



Some seek more transparency after Treasury reveals biggest PPP loan recipients

Stephen Loiaconi

July 7th 2020

The disclosure of more than 650,000 recipients of Paycheck Protection Program loans has sparked fresh debate over how coronavirus relief programs should be targeted and how effective measures taken so far have been, but the data suggests the program might have helped salvage tens of millions of jobs and soften the blow the public health crisis has dealt to the nation's economy.

“We know the birthday cake is being eaten,” said Michael Merrill, former director of the Labor Education Action Research Network at Rutgers University. “But we don't know for sure that everyone got a slice who deserved one.”

According to the Treasury Department, the nearly 4.9 million loans distributed through the end of June benefited more than 51 million workers, accounting for over 80% of all small business employees. The average loan size was about \$107,000, and 86.5% of all loans totaled \$150,000 or less.

“In three months, this Administration was able to act quickly to get funding into the hands of those who faced enormous obstacles as a result of the pandemic,” said Jovita Carranza, head of the Small Business Administration, in a statement Monday. “Today's data shows that small businesses of all types and across all industries benefited from this unprecedented program.”

The Treasury Department was initially reluctant to release data on where the \$520 billion loaned out so far went, but Secretary Steven Mnuchin eventually agreed to make public detailed information on 660,000 businesses that received at least \$150,000. For the more than 4 million loans below that level, business names and addresses are not being released.

“Make no mistake: more transparency is still needed to ensure that these taxpayer dollars went where Congress intended — to the truly small and underbanked small businesses. Democrats will continue to push for maximum transparency from the Trump administration, especially when it comes to CARES Act funds,” Senate Minority Leader Chuck Schumer, D-N.Y., said in a statement.

Small business groups welcomed the disclosure of some PPP data, even if it leaves questions unanswered about exactly how effective the program has been in boosting small-business owners. More than 70% of the funds distributed so far went to businesses seeking at least \$150,000, though SBA noted the share of funds going to those with low and moderate incomes was proportionate to their percentage of the population.

“The topline data demonstrates that those small businesses that were able to access PPP loans were spread across the small business ecosystem, with loan amounts of various sizes and diverse income communities represented. The average loan size of \$106,744 is a good indication that very small firms also benefited from the program,” said Karen Kerrigan, president and CEO of the Small Business and Entrepreneurship Council.

John Arensmeyer, founder and CEO of Small Business Majority, raised several concerns about the data, including why many businesses received very small loans or less money than they requested without an explanation. He called for SBA to clarify inconsistencies in the data and continue making additional information available throughout the forgiveness process.

“The survival of America’s small businesses depends on the full disclosure of PPP’s successes and failures. Sunlight has always been the best disinfectant, and we cannot allow those small businesses that were grossly underfunded or disadvantaged by the program to disappear and not have their stories told and rectified,” Arensmeyer said in a statement.

Recipients of loans included millions of typical small and medium-sized businesses and more than 100,000 religious and social organizations, but also some larger brands, as well as companies with ties to the White House, members of Congress, and prominent billionaires. That has generated some anger and complaints of cronyism—particularly since many smaller shops struggled to get their hands on badly-needed funds or went out of business—but in most cases, there is no evidence of impropriety.

By design, loans were distributed on a first-come, first-served basis regardless of need or merit, and the parameters for qualifying were very broad. Even national restaurant and hotel chains were eligible as long as they had fewer than 500 employees per location.

Small business advocates and watchdog groups complained early on that the wealthy and politically-connected had advantages in applying for loans due to existing relationships with bigger lenders. The first round of PPP funding was swept up in days while many independent business owners were still navigating through the application process, and minority-owned businesses faced distinct disadvantages.

“What you can really see from the numbers that came out is it’s very likely if you had a relationship with one of the big banks, if you had a sophisticated lawyer working for you, you got that money right away and you got a lot of money,” said Rep. Chellie Pingree, D-Maine.

Congress later approved a second tranche of PPP funds, stipulating that a significant share needed to go to smaller community-based lenders. Nearly \$132 billion of that money is still available, and President Trump signed legislation over the weekend allowing businesses to apply for loans through Aug. 8.

The program was expressly intended to encourage companies to keep workers employed or rehire those who had already been laid off, promising full loan forgiveness if businesses spent the money on payrolls and rent. Loan recipients were originally given only eight weeks to use the funds if they wanted the loan forgiven, but that was later extended to 24 weeks.

“Hey, everything was going off a cliff, we’re trying to minimize unemployment. If they used it for that, great, some of it will be forgiven,” said Rep. Mark Amodei, R-Nev. “If they didn’t, you’ve got to pay it back.”

Some larger publicly-traded companies and national brands returned their loans amid public backlash—approximately \$30 billion was given back to Treasury—but others maintained the funds were necessary to keep their workers on the payroll through government-mandated lockdowns. The SBA eventually adjusted eligibility requirements to discourage businesses with other sources of capital from applying.

“I think it’s been reasonably effective at its purpose, which was to bring liquidity and support to as many small businesses as possible,” said Diego Zuluaga, associate director of financial regulation studies at the Cato Institute. “It was deliberately designed to be indiscriminate in who it reached.”

Still, many of Monday’s disclosures raised eyebrows. Rapper Kanye West’s clothing brand Yeezy received between \$2 million and \$5 million in taxpayer funds. TGI Friday’s and P.F. Chang’s were both approved for more than \$5 million. A luxury restaurant chain co-owned by actor Robert De Niro obtained at least \$11 million.

“The point of the PPP was to make money available to those who needed it,” Merrill said. “Big companies and billionaires have other ways to raise cash. The PPP should serve those who don’t have those ways.”

Play Video

Individual Planned Parenthood chapters received loans totaling about \$80 million, drawing anger from congressional Republicans and demands from SBA that the money be returned.

Conservative groups that generally oppose taxpayer assistance to private companies also applied for loans, earning some mockery from the left.

One of President Trump’s lawyers, many tenants of his real estate properties, and companies partially owned by son-in-law Jared Kushner’s family also obtained loans. According to ProPublica, up to \$21 million may have gone to friends and associates of the president.

Small businesses owned by several Republican lawmakers received loans, as did one in which Democratic House Speaker Nancy Pelosi’s husband is an investor and a shipping company controlled by Transportation Secretary Elaine Chao’s family. Although government officials and their families were barred from accessing some coronavirus relief funds, they were eligible for the PPP.

“It’s imperative that each member of Congress explain, what was needed in their business, did they retain the employees, and if they weren’t following the rules, they should be held to the same standard as everyone else,” Pingree said.

Rep. Amodei said he was not troubled by these revelations as long as companies linked to lawmakers used the money appropriately.

“If they applied straight-up for a program that was available and used the money to keep people working, it’s like, well, then what?” he said.

Play Video

Given the political sniping and partisan backbiting that followed the release of the documents Monday, Zuluaga questioned whether making this much information public was truly necessary.

It was not immediately clear that disclosing business names and loan amounts would help ensure accountability or prevent fraud.

“People have just used the release to name and shame companies they don’t like,” he said.

There are also some significant errors in the data. Several businesses listed in the report have publicly denied applying for PPP funds, including venture capital firms and scooter rental company Bird. One rural shipping company that sought \$9,000 was mistakenly listed as applying for \$9 million.

“The public deserves a full accounting of how hundreds of billions of dollars in PPP funds were spent and an investigation of the Trump administration’s handling to see if any data was included in error, manipulated, or removed,” wrote Kyle Herrig, president of Accountable.US in [a letter to the inspector general](#) for the Small Business Administration.

Despite its flaws, the PPP program appears to have helped cauterize the economic wounds many businesses suffered in the wake of the coronavirus outbreak. After experiencing unprecedented job losses in March and April, the labor market has bounced back somewhat with two months of record job growth as millions of laid-off workers were rehired.

The gains in May and June still only account for about one-third of the jobs lost in the previous two months, though. [The Economic Policy Institute estimates](#) nearly 12 million workers who lost jobs due to the virus have little hope of being called back to their jobs. More than 1 million people are filing new claims for unemployment benefits every week, as well, as businesses struggle to get back off the ground and the threat of new lockdowns looms.

“More trouble is on the horizon as coronavirus cases continue to rise, states begin to re-shutter, and unemployed workers face further economic devastation when the unemployment insurance enhancements expire on July 25,” warned EPI senior economist Elise Gould [in a blog post Tuesday](#). “Without further aid to workers and their families as well as state and local governments, the economic pain will be with us for a very long time.”

Congress has already approved more than \$3 trillion in stimulus spending, including the PPP, other emergency relief programs for businesses, direct payments to Americans, enhanced unemployment benefits, and additional funds for city and state governments. Lawmakers are aiming to [pass another stimulus package](#) before their August recess, but Democrats and Republicans have reached little consensus on what that should include.

The House vote on a \$3.3 trillion bill in May, but the White House is reportedly [hoping to keep the price tag](#) for the fourth round of relief under \$1 trillion. The resurgence of coronavirus infections in many states in recent weeks could complicate the path to recovery and leave businesses in need of further assistance.

“You want to focus on the areas still affected by the pandemic,” Zuluaga said.

Initial stimulus efforts were crafted rapidly in response to a sudden and dire economic downturn with the intent of pumping money into the economy and keeping businesses and households afloat while much of the country was shut down. Experts say lawmakers now have a chance to target funding more deliberately and ensure future stimulus dollars go to those most in need, potentially avoiding some of the controversy and uncertainty that now surrounds the PPP.

“I consider the program a dart game in a dark room that we are playing blindfolded,” Merrill said. “Who knows if it has been successful? It sounds like some of the darts hit the board. A few may even have been close to the bullseye. But we'd be a lot better off if we weren't just throwing darts blindly--or in this case, money--at who knows what or whom.”