and fraud compliance in 2019, 2020, and 2021, claiming that it "did not create separate budget line items for the amounts allocated to the activities listed."[556] Nor do minutes obtained by the Select Subcommittee from meetings of Harvest's senior leadership reflect any analysis, estimates, or discussions concerning the risk of PPP fraud.[557] Moreover, Harvest told the Select Subcommittee that it did not have any logs or other documents recording any manual reviews it conducted of Womply loan applications and that it did not maintain records of either the number of Womply-referred applications that it reviewed or the number that it suspected were fraudulent or ineligible.[558]

Harvest's failure to allocate resources to fraud prevention was not for lack of funds. Harvest's nearly $1.2 billion in 2021 gross receipts—earned in large part because Womply processed loans for Harvest at such a large scale—amounted to nearly 18 times Harvest's gross receipts from 2020.[559] Between 2020 and 2021, Harvest increased its operating expenses by only $14 million—an increase of about 40 percent on its prior operating expenses, but a comparatively small slice of its billion-dollar fee income.[560] Harvest paid over $350 million in distributions directly to its owners in 2021 alone (with over $225 million going to its majority member, a private equity fund, and nearly $42 million going to each of Harvest's other three members).[561] The 2021 distributions represented more than five times the amount of Harvest's entire gross receipts in the year 2020.[562] Minutes from members' meetings also show that Harvest's owners discussed early in the PPP plans to pay down the majority member's debt with PPP program profits.[563]

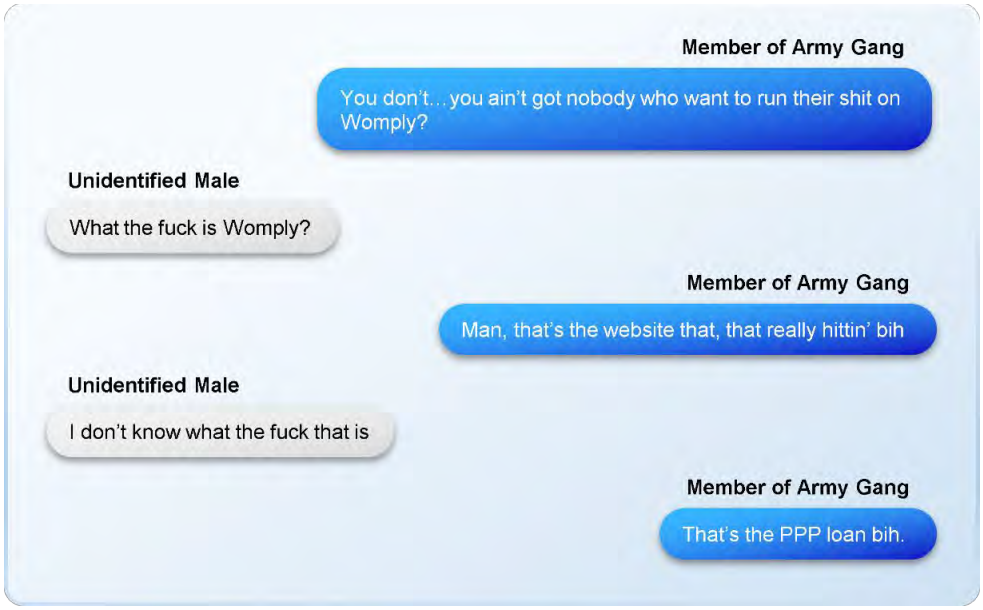
### D. Fintechs Such as Womply and Blueacorn Were the "Paths of Least Resistance" for Criminal Gangs and Fraudsters Looking for PPP Loans

Fraudsters on the dark web swapped tips about how to successfully commit PPP fraud and identified fintechs as the "paths of least resistance," according to an SBA OIG official who spoke to Select Subcommittee staff.[564] Specifically, individuals looking to commit fraud identified Bluevine, Blueacorn, and Womply as "fintechs with lower fraud risk capabilities that were letting a lot more fraud go through."[565]

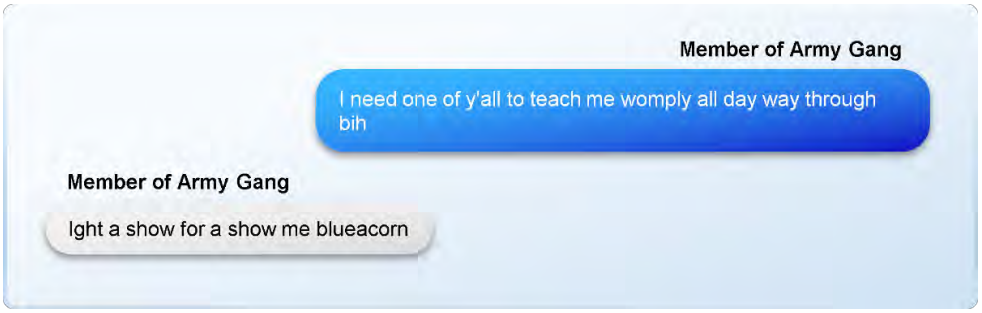
An independent fraud researcher analyzing Telegram-based fraud rings came to the same conclusion. The researcher noticed "thousands and thousands of post[s] – all of them boasting about defrauding Womply's PPP loan program."[566] In a May 2021 website post entitled "Is Womply [] Getting Whomped With PPP Fraud?", the researcher wrote: "Scammers were posting a flurry of messages about 'Womply' PPP loans and how easy it was for them to scam the service and get fraudulent loans."[567] Womply communications obtained by the Select Subcommittee show that the fintech knew that it was a top target for fraud. In May 2021, Mr. Scammell wrote: "We're seeing an increase in the sophistication of attacks and our team is also picking up significant dark web activity surrounding SBA, EIDL, PPP (including Womply and other technology companies)."[568]

Womply- and Blueacorn-facilitated PPP loans were crucial to one violent drug dealing enterprise in central Florida.[569] Police and media reporting show that gang members allegedly created limited liability companies, solicited individuals through social media, and, in some cases, stole identities to apply for PPP loans, which were then approved.[570] Investigators believe the PPP loans were then used to finance the criminal enterprises, including the purchase of guns and drugs.[571] Police documents allege that the gang members quickly identified Womply and Blueacorn as easy targets to obtain PPP loans without much scrutiny.[572]

In conversations intercepted by law enforcement as part of their investigation into narcotics trafficking, an Army Gang member spoke about the ease of using Womply to obtain fraudulent PPP loans. In a phone call, the Army Gang member was recorded explaining how Womply works and trying to recruit others into his PPP fraud scheme. The Army Gang member explained to an unidentified associate that Womply was popular with fraudsters, stating that "everybody in the 'hood'" was using Womply.[573]




In one group conversation with multiple gang members, a member of the Army Gang stated that he specialized in using Womply to get fraudulent PPP loans, while another gang member stated that he used Blueacorn for fraud.[574]



At one point, an Army Gang member sent a screenshot to the group chat of a successful deposit into a bank account related to an earlier fraudulent Womply PPP loan. Despite using both Blueacorn and Womply, some members of this criminal gang preferred Womply "because it was quicker" at processing PPP loans.[575]

## E. The PPP's Structure Did Not Incentivize Kabbage to Implement Strong Fraud Prevention or Develop a Robust Loan Servicing Apparatus

Before the pandemic, Kabbage was an Atlanta-based fintech with a valuation of $1.2 billion that specialized in financing underserved small businesses and individuals.[576] Founded in 2009, Kabbage both ran its own lending operation and offered an automated platform to other lending businesses.[577] Beginning in April 2020, Kabbage participated in the PPP through partnerships with banks and as a direct lender in its own right.[578] Kabbage signed contracts for round one of the PPP to market, process, and service PPP loans for two banks, Cross River and Customers Bank.[579] However, Kabbage has said that even at the height of its bank partnerships, it was the direct lender for over half of its PPP loan volume.[580]

Kabbage facilitated over 310,000 PPP loans over the course of the PPP.[581] Loans by Kabbage featured heavily in PPP fraud prosecutions. An October 2020 Project on Government Oversight report identified Kabbage as one of the four top lenders for loans that the Justice Department had alleged to be fraudulent.[582] A joint investigation by the Miami Herald, McClatchy DC, and the Anti-Corruption Data Collective also found that about 20 percent of the PPP loans they identified as suspicious in 2020 were approved by Kabbage.[583]

Many Kabbage loans contained indicators of fraud at the time of application. As noted below, a ProPublica report found that Kabbage sent 378 PPP loans worth $7 million to purported farms that were questionable on their face, including an orange grove in Minnesota and a cattle ranch based on a New Jersey sandbar.[584] The Miami Herald reported that Kabbage facilitated a loan of between $350,000 and $1 million to a Florida company registered three months after the date that would qualify them to participate in the PPP. They also reported that between $150,000 and $300,000 in loans to companies in Louisiana were registered just days before making their loan application and operated by a borrower with delinquent SBA loans, in violation of PPP lending rules.[585] High-profile prosecutions involving Kabbage loans—such as a May 2022 prosecution of the actor who played the Red Power Ranger in the *Mighty Morphin Power Rangers* television and film franchise—have continued into 2022. Prosecution documents state that these applications contained red flags such as business names that differed across various support documents for the same loan.[586]

### 1. The Program's Full Guaranty for Loans and Lender Payment Structure Likely Disincentivized Kabbage from Rigorously Rooting Out Fraud

Documents obtained by the Select Subcommittee indicate that Kabbage was aware of weaknesses in its fraud prevention systems, but that it nevertheless reduced its primary fraud staff and implemented a system that confused and concerned employees and financial institutions. The company's internal communications raise questions about whether Kabbage approved loans with markers of potential fraudulent loans without doing adequate due diligence.

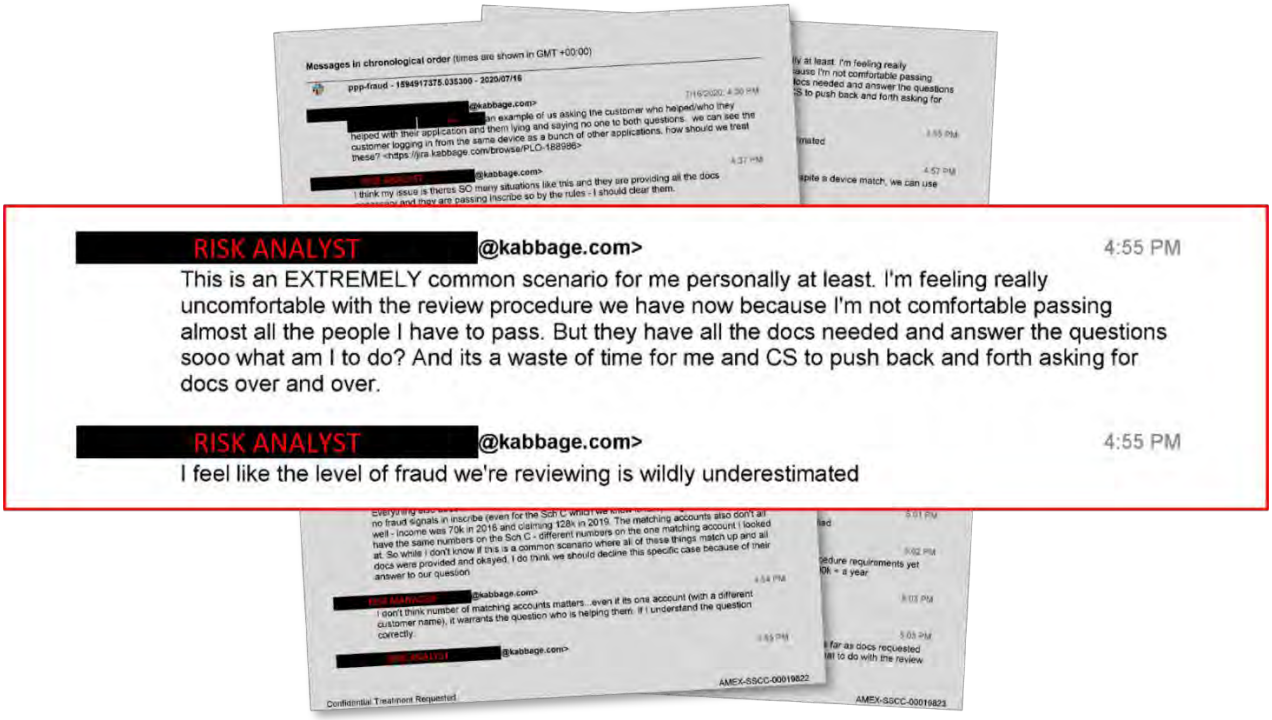
Although the SBA issued a rule holding lenders harmless for borrower ineligibility, lenders were nevertheless required to follow standard BSA requirements, including verifying borrower identities—which Kabbage repeatedly failed to accomplish.

*a. Kabbage Was Aware of Fraud, but Had Little Incentive to Prevent It*

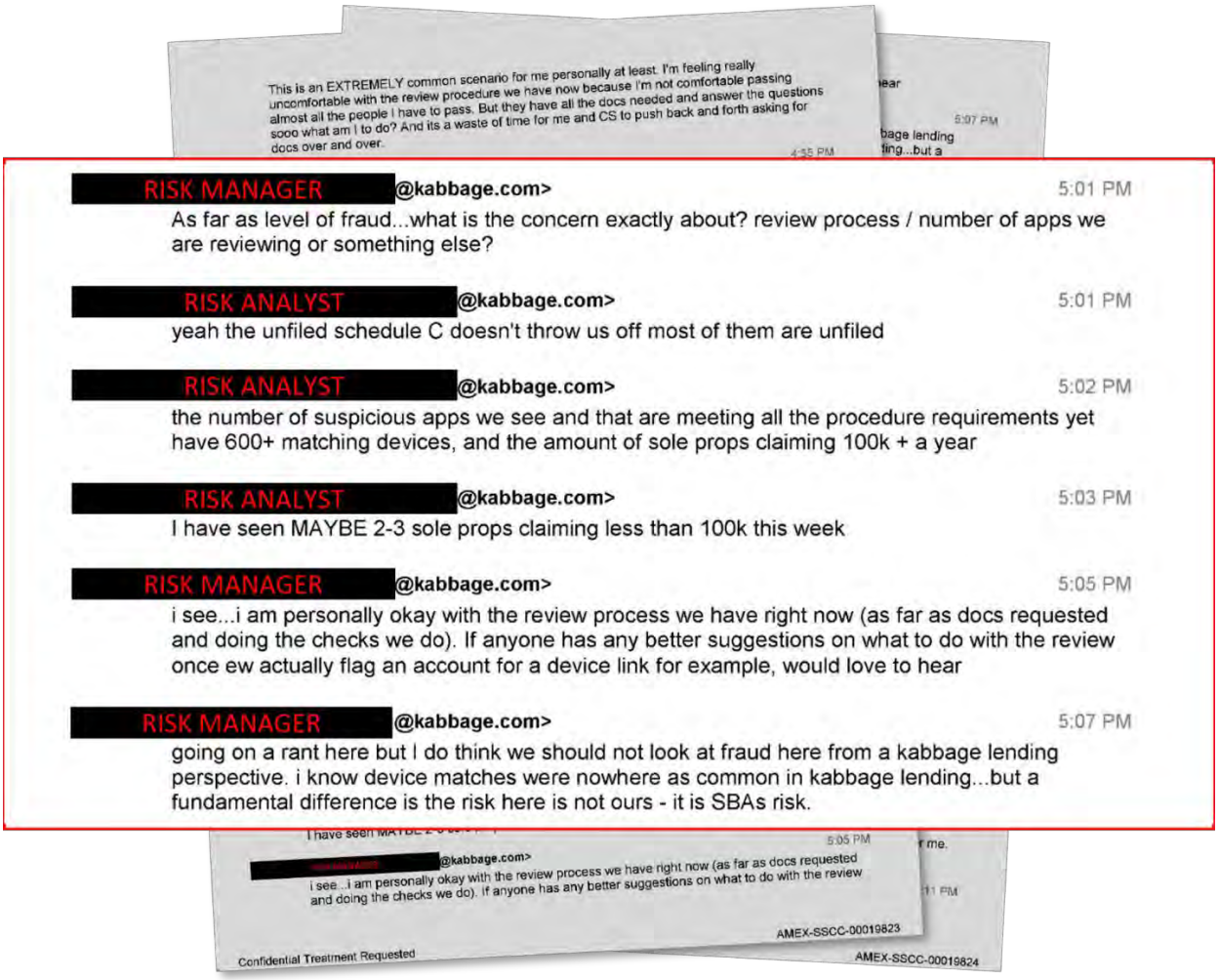
Kabbage executives were aware of the risk that fraudulent PPP applications would pass through the company's systems. In the first months of the program, Kabbage hired a consulting firm, Alvarez & Marshall Disputes & Investigations, LLC (A&M), to conduct a review of its work on the PPP. A&M's testing, concluded by June 11, 2020, indicated that one of ten Kabbage-approved loans tested by A&M had failed its automated test to verify business identity and recommended that the applicable procedures "should more clearly account for [a] process" to handle such failures.[587] A&M also found that three of ten approved applications tested were missing one or more required supporting documents.[588] The report noted that "Kabbage is currently in the midst of enhancing controls."[589] But, at the time of that statement, Kabbage had already funded over 120,000 loans through the prior control system.[590] Despite these issues, the assessment concluded that "[o]verall," Kabbage's program complied with the limited SBA rules and applicable regulatory standards.[591]

By July 2020, internal emails among Kabbage executives indicated that Kabbage had seen significant increases in fraud by businesses applying for PPP loans (first-party fraud), including through falsified tax documents that had been auto-approved without any manual input. For example, a series of applications from a fraud ring using forged W-3 forms for identical loan amounts across multiple applications had passed all of the automated screenings Kabbage had in place, but were caught by banks receiving the funds.[592] Kabbage introduced plans in the same month to use additional reviews for higher-value loans and new controls to flag suspicious documents.[593] By that time, however, Kabbage had already funded over 160,000 PPP loans totaling nearly $5 billion.[594]

At least one exchange suggests that the program's structure incentivized Kabbage to deprioritize rigorous fraud reviews. In a July 2020 internal chat among risk and fraud analysis team members, several Kabbage team members raised concerns about the scope of fraud they were seeing.[595] One analyst wrote, "I'm feeling really uncomfortable with the review procedure we have now because I'm not comfortable passing almost all the people I have to pass. . . . I feel like the level of fraud we're reviewing is wildly underestimated."[596] Another wrote, "we are also getting a lot of tickets from [initial reviewers] for 'weird looking docs' but if they come back in inscribe [a third-party document screening software] as clear should we just say sorry there is nothing we can do here?"[597]




In response to an analyst's question about multiple applications coming from a single device, a Kabbage risk manager instructed his team that the fact that "the risk here is not ours—it is SBAs [sic]" should inform their decisions to approve or deny the applications.[598] This comment appears to have referred to the full SBA guarantee for PPP loans and the SBA's promise to ultimately "h[o]ld harmless" lenders for borrowers' lack of compliance with program criteria, even though lenders were still required to conduct due diligence on borrower identities consistent with regulatory standards applicable to banks.[599]




*b. Kabbage Reduced Its Risk and Account Review Staff by 50 Percent While Approving Billions in PPP Loans*

Despite the risk of fraud, Kabbage made staffing reductions throughout 2020 that likely weakened its capacity to address fraud. Press reports indicate that Kabbage furloughed employees in March 2020, anticipating a contraction in business during the pandemic, but that participation in the program "saved" the struggling fintech.[600] Nonetheless, internal employment data obtained by the Select Subcommittee indicates that, starting May 2020, Kabbage continuously reduced its core staff over the course of many months despite its lucrative participation in the PPP.[601] The staff shed by Kabbage included full-time members of the Risk and Account Review teams that were primarily responsible for fraud reviews and KYB/KYC reviews.

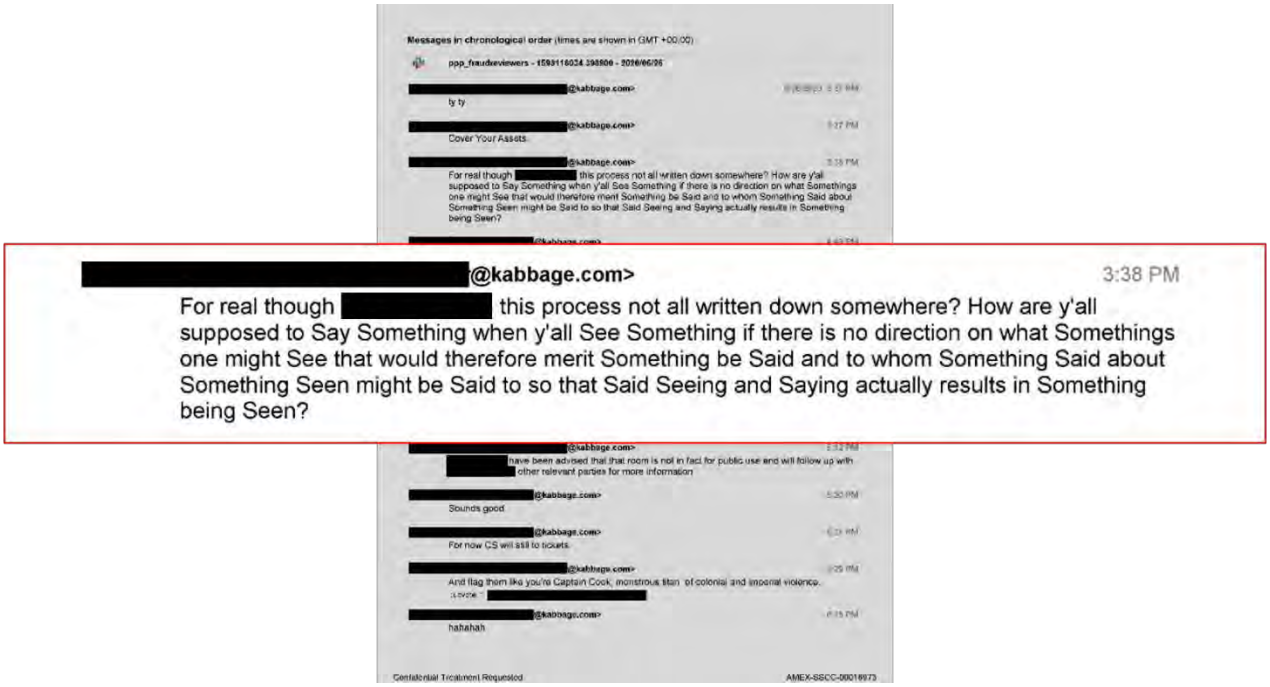
By June 2020, Kabbage halved its Risk and Account Review employees from 84 (in April) to 42, and the numbers continued to meaningfully decline through September.[602] Despite these staff reductions, Kabbage funded approximately $1.6 billion in PPP loans in May, $1.5 billion in June, and over $800 million in July 2020.[603] Kabbage outsourced the work to temporary contractors.[604] In an email exchange regarding contractor onboarding, Kabbage

executives discussed heavily pressuring these prospective reviewers to prioritize speed by setting "crystal clear [contractual] expectations with them in terms of output per hour so we manage cost/output appropriately."[605] A quota system, if it was indeed implemented, would have further incentivized reviewers to ignore indicators of fraud in applications.

*c. Kabbage PPP Application Reviewers Expressed Confusion and Concern About Kabbage's Fraud Controls*

In communications obtained by the Select Subcommittee, a Kabbage employee expressed concerns to an executive about unclear or inadequate processes for identifying and addressing potential fraud. The employee contacted Kabbage's Head of Strategy in early July, noting that "it just seems like there is money going out the door to bogus businesses that is preventable." The executive responded that the company should approve questionable loans, stating: "it's a really hard spot we're in with the program . . . . Essentially if there is no definitive proof of fraud (I'm sure there are exceptions to what I'm going to say) then we have to let it through."[606] Although the program rules permitted lenders to rely on borrower certifications when analyzing a lender's eligibility for given loan amounts and its use of loan proceeds, lenders were generally required to implement methods to identify and verify new borrowers' identities (or to use a Customer Identification Program operated by certain federally insured financial institutions) and to develop customer risk profiles.[607] It is therefore unclear how the executive concluded that lenders "have to let … through" loans they suspected of being fraudulent.

Members of Kabbage's fraud team repeatedly questioned the effectiveness of Kabbage's guidance to its fraud review teams. Internal chats among fraud analysts suggest confusion about the company's formal requirements for fraud prevention. In a June 2020 chat, one fraud team member expressed alarm at the company's lack of clear guidance for red flag escalation, writing: "For real though . . . is this process not all written down somewhere?" and mocked Kabbage's purported "See Something" "Say Something" approach to fraud escalation:[608]




On June 3, 2020, Kabbage's Head of Portfolio Risk and Analytics instructed fraud reviewers in Kabbage's internal "ppp fraud"-focused chat channel, "We should absolutely not clear any account for Fraud or KYC/KYB until 100% sure . . . it's better to decline if we are not 100% sure than actually approve with 90% confidence."[609] However, another supervising risk manager sent contrary instructions to the same chat group on July 16, 2020: "[I]f someone sends in all the docs we have asked for and are not forged, then we need a convincing reason to decline them. Simply 'we think you're fraudulent because you have a device match' does not cut it."[610] Kabbage employees responded to the latter advice by requesting "something in writing." Another employee wrote that they wanted written guidance to "cover my rear end" in the event the guidance led them to approve fraudulent applications.[611]

Concerns about Kabbage's processes extended to the executive level. In late April 2020, several weeks into the program, Kabbage's Chief Technology Officer wrote to other executives: "[W]e need an end to end system. [T]his is a wreck. I don't know what people are reviewing and under what rules . . . . it's crazy to manage this volume in spreadsheets."[612] At the time of that discussion, Kabbage had already funded over 50,000 PPP loans.[613] Kabbage's antifraud program also lacked governance structures such as a committee focused on fraud and financial crime or minuted leadership meetings on fraud-related issues, even though these would be standard protocols in many similarly situated, directly-regulated financial institutions.[614]

*d. Multiple Banks Working with Kabbage Raised Concerns About Fraud in Kabbage-Approved Loans, but Kabbage Did Not Appear to Take Steps to Mitigate Those Concerns*

A number of banks working with Kabbage—both as lending partners and as recipient institutions for PPP funds—raised concerns about fraud among Kabbage-approved loans.

Both Cross River and Customers Bank stopped working with Kabbage after the PPP's first round. When asked about its experience with Kabbage during the PPP, Cross River indicated that it ended its partnership with Kabbage in August 2020. Among other factors, Cross River described concerns surrounding Kabbage's application reviews, including "process and documentation issues" that made it "a prudent risk management decision not to work with Kabbage during the 2021 PPP."[615]

Wells Fargo, which processed fund transfers for Kabbage during the first round of the PPP, developed what one Kabbage executive referred to as a "contentious relationship" with the fintech over its approval of fraudulent applications.[616] Wells Fargo requested in July 2020 that Kabbage transition to a different bank for its fund transfer services.[617] A representative of Wells Fargo wrote to executives at Kabbage on July 17, 2020: "As discussed on the call today, we are concerned about the significant increase in the fraudulent transactions confirmed by Kabbage over the past few days, including $18MM of new transactions that were flagged yesterday."[618] Kabbage executives dismissed Wells Fargo's concerns. In a July 17, 2020, exchange, Kabbage's Head of Capital Markets passed along to other Kabbage executives a question from Wells Fargo about whether Kabbage knew about, or informed the FBI about, an applicant who had been arrested after obtaining a PPP loan from Kabbage. The company's Head of Strategy responded internally: "I doubt anyone would ever confirm or deny any of that …. so sure what the hell … we called them." He added: "It's not like we'd be able to comment on anything if we did. I'm not going to even look to see if we filed any reports on that one."[619] Kabbage's General Counsel responded to the email chain: "good grief[.] OK you got me it was me – I'm behind [fraudulent applicant] little piglet soap company."[620]

Kabbage also appears to have failed to address fraud flags raised by recipient financial institutions. On July 31, 2020, a senior vice president for fraud prevention at Citi Bank emailed Kabbage's Head of Strategy with the subject line "Incoming Kabbage SBA Loan to Citibank--- Possible Fraud," marked as "High" importance. The executive explained in the email that an incoming PPP loan for $20,833—the maximum available to a sole proprietor—was sent to an individual who did not own a business, and offered: "I have some of the funds still on hold if you guys want them back."[621] In a follow up email to Kabbage's Head of Strategy on September 22, 2020, regarding another potentially fraudulent loan, the executive noted: "[U]nfortunately, I wasn't able to hold the funds on the last loan because I never got a response from anyone at Kabbage."[622]

2. The Select Subcommittee's Investigation Confirmed That Suspicious Kabbage-Funded Loans Identified by News Organizations Were Approved Despite Multiple Red Flags

The structure of the PPP, in which the SBA and American taxpayers assumed all the risk, while lenders (and, by extension, their partners) were paid for all loans issued but not for applications reviewed and rejected as ineligible, meant that fintechs like Kabbage were not incentivized to utilize robust anti-fraud systems. The Select Subcommittee obtained previously undisclosed documents revealing failures in Kabbage's fraud checks. This evidence confirms prior reporting by ProPublica and illustrates that the fintech overlooked significant red flags when it approved apparently fraudulent farm loans. The documents show that the improbable

locations of the farms were only part of the story—rather, many of the loans included multiple significant fraud indicators.

In one example, "Deely Nuts" was approved for and issued a $20,833 loan (the maximum for sole proprietorships) in August 2020.[623] ProPublica previously reported that, although Deely Nuts' principal business was described as "tree nut farming," the business claimed to be located on a sandbar in New Jersey. Loan application documents obtained by the Select Subcommittee indicate that the applicant filed the incorrect tax schedule form for farms[624] and also listed the business' Principal Business or Professional Activity Code (a numerical code based on North American Industry Classification System (NAICS) codes) as "999999"—a default number for "Unclassified establishments" (rather than any of the codes under the "Agriculture, Forestry, Hunting, & Fishing" category).[625] The application documents also list zero expenses for wages or contract labor or for purchases of supplies that would typically be required to operate a farm.[626] The "Cost of Goods Sold" section of the tax documents cite no expenses for "Materials and supplies" or "labor."[627] In contrast to the average gross margin of 13.61 percent for farms in the United States,[628] data from the Deely Nuts supporting documents indicate a gross margin of 82 percent.[629] The Select Subcommittee also determined that the business address listed throughout the PPP Borrower Application Form is that of a beachfront vacation rental cottage in coastal New Jersey.[630]

Kabbage approved an application for Shaila Big Fresh Oranges in August 2020 for a $17,931 loan.[631] ProPublica and other outlets previously reported that the principal business for this applicant was described as "Orange Groves," even while the application listed a business address in Minnesota.[632] Documents obtained by the Select Subcommittee reveal additional red flags, including that the purported farm claimed to have a single employee, listed no wages or contract labor on its application, listed no supply purchases within its expenses, used the incorrect tax form for farms, cited a miscellaneous 999999 NAICs code rather than a code appropriate for farms, and included data indicating an unusual gross margin of 84 percent.[633] The Select Subcommittee also determined that the business address previously flagged by Pro Publica was a three bedroom, single family home.[634]

In the case of Strawberry Joseph Schrempp, which Kabbage approved for a loan of $19,829 in June 2020, ProPublica previously reported that the application listed the home of a bank president who denied owning a strawberry farm. Internal Kabbage documents obtained by the Select Subcommittee show that Kabbage flagged the application for a "fake passport" two weeks after it was approved and its SBA note signed for disbursement.[635] Despite the disbursement approval, notes on Kabbage's LexisNexis analysis of the application include "Risk Indicators" such as "Unable to verify business name, address, TIN and phone on business records;" "The input business address may be a residential address (single family dwelling); "Unable to verify phone number;" "The input phone number and input zip code combination is invalid;" and "The input name and address return a different phone number." Nevertheless, the application's "Verification Status" was listed as "Verified."[636] A website tracking and analyzing PPP loan data from the SBA notes that "PPP recipients in th[e strawberry farming] industry report an average of 43 employees, 4200% higher than Strawberry Joseph Schrempp's reported 1 employees [sic], and received an average PPP loan of $230,326, 1,062 percent higher than this company's loan of $19,829."[637]

Many of these patterns—including tax documents not typically used by farms, miscellaneous 999999 NAICs codes, a lack of labor expenses, business addresses for single-family homes in residential neighborhoods, gross margins exceeding 70 percent and sometimes approaching 90 percent, and email addresses using persons' names other than the name of the applicant contact—appeared in the applications of three other purported farms that were reported by ProPublica, including a tomato farm that Kabbage approved for $12,739; a "Wheat farming wheat farming [sic] field and seed production" that Kabbage approved for $20,833; and a "Beef cattle ranching and farming" business (which ProPublica noted had been registered to the home address of the mayor of Long Beach, New Jersey) approved by Kabbage for $20,567.[638] Internal Kabbage emails indicate that each of these businesses had been confirmed as fraudulent in March 2021, seven to eight months after the loans were funded, and that Kabbage had failed to recover any of the funds.[639]

These issues were sometimes accompanied by other red flags, such as loans sought for exactly the amount available through the PPP to sole proprietors. For example, the Ritter Wheat Club application's payroll calculations added up to exactly $20,833, which was the maximum loan amount for a single proprietor with one employee.[640] Internal correspondence indicates that Kabbage had discussed whether loans for $20,833 were suspicious as early as May 2020, but that Kabbage's Head of Policy had opined, "I don't think that's suspicious given we're serving these markets, nor do I think it's fraud."[641] At that point, Kabbage had already approved nearly 9,000 loans for that amount, collectively worth over $183 million dollars.[642]

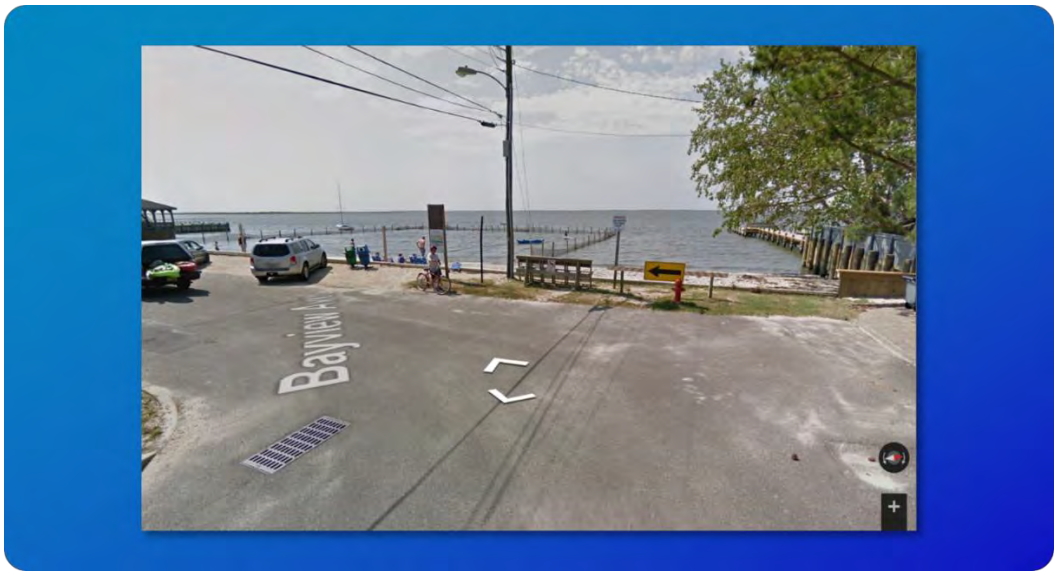



*Figure 7: Google street view of the residential beachfront site of a supposed "Beef Cattle Ranching and Farming" business in New Jersey, on a PPP application approved by Kabbage.*[643]

### 3. Kabbage Sold Its Primary Business to American Express Mid-Program, Capitalizing on PPP Profits While Leaving Legitimate Borrowers Without Effective Assistance with Forgiveness

On October 16, 2020, Kabbage sold the majority of its assets to American Express Company for approximately $850 million.[644] The entity currently known as "Kabbage" is now operated by American Express, while what remained of the original fintech was spun off into a business called "KServicing."[645] As part of these transactions, the majority of Kabbage's key employees, data, documents, and systems were transferred to American Express.[646] However, American Express did not assume the company's PPP liabilities. In communications with the Select Subcommittee, American Express emphasized that the company "expressly did not acquire Kabbage's liabilities arising under, resulting from, or related to Kabbage's historical loan portfolio or the PPP portfolio. Any regulatory obligations or issues related to Kabbage's PPP loans belong solely to Kabbage."[647]

At the time of the acquisition and spinoff, Kabbage had already issued PPP loans to over a quarter million borrowers that would need ongoing servicing, including for forgiveness processing. Without clear regulatory penalties for poor servicing of funded loans, Kabbage and its new owner left these borrowers to a severely under-resourced company with fewer than 12 full-time employees to help service those loans.[648] Although public estimates put Kabbage's PPP fee earnings at over $300 million at the time of the acquisition,[649] KServicing was unable to tell the Select Subcommittee how much funding it had at its disposal post-acquisition to provide services to PPP borrowers.[650] However, KServicing told the Select Subcommittee that its resources were "limited."[651]

KServicing also retained only contractual use of American Express' data and systems, to which they had to request access in order to perform forgiveness services for borrowers.[652] Public reports detailed borrowers struggling to obtain their second-draw loan funds from KServicing after the spin-off.[653] In March 2022, the Miami Herald also reported that Kabbage/KServicing saw the lowest forgiveness rate of any major lender in the first year of the PPP.[654]

Even after Kabbage was sold and KServicing was left with a skeleton staff, KServicing continued to fund loans. KServicing informed the Select Subcommittee that, following the October 2020 acquisition, only "one Kabbage employee was dedicated full time and exclusively to AML [anti-money laundering], BSA [Bank Secrecy Act], or fraud compliance from October 16, 2020 to May 2021, at which point this employee was transferred to American Express."[655] As of mid-June 2021, "[t]here [were] no Kabbage employees that [were] dedicated full time exclusively to AML, BSA, or fraud compliance," although some employees did such work part-time. Kabbage claimed to have contracted a third-party firm to support the part-time employees.[656] Nevertheless, Kabbage continued to fund loans; in the time in which Kabbage claimed to have only one full-time anti-fraud employee, Kabbage funded over 50,000 loans within a 13-week period. Loans continued to be funded even after Kabbage lost that employee.[657]

While American Express obtained Kabbage's assets, KServicing was left with its responsibilities to service borrowers' loans and the portfolio's liabilities, including multiple Department of Justice investigations into whether Kabbage's review of PPP applications was consistent with federal fraud laws, as well as an investigation by the Federal Trade Commission into potential deceptive and unfair practices.[658] KServicing eventually filed for Chapter 11 bankruptcy on October 3, 2022.[659]

Upon filing for bankruptcy, KServicing disclosed that it faced allegations from SBA that it had made excess loan payments to borrowers, as well as accusations from Customer Bank that it had failed to perform required loan servicing.[660] In the same filing, KServicing accused American Express, which continues to manage and publicize Kabbage's primary lending business,[661] of failing to honor its commitments to provide KServicing with the data it needed to run it PPP business, including access to the platform used by borrowers.[662] While Kabbage's sale left the company with fewer staff to prevent fraudulent loans and protect taxpayer dollars, and borrowers with limited assistance with forgiveness servicing, American Express, Kabbage, and its executives were left free from liability and responsibility.

## F. Bluevine Initially Faced Significant Fraud Rates, but Its Longstanding Partners Intervened to Improve Fraud Prevention over the Course of the Program

The story of another fintech, Bluevine, demonstrates that it was possible to reduce the amount of fraud in the PPP with adequate diligence measures.

### 1. Bluevine Attracted and Facilitated Significant Amounts of Fraud Early in the PPP

Bluevine, a fintech headquartered in California, was founded in 2013 to facilitate loans for small businesses. Between its entry into the PPP in April 2020 and the end of the program in May 2021, Bluevine worked exclusively with two preexisting bank partners—Celtic Bank and Cross River Bank. Bluevine estimated that it had facilitated approximately $2 billion in funds for at least 20,000 small businesses over its approximately seven-year pre-pandemic history. Over the course of the PPP, Bluevine assisted in delivering $8.9 billion in PPP funds to over 300,000 small businesses.[663] In other words, during its participation in the PPP, Bluevine facilitated over four times the amount of funds it had worked with in its entire prior history, for at least 15 times the total number of businesses it had previously worked with.

As with other PPP facilitators, numerous fraudulent applications passed through Bluevine's systems. In one case, Bluevine approved a loan application for $1.9 million in May 2020 for a Florida man who claimed to operate a scrap metal company employing 69 people out of his home address.[664] The purported business had no internet presence, and the application included IRS forms that cited identical information concerning the number of employees, compensation, and federal income tax over four consecutive quarters.[665] Another applicant was initially rejected by Bluevine after submitting falsified bank statements in May 2020, only for Bluevine to approve a second fraudulent application, for the same business from the same IP address for $841,000, a week later.[666]

Fraud rings appear to have singled out Bluevine for its susceptibility to fraud. Court records show that Bluevine allegedly approved applications in May of 2020 even after its systems linked multiple applications to a single IP address, which was later identified as the home address of a fraud ring participant.[667] A member of the ring allegedly sent text messages to his accomplices referring to Bluevine by name and complaining on June 5, 2020 that the fintech was "out of cash."[668] Another convicted fraudster, who received 17 years in prison for leading a $20 million coronavirus-related fraud scheme, texted a co-conspirator: "10k guaranteed...they don't check for s---...it's all automated," and "I did 7 [applications] last night and 4 of them got email that it's funded...I'm telling you to apply [to] Bluevine."[669]

Minutes from Celtic Bank's internal Risk Committee meetings obtained by the Select Subcommittee show that loans processed by Bluevine had higher fraud rates than those processed by Celtic acting alone or in conjunction with other partners, including other fintechs or fintech-owned companies.[670] As of mid-May 2021, Celtic's analysis of PPP fraud indicated that Celtic had confirmed 1,723 cases of fraud, 1,557 of which were associated with Bluevine-processed loans.[671] As shown in figure 8, Celtic's Risk and Compliance Committees also tracked fraud in PPP loans, with fraud statistics broken out by partner fintech. These records show that Bluevine had an estimated gross fraud rate of seven percent, as compared to under five percent for Celtic's direct loans and lower amounts for those loans processed through other fintech partners.

**PPP TOTAL**

| | GROSS EXPOSURE | $$ RECOVERED | NET EXPOSURE | TOTAL PPP FUNDED | GROSS % | NET % |
|---|---|---|---|---|---|---|
| Bluevine | $191,578,746.00 | $38,921,161.57 | $152,657,584.43 | $2,668,267,190.00 | 7.18% | 5.72% |
| Celtic | $32,369,061.97 | $14,131,477.25 | $18,237,584.72 | $699,131,150.96 | 4.63% | 2.61% |
| FundingCircle | $2,130,438.00 | $1,433,793.20 | $696,644.80 | $117,757,668.46 | 1.81% | 0.59% |
| Liberty | $3,562,500.00 | $582,842.99 | $2,979,657.01 | $105,040,676.00 | 3.39% | 2.84% |
| OnDeck | $211,900.00 | $0.00 | $211,900.00 | $42,727,900.00 | 0.50% | 0.50% |
| | $229,852,645.97 | $55,069,275.01 | $174,783,370.96 | $3,632,934,585.42 | 6.33% | 4.81% |

*Figure 8: Celtic's assessment of PPP fraud, broken down by partner, throughout the PPP (as of May 11, 2021).*[672]

2. Federally-Regulated Bank Partners Successfully Pressured Bluevine to Improve Its Controls During the PPP, Likely Reducing Fraud

Bluevine worked exclusively with preexisting bank partners to process PPP applications. Both Celtic and Cross River are well-established banks subject to federal anti-fraud regulations, including the Bank Secrecy Act. Each had a history of working with both SBA and fintech companies prior to the pandemic. Celtic had previously partnered with both Bluevine and Kabbage, among others, to provide other lending products, and had been an authorized SBA lender for two decades.[673] Cross River, a small bank with 350 employees, had partnered with fintechs such as Bluevine on various products since 2010.[674]

Because SBA rules—unchanged when largely unregulated fintechs became major players in the PPP—allowed lenders to delegate fraud controls to contractors, these banks appear to have

been the primary outside source of accountability for Bluevine's anti-fraud work.[675] Bluevine appears to have benefited from the regulated banks' influence both before and during the PPP. By virtue of Bluevine's relationships with the banks, Bluevine's approximately 80 risk and compliance employees already received regular annual training on customer identification protocols and red flags for identity theft before the pandemic.[676] The banks' relative success in pressuring Bluevine to improve its controls over time also suggests that the PPP would have benefited from rigorous oversight of entities responsible for fraud controls and/or from rules restricting delegation of anti-fraud controls, in particular, to well-regulated entities. SBA's general lack of direct oversight of third-party service providers,[677] in combination with participation by lenders who had varying regulatory obligations and experience and who largely delegated compliance controls to third parties, created varying degrees of oversight by private lenders responsible for their contractors' actions.

Consistent with risk management guidance from the Office of the Comptroller of the Currency (OCC), both Celtic and Cross River appear to have undertaken "due diligence . . . before selecting and entering into contracts" specific to the PPP, rather than "rely[ing] solely on experience with or prior knowledge of the third party as a proxy for an objective, in-depth assessment of the third party's ability to perform the activity in compliance with all applicable laws and regulations."[678] The banks also ensured that the contracts "clearly define[d] expectations and responsibilities of the third party."[679] Bluevine informed the Select Subcommittee that its bank partners "regularly review and approve Bluevine's compliance and risk policies and procedures, and can direct Bluevine to make changes in these policies, including any underwriting policies, both before engaging Bluevine to provide third-party services and throughout the course of the business relationship."[680] Internal correspondence among Bluevine, Celtic, and Cross River indicates that Bluevine made multiple enhancements to its fraud controls over the course of the program in response to requests and pressure from its regulated bank partners. These improvements indicate that the presence of a strong regulatory structure applicable to fintechs or other entities managing anti-fraud controls may have improved fraud rates across the board during the PPP.

By May 2, 2020, Celtic was "originating annual program volumes in mere days," according to internal correspondence among Celtic executives and Bluevine staff.[681] Celtic representatives informed Select Subcommittee staff that they discovered more fraud than they had expected in the first round of the PPP, particularly with respect to the submission of manipulated documents by PPP applicants.[682]

Celtic's formal governance structure assisted it in tracking and acting on fraud that came through Bluevine. From early in the program, Celtic's Compliance and Risk Committees, made up of executives experienced in risk and fraud-detection operations or other aspects of the financial industry, closely tracked actionable information concerning fraud in Celtic-funded PPP loans.[683] Materials from this committee show that Celtic tracked the number and value of fraudulent applications, as well as progress on investigations into fraud, broken down by fintech partner to help Celtic track each partners' anti-fraud performance.[684]

Celtic representatives had ongoing, regular meetings with Bluevine's compliance and risk teams from the beginning of the program, initially on a daily basis and subsequently three times

per week, to discuss fraud trends, individual cases, and potential control enhancements.[685] Correspondence obtained by the Select Subcommittee confirms that Celtic personnel gauged the effectiveness of Bluevine's fraud controls in real time and pressed Bluevine to enact increasingly rigorous standards.[686]

Correspondence between Celtic and Bluevine in the first three months of the PPP indicate that Bluevine introduced new software and manual review processes in response to requests or pressure by Celtic, which was actively monitoring its own fraud risk (and by extension, the fraud risks created by its partnerships) to ensure ongoing compliance with anti-fraud statutes applicable to banks. In response to the bank's request, Bluevine also conducted an analysis of the new checks, which indicated that the controls would have caught 78% of previously-approved fraudulent applications had they been implemented earlier.[687] Data subsequently collected by Celtic suggests that the fraud incidence in Celtic's loans (the majority of which were originated by Bluevine) began to decline at the time that these fraud prevention measures were implemented.[688] These real-time analyses indicate that the bank's active oversight of its fintech partner, consistent with its own regulatory obligations, may have reduced fraud after new controls were implemented.

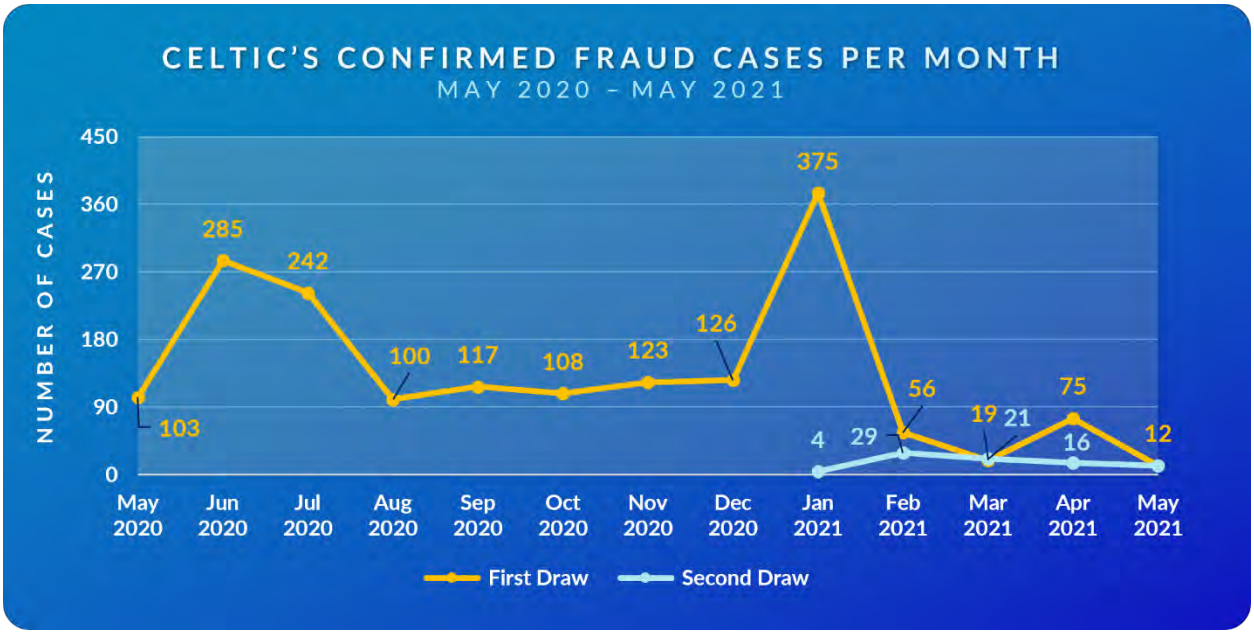



*Figure 9: Data from Celtic Bank's internal chart of PPP fraud cases per month in all Celtic-funded loans (as of May 11, 2021), indicating a steep decline in Bluevine fraud incidents following the addition of new controls in June 2020 (and again after further changes for the 2021 round of PPP). Although these figures represent all Celtic PPP loans, nearly three-quarters of PPP funds issued by Celtic's PPP funding were ultimately done through Bluevine applications.*[689]

Celtic continued to engage closely with Bluevine on fraud controls throughout 2020 and, in a renewed partnership limited to second-draw loans, into 2021.[690] In board materials for Celtic's Compliance Committee in April 2021, toward the end of the PPP, Celtic estimated that Bluevine's 8.54 percent rate of fraudulent loan funds in first-draw loans had declined to a 0.08 percent rate of fraudulent loan funds in second-draw loans based on then-available data.[691]

Celtic attributed the improvement to "Process Enhancements" including "Increased front-end controls at Bluevine."[692]

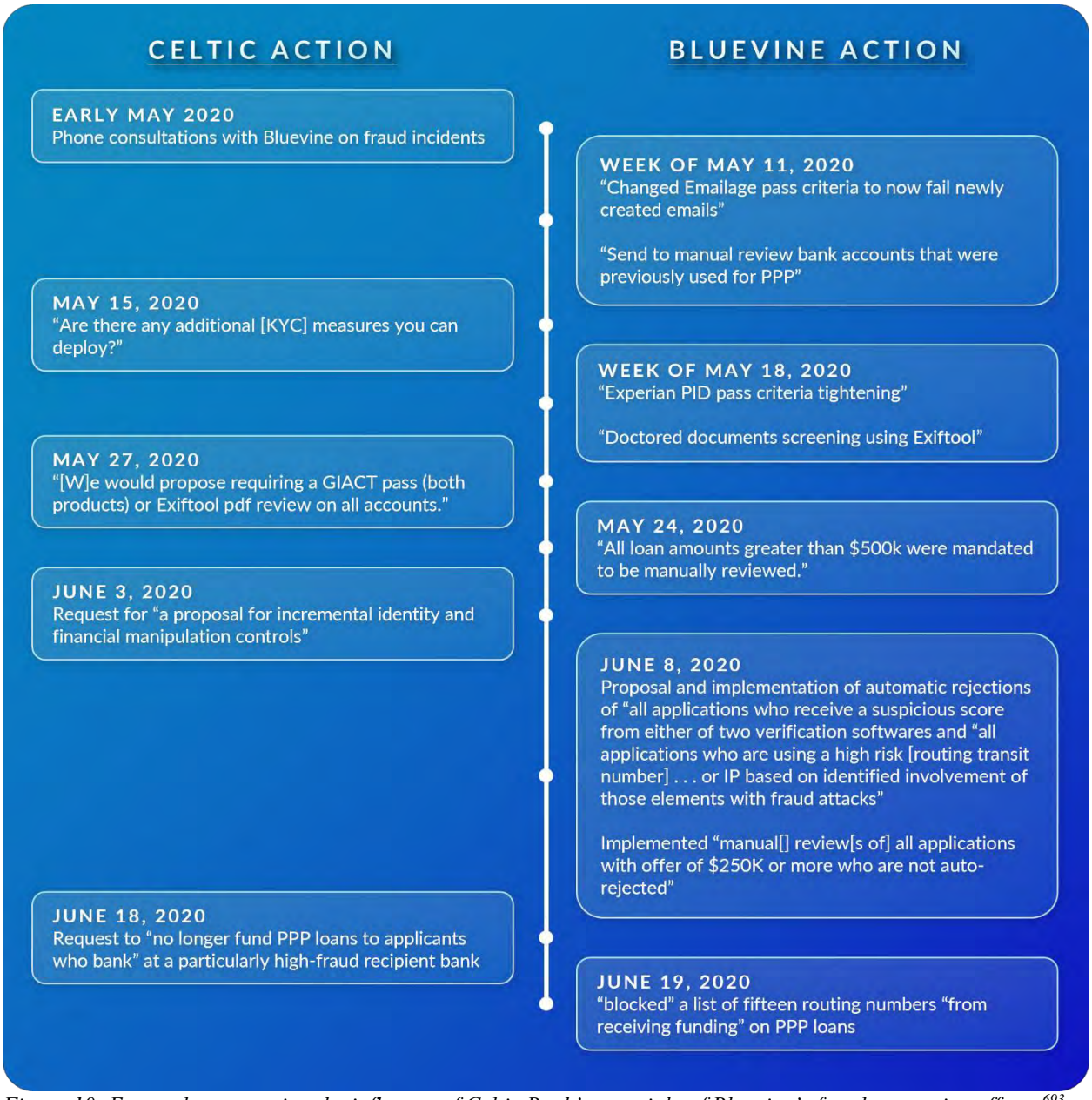



*Figure 10: Events demonstrating the influence of Celtic Bank's oversight of Bluevine's fraud prevention efforts.*[693]

Bluevine's second partner bank, Cross River, also negotiated the authority to review and require changes to Bluevine's fraud policies and procedures.[694] Cross River appears to have performed such reviews of Bluevine's fraud controls periodically, including in advance of each new PPP round. In addition to the April 2020 due diligence discussed above, Cross River requested and reviewed a list of enhancements to anti-fraud detection and prevention measures that Bluevine was making in preparation for PPP reopening in 2021.[695] Cross River continued to conduct periodic reviews of partners' fraud policies until late in the PPP.[696] However, contemporaneous correspondence from Cross River obtained by the Select Subcommittee

generally did not reflect the same rigorous and consistent oversight efforts as Celtic's emails with Bluevine. In a briefing with Select Subcommittee staff, Bluevine acknowledged that Celtic was "more hands on" than Cross River with regard to fraud concerns.[697] This difference shows how, without direct oversight of third-party service providers by SBA, even experienced and regulated lenders varied significantly in their ability and willingness to supervise the agents responsible for protecting billions in taxpayer dollars from fraud.

Available data indicates that Cross River's comparatively less hands-on approach to its partners may have led it to approve somewhat riskier loans than Celtic, again suggesting that active oversight of the unregulated fintechs may have correlated with reduced fraud risk. The University of Texas graph shows that nearly 20 percent of Cross River's loans had at least one suspicious indicator, as compared to approximately 10 percent of Celtic's (which was below average across PPP lenders).[698] Lenders that worked with Blueacorn and Womply who were less than diligent in monitoring their fintech partners had even higher rates of suspicious loans.[699] The apparent distinction between Celtic's and Cross River's results suggest that diligent oversight processes (or the relative lack thereof) may have materially impacted the quantity of fraud in the program.

3. Bluevine Struggled to Provide Timely QARs, Underscoring That Oversight Was Required to Ensure Unregulated Fintechs Complied with Applicable Rules

In order to file required Suspicious Activity Reports (or SARs)—reports that alerted regulators to fraudulent loans and related patterns—banks relied on Bluevine to investigate potential fraud associated with Bluevine-processed loans and to provide them with Questionable Activity Reports (QARs) summarizing the issues identified.[700] Emails and documents reviewed by the Select Subcommittee show that at least one bank had significant difficulty, throughout the program, in obtaining timely cooperation from Bluevine on QARs to meet applicable legal reporting deadlines under the Bank Secrecy Act (*i.e.*, the filing of a SAR no later than 30 calendar days after suspicious activity is first detected[701]), an issue that did not improve for much of the program.[702] This suggests that significant oversight was sometimes required to ensure that fintechs complied with standard regulations for financial institutions, including regulations critical to keeping law enforcement informed about fraud patterns.

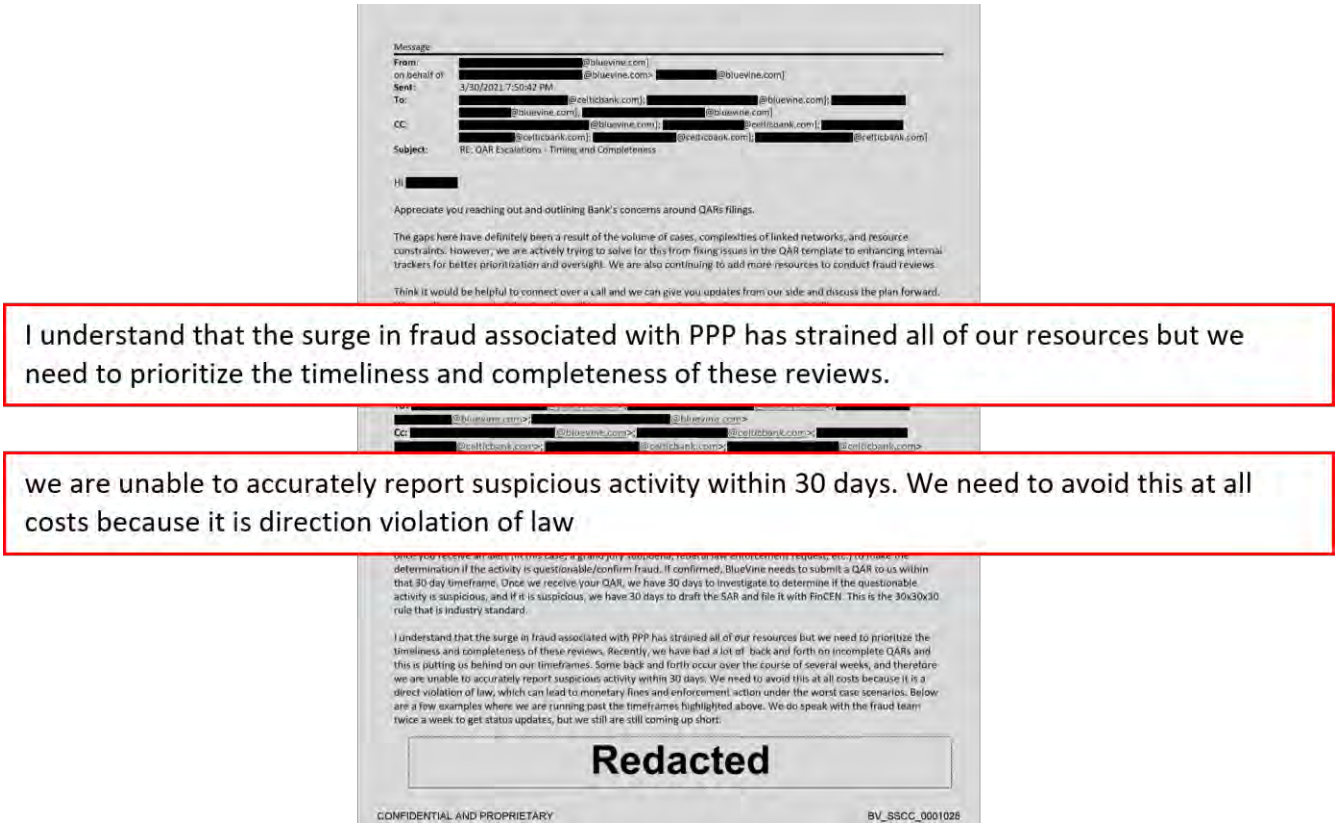
Celtic's internal Compliance Committee minutes from early in the PPP flagged that "PPP Fraud has increased QAR/SAR volumes significantly," and noted the "Highest concentration [of SARs] is with Bluevine."[703] In July 2020, Celtic emailed Bluevine's Compliance and Risk leadership to reiterate the bank's need for timely-filed QARs within ten days of confirmed fraud.[704]




*Figure 11: Item in October 2020 deck for Celtic's Compliance Committee, noting late filings of Suspicious Activity Reports to law enforcement, due in part to "[d]elays in reviews by Bluevine."*[705]

These delays continued well into 2021. On March 30, 2021, Bluevine's Vice President of Compliance wrote to Bluevine's compliance and risk teams:

> [W]e have growing concern about the timeliness and completeness of investigations and QARs from Bluevine. … Recently, we have had a lot of back and forth on incomplete QARs and this is putting us behind on our timeframes [for SAR reporting]. … We need to avoid this at all costs because it is a direct violation of law.[706]



Message

From: [redacted]@bluevine.com]
on behalf of [redacted]@bluevine.com> [redacted]@bluevine.com]
Sent: 3/30/2021 7:50:42 PM
To: [redacted]@celticbank.com]; [redacted]@bluevine.com]; [redacted]
[redacted]@bluevine.com]; [redacted]@bluevine.com]
CC: [redacted]@bluevine.com]; [redacted]@celticbank.com]; [redacted]
[redacted]@celticbank.com]; [redacted]@celticbank.com]; [redacted]@celticbank.com]
Subject: RE: QAR Escalations - Timing and Completeness

Hi [redacted]

Appreciate you reaching out and outlining Bank's concerns around QARs filings.

The gaps here have definitely been a result of the volume of cases, complexities of linked networks, and resource constraints. However, we are actively trying to solve for this from fixing issues in the QAR template to enhancing internal trackers for better prioritization and oversight. We are also continuing to add more resources to conduct fraud reviews.

Think it would be helpful to connect over a call and we can give you updates from our side and discuss the plan forward.

I understand that the surge in fraud associated with PPP has strained all of our resources but we need to prioritize the timeliness and completeness of these reviews.

we are unable to accurately report suspicious activity within 30 days. We need to avoid this at all costs because it is direction violation of law

determination if the activity is questionable/confirm fraud. If confirmed, BlueVine needs to submit a QAR to us within that 30 day timeframe. Once we receive your QAR, we have 30 days to investigate to determine if the questionable activity is suspicious, and if it is suspicious, we have 30 days to draft the SAR and file it with FinCEN. This is the 30x30x30 rule that is industry standard.

I understand that the surge in fraud associated with PPP has strained all of our resources but we need to prioritize the timeliness and completeness of these reviews. Recently, we have had a lot of back and forth on incomplete QARs and this is putting us behind on our timeframes. Some back and forth occur over the course of several weeks, and therefore we are unable to accurately report suspicious activity within 30 days. We need to avoid this at all costs because it is a direct violation of law, which can lead to monetary fines and enforcement action under the worst case scenarios. Below are a few examples where we are running past the timeframes highlighted above. We do speak with the fraud team twice a week to get status updates, but we still are still coming up short:

Redacted

CONFIDENTIAL AND PROPRIETARY BV_SSCC_0001028

In response to the pressure from Celtic, Bluevine reallocated resources in 2021, including by hiring "an additional full-time employee … to specifically help support PPP fraud reviews."[707]

Even with heavy oversight by its regulated partner and its apparent success in reducing fraud rates, the "surge in fraud associated with PPP" appears to have overwhelmed Bluevine, causing its partners to miss legal reporting requirements designed to help law enforcement identify, and respond to, fraud in real time. These requirements were even more critical in the PPP, given the speed at which taxpayer funds were spent and the rapidly evolving strategies of criminal fraud rings. This example raises concerns about adequate and full reporting of PPP fraud by other third-party service providers—especially those who lacked experience in filing SARs—who were facing the same fraud surge but may have had less attentive and experienced lending partners.

# I. RECOMMENDATIONS

## A. SBA's Office of Inspector General Should, in Addition to Its Ongoing Work to Assess the Precise Amount of Fraud Committed Against the PPP, Conduct a Comprehensive Review for Waste, Fraud, and Abuse by Lenders and Their Service Providers in the PPP.

The Select Subcommittee's investigation determined that certain lenders and service providers implemented ineffective identity verification programs while collecting billions of dollars in taxpayer-funded loan fees, and that certain fintech principals may have abused their position in the PPP to charge unauthorized fees or to obtain PPP loans for themselves, their businesses, and their family members. A comprehensive review of lenders and their third-party service providers will be crucial for lawmakers to better understand what worked and what failed in the PPP so as to incorporate those lessons into future relief programs. This type of review will inform decisions by government agencies when selecting private partners for government programs.

As part of its review, SBA OIG should examine allegations that Blueacorn executive Stephanie Hockridge charged borrowers fees as part of Blueacorn's "VIPPP" operation in violation of SBA policy.[708] SBA OIG should also examine lender approvals of PPP loans awarded to the principals of and businesses owned by Womply and Blueacorn, other businesses owned by their principals and family members of those principals, and businesses owned by Blueacorn subcontractor Elev8 Advisors' principals and their family members. The Select Subcommittee's findings make clear that, while SBA OIG previously identified billions of dollars of PPP funds approved and disbursed to ineligible applicants, taxpayers still do not know the precise extent of fraud committed against the PPP. Confirming the full scope and nature of such fraud is vital to determine best practices for ongoing and future SBA programs, and to reduce future emergency programs' vulnerability to financial crime.

Based on the findings of its review, SBA OIG should refer any potential criminal violations to appropriate law enforcement agencies and refer instances of program noncompliance or ineligible loans to SBA, so that SBA can assess whether to demand repayment of individual loans, suspend or revoke the privileges of certain lenders and LSPs from participating in SBA programs,[709] and/or demand that the lenders responsible for approving preventable, fraudulent loans return PPP processing fees. SBA OIG should also publish its general findings to improve government agency decision-making about, and public accountability for, lenders and their subcontractors participating in SBA programs.

## B. SBA OIG Should Revisit and Update Its 2015 Examination of the SBA's Oversight of Lender Service Providers to Assess Systemic Risks Posed by the Involvement of Fintechs and Other Underregulated Entities in SBA Programs, and SBA Lenders' Delegation of Major Compliance-Related Responsibilities to Those Entities.

In light of the conduct uncovered by the Select Subcommittee, SBA OIG should revisit and update its 2015 audit, summarized in Report Number 15-06, *Improvement Is Needed in*

*SBA's Oversight of Lender Service Providers*.[710] The Select Subcommittee's investigation identified multiple instances of lenders delegating fraud prevention and eligibility verification controls, nearly in full, to third parties not overseen by SBA, while failing to responsibly "exercise day-to-day responsibility for evaluating, processing, closing, disbursing, servicing, liquidating, and litigating its SBA portfolio" as contemplated by SBA's Standard Operating Procedures.[711] These concerns were enhanced by the involvement of fintechs, which used automation to dramatically increase the number of PPP loans being processed for such lenders.

SBA OIG's updated review should examine systemic risks posed by (1) the involvement of fintechs and similarly underregulated entities in SBA programs, and (2) the current framework for SBA lenders' participation in the 7(a) program, which permits SBA lenders to delegate major compliance-related responsibilities to third parties (whether or not categorized as LSPs) that are not overseen by SBA. The Select Subcommittee's findings also suggest the oversight mechanisms previously examined by SBA OIG—including tracking LSPs, approving LSP contracts, and responding to referrals of potential policy violations by LSPs and lenders—are insufficient to protect taxpayers, particularly as applied to very prolific third-party service providers and those responsible for compliance controls. OIG should provide any further recommendations to facilitate ongoing, proactive SBA oversight of third-party service providers (and/or oversight of the efforts of SBA lenders to supervise them) that may be warranted in light of their performance in the PPP. OIG should also publish its findings to inform potential future programs, legislation, or SBA rules.[712]

### C. SBA and SBA OIG Should Investigate the Retention and Use of PPP Applicant Data by Lenders, Fintechs, and Other Third Parties That Obtained PPP Applicant Data on Behalf of Lenders.

The Select Subcommittee found that at least one fintech, Womply, likely retained and transferred PPP applicant data to a new company operated by Womply's leadership, Solo Global, Inc., after the conclusion of the PPP, apparently for future commercial use. This practice may not have been limited to Womply. In light of this finding, SBA OIG should investigate the retention and use of PPP applicant data by lenders, fintechs, and other third-parties that obtained PPP applicant data for consistency with applicable rules and statutes, such as the Privacy Act of 1974.[713] As approximately 5,500 private sector entities including banks, credit unions, fintechs, and community-based financial institutions participated in originating, underwriting, and servicing PPP loans, the SBA must have clear guidance in place on what those private companies can do with the borrower data they collected as part of facilitating those loans. SBA should consider any recommendations that may be warranted to protect the data and privacy of American citizens who must provide their information to private companies in order to participate in government relief programs.

### D. SBA Should Promptly Issue and Enforce Guidelines That Clarify the Responsibilities of Lenders and Their Service Providers, Particularly in Regard to Underwriting, Fraud Screening, and Suspicious Activity Reporting.

The Select Subcommittee's investigation identified multiple instances of lenders delegating fraud prevention and eligibility verification controls, nearly in full, to third parties not overseen by SBA, while failing to responsibly "exercise[] day-to-day responsibility for evaluating, processing, closing, disbursing, servicing, liquidating, and litigating its SBA portfolio" as contemplated by SBA's Standard Operating Procedures.[714] The Select Subcommittee found no public record of actions being taken against PPP lenders for insufficient due diligence into or oversight of the LSPs and agents that approved significant numbers of fraudulent applications. SBA guidelines should more clearly require participating financial institutions to thoroughly and continuously vet third-party service providers—including fintechs—that perform underwriting, conduct eligibility verification checks, and screen for fraud to ensure that their experience, operational capacities, and integrity are aligned with program requirements. Compliance with such rules should be monitored and enforced by SBA to encourage more stringent oversight of LSPs and agents—including fintechs—by lenders and to ensure that only appropriately resourced LSPs and agents participate in federal programs.

The Select Subcommittee determined that Womply categorized itself as a technological service provider, potentially to avoid rules or guidance that would apply to LSPs and agents, despite performing services that were similar or identical to those traditionally performed by LSPs, as described by SBA. SBA should clarify the categories of third-party service providers as needed to prevent private companies from avoiding oversight or compliance with requirements specific to LSPs and agents, and should conduct oversight of lenders participating in SBA programs to confirm that existing categories are being appropriately applied by their third-party contractors.

### E. Any Plans by the SBA to Again Open 7(a) Participation to Fintechs and Other Unregulated, Non-Depository Institutions Must Be Accompanied by a Well-Defined, More Rigorous, and Better-Resourced Initial Review Process, and Such Entities Should Be Subject to Continuous Monitoring to Confirm Their Adherence to SBA Rules and Industry Best Practices.

The Select Subcommittee's investigation found that some of the fintechs that participated in the PPP and took significant responsibility for its fraud controls lacked experience, resources, established policies and procedures for escalating and mitigating fraud, or good governance programs. For example, Blueacorn and its consultant Elev8 Advisors processed PPP loans without first implementing a functioning structure to facilitate effective eligibility screening and fraud detection, with the result that reviewers reported approving loans they suspected or knew to be fraudulent.

The SBA's 7(a) program requires private sector companies to act in a position of public trust to administer federal programs. The Select Subcommittee's findings indicate that new entrants—including companies acting in a service provider or agent capacity that involves

stewardship of taxpayer funds—should be thoroughly reviewed to ensure that they have appropriate conflict-of-interest policies and procedures, well-developed mechanisms to identify and report fraud to law enforcement, management with appropriate qualifications and a history of business integrity, an adequately developed governance structure, and sufficient capitalization and capabilities to achieve satisfactory performance. In addition, SBA should conduct ongoing monitoring of lenders and (whether directly or by requiring information from lending partners) of third-party service providers for unlawful or unethical conduct and compliance with SBA rules. Any entities found to engage in unlawful or unethical conduct should be disqualified from participation in SBA programs.

### F. The SBA Should Consider Suspending or Revoking the Privileges of Any Participant Found to Have Participated in Unlawful or Unethical Conduct While Participating in the PPP.

SBA should suspend or revoke the privilege of any lender or third-party service provider (however categorized and including successor companies) found to have engaged in unlawful or unethical conduct to participate in 7(a) programs, consistent with 13 CFR § 103.3, 13 CFR § 120.1500, or other applicable rules. The unethical conduct of Blueacorn, Womply, their current and former owners and leaderships, and their successor companies raise concerns about their involvement in 7(a) programs or any future relief programs. SBA should also consider whether the lenders that relied on these fintechs conducted adequate due diligence and oversight of their service providers to merit suspension or revocation of their privileges to conduct business with SBA.

### G. In Any Future Emergency Financial Assistance Programs That Prioritize Speed of Loan Issuance, the SBA Must Conduct Aggressive and Large-Scale Reviews of Loans Prior to Their Forgiveness to Detect Fraudulent and Ineligible Loans.

Despite widespread reports of fraud in PPP loans, the SBA forgave many loans before reviewing them for eligibility and fraud. SBA OIG has previously "expressed concerns regarding the impact this change will have on SBA's ability to recover funds for forgiven loans later determined to be ineligible."[715] In any future relief programs involving forgivable loans, the SBA must ensure that loans are fully reviewed for eligibility and fraud before granting forgiveness so that taxpayer dollars are safeguarded and fraudulent loans are identified for prosecution.

### H. The SBA OIG Should Investigate Suspicious Loans to Fintech Executives, Their Families, and Associates as Identified in the Select Subcommittee's Report.

The Select Subcommittee also uncovered significant evidence that the owners of Blueacorn and Blueacorn's primary financial crime consultant, Elev8 Advisors, may have committed PPP fraud themselves while working on the eligibility verification and anti-fraud aspects of the program. The SBA OIG should investigate the potentially fraudulent loans

applied for and awarded to Ms. Hockridge, Mr. Reis, the Spencers, and family members of the Spencers and refer them to law enforcement if appropriate.

## I. The Department of Justice Should Continue to Aggressively Prosecute PPP Fraud, with an Increased Focus on Fraud Committed by Individuals in Positions of Trust and Authority Related to the Program, Such as Lenders, LSPs, and Other Agents.

The PPP heavily relied on private companies to facilitate the program, and their failures to be good stewards significantly harmed taxpayers. To the extent that these companies or individuals affiliated with these companies themselves committed, aided, or encouraged PPP fraud, they should be prosecuted to the fullest extent of the law to discourage future abuse of government programs.

Such investigations and prosecutions should include, but not be limited to, the potentially criminal conduct detailed in this report. The Select Subcommittee's investigation identified not only cases where fintech principals may have committed PPP fraud, but instances where fintech principals, executives, or managers acknowledged that they were aware of a risk of fraud in the loans that they were approving, but directed that employees continue to approve such loans. DOJ should therefore also investigate whether these fintechs or their employees and principals knowingly made, or caused to be made or used, false statements in connection with PPP applications that they submitted or processed, in violation of the False Claims Act.[716]

## J. Congress Should Continue to Fund and Support Community Lenders—Including Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs), and Others—So That They Can Increase Their Capacity to Directly Serve Underserved Communities and Small Businesses While Performing Intensive Oversight of Any Firms That They Hire to Perform Important Services on Their Behalf.

The Select Subcommittee's investigation identified several instances in which CDFIs, overwhelmed by the needs of customers that were underserved by the traditional banking system, delegated their responsibilities heavily to fintech firms. These institutions sometimes lacked the resources and experience to oversee those fintechs, leaving their loans vulnerable to fraud. At the same time, CDFIs and similar community lenders were essential to dramatically increasing the reach of the PPP to customers that otherwise lacked access to credit, including many of the small businesses and underserved markets that the PPP was designed to support. In order for community lenders to effectively participate in future government programs (and to more generally improve equitable access to credit across the nation), they must be supported with adequate resources to participate effectively.

### K. Congress Should Consider Additional Federal Regulations for Non-Bank/Non-Depository Fintechs Considering Their Increasing Role in the Financial Industry, Including Clearer Standards on Financial Crime Responsibilities.

Fintechs are claiming an increasingly large role in the financial industry, from providing application portals to borrowers as they did in the PPP, to housing encrypted transactions on complex networks. Although fintechs often behave like banks and traditional depository institutions, they are not subject to banking regulations such as the Bank Secrecy Act, which would require them to implement certain processes and structures to ensure the safety and soundness of their operations. The Select Subcommittee's findings suggest that fintechs subjected to these requirements via their lending partners, such as Bluevine under the oversight of Celtic Bank, were more successful at adapting to fraud risks than those that did not. As the fintech industry grows and develops, Congress must thoughtfully regulate the industry to better protect consumers and prevent financial crime.

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[83] *PayPal, Square Start Lending to Small Businesses Hurt by Virus,* Bloomberg (Apr. 14, 2020) (online at https://bloomberg.com/news/articles/2020-04-14/paypal-square-start-lending-to-small-businesses-hurt-by-virus#xj4y7vzkg); *Lendistry Receives Capital from Goldman Sachs to Provide PPP Loans to Underserved Businesses, Doubles Footprint to 12 States,* GlobeNewswire (Apr. 23, 2020) (online at https://globenewswire.com/en/news-release/2020/04/23/2021007/0/en/Lendistry-Receives-Capital-From-Goldman-Sachs-To-Provide-PPP-Loans-To-Underserved-Businesses-Doubles-Footprint-To-12-States.html); *Magic Johnson Offering $100 Million in Loans to Minority-Owned Businesses Left Out of PPP Loans,* CNBC (May 19, 2020) (online at https://cnbc.com/2020/05/19/magic-johnson-offering-100-million-in-loans-to-minority-owned-businesses.html); Bluevine*, Bluevine Approved as Direct Lender for Paycheck Protection Program* (online at https://bluevine.com/newsroom/bluevine-becomes-direct-lender-for-ppp/) (accessed Oct. 7, 2022); Kabbage, *Kabbage Partners with SBA-Authorized Bank to Deliver Paycheck Protection Program Loans to Small Businesses* (Apr. 7, 2020) (online at https://newsroom.kabbage.com/news/kabbage-partners-with-sba-authorized-bank-to-deliver-paycheck-protection-program-loans-to-small-businesses/); Celtic Bank, *Utah-Based SBA Lender Celtic Bank Punches Above Its Weight with $2.5 Billion in PPP Funding* (Dec. 21, 2020) (online at https://celticbank.com/releases/celtic-ppp-funding); Cross River Bank, *Press Release: Cross River One of Top Paycheck Protection Program (PPP) Lenders in the Country* (June 9, 2020) (online at https://crossriver.com/cross-river-one-top-paycheck-protection-program-ppp-lenders-country).

[84] *Capital Plus Financial Partners with Blueacorn to Expedite PPP Loan Relief to Small Businesses,* Cision PR Newswire (Jan. 11, 2021) (online at https://prnewswire.com/news-releases/capital-plus-financial-partners-with-blueacorn-to-expedite-ppp-loan-relief-to-small-businesses-301204999.html); Womply, *Womply Launches PPP Fast Lane to Help Under-Served Businesses Access the Paycheck Protection Program (PPP)* (Feb. 23, 2021) (online at https://womply.com/press/womply-launches-ppp-fast-lane-to-help-under-served-businesses-access-the-paycheck-protection-program-ppp/) (This link now redirects to Solo Global's website.).

[85] Small Business Administration, *Paycheck Protection Program (PPP) Report – Approvals Through 5/31/2021* (May 31, 2021) (online at https://sba.gov/sites/default/files/2021-06/PPP_Report_Public_210531-508.pdf).

[86] *Id*.

[87] *Id*.

[88] Innovative Lending Platform Association, *ILPA Applauds Confirmation of New SBA Administrator* (Mar. 16, 2021) (online at https://innovativelending.org/ilpa-applauds-confirmation-of-new-sba-administrator/).

[89] *Fintech Lenders Are Critical to Small Businesses Accessing PPP,* The Hill (June 24, 2021) (online at https://thehill.com/opinion/finance/560133-fintech-lenders-are-critical-to-small-businesses-accessing-ppp/).

[90] *Id.*

[91] Call between Staff, Small Business Administration, Office of Inspector General, and Majority Staff, Select Subcommittee on the Coronavirus Crisis (May 5, 2022).

[92] *PPP Scammers Made Fintech Companies Their Lenders of Choice,* Bloomberg (Oct. 7, 2020) (online at https://bloomberg.com/news/articles/2020-10-07/ppp-loans-scammers-used-fintech-companies-to-carry-out-fraud?leadSource=uverify%20wall#xj4y7vzkg).

[93] *Lamborghinis, Strip Clubs, Bogus Companies, and Lies*, Project on Government Oversight (Oct. 8, 2020) (online at https://pogo.org/investigation/2020/10/lamborghinis-strip-clubs-bogus-companies-and-lies).

[94] *15% of Paycheck Protection Program Loans Could Be Fraudulent, Study Shows,* New York Times (Oct. 11, 2021) (online at https://nytimes.com/2021/08/17/business/ppp-fraud-covid.html); John M. Griffin, Samuel Kruger, and Prateek Mahajan, *Did FinTech Lenders Facilitate PPP Fraud?,* Journal of Finance, Forthcoming (Aug. 15, 2022) (online at http://dx.doi.org/10.2139/ssrn.3906395).

[95] John M. Griffin, Samuel Kruger, and Prateek Mahajan, *Did FinTech Lenders Facilitate PPP Fraud?,* Journal of Finance, Forthcoming (Aug. 15, 2022) (online at http://dx.doi.org/10.2139/ssrn.3906395).

[96] *Id.*

[97] *Id.*

[98] *Id.*

[99] *Id.*

[100] Select Subcommittee on the Coronavirus Crisis, *Press Release: Select Subcommittee Launches Investigation into Role of FinTech Industry In PPP Fraud* (May 28, 2021) (online at https://coronavirus.house.gov/news/press-releases/select-subcommittee-launches-investigation-role-fintech-industry-ppp-fraud).

[101] Select Subcommittee on the Coronavirus Crisis, *Press Release: Select Subcommittee Expands Investigation Into Role of FinTech Industry In PPP Fraud* (Nov. 23, 2021) (online at https://coronavirus.house.gov/news/press-releases/select-subcommittee-expands-investigation-role-fintech-industry-ppp-fraud); John M. Griffin, Samuel Kruger, and Prateek Mahajan, *Did FinTech Lenders Facilitate PPP Fraud?,* Journal of Finance, Forthcoming (Aug. 15, 2022) (online at http://dx.doi.org/10.2139/ssrn.3906395).

[102] Email from Chief Risk Officer, Cross River Bank, to Staff, Cross River Bank (Apr. 3, 2020) (CRB_Subcom_0003205-07).

[103] Email from Chief Executive Officer, Celtic Bank, to President and Chief Operating Officer, Celtic Bank (Oct. 30, 2020) (Celtic_SSCC_001179-80).

[104] Email from BSA Officer, Celtic Bank, to Chief Risk Officer and Senior Compliance Manager, Celtic Bank (Nov. 5, 2020) (Celtic_SSCC_001350-51).

[105] Email from Vice President - Compliance, Celtic Bank, to Staff, Celtic Bank and Bluevine Inc. (Mar. 30, 2021) (BV_SSCC_0001028-30).

[106] Email from President/Chief Operating Officer, Celtic Bank, to President, Utah Bank, (Aug. 12, 2020) (Celtic_SSCC_001393-95).

[107] Email from Head of Policy, Kabbage, Inc., to Head of Capital Markets, Kabbage, Inc. (July 18, 2020) (AMEX-SSCC-00020140-45).

[108] Letter from Head of Policy, Kabbage, Inc., to Staff, Kabbage, Inc. (Sept. 8, 2020) (AMEX-SSCC-00020045-47).

[109] Slack Messages between Staff, Kabbage, Inc. (July 16, 2020) (AMEX-SSCC-00019821-25).

[110] *Id.*

[111] Email from Chief Executive Officer, Celtic Bank, to Staff, Celtic Bank (May 8, 2020) (Celtic_SSCC_001189-91).

[112] Email from Bernie Navarro, Founder and President, Benworth Capital Partners, LLC to Toby Scammell, Founder and Chief Executive Officer, Womply (May 7, 2021) (BWSSCCResp0000038-42).

[113] Email from Head of Policy, Kabbage, Inc. (Sept. 30, 2020) (AMEX-SSCC-00017302-04).

[114] Email from President and Chief Operating Officer, Celtic Bank, to President, Utah Bankers Association (Aug. 12, 2020) (Celtic_SSCC_001393-95).

[115] Blueacorn, *Blueacorn's Role in PPP* (online at https://blueacorn.co/about-ppp/) (accessed Nov. 14, 2022); *How Two Start-ups Reaped Billions in Fees on Small Business Relief Loans*, N.Y. Times (June 27, 2021) (online at www.nytimes.com/2021/06/27/business/ppp-relief-loans-blueacorn-womply.html).

[116] Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Mar. 25, 2022). Blueacorn engaged a second compliance consultant, Everett Advisors, that worked with Elev8 Advisors. Everett Advisors reviewed training and guidance materials and created an AML/BSA training presentation. Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (February 4, 2022); Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (June 30, 2022).

[117] Proffer by Elev8 Advisors Group to Staff, Select Subcommittee on the Coronavirus Crisis (Aug. 3, 2022).

[118] Blueacorn Pitch Deck Provided to Capital Plus Financial (SSCC-CPF-0000457-65); Blueacorn Pitch Deck Customized for Prestamos CDFI (PRE-0000119-58).

[119] Small Business Administration, *Paycheck Protection Program (PPP) Report – Approvals Through 5/31/2021* (May 31, 2021) (https://sba.gov/sites/default/files/2021-06/PPP_Report_Public_210531-508.pdf) (Capital Plus and Prestamos issued 472,036 and 494,415 PPP loans in 2021 for a total of $15,258,132,373 in PPP loans); Letter from Prestamos CDFI to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Apr. 25, 2022) (approximately 434,000 loans processed by Prestamos were originated through the Blueacorn platform between April 14, 2021 and the end of round three in June 2021); Email from Counsel, Capital Plus Financial LLC, to Majority Staff, Select Subcommittee on the Coronavirus Crisis (July 22, 2022) (Blueacorn submitted a total of 521,221 loan applications to the SBA on behalf of Capital Plus.)

[120] Small Business Administration, *Paycheck Protection Program (PPP) Report – Approvals Through 5/31/2021* (May 31, 2021) (online at https://sba.gov/sites/default/files/2021-06/PPP_Report_Public_210531-508.pdf).

[121] *Id*.

[122] Email from Counsel, Capital Plus Financial LLC, to Majority Staff, Select Subcommittee on the Coronavirus Crisis (July 22, 2022) ("Capital Plus relied on Blueacorn's technological solutions to determine borrower eligibility and combat fraud efficiently and at scale."); Letter from Prestamos CDFI to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Apr. 25, 2022) ("Prestamos CDFI recognized it did not have the capability to process PPP applications at scale, but Blueacorn's PPP platform could, by integrating multiple layers of well-established fraud detection and prevention tools and artificial intelligence ('AI') capabilities, as detailed in Blueacorn's marketing materials, policies, and procedures[.]").

[123] Blueacorn Group January 1, 2021 – February 28, 2022, Simplified Cash Flow Statement (BA-SSCC-0000121-22).

[124] Call between Staff, Small Business Administration, Office of Inspector General, and Majority Staff, Select Subcommittee on the Coronavirus Crisis (May 5, 2022).

[125] Florida drug dealers received PPP loans, many from a Blueacorn lending partner, for non-existent businesses. According to local police, "[o]ne of the reasons they were able to fund their [drug] operation was because they were using these [PPP] loans from the government that they had received fraudulently." *COVID Relief Cash Funded Florida Drug Dealers Day to Day Operations: Police,* Newsweek (Nov. 17, 2021) (online at https://newsweek.com/covid-relief-cash-funded-florida-drug-dealers-day-day-operations-police-1650453); FederalPay.org, *PPP Loan Data – Kenneth Davis Jr., Saint Petersburg, FL* (online at https://federalpay.org/paycheck-protection-program/kenneth-davis-jr-saint-petersburg-fl) (accessed Nov. 27, 2022); FederalPay.org, *PPP Loan Data – Dante Payne, Saint Peterburg, FL* (online at https://federalpay.org/paycheck-protection-program/dante-payne-saint-petersburg-fl) (accessed Nov. 27, 2022). Loans were issued by Blueacorn partners to an ineligible gang member and to an individual who, during the time that he claimed to run an eligible business, was in fact incarcerated for money laundering and drug dealing. *Fraudster Who Bilked $131K in COVID-19 Benefits Sent to Prison,* Times Union (July 25, 2022) (online at https://timesunion.com/news/article/Fraudster-who-bilked-131K-in-COVID-19-benefits-17326950.php); FederalPay.org, *PPP Loan Data – Hector Sanchez, Rensselaer, NY* (online at https://federalpay.org/paycheck-protection-program/hector-sanchez-rensselaer-ny) (accessed Nov. 27, 2022); *Mobile Murder Suspect Pleads Guilty to Committing PPP Loan Fraud,* Advance Local (Mar. 2, 2022) (online at https://al.com/news/mobile/2022/03/mobile-murder-suspect-pleads-guilty-in-connection-with-ppp-loan-fraud.html); FederalPay.org, *PPP Loan Data – Demetrius Richardson, Mobile, AL* (online at https://federalpay.org/paycheck-protection-program/demetrius-richardson-mobile-al) (accessed Nov. 27, 2022).

[126] *They Promised Quick and Easy PPP Loans. Often, They Only Delivered Hassle and Heartache,* ProPublica (Jan. 14, 2022) (online at https://propublica.org/article/they-promised-quick-and-easy-ppp-loans-often-they-only-delivered-hassle-and-heartache).

[127] *See, e.g.*, Facebook, *Blueacorn* (Apr. 22, 2021) (online at www.facebook.com/blueacornco/posts/pfbid0svrpDueZjCvK1KmvPKttquMKPwrao8r2V5jxgZxgfoYLvgKaFtYkHfRdnZUrbtE8l?__cft__[0]=AZUeCMqsCH7amSOetcA8qmiW5WOo9sOts8pUWldZ54PKsqBctibFg8KswdQVp2Ev2y0azP9qxJJ67kQHwgkEzyV-qIqmoBMlT_m2lbkesDp9rravbu8UWqvw1eY7Ns_4U131f-GFheOuZuUxaA7c9td0fLY35xOmfUjMn_uwVcYVTF0En-74QMMuJCi1nns4Ra0HvePgoYC0TDF-hL4kf7W6&__tn__=%2CO%2CP-R).

[128] Blueacorn Group January 1, 2021 – February 28, 2022, Simplified Cash Flow Statement (BA-SSCC-0000121-22).

[129] Blueacorn, *Blueacorn's Role in PPP* (online at https://blueacorn.co/about-ppp/) (accessed June 6, 2022).

[130] Blueacorn, *Sobre Nostros* (online at https://blueacorn.co/sobre-nosotros/) (accessed Nov. 14, 2022); Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Feb. 4, 2022); LinkedIn, *Nate Reis* (online at https://linkedin.com/in/nathanreis/) (accessed Nov. 15, 2022).

[131] Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Feb. 4, 2022); Proffer by Elev8 Advisors Group to Staff, Select Subcommittee on the Coronavirus Crisis (Aug. 3, 2022).

[132] Proffer by Elev8 Advisors Group to Staff, Select Subcommittee on the Coronavirus Crisis (Aug. 3, 2022).

[133] Blueacorn, *Blueacorn's Role in PPP* (online at https://blueacorn.co/about-ppp/) (accessed June 6, 2022).

[134] *Id*.

[135] Federal Reserve Board, *Federal Reserve Statistical Release: Large Commercial Banks* (June 30, 2022) (online at https:/federalreserve.gov/releases/lbr/current/); JP Morgan Chase issued 158,345 PPP loans in 2021 totaling over $12.1 billion. Small Business Administration, *Paycheck Protection Program (PPP) Report – Approvals Through 5/31/2021* (May 31, 2021) (online at https://sba.gov/sites/default/files/2021-06/PPP_Report_Public_210531-508.pdf).

[136] Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Dec. 23, 2021).

[137] Lender Service Provider Agreement Between Capital Plus Financial LLC and FIN CAP, INC. (Oct. 23, 2020) (BA-SSCC-0000026-40). According to Blueacorn, the fintech entered into the Capital Plus LSPA through its wholly-owned subsidiary, Fin Cap, Inc. The original Capital Plus LSPA was executed in January 2021, with an effective date of October 23, 2020, and was updated in February 2021. Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Jan. 12, 2022).

[138] Lender Service Provider Agreement Between Capital Plus Financial LLC and FIN CAP, INC. (Oct. 23, 2020) (BA-SSCC-0000026-40); According to Blueacorn, the fintech entered into the Capital Plus LSPA through its wholly-owned subsidiary, Fin Cap, Inc. The original Capital Plus LSPA was executed in January 2021, with an effective date of October 23, 2020, and was updated in February 2021. Letter from Blueacorn PPP, LLC, to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Jan. 12, 2022).

[139] Lender Service Provider Agreement Between Prestamos CDFI, LLC and BA PPP Fin, LLC (Apr. 14, 2021) (BA-SSCC-0000001-15).

[140] *See, e.g.*, Blueacorn Pitch Deck Customized for Prestamos CDFI (PRE-0000119-58).

[141] Blueacorn Pitch Deck Provided to Capital Plus Financial (SSCC-CPF-0000457-65).

[142] *Id*.

[143] *Id*.

[144] Blueacorn Pitch Deck Customized for Prestamos CDFI (PRE-0000119-58).

[145] *Id*.

[146] Call between Staff, Prestamos CDFI, and Staff, Select Subcommittee on the Coronavirus Crisis (Mar. 31, 2022).

[147] Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Dec. 23, 2021).

[148] Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Jan. 12, 2022).

[149] Anchor, Sessions by Monster Chats, *Episode #25 - The Paycheck Protection Program with Stephanie Hockridge Reis* (online at https://anchor.fm/sessions-monster-chats/episodes/Episode-25---The-Paycheck-Protection-Program-with-Stephanie-Hockridge-Reis-eedc2s).

[150] *Id.*

[151] *Are PPP Loan Companies Legit? PPP Loans Are Being Aggressively (And I Suspect Deceptively) Marketed,* Medium (Mar. 23, 2021) (online at https://medium.com/web-design-web-developer-magazine/are-ppp-loan-companies-legit-ppp-loans-are-being-aggressively-and-i-suspect-deceptively-marketed-2fa99e7ec6fb).

[152] Blueacorn Group January 1, 2021 – February 28, 2022, Simplified Cash Flow Statement (BA-SSCC-0000121-22).

[153] *Id*.

[154] In a letter to the Select Subcommittee, Blueacorn described the fee structure with its partners: "Blueacorn's compensation from Capital Plus consisted of: (i) an initial 20% share of SBA fees received by Capital Plus for each loan (with 50% of this amount held back until the borrower applied for SBA forgiveness for the underlying loan), which compensated Blueacorn for the amount that Blueacorn paid marketers to advertise on the internet; and (ii) 41% of the remaining SBA fees (and 8% for two of Blueacorn's initial founders, who had since exited), which, among other things, compensated Blueacorn for its various operating costs and expenses (including personnel costs for the application review process, expenses related to technological development, costs associated with the provision of customer support for borrowers, and other technology costs such as DocuSign). . . . Blueacorn

earned 70% of the SBA fees received by Prestamos for each loan, with 10% of Blueacorn's share held back until the borrower either completed a forgiveness application or the loan matured. Although not broken out into a separate reimbursement item as it was in the Capital Plus LSPA, this arrangement similarly compensated Blueacorn for its expense of paying the entire cost associated with marketing on the internet, along with all of the other operating costs and expenses associated with Blueacorn's various responsibilities." Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Jan. 12, 2022). *See also* Lender Service Provider Agreement Between Prestamos CDFI, LLC and BA PPP Fin, LLC (Apr. 14, 2021) (BA-SSCC-0000001-15); Lender Service Provider Agreement Between Capital Plus Financial LLC and FIN CAP, INC. (Oct. 23, 2020) (BA-SSCC-0000026-40).

[155] Text messages communications from Nate Reis provided to Majority Staff, Select Subcommittee on the Coronavirus Crisis.

[156] Slack Messages Between Stephanie Hockridge and Kristen Spencer (ELEV8_00000631).

[157] Barry Calhoun, Interview of Michael Faulkender (June 21, 2022) (online at https://medium.com/@barry_calhoun).

[158] Jimmy Flores (@JimmyMFlores), Twitter (Apr. 26, 2020) (online at https://twitter.com/JimmyMFlores/status/1254548298683215873).

[159] Slack Messages Between Stephanie Hockridge and Kristen Spencer (ELEV8_00000614).

[160] Conversation between former Blueacorn employee and Majority Staff, Select Subcommittee on the Coronavirus Crisis; Conversation with former Blueacorn employee and Majority Staff, Select Subcommittee on the Coronavirus Crisis; Conversation between former Blueacorn employee and Majority Staff, Select Subcommittee on the Coronavirus Crisis; Letter from Blueacorn PPP, LLC, to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (June 6, 2022).

[161] Letter from Blueacorn PPP, LLC, to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (June 6, 2022); LinkedIn, *Jack Snyder* (online at https://linkedin.com/in/jack-snyder-57852268/) (accessed Nov. 15, 2022); LinkedIn, *Robert Conley* (online at https://linkedin.com/in/robert-conley/) (accessed Nov. 15, 2022).

[162] Blueacorn Pitch Deck Provided to Capital Plus Financial (SSCC-CPF-0000457-65).

[163] LinkedIn, *Jack Snyder* (online at https://linkedin.com/in/jack-snyder-57852268/) (accessed Nov. 15, 2022).

[164] Conversation between former Blueacorn employee and Majority Staff, Select Subcommittee on the Coronavirus Crisis; Conversation between former Blueacorn employee and Majority Staff, Select Subcommittee on the Coronavirus Crisis.

[165] LinkedIn, *Robert Conley* (online at https://linkedin.com/in/robert-conley/) (accessed June 7, 2022).

[166] Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (June 6, 2022); LinkedIn, *Robert Conley* (online at https://linkedin.com/in/robert-conley/) (accessed June 7, 2022); LexisNexis Records for Robert Conley (accessed June 8, 2022).

[167] Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Sept. 9, 2022).

[168] *Id*.

[169] Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Jan. 12, 2022).

[170] *Id*.

[171] *See* Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Jan. 12, 2022).

[172] Paycheck Protection Program Loan Forgiveness Application Form 3508S for Adam Spencer (Aug. 25, 2021) (PRE-0000413-16).

[173] Proffer by Elev8 Advisors Group to Staff, Select Subcommittee on the Coronavirus Crisis (Aug. 3, 2022).

[174] *Id*.

[175] *Id*.

[176] *Id*.

[177] Conversation between former Blueacorn employee and Majority Staff, Select Subcommittee on the Coronavirus Crisis.

[178] Proffer by Elev8 Advisors Group to Staff, Select Subcommittee on the Coronavirus Crisis (Aug. 3, 2022).

[179] *Id*.

[180] *Id*.

[181] Conversation between former Blueacorn employee and Majority Staff, Select Subcommittee on the Coronavirus Crisis.

[182] *Id*.

[183] Slack Messages Between Blueacorn IT employee and Kristen Spencer (ELEV8_00000585).

[184] Complaint from former Blueacorn employee to Small Business Administration, Office of Inspector General (Complaint No. 20210331k636); Proffer by Elev8 Advisors Group to Staff, Select Subcommittee on the Coronavirus Crisis (Aug. 3, 2022).

[185] Complaint from former Blueacorn employee to Small Business Administration, Office of Inspector General (Complaint No. 20210331k636).

[186] Underwriting History for Paycheck Protection Program First Draw Loan (BA-PSI-0005456-7) (Showing the Spencers' son as an "underwriter"); Email from Adam Spencer to Adam Spencer (Apr. 5, 2021) (ELEV8_00000011-13) (A welcome email from Adam Spencer to Elev8 Advisors reviewers sent to relatives Craig Owensby, Heather Owensby, Jane Owensby, Jordan Spencer, and Jarred Spencer).

[187] Conversation between former Blueacorn employee and Majority Staff, Select Subcommittee on the Coronavirus Crisis.

[188] Slack Messages Between Stephanie Hockridge and Kristen Spencer (ELEV8_00000626, ELEV8_00000666).

[189] Blueacorn Group January 1, 2021 – February 28, 2022, Simplified Cash Flow Statement (BA-SSCC-0000121-22).

[190] *Id*.; Complaint, Fin Cap Inc. and Blueacorn PPP, LLC v. Pay Nerd LLC and PayNerdier LLC, No. N21C-12-118 AML (Del. Super. Ct. 2022) (BA-SSCC-0000089-120); Blueacorn Pitch Deck Customized for Prestamos CDFI (PRE-0000119-58).

[191] Blueacorn Group January 1, 2021 – February 28, 2022, Simplified Cash Flow Statement (BA-SSCC-0000121-22).

[192] *Id*.

[193] *Id*.

[194] *Id*.

[195] *Id.* PPP applicants waiting for emergency funds reported that customer service representatives, even when reachable, gave out incorrect and inconsistent information or did not follow through with promised actions. At one point, Blueacorn was so inundated with complaints on its Facebook portal that the company shut down its Facebook Comments section altogether as it could not handle the inflow of complaints. Blueacorn made a "promise[] to do better," yet the company's internal financial statements show that it never allocated the funding necessary to properly resource its customer service apparatus. Facebook, *Blueacorn* (Apr. 22, 2021) (online at www.facebook.com/blueacornco/posts/pfbid0svrpDueZjCvK1KmvPKttquMKPwrao8r2V5jxgZxgfoYLvgKaFtYkHfRdnZUrbtE8l?__cft__[0]=AZUeCMqsCH7amSOetcA8qmiW5WOo9sOts8pUWldZ54PKsqBctibFg8KswdQVp2Ev2y0azP9qxJJ67kQHwgkEzyV-qIqmoBMlT_m2lbkesDp9rravbu8UWqvw1eY7Ns_4U131f-GFheOuZuUxaA7c9td0fLY35xOmfUjMn_uwVcYVTF0En-74QMMuJCi1nns4Ra0HvePgoYC0TDF-hL4kf7W6&__tn__=%2CO%2CP-R); *They Promised Quick and Easy PPP Loans. Often, They Only Delivered Hassle and Heartache,* ProPublica (Jan. 14, 2022) (online at https://propublica.org/article/they-promised-quick-and-easy-ppp-loans-often-they-only-delivered-hassle-and-heartache).

[196] *Id*.

[197] Email from Adam Spencer, Elev8 Advisors Group, to Barry Calhoun, Matt Yahes, and Noah Spirakus, Blueacorn PPP, LLC (Apr. 15, 2021) (ELEV8_00000210-12).

[198] *Id*.

[199] Excerpts of the Operating Agreement of Blueacorn PPP, LLC (May 26, 2021) (online at XXX).

[200] Video and Geolocation Data of Nate Reis (Dec. 12, 2021) obtained by Majority Staff, Select Subcommittee on the Coronavirus Crisis.

[201] Open Corporates, *Lender Service Consultants, LLC* (online at https://opencorporates.com/companies/pr/464827-1511) (accessed Nov. 15, 2022).

[202] Video and Geolocation Data of Nate Reis, dated Oct. 8, 2021, obtained by Majority Staff, Select Subcommittee on the Coronavirus Crisis.

[203] Text messages communications obtained by Majority Staff, Select Subcommittee on the Coronavirus Crisis

[204] *Id*.

[205] *Id*.

[206] Complaint from former Blueacorn employee to Small Business Administration, Office of Inspector General (Complaint No. 20210331k636).

[207] *Id*.

[208] *Id*.

[209] *Id*.

[210] *Id*.

[211] *Id*.

[212] Conversation between former Blueacorn employee and Majority Staff, Select Subcommittee on the Coronavirus Crisis.

[213] *Id*.

[214] *Id*.

[215] *Id*.

[216] *Id*.

[217] *Id*.

[218] *Conversation between former Blueacorn employee and Majority Staff, Select Subcommittee on the Coronavirus Crisis*.

[219] *Id*.

[220] *Id*.

[221] *Id*.

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[223] Conversation between former Blueacorn employee and Majority Staff, Select Subcommittee on the Coronavirus Crisis.

[224] *Id*.

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[227] Blueacorn, Paycheck Protection Program Loan Processing Script (BA-PSI-0011447).

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[230] Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (June 6, 2022).

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[232] *Id*.

[233] Blueacorn, Paycheck Protection Program Loan Processing Script (BA-PSI-0011447).

[234] *Id*.

[235] *Id*.

[236] *Id*.

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[238] Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (June 6, 2022).

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[243] Slack Messages Between Blueacorn IT Employee and Kristen Spencer (ELEV8_00000614).

[244] Conversation between former Blueacorn employee and Majority Staff, Select Subcommittee on the Coronavirus Crisis.

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[247] Emails between President, Business Warrior, Matt Yahes, Chief Operating Officer, and Noah Spirakus, Founder, Blueacorn PPP, LLC (ELEV8_00000039-41); Emails between President, Business Warrior, Matt Yahes, Chief Operating Officer, and Noah Spirakus, Founder, Blueacorn PPP, LLC (ELEV8_00000125-27).

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[260] *Id.*

[261] Slack Messages Between Stephanie Hockridge and Kristen Spencer (ELEV8_00000656).

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[263] Email from Kristen Spencer, Director of Operations, Blueacorn PPP, LLC, to Adam Spencer, Managing Partner, Ele8 Advisors Group (Mar. 17, 2021) (ELEV8_00000091-92).

[264] Reddit, Destiny Ligon Response to VIPPP Questions (accessed Nov. 16, 2022).

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[266] *Id.*

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[269] *Id.*

[270] Slack Messages Between Stephanie Hockridge and Kristen Spencer (ELEV8_00000658).

[271] Slack Messages Between Stephanie Hockridge and Kristen Spencer (ELEV8_00000717).

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[274] *Id*.

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[277] Proffer by Elev8 Advisors Group to Staff, Select Subcommittee on the Coronavirus Crisis (Sept. 8, 2022).

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[281] ProPublica - Tracking PPP, *Nathan Reis* (Apr. 27, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/nathan-reis-3510607208); ProPublica - Tracking PPP, *Nathan Reis* (Jan. 26, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/nathan-reis-5993658309); ProPublica – Tracking PPP, *Stephanie Hockridge* (May 1, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/stephanie-hockridge-9174497307); ProPublica – Tracking PPP, *Stephanie Hockridge* (Feb. 10, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/stephanie-hockridge-6291968406); ProPublica – Tracking PPP, *Body Politix, LLC* (June 24, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/body-politix-llc-3391698009); ProPublica – Tracking PPP, *Body Politix, LLC* (Feb. 10, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/body-politix-llc-6349828403); ProPublica – Tracking PPP, *Juuice, Inc.* (May 1, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/juuice-inc-9174317310); ProPublica – Tracking PPP, *Juuice, Inc.* (Feb. 12, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/juuice-inc-7467358410); ProPublica – PPP Tracking, *Juuice, LLC* (Feb. 13, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/juuice-llc-8143118406); ProPublica – PPP Tracking, *Juuice, LLC* (June 19, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/juuice-llc-9055237906).

[282] Conversation between former Blueacorn employee and Majority Staff, Select Subcommittee on the Coronavirus Crisis.

[283] ProPublica - Tracking PPP, *Nathan Reis* (Jan. 26, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/nathan-reis-5993658309 ); Paycheck Protection Program Second Draw Borrower Application Form for Nathan Reis (Feb. 5, 2021) (SSCC-CPF-00000058-64).

[284] ProPublica – PPP Tracking, *Juuice, LLC* (Feb. 13, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/juuice-llc-8143118406); Paycheck Protection Program Borrower Application Form for Juuice, LLC (Jan. 27, 2021) (PRE-0000479-84).

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[287] ProPublica – Tracking PPP, *Stephanie Hockridge* (Feb. 10, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/stephanie-hockridge-6291968406); Paycheck Protection Program Borrower Application Form for Stephanie Hockridge (Feb. 5, 2021) (SSCC-CPF-00000150-56).

[288] Paycheck Protection Program Second Draw Borrower Application Form for Body Politix, LLC (Feb. 5, 2021) (SSCC-CPF-00000162-68); ProPublica – Tracking PPP, *Body Politix, LLC* (Feb. 10, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/body-politix-llc-6349828403).

[289] Juuice, INC Payroll Report Jan. 1, 2020 – Dec. 31, 2020 (SSCC-CPF-00000197).

[290] ProPublica – Tracking PPP, *Stephanie Hockridge* (May 1, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/stephanie-hockridge-9174497307); ProPublica – Tracking PPP, *Stephanie Hockridge* (Feb. 10, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/stephanie-hockridge-6291968406); ProPublica – Tracking PPP, *Body Politix, LLC* (June 24, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/body-politix-llc-3391698009); ProPublica – Tracking PPP, *Body Politix, LLC* (Feb. 10, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/body-politix-llc-6349828403); ProPublica – Tracking PPP, *Juuice, Inc.* (May 1, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/juuice-inc-9174317310); ProPublica – Tracking PPP, *Juuice, Inc.* (Feb. 12, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/juuice-inc-7467358410); ProPublica – PPP Tracking, *Juuice, LLC* (Feb. 13, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/juuice-llc-8143118406); Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (June 30, 2022).

[291] ProPublica – Tracking PPP, *Nathan Reis* (Apr. 27, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/nathan-reis-3510607208); ProPublica – Tracking PPP, *Nathan Reis* (Jan. 26, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/nathan-reis-5993658309); ProPublica – Tracking PPP, *Stephanie Hockridge* (May 1, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/stephanie-hockridge-9174497307); ProPublica – Tracking PPP, *Stephanie Hockridge* (Feb. 10, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/stephanie-hockridge-6291968406); ProPublica – Tracking PPP, *Body Politix, LLC* (June 24, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/body-politix-llc-3391698009); ProPublica – Tracking PPP, *Body Politix, LLC* (Feb. 10, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/body-politix-llc-6349828403); ProPublica – Tracking PPP, *Juuice, Inc.* (May 1, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/juuice-inc-9174317310); ProPublica – Tracking PPP, *Juuice, Inc.* (Feb. 12, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/juuice-inc-7467358410); ProPublica – PPP Tracking, *Juuice, LLC* (Feb. 13, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/juuice-llc-8143118406); ProPublica – PPP Tracking, *Juuice, LLC* (June 19, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/juuice-llc-9055237906).

[292] Letter from Fin Cap, Inc. to Capital Plus Financial LLC (June 23, 2021) (SSCC-CPF-00000439-42).

[293] ProPublica – Tracking PPP, *Men's Revival LLC* (Mar. 17, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/men-s-revival-llc-3427758605); ProPublica – Tracking PPP, *Lincoln Jore* (Jan. 20, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/lincoln-jore-2361038309); Letter from Fin Cap, Inc. to Capital Plus Financial LLC (June 23, 2021) (SSCC-CPF-00000439-42); Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (July 22, 2022); *Trendsetter to Know: Lincoln Jore* (Dec. 15, 2020) (online at https://arizonafoothillsmagazine.com/people/entrepreneurs/trendsetter-to-know-lincoln-jore).

[294] Letter from Fin Cap, Inc. to Capital Plus Financial LLC (June 23, 2021) (SSCC-CPF-00000439-42).

[295] Call between Counsel, Capital Plus Financial LLC, and Majority Staff, Select Subcommittee on the Coronavirus Crisis (May 10, 2022).

[296] Letter from Fin Cap, Inc. to Capital Plus Financial LLC (June 23, 2021) (SSCC-CPF-00000439-42).

[297] Paycheck Protection Program Lender's Application for Capital Plus Financial, LLC (Feb. 5, 2021) (SSCC-CPF-00000105-07) (Nathan Reis); Paycheck Protection Program Lender's Application for Capital Plus Financial, LLC (Feb. 5, 2021) (SSCC-CPF-00000157-59) (Stephanie Hockridge);

[298] Letter from Fin Cap, Inc. to Capital Plus Financial LLC (June 23, 2021) (SSCC-CPF-00000439-42).

[299] Letter from Fin Cap, Inc. to Capital Plus Financial LLC (June 23, 2021) (SSCC-CPF-00000439-42); Call between Counsel, Capital Plus Financial LLC, and Majority Staff, Select Subcommittee on the Coronavirus Crisis (May 10, 2022).

[300] ProPublica – Tracking PPP, *Nathan Reis* (Apr. 27, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/nathan-reis-3510607208); ProPublica – Tracking PPP, *Stephanie Hockridge* (May 1, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/stephanie-hockridge-9174497307); ProPublica – Tracking PPP, *Body Politix, LLC* (June 24, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/body-politix-llc-3391698009); ProPublica – Tracking PPP, *Juuice, Inc.* (May 1, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/juuice-inc-9174317310); ProPublica – PPP Tracking, *Juuice, LLC* (Feb. 13, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/juuice-llc-8143118406); ProPublica – PPP Tracking, *Juuice, LLC* (June 19, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/juuice-llc-9055237906).

[301] Paycheck Protection Program Second Draw Borrower Application Form for Nathan Reis (Feb. 5, 2021) (SSCC-CPF-00000058-64).

[302] Paycheck Protection Program Loan Forgiveness Application for Nathan Reis (Feb. 22, 2021) (BOA-20220607-USHR-0000001-07); Paycheck Protection Program Loan Forgiveness Application Form for Juuice, Inc. (Jan. 30, 2021) (CDC Response00040-52).

[303] *Biden Readies Changes to PPP to Prioritize Small, Minority-Owned Businesses,* The Hill (Feb. 22, 2021) (online at https://thehill.com/homenews/administration/539811-biden-readies-changes-to-ppp-to-prioritize-small-minority-owned/); The White House (@WhiteHouse), Twitter (Jan. 10, 2021) (online at https://twitter.com/WhiteHouse/status/1348403213200990209).

[304] Schedule C for Nathan J. Reis Submitted to Bank of America (2019) (BOA-20220607-USHR-0000008-09); Invoice From Nate Reis to Stephanie Hockridge, Body Politix LLC (Dec. 1, 2019) (BOA-20220607-USHR-0000010); Nathan Reis, Recipient, and Body Politix, LLC, Payer, Form 1099-MISC Copy B (2019) (BOA-20220607-USHR-0000011) (showing $96,000 in non-employment compensation and listing the "Payer" as Body Politix LLC and the "Recipient" as Nathan Reis.); Invoice From Nate Reis to Stephanie Hockridge, Body Politix LLC (Jan. 1, 2020) (BOA-20220607-USHR-0000013) (January 2020 Invoice From Nate Reis to Body Politix LLC for $8,000 for "agency consulting."); Invoice From Nate Reis to Stephanie Hockridge, Body Politix LLC (Jan. 1, 2020) (SSCC-CPF-00000102) (January 2020 Invoice From Nate Reis to Body Politix LLC for $8,000 for "agency consulting" submitted to Cap Plus as part of PPP loan application); Schedule C for Nathan J. Reis Submitted to Capital Plus Financial, LLC (2019) (SSCC-CPF-00000108-09) (2019 Schedule C Submitted to Cap Plus).

[305] Bank Statement of Nathan J. Reis, Jan. 30, 2020 – Feb. 26, 2020 (SSCC-CPF-00000098-101).

[306] Schedule C of Body Politix LLC (2019) (SSCC-CPF-00000178). In addition to reporting "Total expenses" of less than $20,000, Body Politix left Line 11 (Contract Labor) blank indicated that they had no expenses meeting this criterion. According to IRS instructions for filling out a Schedule C, Line 11 includes "payments to persons you do not treat as employees (for example, independent contractors) for services performed for your trade or business." IRS guidance also states that contract labor could be deducted elsewhere on the Schedule C on lines 17, 21, 26, or 37. These lines are all blank on Body Politix LLC's Schedule C indicating that the company had no contract labor expenses.

[307] Paycheck Protection Program Borrower Application Form for Stephanie Hockridge (Feb. 5, 2021) (SSCC-CPF-00000150-56); Paycheck Protection Program Second Draw Borrower Application Form for Body Politix, LLC (Feb. 5, 2021) (SSCC-CPF-00000162-68); Paycheck Protection Program Second Draw Borrower Application Form for Nathan Reis (Feb. 5, 2021) (SSCC-CPF-00000058-64); Paycheck Protection Program Borrower Application Form for Body Politix, LLC (June 19, 2020) (PRE-0000389-92); Paycheck Protection Program Borrower Application Form for Juuice, LLC (June 17, 2020) (PRE-0000444-47); Paycheck Protection Program Borrower Application Form for Juuice, Inc. (May 9, 2020) (CDC Response00001-04).

[308] Letter from Fin Cap, Inc. to Capital Plus Financial LLC (June 23, 2021) (SSCC-CPF-00000439-42); Call between Counsel, Capital Plus Financial LLC, and Majority Staff, Select Subcommittee on the Coronavirus Crisis (May 10, 2022).

[309] Slack Messages Between Stephanie Hockridge and Kristen Spencer (ELEV8_00000675).

[310] *Id*.

[311] Slack Messages Between Stephanie Hockridge and Kristen Spencer (ELEV8_00000733).

[312] *Id*.

[313] Slack Messages Between Stephanie Hockridge and Kristen Spencer (ELEV8_00000734-38).

[314] ProPublica – Tracking PPP, *Adam Spencer* (Mar. 20, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/adam-spencer-6232778604); ProPublica – Tracking PPP, *Kristen Spencer* (Mar. 16, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/kristen-spencer-3090888602); ProPublica – Tracking PPP, *Sweet P Designs* (Mar. 3, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/sweet-p-designs-6265518505); Letter from Blueacorn PPP, LLC, to Chair James Clyburn, Select Subcommittee on the Coronavirus Crisis (July 22, 2022). Although mentioned in message between Stephanie Hockridge and Kristen Spencer, Elev8 Advisors Group, LLC did not receive a loan through Blueacorn as their loan application was withdrawn at the request of the Spencers. However, Sweet P Designs, Adam Spencer, and Kristen Spencer each received PPP loans through Blueacorn in 2021.

[315] ProPublica – Tracking PPP, *Adam Spencer* (Mar. 20, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/adam-spencer-6232778604); ProPublica – Tracking PPP, *Kristen Spencer* (Mar. 16, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/kristen-spencer-3090888602); ProPublica – Tracking PPP, *Sweet P Designs* (Mar. 3, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/sweet-p-designs-6265518505); ProPublica – Tracking PPP, *Jarred Spencer* (Mar. 12, 2021) (https://projects.propublica.org/coronavirus/bailouts/loans/jarred-spencer-9383918501); ProPublica – Tracking PPP, *Jordan Spencer* (Mar. 15, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/jordan-spencer-2616498604); ProPublica – Tracking PPP, *Rebecca Owensby* (Mar. 25, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/rebecca-owensby-9150558608); ProPublica – Tracking PPP, *Carmen Hartin* (Mar. 13, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/carmen-hartin-1688898600).

[316] ProPublica – Tracking PPP, *Adam Spencer* (Mar. 20, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/adam-spencer-6232778604); ProPublica – Tracking PPP, *Kristen Spencer* (Mar. 16, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/kristen-spencer-3090888602); ProPublica – Tracking PPP, *Sweet P Designs* (Mar. 3, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/sweet-p-designs-6265518505); ProPublica – Tracking PPP, *Jarred Spencer* (Mar. 12, 2021) (https://projects.propublica.org/coronavirus/bailouts/loans/jarred-spencer-9383918501); ProPublica – Tracking PPP, *Jordan Spencer* (Mar. 15, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/jordan-spencer-2616498604); ProPublica – Tracking PPP, *Rebecca Owensby* (Mar. 25, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/rebecca-owensby-9150558608); ProPublica – Tracking PPP, *Carmen Hartin* (Mar. 13, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/carmen-hartin-1688898600).

[317] ProPublica – Tracking PPP, *Sweet P Designs* (May 21, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/sweet-p-designs-4924429003).

[318] Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (July 22, 2022); Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (June 30, 2022).

[319] ProPublica – Tracking PPP, *Bluume LLC* (Mar. 3, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/bluume-llc-6430348507); *Business Warrior Helping Deploy Thousands of PPP Loans to SMB's,* Newsfile (Jan. 21, 2021) (online at https://www.newsfilecorp.com/release/72469/Business-Warrior-Helping-Deploy-Thousands-of-PPP-Loans-to-

SMBs) Business Warrior, *Leader in Small Business Software Now Publicly Traded Under Ticker Symbol KDNG* (Feb. 12, 2020) (online at https://businesswarrior.com/business-warrior-goes-public/); *Business Warrior Reports 1,331% Annual Financial Growth,* Yahoo! (Dec. 1, 2021) (online at https://finance.yahoo.com/news/business-warrior-reports-1-331-130000227.html); ProPublica – Tracking PPP, *Rhett Doolittle* (June 30, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/rhett-doolittle-6490248002).

[320] ProPublica – Tracking PPP, *Elev8 Advisors Group LLC* (June 30, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/elev8-advisors-group-llc-6824408003); ProPublica – Tracking PPP, *Adam Spencer* (Jul. 16, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/adam-spencer-4627438101); ProPublica – Tracking PPP, *Adam Spencer* (Mar. 20, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/adam-spencer-6232778604); ProPublica – Tracking PPP, *Kristen Spencer* (Mar. 16, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/kristen-spencer-3090888602); ProPublica – Tracking PPP, *Kristen Spencer* (July 21, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/kristen-spencer-6269958102); ProPublica – Tracking PPP, *Jarred Spencer* (Mar. 12, 2021) (https://projects.propublica.org/coronavirus/bailouts/loans/jarred-spencer-9383918501); ProPublica – Tracking PPP, *Jordan Spencer* (Mar. 15, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/jordan-spencer-2616498604); ProPublica – Tracking PPP, *Sweet P Designs* (Mar. 3, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/sweet-p-designs-6265518505); ProPublica – Tracking PPP, *Sweet P Designs* (May 21, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/sweet-p-designs-4924429003).

[321] Elev8 Advisors provided a spreadsheet listing Adam Spencer, Jarred Spencer, Jordan Spencer, Kristen Spencer, Elev8 Advisors Group LLC, Carmen Hartin, Rebecca Owensby, and Sweet P Designs as both having Blueacorn loan numbers and a "partner code" associated with Elev8 Advisors. Spreadsheet from Elev8 Advisors Group Listing Status of Blueacorn PPP, LLC Loans (ELEV8_00000565).

[322] Paycheck Protection Program Borrower Application Form for Elev8 Advisors Group LLC (June 26, 2020) (PRE-0000413-16).

[323] Proffer by Elev8 Advisors Group to Staff, Select Subcommittee on the Coronavirus Crisis (Aug. 3, 2022).

[324] Paycheck Protection Program Borrower Application Form for Sweet P Designs (Mar. 2, 2021) (SSCC-CPF-00000133-38).

[325] Paycheck Protection Program Second Draw Borrower Application Form for Kristen Spencer (Mar. 15, 2021) (SSCC-CPF-00000427-33).

[326] Paycheck Protection Program Second Draw Borrower Application Form for Adam Spencer (Mar. 18, 2021) (SSCC-CPF-00000114-20).

[327] Sweet P Designs, Recipient, and Vital Card Inc., Payer, Form 1099-MISC Copy B (2019) (PRE-0000349); Paycheck Protection Program Loan Application Form for Kristen Spencer (July 20, 2020) (PRE-0000345-46); Schedule C for Kristen Spencer (2019) (PRE-0000357-58).

[328] Sweet P Designs, Recipient, and Vital Card Inc., Payer, Form 1099-MISC Copy B (2019) (PRE-0000349); WeWork, *Office at 214 West 29th Street, New York, NY 10001* (online at https://wework.com/buildings/214-w-29th-st--new-york-city--NY) (accessed Nov. 16, 2022); Paycheck Protection Program Loan Application Form for Kristen Spencer (July 20, 2020) (PRE-0000345-46); Schedule C for Kristen Spencer (2019) (PRE-0000357-58).

[329] Bank Statement of Kristen Spencer d/b/a Sweet P Designs, Feb. 29, 2020 – Mar. 31, 2020 (PRE-0000347-48).

[330] Schedule C for Kristen Spencer (2020) (SSCC-CPF-00000142).

[331] New York University, Stern School of Business, *Margins by Sector* (US) (Jan. 2022) (online at https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/margin.html) (showing online retail net profit margin at 7.26 percent and apparel industry net profit margin of 7.06 percent).

[332] Facebook, *Sweet P Designs* (online at https://www.facebook.com/sweetpdesigns617/) (accessed Nov. 27, 2022)

[333] Schedule C for Kristen Spencer (2020) (SSCC-CPF-00000142).

[334] *Money at 30: Vital Card Review – What You Need to Know,* Dyer News (June 19, 2019) (online at https://dyernews.com/vital-card-review/); Facebook, *Vital Card* (online at https://www.facebook.com/vitalcreditcard/) (accessed Nov. 16, 2022) (In 2021, VitalCard claimed in a Facebook comment that the Vital Card product would launch "Q2 2021").

[335] Adam Spencer, Recipient, and Vital Card Inc., Payer, Form 1099-MISC Copy B (2019) (PRE-0000318).

[336] Schedule C for Adam Spencer (2020) (SSCC-CPF-00000124-25).

[337] Conversation between former Blueacorn employee and Majority Staff, Select Subcommittee on the Coronavirus Crisis.

[338] ProPublica – Tracking PPP, *Elev8 Advisors Group LLC* (June 30, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/elev8-advisors-group-llc-6824408003); ProPublica – Tracking PPP, *Adam Spencer* (Feb. 20, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/adam-spencer-2295108503); ProPublica – Tracking PPP, *Adam Spencer* (Mar. 20, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/adam-spencer-6232778604); ProPublica – Tracking PPP, *Kristen Spencer* (Mar. 16, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/kristen-spencer-3090888602); ProPublica – Tracking PPP, *Kristen Spencer* (July 21, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/kristen-spencer-6269958102); ProPublica – Tracking PPP, *Jarred Spencer* (Mar. 12, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/jarred-spencer-9383918501); ProPublica – Tracking PPP, *Jordan Spencer* (Mar. 15, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/jordan-spencer-2616498604); ProPublica – Tracking PPP, *Sweet P Designs* (Mar. 3, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/sweet-p-designs-6265518505); ProPublica – Tracking PPP, *Sweet P Designs* (May 21, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/sweet-p-designs-4924429003); ProPublica – Tracking PPP, *Rebecca Owensby* (Mar. 25, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/rebecca-owensby-9150558608); ProPublica – Tracking PPP, *Carmen Hartin* (Mar. 13, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/carmen-hartin-1688898600).

[339] Proffer by Elev8 Advisors Group to Staff, Select Subcommittee on the Coronavirus Crisis (Aug. 3, 2022). Representatives of Elev8 Advisors told the Select Subcommittee that the consultancy received millions in compensation but would not share specifics due to the terms of a settlement agreement with Blueacorn.

[340] *Mediterranean-Style Home in Scottsdale's Silverleaf Sells for Nearly $8M,* AZCentral (Aug. 23, 2021) (online at https://azcentral.com/picture-gallery/money/real-estate/done-deals/2021/08/23/mediterranean-style-home-scottsdales-silverleaf-sells-nearly-8-m/8184909002/).

[341] Arizona State Real Property Records (accessed Nov. 17, 2022).

[342] Arizona Motor Vehicle Registration Records; April 20, 2022 Instagram Post by OverDrive Motor Group (@OMGLeasing); Kelley Blue Book, *2021 Porsche Taycan Turbo* (online at https://www.kbb.com/porsche/taycan/2021/turbo/) (accessed Nov. 17, 2022).

[343] ProPublica – Tracking PPP, *Nathan Sampson* (Mar. 15, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/nathan-sampson-2542228600); ProPublica – Tracking PPP, *Jarred Spencer* (Mar. 12, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/jarred-spencer-9383918501); ProPublica – Tracking PPP, *Jordan Spencer* (Mar. 15, 2021) (online at

https://projects.propublica.org/coronavirus/bailouts/loans/jordan-spencer-2616498604); ProPublica – Tracking PPP, *Andrea Ortega* (Mar. 1, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/andrea-ortega-5616688508); ProPublica – Tracking PPP, *Jaime Virkus* (Mar. 24, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/jaime-virkus-8252298609); ProPublica – Tracking PPP, *Breanna Adams* (Mar. 20, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/breanna-adams-5509808610); ProPublica – Tracking PPP, *Zachary King* (Mar. 15, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/zachary-king-2706068608); ProPublica – Tracking PPP, *Beth Khoundara* (Apr. 7, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/beth-khoundara-8683918705); ProPublica – Tracking PPP, *Racksany Volrath* (Apr. 22, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/racksany-volrath-7701378807); ProPublica – Tracking PPP, *Mina Sobati* (Apr. 11, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/mina-fatima-sobati-2208328807); ProPublica – Tracking PPP, *Kareem Sobati* (Apr. 11, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/kareem-sobati-2213408801 ); ProPublica – Tracking PPP, *Byron Copeland* (Mar. 10, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/byron-copeland-8493198506); ProPublica – Tracking PPP, *Tamara Garcia* (Mar. 27, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/tamara-garcia-1752068702); ProPublica – Tracking PPP, *Michael Nupoff* (May 14, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/michael-nupoff-1909969010); ProPublica – Tracking PPP, *Erin Raven* (Mar. 10, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/erin-raven-8771958510); ProPublica – Tracking PPP, *Chaz Mattison* (Mar. 31, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/chaz-mattison-3714188701); List of Elev8 Contractors (June 30, 2022) (ELEV8_00000578).

[344] Conversation between former Blueacorn employee and Staff, Select Subcommittee on the Coronavirus Crisis.

[345] *Id*.

[346] *Id*.

[347] Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (June 30, 2022) (Listing Blueacorn loan files for Body Politix LLC, Bluume LLC (Business Warrior), Carmen Hartin, Stephanie Hockridge, Juuice, Inc. Rebecca Owensby, Nathan Reis, Adam Spencer, Jarred Spencer, Jordan Spencer, Kristen Spencer); Letter from Blueacorn PPP, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (July 22, 2022) (Listing Blueacorn loan files for Elev8 Advisors Group LLC (withdrawn), Lincoln Jore, Men's Revival, LLC, and Sweet P Designs).

[348] Slack Messages Between Stephanie Hockridge and Kristen Spencer (ELEV8_00000733-38).

[349] *Id*.

[350] *Id*.

[351] *Id*.

[352] Crossroads Systems Inc., *Annual Report for the Period Ending October 31, 2021 (the "Reporting Period")* (Jan. 27, 2022) (online at https://crossroads.com/wp-content/uploads/2022/01/FY-2021-Annual-Disclosure-Statement_CRSS.pdf); Email from Counsel, Capital Plus Financial LLC, to Majority Staff, Select Subcommittee on the Coronavirus Crisis (July 22, 2022).

[353] Email from Counsel, Capital Plus Financial LLC, to Majority Staff, Select Subcommittee on the Coronavirus Crisis (July 22, 2022).

[354] *Id*.

[355] *Id*.

[356] Small Business Administration, Office of Capital Access, *Lender and Development Company Loan Programs* (Oct. 1, 2020) (SOP 50 10 6) (online at https://sba.gov/document/sop-50-10-lender-development-company-loan-programs-0).

[357] Email from Counsel, Capital Plus Financial LLC, to Majority Staff, Select Subcommittee on the Coronavirus Crisis (July 22, 2022).

[358] *Id.*

[359] *Id.*

[360] *Id.*

[361] *Id.*

[362] *Id.*

[363] *Id.*

[364] Email from Counsel, Capital Plus Financial LLC, to Majority Staff, Select Subcommittee on the Coronavirus Crisis (July 22, 2022).

[365] Paycheck Protection Program Lender's Application for Capital Plus Financial, LLC (Feb. 5, 2021) (SSCC-CPF-00000105-07) (Nathan Reis); Paycheck Protection Program Lender's Application for Capital Plus Financial, LLC (Feb. 5, 2021) (SSCC-CPF-00000157-59) (Stephanie Hockridge); Paycheck Protection Program Lender's Application for Capital Plus Financial, LLC (Feb. 5, 2021) (SSCC-CPF-00000169-71) (Body Politix, LLC); Paycheck Protection Program Lender's Application for Capital Plus Financial, LLC (Feb. 5, 2021) (SSCC-CPF-00000198-200) (Juuice, Inc.).

[366] Letter from Fin Cap, Inc. to Capital Plus Financial LLC (June 23, 2021) (SSCC-CPF-00000439-42); *see, e.g.*, Schedule C for Body Politix, LLC (2019) (SSCC-CPF-00000178-79) (Schedule C for Body Politix, LLC); Paycheck Protection Program Second Draw Borrower Application Form for Body Politix, LLC (Feb. 5, 2021) (SSCC-CPF-00000162-68) (PPP application form for Body Politix); Juuice, INC Payroll Report Jan. 1, 2020 – Dec. 31, 2020) (SSCC-CPF-00000197) (Payroll Report for Juuice Inc.).

[367] Paycheck Protection Program Second Draw Borrower Application Form for Nathan Reis (Feb. 5, 2021) (SSCC-CPF-00000058-64); Blueacorn Internal Dashboard for Nathan Reis Loan (SSCC-CPF-00000066-67).

[368] *See, e.g.*, Paycheck Protection Program Lender's Application – Second Draw Loan Guaranty (Feb. 5, 2021) (SSCC-CPF-00000105-07).

[369] Paycheck Protection Program Lender's Application for Capital Plus Financial, LLC (Mar. 12, 2021) (SSCC-CPF-00000013-15) (Carmen Hartin); Paycheck Protection Program Lender's Application for Capital Plus Financial, LLC (Mar. 14, 2021) (SSCC-CPF-00000029-31) (Jordan Spencer); Draft Schedule C for Jordan Spencer (2020) (SSCC-CPF-00000032-33); Paycheck Protection Program Lender's Application for Capital Plus Financial, LLC (Mar. 18, 2021) (SSCC-CPF-00000121-23) (Adam Spencer); Paycheck Protection Program Lender's Application for Capital Plus Financial, LLC (Mar. 2, 2021) (SSCC-CPF-00000139-41) (Sweet P Designs); Paycheck Protection Program Lender's Application for Capital Plus Financial, LLC (Mar. 24, 2021) (SSCC-CPF-00000211-13) (Rebecca Owensby); Paycheck Protection Program Lender's Application for Capital Plus Financial, LLC (Mar. 9, 2021) (SSCC-CPF-00000227-29) (Jarred Spencer); Schedule C for Jarred Spencer (2020) (SSCC-CPF-00000230-31); Paycheck Protection Program Lender's Application for Capital Plus Financial, LLC (Mar. 15, 2021) (SSCC-CPF-00000434-36 (Kristen Spencer).

[370] Email from Counsel, Capital Plus Financial, LLC, to Majority Staff, Select Subcommittee on the Coronavirus Crisis (May 19, 2022).

[371] Call between Counsel, Capital Plus Financial, LLC, and Majority Staff, Select Subcommittee on the Coronavirus Crisis (May 10, 2022).

[372] Crossroads Systems Inc., *Press Release: Crossroads Systems Reports Fiscal Second Quarter 2021 Financial Results* (June 14, 2021) (online at http://crossroads.mediaroom.com/2021-06-14-Crossroads-Systems-Reports-Fiscal-Second-Quarter-2021-Financial-Results).

[373] Small Business Administration, *Paycheck Protection Program (PPP) Report – Approvals Through 5/31/2021* (May 31, 2021) (https://sba.gov/sites/default/files/2021-06/PPP_Report_Public_210531-508.pdf).

[374] Crossroads Systems Inc., *Annual Report for the Period Ending October 31, 2021 (the "Reporting Period")* (Jan. 27, 2022) (online at https://crossroads.com/wp-content/uploads/2022/01/FY-2021-Annual-Disclosure-Statement_CRSS.pdf).

[375] *Id.*

[376] Prestamos CDFI, *About Us* (online at https://prestamosloans.org/about-prestamos/) (accessed Nov. 16, 2022).

[377] Small Business Administration, *Paycheck Protection Program (PPP) Report – Approvals Through 5/31/2021* (May 31, 2021) (https://sba.gov/sites/default/files/2021-06/PPP_Report_Public_210531-508.pdf).

[378] *Id.*

[379] Chicanos Por La Causa, *Economic Development - Small Business Lending* (online at http://web.archive.org/web/20190603170701/https://www.cplc.org/econ/lending.php) (accessed Nov. 16, 2022).

[380] Briefing by Staff, Prestamos CDFI, to Staff, Select Subcommittee on the Coronavirus Crisis (Mar. 31, 2022); Letter from Prestamos CDFI to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Apr. 5, 2022); Letter from Prestamos CDFI to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Aug. 18, 2022).

[381] Letter from Prestamos CDFI to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Apr. 5, 2022); Briefing by Staff, Prestamos CDFI, to Staff, Select Subcommittee on the Coronavirus Crisis (Mar. 31, 2022).

[382] Letter from Prestamos CDFI to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Apr. 5, 2022).

[383] Briefing by Staff, Prestamos CDFI, to Staff, Select Subcommittee on the Coronavirus Crisis (Mar. 31, 2022).

[384] Letter from Prestamos CDFI to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Apr. 25, 2022).

[385] Briefing by Staff, Prestamos CDFI, to Staff, Select Subcommittee on the Coronavirus Crisis (Mar. 31, 2022).

[386] *Id*.

[387] *Id*.

[388] *Id*.

[389] Emails Between Toby Scammell, Founder and Chief Executive Officer, Womply, Inc., and Cory Capoccia, Womply, Inc, and Bernie Navarro, Benworth Capital Partners, LLC (Apr. 8, 2021 – May 10, 2021) (BWSSCCResp0000034-52).

[390] Call between Staff, Fountainhead Commercial Capital, and Majority Staff, Select Subcommittee on the Coronavirus Crisis Conversation (May 2, 2022).

[391] Email from Chief Operations and Innovation Officer, DreamSpring, to Cory Cappocia, President, Womply and Vice President of Partnerships, Womply, Inc. (Mar. 30, 2021) (House_Select_000013734-35); Call between Staff, Small Business Administration, Office of Inspector General, and Majority Staff, Select Subcommittee on the Coronavirus Crisis (May 5, 2022).

[392] Letter from Womply, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Jan. 14, 2022); Oto Analytics, Inc. d/b/a Womply Presentation to the House Select Subcommittee on the Coronavirus Crisis (May 4, 2022) (House_Select_000012782-835); Womply, *The Smart Way to Get More Happy Customers* (online at https://web.archive.org/web/20190709041424/https://www.womply.com/) (accessed Nov. 16, 2022).

[393] Letter from Womply, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Jan. 14, 2022); Letter from Womply, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Apr. 29, 2022).

[394] Letter from Womply, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Apr. 14, 2022).

[395] *Id.*; Letter from Womply, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Jan. 14, 2022).

[396] Letter from Womply, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Jan. 14, 2022).

[397] Oto Analytics, Inc. d/b/a Womply Presentation to the House Select Subcommittee on the Coronavirus Crisis (May 4, 2022) (House_Select_000012782-835).

[398] Letter from Womply, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Apr. 14, 2022).

[399] *Id*. Womply denies that the fintech provided underwriting services, although its activities, as described to the Select Subcommittee by its lending partners and by Womply itself, clearly meets the definition of underwriting under the PPP rules. Further discussion of Womply's extensive efforts to miscategorize itself as a "technology service provider" is found in Section C. 5.

[400] Letter from Womply, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Apr. 14, 2022); Oto Analytics, Inc. d/b/a Womply Presentation to the House Select Subcommittee on the Coronavirus Crisis (May 4, 2022) (House_Select_000012782-835).

[401] Letter from Womply, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Apr. 14, 2022); Small Business Administration, *Paycheck Protection Program (PPP) Report – Approvals Through 5/31/2021* (May 31, 2021) (https://sba.gov/sites/default/files/2021-06/PPP_Report_Public_210531-508.pdf).

[402] Oto Analytics, Inc. d/b/a Womply Presentation to the House Select Subcommittee on the Coronavirus Crisis (May 4, 2022) (House_Select_000012782-835).

[403] Letter from Womply, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Apr. 14, 2022).

[404] *Id.*

[405] *Id.*

[406] *Id.*

[407] *Id.*

[408] *Id.*

[409] Womply's primary PPP lending partners Harvest, Benworth, and Fountainhead jointly issued over $16 billion in PPP loans in 2021. Small Business Administration, *Paycheck Protection Program (PPP) Report – Approvals Through 5/31/2021* (May 31, 2021) (https://sba.gov/sites/default/files/2021-06/PPP_Report_Public_210531-508.pdf).

[410] Plaintiff's First Amended Complaint, Oto Analytics, Inc. d/b/a Womply v. Capital Plus Financial, LLC, Crossroads Systems, Inc., Eric Donnelly, BA Fin Orion, LLC d/b/a Blueacorn, and Barry Calhoun, No. 3:21-cv-02636-B (N.D. Tex. Dec. 23, 2021).

[411] Letter from Harvest Small Business Finance, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Aug. 2, 2022).

[412] Call between Adam Seery, Chief Operating Officer, Harvest Small Business Finance, LLC, and Staff, Select Subcommittee on the Coronavirus Crisis (Apr. 4, 2022).

[413] Call between Staff, Fountainhead Commercial Capital and Majority Staff, Select Subcommittee on the Coronavirus Crisis (May 2, 2022).

[414] Letter from Benworth Capital Partners, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Aug. 5, 2022).

[415] *Id.*

[416] *Id.*

[417] *Id.*

[418] *See, e.g.,* PPP Loan Referral Agreement between Oto Analytics, Inc. d/b/a Womply and Fountainhead SBF (Feb. 9, 2021) (House_Select_000003690-94); Amended and Restated PPP Loan Referral Agreement between Oto Analytics, Inc. d/b/a Womply and Harvest Small Business Finance, LLC (Apr. 21, 2021) (House_Select_000003780-84); House_Select_000003769; Agent Agreement between Benworth Capital Partners, LLC and Oto Analytics, Inc. (Feb. 2021) (House_Select_000003577-97); Womply Developer Order Form between Oto Analytics, Inc. d/b/a Womply and Benworth Capital Partners, LLC (Apr. 14, 2021) (House_Select_000003604-06); Womply Developer Order Form between Oto Analytics, Inc. d/b/a Womply and Harvest Small Business Finance, LLC (Apr. 21, 2021) (House_Select_000003786-89); Letter from Benworth Capital Partners, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Nov. 21, 2022).

[419] Letter from Womply, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Apr. 14, 2022).

[420] *Id.*

[421] Womply Developer Order Form between Oto Analytics, Inc. d/b/a Womply and Benworth Capital Partners, LLC (Apr. 14, 2021) (House_Select_000003604-06); Womply Developer Order Form between Oto Analytics, Inc. d/b/a Womply and Harvest Small Business Finance, LLC (Apr. 21, 2021) (House_Select_000003786-89).

[422] Call between Fountainhead Commercial Capital, and Majority Staff, Select Subcommittee on the Coronavirus Crisis Conversation (May 2, 2022).

[423] *Id.*

[424] Email from Metta Smith, Chief Lending and Client Experience Officer, DreamSpring, to Connie Spencer-Adams, Vice President of Partnerships, Womply, Inc. (Mar. 20, 2021) (House_Select_000013707-08).

[425] Email from Francisco Lopez, Chief Operations and Innovation Officer, DreamSpring, to Cory Cappocia and Connie Spencer-Adams, Womply, Inc. (Mar. 30, 2021) (House_Select_000013734-35).

[426] *Id.*

[427] *Id.*

[428] Email from Francisco Lopez, Chief Operations and Innovation Officer, DreamSpring, to Cory Capoccia, Womply, Inc. (Mar. 31, 2021) (House_Select_000013734-35).

[429] Email from Cory Capoccia, Womply, Inc., to Connie Spencer-Adams, Womply, Inc. (Apr. 13, 2021) (House_Select_000013897-907).

[430] Email from Francisco Lopez, Chief Operations and Innovation Officer, DreamSpring, to Cory Capoccia, Womply, Inc. (Apr. 13, 2021) (House_Select_000013897-907).

[431] *Id.*

[432] *Id.*

[433] Email from Everett K. Sands, Chief Executive Officer, Lendistry, to Adam Seery, Harvest Small Business Finance, LLC, and Toby Scammell, Womply, Inc. (June 8, 2021) (House_Select_000013805).

[434] Email from Adam Seery, Harvest Small Business Finance, LLC, to Everett K. Sands, Chief Executive Officer, Lendistry (June 8, 2021) (House_Select_000013805).

[435] Emails Between Toby Scammell, Founder and Chief Executive Officer, Womply, Inc., to Cory Capoccia, Womply, Inc, and Bernie Navarro, Benworth Capital Partners, LLC (Apr. 8, 2021 – May 10, 2021) (BWSSCCResp0000034-52).

[436] Email from Bernie Navarro, Benworth Capital Partners, LLC, to Toby Scammell, Womply, Inc. (May 10, 2021) (BWSSCCResp0000034-52).

[437] *Id.*

[438] *Id.*

[439] Email from Bernie Navarro, Benworth Capital Partners, LLC, Toby Scammell, Womply, Inc. (May 7, 2021) (BWSSCCResp0000034-52).

[440] *Id.*

[441] *Id*.

[442] Email from Bernie Navarro, Benworth Capital Partners, LLC, to Toby Scammell, Womply, Inc. (May 10, 2021) (BWSSCCResp0000034-52).

[443] Email from Bernie Navarro, Benworth Capital Partners, LLC, to Toby Scammell, Womply, Inc. (May 7, 2021) (BWSSCCResp0000034-52).

[444] Email from Toby Scammell, Founder and Chief Executive Officer, Womply, Inc., to Bernie Navarro, Benworth Capital Partners, LLC (Apr. 8, 2021) (BWSelect SubcommitteeResp0000034-52).

[445] *Id.*

[446] Email from Toby Scammell, Founder and Chief Executive Officer, Womply, Inc., to Bernie Navarro, Benworth Capital Partners, LLC (Apr. 8, 2021) (BWSelect SubcommitteeResp0000034-52). This warning email was widely mocked on PPP applicant internet message boards. Reddit, *r/EIDLPPP* (online at https://reddit.com/r/EIDLPPP/comments/n44i19/this_is_whats_going_on_theyre_being_investigated/?utm_source=share&utm_medium=web2x&context=3) (accessed Nov. 17, 2022); Reddit, *r/EIDLPPP* (online at https://reddit.com/r/EIDLPPP/comments/n2h2ka/womply_email/?utm_source=share&utm_medium=web2x&context=3) (accessed Nov. 17, 2022).

[447] Email from Bernie Navarro, Benworth Capital Partners, LLC, to Toby Scammell, Womply, Inc. (May 10, 2021) (BWSSCCResp0000034-52).

[448] *Id.*

[449] Letter from Benworth Capital Partners, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Aug. 5, 2022).

[450] *Id.*

[451] *Id.*

[452] Email from Bernie Navarro, Benworth Capital Partners, LLC, to Toby Scammell, Womply, Inc. (May 7, 2021) (BWSSCCResp0000034-52).

[453] 13 C.F.R. § 103.4(f) (2022) states: "Engaging in any conduct indicating a lack of business integrity or business honesty, including debarment, criminal conviction, or civil judgment within the last seven years for fraud, embezzlement, theft, forgery, bribery, falsification or destruction of records, false statements, conspiracy, receiving

stolen property, false claims, or obstruction of justice" is good cause for suspension or revocation of the privilege to conduct business with the SBA.

[454] Opinion of the Commission, *In the Matter of Toby G. Scammell*, No. 3-15271 (S.E.C. Oct. 29, 2014).

[455] Letter from Oto Analytics, Inc., d/b/a Womply, to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Apr. 14, 2022).

[456] Federal Bureau of Investigations, Bay Area Man Sentenced to Federal Prison for Insider Trading in the Walt Disney Company's Acquisition of Marvel Entertainment in August 2009 (Aug. 7, 2014) (online at https://fbi.gov/contact-us/field-offices/losangeles/news/press-releases/bay-area-man-sentenced-to-federal-prison-for-insider-trading-in-the-walt-disney-companys-acquisition-of-marvel-entertainment-in-august-2009).

[457] Securities and Exchange Commission, *SEC Charges Former Investment Fund Associate with Insider Trading* (Aug. 11, 2011) (online at https://sec.gov/litigation/litreleases/2011/lr22066.htm).

[458] Judgement of Permanent Injunction and Other Relief as to Defendant Toby G. Scammell, *Securities and Exchange Commission v. Toby G. Scammell,* No. 2:11-cv-6597 (C.D. Cal. June 15, 2012).

[459] Opinion of the Commission, *In the Matter of Toby G. Scammell*, No. 3-15271 (S.E.C. Oct. 29, 2014); *San Francisco Man Gets Jail for Insider Trading*, Associated Press (Aug. 7, 2014) (online at https://apnews.com/article/a684fc4c3532487588dd9e39c5ee6aa5); Bureau of Prison, *Find an Inmate – Bureau of Prison Register Number 67087-112* (online at www.bop.gov/mobile/find_inmate/byname.jsp#inmate_results) (accessed Nov. 18, 2022) (According to the Bureau of Prisons website, Toby G Scammell (Bureau of Prison Register Number: 67087-112) was released from federal prison on December 18, 2014).

[460] Opinion of the Commission, *In the Matter of Toby G. Scammell*, No. 3-15271 (S.E.C. Oct. 29, 2014).

[461] *Id.* (indicating that the start-up company that Scammell was now involved in was Womply).

[462] Division of Enforcement's Memorandum of Points and Authorities in Opposition to Respondent's Motion for Summary Disposition, *In the Matter of Toby G. Scammell*, No. 3-15271 (S.E.C. Aug. 5, 2013). Stating that Scammell's assertions regarding his financial condition at the time of the insider trading were false; Scammell's purported explanations for his interest in Marvel were contradicted by the evidence; and Scammell's arguments regarding the timing of his girlfriend's work on the Marvel acquisition were misleading, among other falsehoods.

[463] Division of Enforcement's Memorandum of Points and Authorities in Opposition to Respondent's Motion for Summary Disposition, *In the Matter of Toby G. Scammell*, No. 3-15271 (S.E.C. Aug. 5, 2013).

[464] *Id.*

[465] *Id.*

[466] 13 C.F.R. § 103.4(f) (2022).

[467] Emails between Michael Bland, Chief Operating Officer, Fountainhead Small Business Finance, and Staff, Staff, Small Business Administration, Office of Inspector General (June 7, 2021) (House_Select_000006059-65).

[468] Email from Toby Scammell, Womply, Inc., to Michael Bland, Fountainhead Commercial Capital (June 10, 2021) (House_Select_000006066-69).

[469] Email from Staff, Small Business Administration, Office of Inspector General, to Michael Bland, Fountainhead Commercial Capital, (June 7, 2021) (House_Select_000006059-65); Email from Toby Scammell, Womply, Inc., to Staff, Small Business Administration, Office of Inspector General (May 24, 2021) (House_Select_000007380-83). In another incident, Benworth required data from Womply to aid the SBA OIG in an investigation and Womply again resisted providing the information to Benworth. In correspondence to the SBA OIG, Toby Scammell wrote that, "We provide certain data to lenders already, and in general if additional info is requested beyond that (especially if research services are needed) then we need to receive a request from the government to obtain that info." In response, a counsel with the SBA emphasized to Womply that the fintech was required to provide information directly to the lenders and wrote, "The information on borrowers, IP addresses and

documentation--while gathered and apparently retained by Womply- belongs to the lenders. Lenders bear the primary responsibility for cooperating with SBA and meeting their BSA/AML requirements, including establishing risk parameters and profiles that will identify fraud. This would include conducting active searches of IP addresses to identify fraudulent activity. Thus, I recommend that all requests for information under 13 CFR 120.197 be made directly to the lenders vs. Womply. Lenders should be directing Womply to gather this information."

[470] Email from Michael Bland, Fountainhead Commercial Capital, to Toby Scammell, Cory Capoccia, and Connie Spencer-Adams, Womply, Inc. (June 10, 2021) (House_Select_000006066-69).

[471] Email from Toby Scammell, Womply, Inc., to Michael Bland, Fountainhead Commercial Capital (June 10, 2021) (House_Select_000006066-69).

[472] *Id*.

[473] *Id*.

[474] Email from Michael Bland, Fountainhead Commercial Capital, to Toby Scammell, Womply, Inc. (June 11, 2021) (House_Select_000006066-69).

[475] Email from Michael Bland, Fountainhead Commercial Capital, to Staff, Small Business Administration (June 16, 2021) (House_Select_000006750-51).

[476] Email from Staff, Small Business Administration, to Toby Scammell, Womply, Inc. (June 16, 2021) (House_Select_000006750-51).

[477] *Id*.

[478] Call between Staff, Fountainhead Commercial Capital, and Majority Staff, Select Subcommittee on the Coronavirus Crisis (May 2, 2022).

[479] *Id*.

[480] Email from Staff, Small Business Administration, Office of Inspector General, to Bernie Navarro, Benworth Capital Partners, LLC (Apr. 27, 2021) (House_Select_000008800-03).

[481] Email from Bernie Navarro, Benworth Capital Partners, LLC, to Staff, Small Business Administration, Office of Inspector General (Apr. 27, 2021) (House_Select_000008800-03).

[482] Email from Staff, Small Business Administration, Office of Inspector General, to Connie Spencer-Adams, Womply, Inc. (May 17, 2021) (House_Select_000008800-03).

[483] Email from Chief Compliance Officer, Benworth Capital Partners, LLC, to Staff, Small Business Administration, Office of Inspector General (May 21, 2021) (House_Select_000007444-46).

[484] Email from Staff, Small Business Administration, Office of Inspector General, to Toby Scammell, Founder and Chief Executive Officer, Womply, Inc. (May 24, 2021) (House_Select_000007444-46).

[485] Email from Counsel, Womply, Inc., to Staff, Small Business Administration (June 17, 2021) (House_Select_000006754-62).

[486] Letter from Staff, Small Business Administration, to Toby Scammell, Founder and Chief Executive Officer, Womply, Inc. (June 11, 2021) (House_Select_000006717-18).

[487] *Id*.

[488] *Id*.

[489] *Id*.

[490] Call between Adam Seery, Chief Operating Officer, Harvest Small Business Finance, LLC, and Staff, Select Subcommittee on the Coronavirus Crisis (Apr. 4, 2022).

[491] 13 C.F.R. § 103.4(d) (2022) states that unlawful or unethical activity. which is good cause for suspension or revocation of the privilege to conduct business with the SBA. includes: "Implying or stating that the

work to be performed for an Applicant will include use of political or other special influence with SBA. Examples include indicating that the entity is affiliated with or paid, endorsed or employed by SBA, advertising using the words *Small Business Administration* or *SBA* in a manner that implies SBA's endorsement or sponsorship, use of SBA's seal or symbol…".

[492] Letter from Harvest Small Business Finance, LLC to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Aug. 2, 2022).

[493] *Id*.

[494] Facebook, *Womply* (Jan. 26, 2021) (House_Select_000011862); Facebook, *Womply* (House_Select_000009813).

[495] Text Message from Toby Scammell, Founder and Chief Executive Officer, Womply, Inc., to William Briggs (Jan. 15, 2021) (House_Select_000009270).

[496] Call between Staff, Small Business Administration, Office of Inspector General, and Staff, Select Subcommittee on the Coronavirus Crisis (Apr. 13, 2022).

[497] *Id*.

[498] *Id*.

[499] *Id*.

[500] Call between Staff, Small Business Administration, Office of Inspector General, and Majority Staff, Select Subcommittee on the Coronavirus Crisis (May 5, 2022).

[501] *Id*.

[502] Call between Staff, Small Business Administration, and Staff, Select Subcommittee on the Coronavirus Crisis (June 9, 2022).

[503] Letter from Oto Analytics, Inc., d/b/a Womply to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (May 20, 2022). Womply is currently expending significant resource as part of a legal battle against Blueacorn and Capital Plus to secure for itself $75 million *more* taxpayer dollars related to the PPP program. Plaintiff's First Amended Complaint, *Oto Analytics, Inc. d/b/a Womply v. Capital Plus Financial, LLC, Crossroads Systems, Inc., Eric Donnelly, BA Fin Orion, LLC d/b/a Blueacorn, and Barry Calhoun,* No. 3:21-cv-02636-B (N.D. Tex. Dec. 23, 2021).

[504] Letter from Oto Analytics, Inc., d/b/a Womply to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (May 20, 2022).

[505] *Id*.

[506] Excerpt from IRS e-file Signature Authorization for Form 1120 for Oto Analytics, Inc. (Oct. 10, 2019) (HARVEST_SSCC_000008).

[507] ProPublica – Tracking PPP, *Oto Analytics, Inc.* (Apr. 13, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/oto-analytics-inc-5187557106); Promissory Note for Oto Analytics, Inc., d/b/a Womply Loan (Apr. 24, 2020) (HARVEST_SSCC_002472-80) (Note for PPP loan in the amount of $3,103,440, signed by Toby Scammell and dated April 24, 2020, with accompanying payment instructions to Oto Analytics.); ProPublica – Tracking PPP, *Oto Analytics, Inc.* (Feb. 7, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/oto-analytics-inc-4959988403).

[508] Paycheck Protection Program Borrower Application Form for Oto Analytics, Inc. (Apr. 6, 2020) (HARVEST_SSCC_000001-04).

[509] ProPublica – Tracking PPP, *Oto Analytics, Inc.* (Apr. 13, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/oto-analytics-inc-5187557106); ProPublica – Tracking

PPP, *Oto Analytics, Inc.* (Feb. 7, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/oto-analytics-inc-4959988403).

[510] Email from Toby Scammell, Chief Executive Officer, Womply, Inc., to Jeremy Osaki, Senior Vice President, Adam Seery, Chief Operating Officer, Harvest Small Business Finance, LLC (May 12, 2020) (HARVEST_SSCC_002465-68) (Scammell emailing Adam Seery and other Harvest executives about the loan application); Email from Jeremy Osaki, Senior Vice President, Harvest Small Business Finance, LLC, to Toby Scammell, Chief Executive Officer, Womply, Inc. (Apr. 23, 2020) (HARVEST_SSCC_002471); Email from Cory Capoccia, President, Womply, Inc., to Staff, Harvest Small Business Finance, LLC (Feb. 11, 2021) (HARVEST_SSCC_002508-20) (Mr. Capoccia was notified that Womply's PPP loan was approved and he responded, "Great news.") Email from Toby Scammell, Chief Executive Officer, Womply, Inc., to Jeremy Osaki, Senior Vice President, Adam Seery, Chief Operating Officer, Harvest Small Business Finance, LLC (May 13, 2020) (HARVEST_SSCC_002525-28).

[511] *SBA to Drop Its Review of PPP Loans of $2 Million and Above,* Inc. Magazine (July 9, 2021) (online at https://inc.com/diana-ransom/small-business-administration-ppp-loan-necessity-questionnaire.html); Department of the Treasury, *Paycheck Protection Program Loans Frequently Asked Questions (FAQs)* (July 29, 2021) (online at https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf).

[512] Paycheck Protection Program PPP Loan Forgiveness Application Form for Oto Analytics, Inc. (Aug. 19, 2021) (HARVEST_SSCC_001293-95); Email from Brian Sheffield, Senior Assistant Controller, Womply, Inc, to Staff, Harvest Small Business Finance, LLC (Aug. 23, 2021) (HARVEST_SSCC_002410-22); Email from Brian Sheffield, Senior Assistant Controller, Womply, Inc., to Staff, Harvest Small Business Finance, LLC (Aug. 24, 2021) (HARVEST_SSCC_002423-34).

[513] Paycheck Protection Program PPP Loan Forgiveness Application Form for Oto Analytics, Inc. (Sept. 10, 2021) (HARVEST_SSCC_001657-59).

[514] Letter from Small Business Administration, Office of Capital Access, to Staff, Harvest Small Business Finance, LLC Regarding SBA Loan No. 4959988403 (Sept. 1, 2022); Letter from Small Business Administration, Office of Capital Access, to Staff, Harvest Small Business Finance, LLC Regarding SBA Loan No. 5187557106 (Sept. 1, 2022).

[515] Letter from Small Business Administration, Office of Capital Access, to Staff, Harvest Small Business Finance, LLC Regarding SBA Loan No. 4959988403 (Sept. 1, 2022); Letter from Small Business Administration, Office of Capital Access, to Staff, Harvest Small Business Finance, LLC Regarding SBA Loan No. 5187557106 (Sept. 1, 2022).

[516] Letter from Small Business Administration, Office of Capital Access, to Staff, Harvest Small Business Finance, LLC Regarding SBA Loan No. 5187557106 (Sept. 1, 2022).

[517] Letter from Small Business Administration, Office of Capital Access, to Staff, Harvest Small Business Finance, LLC Regarding SBA Loan No. 4959988403 (Sept. 1, 2022); Letter from Small Business Administration, Office of Capital Access, to Staff, Harvest Small Business Finance, LLC Regarding SBA Loan No. 5187557106 (Sept. 1, 2022).

[518] Letter from Small Business Administration, Office of Capital Access, to Staff, Harvest Small Business Finance, LLC Regarding SBA Loan No. 4959988403 (Sept. 1, 2022); Letter from Small Business Administration, Office of Capital Access, to Staff, Harvest Small Business Finance, LLC Regarding SBA Loan No. 5187557106 (Sept. 1, 2022).

[519] ProPublica – Tracking PPP, *Oto Analytics, Inc.* (Apr. 13, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/oto-analytics-inc-5187557106); ProPublica – Tracking PPP, *Oto Analytics, Inc.* (Feb. 7, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/oto-analytics-inc-4959988403); ProPublica – Tracking PPP, *Chasm LLC* (May 6, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/chasm-llc-2717287407); ProPublica – Tracking PPP, *Cory Capoccia* (March 20, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/cory-capoccia-

5769978600); ProPublica – Tracking PPP, *Cory Capoccia* (April 16, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/cory-capoccia-4874638807).

[520] Letter from Oto Analytics, Inc., d/b/a Womply to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (May 20, 2022).

[521] The ownership shares provided by Womply to the SBA as part of their PPP applications differ from the ownership shares provided by Womply to the Select Subcommittee. Womply would not tell the Select Subcommittee the identity of their shareholders and only provided anonymized data. Nonetheless, Womply stated that "Shareholder 1" owned 16.47% of the company. The Select Subcommittee staff assesses that Shareholder 1 is most likely Mr. Scammell, who in his company's PPP application claims to own 18% of Womply. Womply identified the second largest shareholder, "Shareholder 2," as holding 9.5% of the company. The Select Subcommittee staff assesses that Shareholder 2 is likely Mr. Capoccia since Mr. Capoccia listed himself as the second largest shareholder in Womply's PPP application documents. The Select Subcommittee used the ownership percentages reported by Womply to the SBA in their PPP applications when estimating the amount that Scammell and Mr. Capoccia stood to personally gain in profits from the PPP. Paycheck Protection Program Second Draw Borrower Application Form for Oto Analytics (Jan. 18, 2021) (HARVEST_SSCC_002486-91); Letter from Oto Analytics, Inc., d/b/a Womply to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (May 20, 2022); Email from Staff, Harvest Small Business Finance, LLC, to Thom Keyes, Director of Finance, Womply, Inc. (Jan. 17, 2021) (HARVEST_SSCC_002481-85) (Email from Harvest to Womply confirming that Scammell owned 18% of the company).

[522] ProPublica – Tracking PPP, *Chasm LLC* (May 6, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/chasm-llc-2717287407).

[523] Cory Capoccia Loan Support Documents (Fountainhead_SSCC_01-12); ProPublica - Tracking PPP, *Cory Capoccia* (Mar. 20, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/cory-capoccia-5769978600); ProPublica - Tracking PPP, *Cory Capoccia* (Apr. 16, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/cory-capoccia-4874638807).

[524] Letter from Womply, Inc, to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Jan. 14, 2022); ProPublica – Tracking PPP, *Chasm LLC* (May 6, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/chasm-llc-2717287407).

[525] Cory Capoccia Loan Support Documents (Fountainhead_SSCC_01-12); ProPublica - Tracking PPP, *Cory Capoccia* (Mar. 20, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/cory-capoccia-5769978600); ProPublica - Tracking PPP, *Cory Capoccia* (Apr. 16, 2021) (online at https://projects.propublica.org/coronavirus/bailouts/loans/cory-capoccia-4874638807); Letter from Womply, Inc, to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Jan. 14, 2022).

[526] Letter from Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, to Mr. Toby Scammell, Womply, Inc (June 27, 2022); Letter from Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, to Mr. Cory Capoccia, Womply, Inc (June 27, 2022).

[527] Email from Counsel, Womply, Inc., to Majority Staff, Select Subcommittee on the Coronavirus Crisis (July 6, 2022) ("During our call, we also shared that our client would be unavailable on that date because he would be in Europe. From July 10 – July 20, he is hosting an in-person summit – an event that has been planned for a year. He will be staying in Europe beyond that time to continue working on a product launch that is scheduled for August and to visit family.").

[528] Solo Global, Inc., *About* (online at https://solo.co/about/) (accessed Nov. 17, 2022).

[529] *Id*.; Open Corporates, *Solo Global, Inc.* (online at https://opencorporates.com/companies/us_nv/E21220962022-2) (accessed Nov. 23, 2022).

[530] Womply, Inc., *Privacy Policy* (May 20, 2022) (online at https://www.womply.com/legal/privacy/).

[531] Email from Toby Scammell, Chief Executive Officer, Womply, Inc., to Staff, Small Business Administration, Office of Inspector General (Apr. 26, 2021) (House_Select_000000234-38).

[532] Womply, Inc., *Privacy Policy* (May 20, 2022) (online at https://womply.com/legal/privacy/).

[533] 5 U.S.C. § 552a; Department of Justice, Office of Privacy and Civil Liberties, *Overview of the Privacy Act of 1974: 2020 Edition* (Oct. 12, 2022) (online at https://justice.gov/opcl/overview-privacy-act-1974-2020-edition) (summarizing protections); Small Business Administration, *Privacy Act* (online at www.sba.gov/about-sba/open-government/privacy-act) (accessed Nov. 17, 2022).

[534] 5 U.S.C. 552a; Small Business Administration, *Paycheck Protection Program Borrower Application Form* (Mar. 18, 2021) (online at www.sba.gov/sites/default/files/2021-03/BorrowerApplication2483ARPrevisions%20%28final%203-18-21%29-508.pdf).

[535] *See* Department of Justice, Office of Privacy and Civil Liberties, *Overview of the Privacy Act: 2020 Edition, Definitions* (Oct. 22, 2022) (online at www.justice.gov/opcl/overview-privacy-act-1974-2020-edition/definitions#agency) (summarizing cases).

[536] Email from Counsel, Oto Analytics, Inc. d/b/a Womply, to Majority Staff, Select Subcommittee on the Coronavirus Crisis (Sept. 15, 2022).

[537] Small Business Administration, Office of Capital Access, *Lender and Development Company Loan Programs* (Oct. 1, 2020) (SOP 50 10 6) (online at https://sba.gov/document/sop-50-10-lender-development-company-loan-programs-0); 13 C.F.R. § 103.1(d) (2022).

[538] *See* Section C.1.

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[556] *Id*.

[557] *See* Harvest Small Business Finance, LLC, *Monthly Class A Member Meeting Notes* (HARVEST_SSCC_002573-90).

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[592] Email from Staff, Kabbage, Inc., to Staff, Kabbage, Inc. (July 20, 2020) (AMEX-SSCC-00020140-45).

[593] *Id*.

[594] Letter from Kabbage, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Aug. 12, 2021); Letter from American Express Travel Related Services Company, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (July 28, 2021).

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[597] *Id*.

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[605] Email from Staff, Kabbage, Inc., to Staff, Kabbage, Inc. (Apr. 8, 2020) (AMEX-SSCC-00020672-76).

[606] Email from Staff, Kabbage, Inc., to Spencer Robinson, Head of Strategy, Kabbage, Inc. (July 7, 2020) (AMEX-SSCC-00020917-18); Email from Spencer Robinson, Head of Strategy, Kabbage, Inc., to Staff, Kabbage, Inc. (July 8, 2020).

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[608] Slack Messages between Staff, Kabbage, Inc. (June 26, 2020) (AMEX-SSCC-00018972-74).

[609] Slack Messages between Staff, Kabbage, Inc. (June 3, 2020) (AMEX-SSCC-00019816-20).

[610] Slack Messages between Staff, Kabbage, Inc. (June 16, 2020) (AMEX-SSCC-00019821-25).

[611] *Id*.

[612] Slack Messages between Staff, Kabbage, Inc. (Apr. 20, 2020) (AMEX-SSCC-00019569-78).

[613] Letter from Kabbage, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Aug. 12, 2021).

[614] In response to a request for American Express to confirm whether Kabbage had "committees, subcommittees, or formal meetings of any kind that addressed financial crime, financial crime compliance, or fraud risks," American Express stated that it's "current understanding from discussions with former Kabbage employees is the following: Although there were no committees at Kabbage dedicated solely to discussing and addressing fraud and financial crime-related issues, senior leadership at Kabbage did hold regular meetings discussing fraud-related

issues alongside other PPP-related issues." Further American Express confirmed that there were no "minutes of senior leadership meetings." Letter from American Express Travel Related Services Company, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Nov. 4, 2021); *see, e.g.*, Department of the Treasury, Office of the Comptroller of the Currency, *Director's Book: Role of Directors for National Banks and Federal Savings Associations* (Nov. 2020) (online at www.occ.gov/publications-and-resources/publications/banker-education/files/pub-directors-book.pdf); Federal Deposit Insurance Corporation, *Compliance Management System* (online at www.fdic.gov/news/financial-institution-letters/2006/2cep_compliance.pdf) (accessed Nov. 17, 2022).

[615] Letter from Cross River Bank to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Sep. 12, 2022), CRB_Subcom_0003445.

[616] Email from Deepesh Jain, Head of Capital Markets and Treasury, Kabbage, Inc. (July 18, 2020) (AMEX-SSCC-00020140-45).

[617] *Id*.

[618] Email from Staff, Wells Fargo Bank, to Deepesh Jain, Head of Capital Markets and Treasury, Kabbage, Inc. (July 17, 2020) (AMEX-SSCC-00020140-45).

[619] Email from Spencer Robinson, Head of Strategy, Kabbage, Inc., to Deepesh Jain, Head of Capital Markets and Treasury, Kabbage, Inc. (July 17, 2020) (AMEX-SSCC-00020160-61).

[620] Email from Scott Askins, General Counsel, Kabbage, Inc., to Deepesh Jain, Head of Capital Markets and Treasury, Kabbage, Inc. (July 17, 2020) (AMEX-SSCC-00020160-61).

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[626] Schedule C for Deely Nuts (2019) (KAB_SUBC_0000002332-33).

[627] *Id*.

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[630] Paycheck Protection Program Borrower Application Form for Deely Nuts (July 30, 2020) (KAB_SUBC_0000002394-401); Vacation Rentals LBI, *Listing # 1933* (online at www.vacationrentalslbi.com/listing.1933#overview) (accessed Nov. 17, 2022).

[631] Email from Kabbage, Inc., to SHAILA BIG FRESH ORANGES (KAB_SUBC_0000004114-16).

[632] *Hundreds of PPP Loans Went to Fake Farms in Absurd Places*, ProPublica (May 18, 2021) (online at www.propublica.org/article/ppp-farms); *Feds Approved PPP Loans for Likely Nonexistent Orange Groves in Minnesota*, Alpha News (May 21, 2021) (online at https://alphanews.org/feds-approved-ppp-loans-for-likely-nonexistent-orange-groves-in-minnesota/).

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[637] FederalPay.org, *PPP Loan Data – Strawberry Joseph Schrempp, Hartington, NE* (online at www.federalpay.org/paycheck-protection-program/strawberry-joseph-schrempp-hartington-ne) (accessed Nov. 17, 2022).

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[639] Email from Staff, Kabbage, Inc., to Danny Eidson, Chief Financial Officer, Kabbage, Inc. (May 19, 2021) (KAB_SUBC_0000000686-90).

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[641] Email from Sam Taussig, Head of Policy, Kabbage, Inc., to Paul Bernardini, Head of Communications, Kabbage, Inc. (May 19, 2020) (AMEX-SSCC-00023170-73).

[642] *Id*.

[643] Redfin, *143 W New Jersey Ave, Long Beach, NJ 08008* (online at www.redfin.com/NJ/Long-Beach/143-W-New-Jersey-Ave-08008/home/37424523) (accessed Nov. 17, 2022); Schedule C for BEEFY KING (2019) (KAB_SUBC_0000002364-65).

[644] Letter from Kabbage, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus (June 17, 2021); Letter from Kabbage, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus (Sept. 9, 2022); *AmEx in Advanced Talks to Buy SoftBank-Backed Kabbage*, Bloomberg (Aug. 11, 2020) (online at www.bloomberg.com/news/articles/2020-08-10/amex-said-to-be-in-advanced-talks-to-buy-softbank-backed-kabbage?leadSource=uverify%20wall).

[645] Letter from Kabbage, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus (June 17, 2021).

[646] *Id*.

[647] Letter from American Express Travel Related Services Company, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (May 20, 2022).

[648] Letter from Kabbage, Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus (June 17, 2021).

[649] *How Newbie Firms Got PPP Loans Through Quickie Lender Kabbage*, Miami Herald (Sept. 10, 2020) (online at www.miamiherald.com/news/state/florida/article245599035.html).

[650] Email from Counsel, KServicing, Inc., to Majority Staff, Select Subcommittee on the Coronavirus Crisis (Nov. 21, 2022) ("[T]he short answer is that KServicing just doesn't have this information (funding, resources following Amex transaction). The accounts KServicing was using post-Amex transaction were closed some time ago and they don't have access to those records.").

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[653] *AmEx's Purchase of Online Lender Kabbage Left Desperate PPP Borrowers in the Cold*, CNBC (Apr. 7, 2021) (online at www.cnbc.com/2021/04/07/amex-acquisition-of-online-lender-kabbage-hurt-ppp-borrowers.html).

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[662] Declaration of Deborah Reiger-Paganis in Support of the Chapter 11 Petitioners and First-Day Pleadings, *In re Kabbage, Inc. D/B/A KServicing, et al*, No. 22-10951 (Bankr. D. Del. Oct. 4, 2022).

[663] BlueVine, *About Us – Small Business Banking* (online at www.bluevine.com/about/) (accessed Nov. 18, 2022); BlueVine, *About BlueVine* (online at http://web.archive.org/web/20200220155357mp_/https:/www.bluevine.com/about/) (accessed Nov. 18, 2022); BlueVine, *Paycheck Protection Program* (online at www.bluevine.com/paycheck-protection-program/) (accessed Nov. 18, 2022); Letter from BlueVine Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (June 11, 2021).

[664] Complaint, *United States v. Keith Nicoletta*, No. 8:20-MJ-02027-JSS (M.D. Fl. Oct. 9, 2020); ProPublica – Tracking PPP, West Coast Cores LLC (May 15, 2020) (online at https://projects.propublica.org/coronavirus/bailouts/loans/west-coast-cores-llc-6829417401).

[665] *Id*.

[666] Report and Recommendation, *United States v. Brenizer*, No. 0:20-cr-00177-ECT-HB (D. Minn. Aug. 9, 2021).

[667] Criminal Complaint, *United States v. Augustin*, No. 1:20-mj-02207-DAR (N.D. Ohio July 28, 2020).

[668] Criminal Complaint, *United States v. Bellamy*, No. 20-mj-6428-AOV (S.D. Fl. Sept. 10, 2020).

[669] *"Biggest Fraud in a Generation": The Looting of the Covid Relief Program Known as PPP*, Yahoo! (Mar. 28, 2022) (online at www.yahoo.com/now/biggest-fraud-generation-looting-covid-195900725.html); Department of Justice, Office of Public Affairs, *Press Release: Seven Members of Los Angeles-Based Fraud Ring Sentenced for Multimillion-Dollar COVID-19 Relief Scheme* (Nov. 16, 2021) (online at www.justice.gov/opa/pr/seven-members-los-angeles-based-fraud-ring-sentenced-multimillion-dollar-covid-19-relief); Government's Sentencing Position for Defendant Richard Ayvazyan, *United States v. Ayvazyan*, No. 2:20-cr-00579-SVW (C.D.C. Nov. 10, 2021).

[670] Celtic Bank, Risk Committee Meeting Presentation (May 18, 2021) (Celtic_SSCC_000125-27).

[671] *Id.*; When asked by Select Subcommittee staff, Celtic representatives acknowledged that Bluevine had the highest rate of fraud among Celtic's partners, but attributed that trend to Bluevine's outreach to markets where neither Celtic nor Bluevine had a preexisting, known client base with historical customer data. Briefing by Nissen Liddiard, Senior Vice President, and Todd Boren, President and Chief Operating Officer, Celtic Bank, to Staff, Select Subcommittee on the Coronavirus Crisis (Apr. 21, 2022).

[672] Celtic Bank, Risk Committee Meeting Presentation (May 18, 2021) (Celtic_SSCC_R_000125-27).

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[676] BlueVine Inc., Legal Team and Risk Team Employee Counts (BV_SSCC_0004092-93); BlueVine Inc., Employee Trainings (2019) (BV_SSCC_0004094-144); Letter from BlueVine Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis (Aug. 20, 2021).

[677] Small Business Administration, Office of Inspector General, *Improvement Is Needed in SBA's Oversight of Lender Service Providers* (Mar. 12, 2015) (Rept. No. 15-06) (online at www.sba.gov/document/report-15-06-audit-report-15-06-improvement-needed-sbas-oversight-lender-service-providers).

[678] Department of the Treasury, Office of the Comptroller of the Currency, *Third-Party Relationships: Risk Management Guidance* (Oct. 30, 2013) (OCC Bulletin 2013-29) (online at www.occ.gov/news-issuances/bulletins/2013/bulletin-2013-29.html). *See, e.g.,* Emails between Staff, BlueVine Inc., and Staff, Cross River Bank (Apr. 6, 2020) (BV_SSCC_0000414-15); Emails between Staff, BlueVine Inc., and Staff, Cross River Bank (Apr. 6, 2020) (BV_SSCC_0000416-18); Emails between Staff, BlueVine Inc., and Staff, Cross River Bank (Apr. 6, 2020) (BV_SSCC_0000425-27); Emails between Staff, BlueVine Inc., and Staff, Cross River Bank (Apr. 6, 2020) (BV_SSCC_0000428-64); Email from Matt Janiga, Director of Regulatory and Product Legal, BlueVine Inc., to Leslie Rinaldi, General Counsel, Celtic Bank (Apr. 15, 2020) (BV_SSCC_0000489); Loan Program Agreement between Cross River Bank and BlueVine Capital Inc. (Apr. 5, 2020) (BV_SSCC_0001143-83).

[679] Department of the Treasury, Office of the Comptroller of the Currency, *Third-Party Relationships: Risk Management Guidance* (Oct. 30, 2013) (OCC Bulletin 2013-29) (online at www.occ.gov/news-issuances/bulletins/2013/bulletin-2013-29.html). *See e.g.,* Emails between Staff, BlueVine Inc., and Staff, Cross River Bank (Apr. 6, 2020) (BV_SSCC_0000414-415); Emails between Staff, BlueVine Inc., and Staff, Cross River Bank (Apr. 6, 2020) (BV_SSCC_0000416-18); Emails between Staff, BlueVine Inc., and Staff, Cross River Bank (Apr. 6, 2020) (BV_SSCC_0000425-27); Emails between Staff, BlueVine Inc., and Staff, Cross River Bank (Apr. 6, 2020) (BV_SSCC_0000428-64); Email from Matt Janiga, Director of Regulatory and Product Legal, BlueVine Inc., to Leslie Rinaldi, General Counsel, Celtic Bank (Apr. 15, 2020) (BV_SSCC_0000489); Loan Program Agreement between Cross River Bank and BlueVine Capital Inc. (Apr. 5, 2020) (BV_SSCC_0001143-83);.

[680] Letter from BlueVine Inc. to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus (June 11, 2021).

[681] Email from Shawn P. Brock, Vice President of Strategic Lending Partnerships, Celtic Bank, to Staff, BlueVine Inc. (May 2, 2020) (BV_SSCC_0000585-86).

[682] Briefing by Nissen Liddiard, Senior Vice President, and Todd Boren, President and Chief Operating Officer, Celtic Bank, to Staff, Select Subcommittee on the Coronavirus Crisis (Apr. 21, 2022).

[683] Celtic Bank Corporation Compliance Committee Meeting Minutes (July 20, 2020) (Celtic_SSCC_000014-15); Celtic Bank Corporation Compliance Committee Meeting Minutes (Oct. 23, 2020) (Celtic_SSCC_000018-19); Celtic Bank Corporation Compliance Committee Meeting Minutes (Jan. 22, 2021) (Celtic_SSCC_000022-23); LinkedIn, *Todd Boren* (online at www.linkedin.com/in/todd-boren-72818177) (accessed Nov. 17, 2022); Celtic Bank Corporation Risk Management Committee Meeting Minutes (Aug. 5, 2020) (Celtic_SSCC_000016-17); Celtic Bank Corporation Risk Management Committee Meeting Minutes (Nov. 20, 2020) (Celtic_SSCC_000020-21); Celtic Bank Corporation Risk Management Committee Meeting Minutes (Feb. 9, 2021) (Celtic_SSCC_000024-25); Celtic Bank, *About Celtic Bank* (online at www.celticbank.com/company) (accessed Nov. 17, 2022).

[684] *See, e.g.*, Celtic Bank, Risk Committee Meeting Presentation (May 18, 2021) (Celtic_SSCC_R_000125-27); Celtic Bank, Compliance Committee Presentation (July 20, 2020) (Celtic_SSCC_R_000098-101); Celtic Bank, Risk Committee Meeting Presentation (Aug. 5, 2020) (Celtic_SSCC_000102-04).

[685] Briefing by Nissen Liddiard, Senior Vice President, and Todd Boren, President and Chief Operating Officer, Celtic Bank, to Staff, Select Subcommittee on the Coronavirus Crisis (Apr. 21, 2022).

[686] Emails between Brad Ziegler, Vice President of Strategic Lending Partnerships, Celtic Bank, and Shawn Brock, Vice President of Strategic Lending Partnerships, Celtic Bank (May 15, 2020) (Celtic_SSCC_001063-64); Emails between Staff, Celtic Bank (Celtic_SSCC_001226-28); Emails between Staff, Celtic Bank, and Staff, BlueVine Inc. (Celtic_SSCC_001021-29); Calendar Invite – Risk Controls for Fraud (May 21, 2020) (Celtic_SSCC_001041).

[687] Emails between Pooja Elhance, Head of Compliance Strategy and Operations, BlueVine Inc., and Todd Boren, Chief Risk Officer, Celtic Bank (BV_SSCC_0000722-23); Emails between Staff, BlueVine Inc., and Staff, Celtic Bank (Celtic_SSCC_001086-90); Email from Gil Rosenthal, Vice President of Risk Operations, BlueVine Inc., to Staff, Celtic Bank (June 7, 2020) (BV_SSCC_0000744-47); Emails between Staff, Celtic Bank, and Staff, BlueVine Inc. (Celtic_SSCC_001160-63).

[688] *See* Celtic Bank, Risk Committee Meeting Presentation (May 18, 2021) (Celtic_SSCC_R_000125-27).

[689] *Id*.

[690] Emails between Todd Boren, Chief Risk Officer, and Staff, Celtic Bank (June 18, 2020) (Celtic_SSCC_001140); Email from Staff, Celtic Bank, to Staff, BlueVine Inc. (July 21, 2020) (BV_SSCC_0000832); Emails between Staff, Celtic Bank, and Staff, BlueVine Inc. (Celtic_SSCC_001011-14); PPP 2 Fraud Mitigation Measures – High Level Overview Presentation (Jan. 2021) (Celtic_SSCC_001272-84); Emails between Staff, Celtic Bank (Celtic_SSCC_001285); Emails between Staff, Celtic Bank, and Staff, BlueVine

Inc. (Celtic_SSCC_001232-36); Emails between Staff, Celtic Bank, and Staff, BlueVine Inc. (BV_SSCC_0000973-88); Emails between Staff, Celtic Bank, and Staff, BlueVine Inc. (BV_SSCC_0000995-96).

[691] Celtic Bank, Compliance Committee Presentation (Apr. 23, 2021) (Celtic_SSCC_R_000119-24).

[692] *Id*. Based on subsequent data, Celtic informed the Select Subcommittee that its final estimates for Bluevine's fraud rate was roughly 11% (as a percentage of gross funds) for first-draw loans, declining to 1.7% for second-draw loans. Letter from Celtic Bank Corporation to Staff, Select Subcommittee on the Coronavirus Crisis (Sept. 6, 2022). While Bluevine-facilitated loans have featured heavily in public PPP fraud prosecutions, Bluevine also entered the program earlier than Blueacorn and Womply, and (as noted above) partnered with banks that were diligent in filing SARs. The University of Texas study shows that significantly fewer of Cross River's loans (less than 30%) ultimately exhibited potential fraud indicators than those issued by Blueacorn and Womply's major lending partners (which had rates of over 30% to over 50%), while an even smaller percentage of Celtic's loans (approximately 15%) showed fraud indicators; Celtic's and Cross River's loans were also less likely to have more than one fraud indicator as compared to those of Blueacorn's and Womply's partners.

[693] Emails between Staff, Celtic Bank, and Staff, BlueVine Inc. (Celtic_SSCC_001021-29); BlueVine Inc., PPP Fraud Controls Overview (June 2020) (Celtic_SSCC_001309-11); Emails between Staff, BlueVine Inc., and Staff, Celtic Bank (Celtic_SSCC_001086-90); Emails between Staff, BlueVine Inc., and Staff, Celtic Bank (Celtic_SSCC_001156-59); Emails between Staff, BlueVine Inc., and Staff, Celtic Bank (Celtic_SSCC_001114-19); Emails between Staff, Celtic Bank, and Staff, BlueVine Inc. (BV_SSCC_0000744-47).

[694] Loan Program Agreement between Cross River Bank and BlueVine Capital Inc. (Apr. 5, 2020) (BV_SSCC_0001143-83); Amendment #1 to Loan Program Agreement Made and Entered by BlueVine Inc. (Jan. 6, 2021) (BV_SSCC_0001075-83).

[695] BlueVine Inc., PPP 2021: Added Fraud Prevention Measures (CRB_Subcom_0003341).

[696] Emails between Staff, Cross River Bank, and Staff, BlueVine Inc. (BV_SSCC_0001058).

[697] Briefing by Herman Man, Chief Product Officer, and Gil Rosenthal, Vice President of Risk Operation, BlueVine Inc., to Staff, Select Subcommittee on the Coronavirus Crisis (July 26, 2022).

[698] John M. Griffin, Samuel Kruger, and Prateek Mahajan, *Did FinTech Lenders Facilitate PPP Fraud?,* Journal of Finance, Forthcoming (Aug. 15, 2022) (online at http://dx.doi.org/10.2139/ssrn.3906395).

[699] *Id*.

[700] Briefing by Nissen Liddiard, Senior Vice President, and Todd Boren, President and Chief Operating Officer, Celtic Bank, to Staff, Select Subcommittee on the Coronavirus Crisis (Apr. 21, 2022).

[701] Department of the Treasury, Office of the Comptroller of the Currency, *Suspicious Activity Reports (SAR)* (online at www.occ.treas.gov/topics/supervision-and-examination/bank-operations/financial-crime/suspicious-activity-reports/index-suspicious-activity-reports.html) (accessed Nov. 18, 2022).

[702] Although the Select Subcommittee did not receive similar correspondence regarding SARs from Cross River, some evidence suggests that Cross River too was concerned regarding Bluevine's timeliness on QAR filings. When it re-signed with Bluevine in January 2021, Cross River updated its contract to require that Bluevine "assist Bank, within seven (7) Business Days from receipt of all necessary information from Bank . . . with any and all fraud review requests from Bank" and to require Bluevine to submit incident reports on suspected fraud within three weeks. Amendment #1 to Loan Program Agreement Made and Entered by BlueVine Inc. (Jan. 6, 2021) (BV_SSCC_0001075-83).

[703] Celtic Bank, Compliance Committee Presentation (July 20, 2020) (Celtic_SSCC_00098-101).

[704] Email from Staff, Celtic Bank, to Staff, BlueVine Inc. (July 21, 2020) (BV_SSCC_0000832-33).

[705] Celtic Bank, Compliance Committee Presentation (Oct. 23, 2020) (Celtic_SSCC_R_000105-08).

[706] Email from Nissen Liddiard, Vice President of Compliance, Celtic Bank, to Staff, BlueVine Inc. (Mar. 30, 2021) (BV_SSCC_0001028-30).

[707] Email from Nissen Liddiard, Vice President of Compliance, Celtic Bank, to Staff, BlueVine Inc. (BV_SSCC_0001031-33); Celtic QAR Escalation Enhancements (BV_SSCC_0001049-50).

[708] Small Business Administration, *First Draw PPP Loan* (online at www.sba.gov/funding-programs/loans/covid-19-relief-options/paycheck-protection-program/first-draw-ppp-loan) (accessed Nov. 17, 2022) ("Neither the government nor lenders will charge small businesses any fees.").

[709] 13 C.F.R. § 103.3 (2022); 13 C.F.R. § 120.1500 (2022).

[710] Small Business Administration, Office of Inspector General, *Improvement Is Needed in SBA's Oversight of Lender Service Providers* (Mar. 12, 2015) (Rept. No. 15-06) (online at https://oversight.gov/sites/default/files/oig-reports/OIG_Report_15-06_Lender_Service_Providers.pdf).

[711] Small Business Administration, Office of Capital Access, *Lender and Development Company Loan Programs* (Oct. 1, 2020) (SOP 50 10 6) (online at https://sba.gov/document/sop-50-10-lender-development-company-loan-programs-0).

[712] To the extent that SBA's Office of General Counsel concludes that SBA cannot enact further reforms to mitigate risk of fraud to taxpayers within its current statutory framework, OIG should share that information with Congress so that Congress can determine whether it can entrust any future emergency relief programs to SBA's stewardship without also passing legislative reforms of SBA's mandate.

[713] 5 U.S.C. § 552a.

[714] Small Business Administration, Office of Capital Access, *Lender and Development Company Loan Programs* (Oct. 1, 2020) (SOP 50 10 6) (online at https://sba.gov/document/sop-50-10-lender-development-company-loan-programs-0).

[715] Small Business Administration, Office of Inspector General, *SBA's Handling of Potentially Fraudulent Paycheck Protection Program Loans* (May 26, 2022) (Rept. No. 22-13) (online at www.oversight.gov/sites/default/files/oig-reports/SBA/SBA-OIG-Report-22-13.pdf).

[716] 31 U.S.C. § 3729.