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3<sup>RD</sup> DISTRICT, KANSAS

COMMITTEE ON TRANSPORTATION AND  
INFRASTRUCTURE

COMMITTEE ON SMALL BUSINESS

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The Honorable Tami Perriello  
Acting Administrator  
U.S. Small Business Administration  
409 3<sup>rd</sup> St SW  
Washington, D.C. 20416

Dear Acting Administrator Perriello,

Congratulations on your appointment as Acting Administrator of the Small Business Administration. Your service comes at a critical time, when small businesses are facing their greatest challenges, and I look forward to working with you to support them through this public health and economic crisis.

I write to you regarding the numerous cases of synthetic identity fraud in the Emergency Injury Disaster Loan (EIDL) program that have targeted innocent individuals and undermined these vital resources. EIDL advances and loans have proved to be some of the most immediate and critical assistance that many small businesses received during the COVID-19 pandemic. Every dollar wasted by fraud is a dollar that could have gone to a struggling business, and we must find the balance between rapid distribution of funds and preventing waste, fraud, and abuse.

In October 2020, the SBA Office of the Inspector General (OIG) released a report detailing the many vulnerabilities of the EIDL program due to SBA's "relaxed internal controls," leading to potentially billions in fraudulent loans.<sup>1</sup> This investigation specifically identified that approximately \$1.1 billion had been distributed to potentially ineligible entities through EIDL loans and advances. These entities include criminals using stolen identities for fraudulent businesses and applications – even an SBA District Office Director was targeted.

A Shawnee Mission Post investigation discovered at least 35 cases of fraudulent EIDL loans using identity theft just in Johnson County, Kansas – part of the Kansas Third Congressional District, which I represent.<sup>2</sup> The fraud in these cases reportedly exceeded \$940,000. Not only does this abuse undermine this vital program and the small businesses who do deserve and need those funds, but my constituents who are victims of identity theft are also left to prove their

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<sup>1</sup> SBA OIG: <https://www.sba.gov/sites/default/files/2020-11/SBA%20OIG%20Report%2021-02.508.1.pdf>.

<sup>2</sup> Shawnee Mission Post: <https://shawneemissionpost.com/2021/02/11/johnson-county-pandemic-relief-loan-fraud-113294/>.

innocence before these fraudulent loans in their name come due. This is the last thing they should have to worry about during what is already such a difficult time for our community.

I urge you to investigate these cases of fraud and ensure that the victims of identity theft in the EIDL program are held blameless. Additionally, I am requesting answers to the following questions regarding SBA practices and changes that have been made since the OIG's report:

1. In its report, the OIG made four recommendations to ensure that fraudulent loans and advances are recovered and that similar cases are prevented. How has SBA adopted these recommendations into its practices?
2. What kind of information and resources is SBA providing to the victims of identity theft who must now undergo the process of reporting and proving the fraud in their name?
3. How is SBA ensuring that the victims of synthetic identify fraud in the EIDL program are not being held liable, especially as many loan payments are coming due?
4. When does SBA plan to release additional guidance on how the agency will release loan debt taken out fraudulently?
5. How is SBA working to actively identify these fraudulent cases and notify the victims of identity theft?

Thank you for your consideration of these questions and these issues. I look forward to working with you to improve these programs and providing as much support as possible for our nation's small businesses.

My warmest regards,



Sharice L. Davids  
Member of Congress