



# Paycheck Protection Program (PPP) Provided Emergency COVID-19 Relief to Millions of Small Businesses and Their Workers

## Myth vs. Fact

### **MYTH #1: PPP is wrought with waste, fraud, and abuse.**

**FACT:** The vast majority of PPP funds supported American small businesses and their hardworking employees in dire need of economic relief. To ensure all program rules were followed, all loans are undergoing an automated review, and all loans of \$2 million or more will undergo a manual review. In addition, any loan may be selected for a manual review. SBA has a robust process for ensuring PPP funds were used as intended. SBA is committed to rooting out fraudulent activity; any abuser of this important program will be held appropriately accountable. A borrower listed in the data release doesn't mean that SBA has made an affirmative declaration that a borrower is eligible or that it will receive loan forgiveness. SBA has a process for review and that is ongoing.

### **MYTH #2: PPP only supported large corporations, not small businesses.**

**FACT:** The PPP was deployed to help keep small businesses afloat and employees on payroll through the coronavirus pandemic. Of those businesses that received PPP loans, 75 percent have nine or fewer employees. In addition, 87% of all loans, or nine out of ten, were \$150,000 or less. Not a single eligible independent contractor, sole proprietor, or small business that applied for a PPP loan and was approved before the PPP closed—whether it employed hundreds of workers or a single individual—was precluded from receiving one due to lack of funding. The PPP closed in August with more than \$130 billion in available funding that went unclaimed.

### **MYTH #3: PPP did not support workers.**

**FACT:** Every facet of PPP was designed to keep Americans employed. The PPP has succeeded. To date, PPP has supported more than 51 million American jobs, and account for more than 80% of small business payroll in the United States. By requiring at least 60% of PPP funds to cover payroll costs, the Administration ensured Americans' paychecks were protected. The PPP directly contributed to the historic economic recovery we are currently experiencing, keeping unemployment far lower than expected at the peak of the pandemic. In addition, the unemployment rate is currently 6.7%, a rate not expected to be achieved by many outside experts until the fourth quarter of 2021.

### **MYTH #4: PPP funds did not reach historically underserved communities.**

**FACT:** Since enactment of the CARES Act, SBA and Treasury worked closely with Congress, borrowers, and lenders of all sizes—including regional and community banks, Community Development Fi-

nancial Institutions (CDFIs), and Minority Depository Institutions (MDIs)—to make certain the broadest possible segment of small businesses could access the PPP. To ensure funds began flowing as rapidly as possible to all small businesses, particularly those in underserved communities, SBA and Treasury worked closely with lenders that were positioned to reach borrowers who had had less well-established traditional banking relationships. Through our actions, we increased the number of participating lenders from the 1,700 that participated in SBA 7(a) lending in 2019 to nearly 5,500 lenders participating in the PPP.

SBA and Treasury executed an aggressive outreach campaign to ensure PPP participation by CDFIs, MDIs, and minority, women, veteran, or military-owned lenders due to their unmatched ability to reach underserved communities. The data shows that SBA and Treasury’s outreach campaign worked.

As of August 8, 2020, when the PPP closed to new loan applications, 432 MDIs and CDFIs had participated from across the country, providing over 221,000 loans for more than \$16.4 billion. PPP delivered \$133 billion of loans to businesses in Historically Underutilized Business Zones, accounting for more than 25 percent of all PPP funding. Additionally, a review of census tracts indicates 28 percent of the U.S. population lives in low and moderate income census tracts, and when matched against the distribution of PPP loans, 27 percent of the PPP funds went to low and moderate income communities, which is in line with their representation in the population.