

Court Orders Data Breach for PPP Borrowers Over Loan Fraud Concerns

December 3, 2020 - Last July, the SBA was ordered to release information on borrowers who received more than \$150,000 under the Paycheck Protection Program (PPP). While that release of information was large, it mostly involved corporate borrowers. The vast majority of PPP loans involved less money than that. This past Tuesday, the SBA responded to another court order and released information on everyone else who secured a loan under the program.

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The latest court order was issued by U.S. District Judge James Boasberg in response to a lawsuit filed by news/media organizations that attempted to secure the information through a freedom of information request.

PPP loans have been the subject of much scrutiny because there is mounting evidence that the program was abused by fraudsters who obtained loans that they weren't eligible for. Even the SBA's Inspector General has stated that there is significant evidence of large-scale fraud in the program. The release of information will allow the organizations that were seeking access to it to do their own investigations.

There is a real irony to this particular court order. It is being made with the hope that it will allow federal investigators to more easily discover fraud under the PPP program and allow news organizations to report on suspected cases of fraud. But there is a very real likelihood that the information release will lead to fraud in the form of identity theft. This is especially true for sole proprietors who applied for loans in the own name and are likely to have used their home addresses on their applications.

The data released includes names, addresses, gender, veteran status, and lender information and loan amount. While not enough to commit identity theft outright, it provides enough information for someone to put together a synthetic identity and to easily target those who received loans.

The SBA has made the files accessible to anyone who wants to see them. They can be found here.

While we understand the need to protect against lending fraud, especially when the lender is the federal government, the approach taken by the court in this case appears to throw all caution to the wind. It is quite obvious that the banks involved with PPP loans aren't particularly pleased with the way the situation has been handled. They are now in the process of notifying borrowers of the court's decision and at the same time, making it very clear that this data breach was court ordered and beyond their control.

by Jim Malmberg

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