RAPID FINANCE

March 7, 2021

PRIVILEGED AND CONFIDENTIAL

The Honorable James E. Clyburn
Chairman
Select Subcommittee on the Coronavirus Crisis
United States House of Representatives
Washington, D.C. 20515

The Honorable Nydia M. Velázquez
Chairwoman
Committee on Small Business
United States House of Representatives
Washington, D.C. 20515

The Honorable Steve Scalise
Ranking Member
Select Subcommittee on the Coronavirus Crisis
United States House of Representatives
Washington, D.C. 20515

The Honorable Blaine Luetkemeyer
Ranking Member
Committee on Small Business
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Clyburn, Chairwoman Velázquez, and Members of the Committees:

On behalf of Rapid Financial Services, LLC ("Rapid"), this letter responds to your letter dated February 11, 2021 ("Letter"). The Letter requests various documents and information related to RFS's work for Rocket Loans Marketplace, LLC ("Rocket Loans") in connection with the Small Business Administration's ("SBA") Economic Injury Disaster Loan ("EIDL") program. This response provides additional context to assist your Committee in understanding RFS's role in the SBA EIDL program.

Rapid is a Maryland based commercial finance company. Founded in 2005, Rapid is a leading provider of financing solutions to small businesses throughout the United States. Powered by a highly scalable technology platform and best-in-class customer service, Rapid excels at speed to decision. Our technology platform generally helps to streamline work-flow and verify certain criteria for loan application underwriting. This permits underwriters to review the relevant details of an application faster and render more reliable decisions quickly.

In March of 2020, Rapid was contacted by Rocket Loans regarding whether Rapid could help Rocket Loans with a project it was discussing with the SBA. Rocket Loans explained to us that they were a subcontractor on an SBA related contract with a company called RER Solutions, Inc. (RER). Pursuant to that contract, Rocket Loans and RER had been helping the SBA with its disaster loan program, which up until that point involved mostly mortgage loan issues and specific technology solutions to help make SBA's system more efficient.

Almost immediately a call was scheduled with RER, Rocket Loans, and numerous people from the SBA. The call was to discuss whether Rapid's current system could be leveraged to assist with the unprecedented challenge facing the SBA - a national emergency that affected every business in the United States. We explained what our system did, how it was structured and how it is scalable. The SBA explained they needed a highly scalable platform that could assist loan officers in making the loan application decision process faster and easier.

The SBA did not want a system that would make loan approval decisions as SBA employees would always need to be the ones making the final decisions to approve a loan. Based on the architecture of our existing system, we informed Rocket Loans and RER that we believed the "backbones" of our system could be used to assist the SBA. However, getting a system in place would be extraordinarily difficult given the time frame requested to begin disbursing aid to small businesses. To do something like this would normally take many months or even years. The SBA was already taking applications through their existing system which was unable to keep pace with demand and ultimately failed within days of our first conversation with the SBA. They asked us to begin taking applications within a week and start processing those applications within days after that.

Standing up a system to accept and process loan applications in the timeframe needed would generally be considered an impossible task. However, under this unique set of circumstances, it was in fact possible. Based on Rapid's then existing technology and our technology team's deep knowledge of business loan application processing, it was possible to move with incredible speed to meet the SBA's time-frame. However, even though we had a platform we could modify for the SBA, we knew nothing about the SBA process and current platform(s). But Rocket Loans and RER did and they played a critical role in making it possible to meet the SBA's requirements. For example, Rocket Loans already had an understanding of the SBA existing EIDL systems and processes and had built the necessary infrastructure needed for certain integrations that would be required. RER knew EIDL program requirements and how government contracting worked. Without the expertise and experience of Rocket Loans and RER, there is no way Rapid could have come close to satisfying the SBA's timeline.

We started work immediately. We had calls with the SBA twice per day, including frequent weekends for the first few months. To this date, we still have calls every weekday with the SBA. These calls typically included numerous SBA leaders and managers, SBA contracting officers, RER, Rocket Loans and various Rapid employees. During these calls, the SBA defined system requirements, tasks were assigned, progress was identified and release dates were decided. Rapid, Rocket Loans and RER were being directed by SBA to take action in accordance with the discussions in these calls. Even today, decisions continue to be made on these calls about system modifications, enhancements and even new features as Congress enacts new COVID relief laws that provide for more funding to be distributed to businesses by the SBA. We believe the system we have built for the SBA can now be used to quickly and efficiently deliver funds to small businesses directly (broadly or in a targeted fashion) without having to go through intermediaries such as banks and pay them a fee.

The SBA has worked tirelessly to move the project forward and has maintained control since day one. We are now going on almost a year and the SBA employees we work with have worked overwhelming hours, nights, weekends and holidays to help distribute money to businesses to address the effects of the pandemic. It has been an honor to work with such dedicated government employees on this project.

The above is simply a 40,000 foot view of the background from our perspective. It would take hundreds of pages to highlight every decision, every report, every system modification, every communication, etc. related to this project. However, we did want to address some specifics given various issues raised in your letter. Accordingly, please note the following:

A. The Rapid loan decision platform is designed to process certain information related to loan applications and display that information to human loan officers. The system does not approve loans. The SBA was very clear from the beginning that they must make the final decision on all loan approvals and obligations. So while some underwriting systems are automated and no human loan officer is needed, that is not what was configured for the SBA. Note that the system does decline applications that fail to satisfy certain criteria or are marked as duplicates. To date, the system has declined 5.2 million applications as duplicates and declined more than 4.4 million applications as having failed to satisfy basic eligibility criteria (such as minimum credit score or certain self-certifications included in the application form). Additionally, more than 1.6 million applications have been declined by loan officers.

B. If a loan application fails to satisfy certain criteria (*e.g.,* bank information is not confirmed), the system provides messages to the loan officer to look into the applicable issue. The system does not stop the application from progressing or decline the application. It is up to the loan officer to decide how to address the message. The system has provided informational and/or fraud alert messages for many applications that have been approved by loan officers. The only times the system stops a loan application from progressing is when an application is a duplicate application, certain basic eligibility criteria is not satisfied (*e.g.*, credit score threshold not met, etc.), certain application information precludes a loan from being provided by the SBA (*e.g.*, applicant self-certification failed to meet an eligibility criteria, etc.), or certain information is not provided (*e.g.*, no bank account information provided).

C. The EIDL program was required to make decisions based on stated revenue only (no bank statement verification permitted) and was prohibited from asking applicants for tax returns (or tax transcripts). Early in this process, we had numerous calls with the SBA and the IRS asking if the system could access limited information the IRS had

so that certain application information could be verified. However, it is our understanding that the SBA learned that was not possible.

D. An SBA employee had the final approval on every application that was approved and funded. No application could be funded without an SBA Team Lead approving and obligating it.

E. The OIG report you reference in your letter includes a response from the SBA. We believe the SBA's response included in that report more accurately reflects how the system functions and the resulting outcomes of loan decisions made by SBA loan officers.

F. As mentioned above, the system simply could not have been built in the time-frame required without Rapid's, Rocket Loans' and RER's involvement. Each entity brought its own expertise to make this process move at the lighting speed required.

G. SBA made decisions about system functionality and modifications, often in real time on our daily telephone calls.

H. Business lending is very different from consumer lending and unique issues arise in commercial lending. For example, there is no commercially available national register of all businesses and no way to confirm certain businesses actually exist. Take a sole proprietorship for example. In many states, no filing is needed to start a sole proprietorship. So without detailed underwriting (*e.g.,* bank statements, tax returns, site visits, etc.) it is not possible to confirm the business is real.

Your letter requests broad categories of documents and information that would take weeks or months to assemble. Because we continue to work long hours to assist the SBA in providing support to small businesses as well as to modify the system for new requirements, we simply do not have the bandwidth to assemble everything in response to your letter. We are providing the items that appear to be most explanatory together with written responses. Below is a list of your requests followed by our responses.

1. All non-disclosure or confidentiality agreements signed by Rapid employees or contractors relating to the EIDL contract.

   We think it would be more informative to provide a list of titles of Rapid's team members who worked on the project. The list is Attached as Exhibit A (Rapid-CSC0000001-2) (actual names are not included for privacy reasons) and includes 148 of Rapid's current team members working on this project as well as 15 former team

members that worked on the project in some manner. Team members include full time employees and full time contractors.

2. All documents indicating the attendance by Rapid employees or contractors at meetings or conference calls relating to the EIDL contract.

   Most all the conference calls would include Rapid, Rocket Loans, RER and the SBA. As mentioned above, when the program was first launched we had conference calls twice per day, including frequent weekends and this lasted for months. The following Rapid employees participated in the conference calls on a regular basis: Will Tumulty, [redacted], Bogdan Nastea, [redacted]. Other Rapid employees participated on an as needed basis. Collection and production of all documents indicating attendance by Rapid or contractors at all of these meetings and calls would be unduly burdensome under the circumstances.

3. All documents and communications regarding SBA's requirements, specifications, or guidance regarding the business process rules for managing the application work flow, including but not limited to how the loan software should classify applications for various recommendation queues (e.g., approval, denial, or manual review), and descriptions of the relevant SQL code.

   This broad request would require us to disclose proprietary information about the system. In an effort to provide you helpful information, attached as Exhibit B (Rapid-CSC0000149-323) are the release notes for system modifications. These release notes reflect the implementation of the requirements, directions, and guidance communicated by the SBA for the Rapid decision platform. Also attached as part of Exhibit B are the EIDL Criteria for application declines and manual review recommendations that the SBA requested the system to make (two versions are attached – one from the initial launch and the other the criteria currently in place).

4. All documents and communications regarding fraud checks conducted on EIDL applications, including any reports regarding the performance of those fraud checks.

   As explained above, the system was designed to reflect SBA's requirement of alerting loan officers or Team Leads of issues with an application. The system was not intended to make decline decisions based on potential fraud automatically as that is largely a loan offer function in the SBA system. See response to question 6 below regarding Informational Messages, Fraud Alerts, and Quote Messages in the system.

   The system does preclude certain types of applications from progressing. Those include applications that have been identified as duplicates, applications that fail basic eligibility criteria (*e.g.* checked a box in the online application that makes the applicant ineligible), and applications where the applicant withdraws or abandons their application.

5. All reports and updates provided by the project team to SBA, including but not limited to reports and updates tracking the number of applications received, decisioned, and pending; and reports and updates documenting the performance of the loan recommendation software or fraud checks.

   The February 11 Letter states that Will Tumulty indicated in his call with your office that there are "'a couple dozen' reports to [the] SBA that included the results of [the fraud] controls." This is not what Will Tumulty intended to indicate during that call. Mr. Tumulty was trying to explain simply that Rapid provides the SBA about a dozen daily reports – not that those reports are fraud reports.[1]

   With respect to fraud, Mr. Tumulty attempted to make it clear that Rapid does not provide any fraud reporting and cannot do so as Rapid does not communicate with applicants, does not disburse funds (that is done through E-Tran), and does not engage in any loan servicing. An information message or fraud alert in the system does not mean fraud occurred. It simply means the loan officer should review the relevant issue carefully and address it. The loan officer may review the applicable issue and approve the application if the loan officer decides the information message or fraud alert is resolved or not relevant.

   We hope this explanation clarifies how the system works with respect to potential fraud.

6. A list of all potential alert messages generated by the project's loan recommendation software and presented to SBA loan officers.

   Attached as Exhibits D, E, and F (Rapid-CSC000145-148) are lists of informational messages, fraud alerts, and quote messages in the system that are presented to loan officers and Team Leads. The system tour provided to staff members on March 3, 2021, demonstrated how the system displays these messages. Note that these lists as compiled here did not previously exist. In order to provide the comprehensive lists, one of our software developers reviewed code and extracted messages.

[1] The SBA has access to the data warehouse, and we are not privy to any official or other reports they may run. The SBA asked Rapid to run certain high level management reports tracking application and loan volume metrics that we continue to provide to the SBA. Attached in Exhibit C (Rapid-CSC0000003-144) are examples, for February 24, 2021, of the eleven daily management reports sent to the SBA. We also provide the SBA fourteen operational level reports each day that often include business names and contact information, loan officer information, and other non-public data points. We will supplement this letter in the coming days with a redacted copy of those reports for February 24, 2021.

7. Rapid's total revenue, expenses, and profit from performing the EIDL contract to date.

   As of February 12, 2021, Rapid has received $148,024,480.79 from Rocket Loans pursuant to its agreement with Rocket Loans related to the EIDL program. No other funds have been paid to us from Rocket Loans or RER. For proprietary reasons, Rapid does not share profit or loss information.

8. A list of all fraud checks conducted by the RER-Rocket Loans-Rapid team on EIDL applications and a description of how each check serves to detect and prevent fraud.

   As explained above in response to question number 4, the system does not identify any application as fraudulent. That determination is made by a loan officer or Team Lead. Incomplete or questionable information identified by the system is displayed as a message or fraud alert so the loan officer can make a decision about the information.

9. Rapid's assessment or estimate of the amount of improper payments that have been made to applicants who were processed through its loan recommendation software.

   Because the system does not make determinations regarding fraud, as explained above, Rapid is unable to assess whether improper payments were made to applicants.

10. A description of SBA's rules, specifications, and requirements for how the loan software should classify applications for various recommendation queues (e.g., approval, denial, or manual review).

    Our response to number 3 above, including Exhibit B (EIDL criteria), also responds to this request.

We hope this letter and the provided information helps make the work done to support the EIDL program more clear to the Select Subcommittee.

Respectfully,



Joseph Looney
General Counsel
Rapid Financial Services, LLC