



The case against more transparency for coronavirus relief loans

Ben Werschkul

June 15, 2020

Transparency of the Paycheck Protection Program has been a steadily growing issue. Senate Minority Leader Chuck Schumer announced legislation in May to mandate that the agency release the names of every company that got a loan.

Even Republicans were pushing for more information and were optimistic they would get it. "Bottom line is, we're going to know one way or another who got this money," Senate Small Business Committee Chairman Marco Rubio (R-FL) said in April.

That appears to no longer be the case.

Treasury Secretary Steven Mnuchin surprised Congress last week when he said that the names of borrowers wouldn't be publicly released after all. He said it is "confidential information" in an appearance before the Senate Small Business Committee.

Back in March, however, Mnuchin said there would be "full transparency" on the various coronavirus relief programs.

The reaction was swift. "How can we know which businesses still need help if we do not know which businesses have received help?" asked Sen. Ben Cardin (D-MD), the top Democrat on the committee.

Schumer said in a statement later that the "administration's resistance to transparency is outrageous and only serves to raise further suspicions about how the funds are being distributed and who is actually benefiting." Many of his Democratic colleagues joined with statements of their own.

In response to all the pushback, Mnuchin announced Monday that he would hold discussions with Senate leaders on the issue after all.

At the same time, lawmakers and observers are talking more about how full transparency might not be the best thing for the program.

Full transparency as a 'competitive disadvantage'

Sen. Susan Collins (R-ME) said in a statement that a general public release "would reveal proprietary information since unlike standard SBA loans, the amount of the PPP loan is calculated directly and solely as a percentage of payroll."

Rubio echoed her concern in a CNN interview, saying that he had heard concerns that making public the size of the loan amounts essentially discloses a business's wage levels, which is a "competitive disadvantage that can be used against you."

Diego Zuluaga, an associate director of financial regulation studies at the Cato Institute, also thinks full public disclosure could work against efforts to get a wider participation in the PPP program, which has stalled after high levels of initial demand. As of June 12, the SBA says the program has approved over 4.5 million loans and given out over half a trillion dollars.

"My presumption would be that the identity of the business should generally be publicly revealed, only to the extent that it helps a fraud investigation when there are grounds for fraud, or some other public purpose like that," he said. "But in general, there is no reason that the names need to be made publicly available at all."

Ohio Rep. Steve Chabot, the Republicans' ranking member on the House Small Business committee, has called for more transparency with another SBA lending program, called Economic Injury Disaster Loans. But he also has spoken in opposition to the TRUTH Act, which would have mandated that certain PPP data become public.

"I don't think it's necessary," said Larry Kudlow, the president's top economic advisor, in a CNN interview on Sunday. "I think what is necessary is to make sure that the legalities were observed."

Many Democrats tend to reject all these arguments. In a letter to administration officials, Sen. Kamala Harris (D-CA) and Rep. Katie Porter (D-CA) said that shielding information "has no apparent purpose other than perhaps to protect you or the agencies from having to answer to the American people."

The SBA releases limited data about money given out by the program. Regular updates have offered information such as lender size, the number of approved loans and the amount of money approved in total.

'Maybe do it by county'

"I think there is a case for releasing the bank-side data," Zuluaga said of more granular information that could be released on loans by institution and total amounts of lending. That data could also be helpful to "identify why we have such disparities in the proportion of small businesses that have been covered by the PPP," he said.

A Democratic subcommittee is already pressing eight national banks to turn over information about their PPP loans.

David Burton, a senior fellow at the Heritage Foundation, is interested in more data but not down to the individual business level. "Maybe do it by county, or even do it by zip code," he said, adding, "but that doesn't necessarily mean you have to disclose individual companies."

"There needs to be serious Congressional oversight of these programs but Congressional oversight doesn't necessarily mean you disclose every recipient and the details of their application," said Burton.

Mnuchin said the administration is working with the Government Accountability Office, a Congressional watchdog, to provide them information about the loan program. But the GAO says they have not yet received the information.

Mnuchin did not give a timeframe for when he'd meet the Senate's Small Business committee, which is chaired by Senators Rubio and Cardin.

Rubio suggested that when they do eventually sit down, there could be areas for compromise. Rubio suggested that the names of borrowers be released but not the specific loan amount. He also suggested loans above a specific amount could be made public.

Burton, who previously worked at the National Small Business Association, says that most of his interactions with small businesses themselves over the PPP program have not been about transparency, but rather about "how to improve the program" itself.

Ben Werschkul is a producer for Yahoo Finance in Washington, DC.