

PPP Loans Dogged with Reporting Errors and Oversights

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After the federal government released data covering which companies received Paycheck Protection Program (PPP) loans, several North Carolina businesses have reported factual errors. What could these uncertainties mean to you?

As Congress debates new aid for Americans, NC watchdog agencies worry that these inaccuracies could complicate understanding whether the \$659 billion program helped state businesses.

Discrepancies in PPP Loan Reporting

Discrepancies in the reporting included more than one type of error.

One of the most common discrepancies businesses named involved the number of jobs saved. Because PPP loans relate to employment, the government included the number of jobs retained in the loans' public reporting. Some businesses said that the data reported numbers too high, and others said they reported too low.

Other businesses claimed that, despite not receiving PPP funds, they still appeared in the government's database.

While many errors were small, some were large enough to cause concern. Bojangles, Inc. was listed as receiving \$5-\$10 million. However, a Bojangles spokesperson said that while the company received PPP approval, it decided not to take the loans.

The reporting errors occurred outside North Carolina also. A Washington Post article found that many companies appeared as retaining more jobs than they'd had in the first place. The article also found that zero jobs were retained in more than 875,000 of the loans.



How did this happen in PPP loans?

Many of the errors have rather simple explanations. For instance, a Small Business Administration (SBA) spokesperson said that, if a business applied for a loan but didn't take it, the system included it. Their business would join the list as publicly reported.

Another explanation for some errors? Many businesses that applied for the loans are sole proprietorships, which led to classification mistakes. Most owners of these places work as their business's sole employee but may have indicated zero employees on their paperwork. An SBA computer would interpret their paperwork as a business retaining zero employees, despite it retaining one employee (the owner).

Other issues include missing more at-risk markets.

While many errors might spread from simple mistakes, other problems in loan distribution may have had more grave consequences. In May, the SBA Inspector General released a report that outlined several problems with the administration of PPP Loans.

The first is overlooking the original markets the PPP meant to help. One primary goal the PPP program had stated was to “ensure that the processing and disbursement of covered loans prioritizes small businesses and underserved/rural markets, including veterans, members of the military, small businesses owned and controlled by socially and economically disadvantaged individuals...women, and businesses in operation for less than 2 years.”

However, that IG report stated that they “did not find any evidence that SBA issued guidance to lenders to prioritize the markets indicated by the act.”

As a result, the report explains that those businesses (which the CARES Act had meant to prioritize) may not have received the loans for which they qualified.

One major reason for this failure is that the SBA didn’t collect demographic information in loan applications. The lack of information, says the IG report, makes it “unlikely that SBA will be able to determine the loan volume to the intended prioritized markets.”

What Businesses Could Expect from PPP Loans

The fumbles in PPP loans administration becomes more relevant as Congress considers a new round of funding.

Rochelle Sparko, Director of [NC Policy for the Center for Responsible Lending](#), says that despite errors, businesses will likely still apply for PPP loans. “I have difficulty imagining that many business owners will feel that the data set is a compelling reason to apply or not apply for PPP,” she said.

However, Sparko said that the data could still affect future loan programs.

“There is a chance that there will be more funding for PPP or a new small business support program coming out of Congress sometime in August as the Senate battles over the HEALS Act,” said Sparko. “So it may be that the data on the first round will have an impact on the program and who uses it going forward. It is also possible that the data available will have some influence over how or whether Congress acts to support businesses in this next stimulus package.”

PPP also offered grant conversions to businesses.

Under the CARES Act, businesses that meet certain criteria can convert the loans into grants. The conversion means they won’t have to repay the loans. One requirement states that businesses must use 75% of the loans for payroll. In addition, it placed several restrictions on how the business could use that money.

The SBA IG report warns, “Without proper guidance for loan deferments, lenders and borrowers may be uncertain about requirements for servicing and loan repayments for PPP loans with balances remaining after forgiveness.”

As director of one of NC's top lending watchdogs, Sparko shares these concerns. "The more compelling question right now is around the conversion process borrowers are about to start using," she said. "PPP is a loan program designed to convert to grant funding for many of the businesses that used it. CRL has concerns that businesses, particularly Black-owned businesses, will have difficulty converting their loans into grants."

PPP lending to North Carolina businesses will likely remain an option.

But you ought to monitor what Congress might do, as it might become millions of dollars in new relief. And as Sparko mentioned, other businesses will likely apply for PPP despite the documented errors. Remember: significant moves from Congress should come in August, which is closer than you'd think (Saturday). Weigh the inaccuracies and oversights against what your business's finances will need by then.

Businesses, North Carolina Business

Comments are closed.

Whether you're looking for vintage second-hand items or fresh designs right off the rack, there is a multitude of businesses to purchase your wardrobe from in North Carolina. We've gathered a list of 25 Black-owned businesses where you can find your clothing and accessories while supporting the African American community.

Summer is now in full swing, and although some of the events we've looked forward to may be canceled, car...

The recovery of the economy is at the front of everyone's mind. Third-quarter unemployment numbers for North Carolina so far show reasons to be positive, but also to worry.