



IDLE ON EIDL FRAUD:

**HOW THE TRUMP ADMINISTRATION
WASTED TAXPAYER DOLLARS BY
LEAVING THE COVID-19 EIDL
PROGRAM VULNERABLE TO FRAUD**

STAFF REPORT
JUNE 2022

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I. EXECUTIVE SUMMARY

This staff report presents findings from an investigation conducted by the Select Subcommittee on the Coronavirus Crisis into the Small Business Administration (SBA) Economic Injury Disaster Loan (EIDL) program's operation during the pandemic. The Select Subcommittee initiated this investigation following reports that raised concerns that the Trump Administration failed to prevent billions of dollars in potential fraud by approving EIDL loans and grants with significant fraud indicators. The investigation also commenced in light of reports that SBA had awarded a costly \$750 million no-bid contract to aid in implementing the program.¹ While the EIDL program delivered vital relief to millions of eligible small businesses, \$86 billion dollars in EIDL funds were disbursed to applicants with fraud alerts on their applications.²

The Select Subcommittee's investigation has uncovered new evidence that, under the Trump Administration, SBA failed to implement basic safeguards to prevent fraud, even directing loan reviewers to approve applications with serious fraud alerts without taking steps to ensure that the applications were legitimate. Subsequent Department of Justice (DOJ) prosecutions, moreover, have overwhelmingly involved EIDL applications that were submitted during the period when the Trump Administration failed to implement basic fraud controls, suggesting that this failure facilitated a large share of the fraud committed against the program. Further, the Trump Administration's failure to adequately assess reasonable labor costs required for its EIDL processing contract also led it to waste hundreds of millions of taxpayer dollars with more than \$340 million of taxpayer funds paid to a company that assigned only six employees to work on the project.

Specifically, the Select Subcommittee's investigation found:

The Trump Administration Failed to Implement Basic Fraud Controls, Leading to Billions of Dollars in Potentially Fraudulent Loans and Grants.

- **New documents obtained by the Select Subcommittee show that SBA under the Trump Administration directed a subcontractor to create a “batch” approval function that allowed SBA employees to approve COVID-19 EIDL applications without any review.** These documents show that SBA specifically asked its contractor to create this batch approval function. The Select Subcommittee has learned that SBA loan reviewers did not even have the ability to open EIDL application files included in batches, meaning as many as 1.6 million of the 3.9 million loan applications that were ultimately approved may have been approved with no actual review by an SBA employee. SBA's directives further indicate that some applications were included in these batches for approval without review despite the presence of fraud indicators identified by the automated processing system run by SBA's subcontractor.
- **The Select Subcommittee uncovered documents showing that, under the Trump Administration, even when EIDL applications were reviewed by SBA employees, the reviewers were directed to approve applications containing indications of identity theft without taking action to ensure the applications were legitimate.** The Reference

Guide distributed to SBA loan officers instructed them to simply approve COVID-19 EIDL applications with indicators of fraud associated with identity theft, including where the applicant's online identity verification had failed and where the applicant's information couldn't be validated—in some cases where there was an indication the applicant may be deceased—without conducting additional diligence. Early in the Biden Administration, SBA changed this guidance to direct loan reviewers to both obtain government identification and ask for personal identifying information by the phone where there were indications of identity theft.

- **A Select Subcommittee analysis has found that the vast majority of DOJ prosecutions of COVID-19 EIDL fraud have involved fraudulent applications submitted during the Trump Administration, particularly between March and August of 2020.** This analysis found that 98 percent of DOJ prosecutions of EIDL fraud through May 2022 involve fraudulent applications submitted during the Trump Administration, even as SBA has continued to disburse tens of billions of dollars in EIDL funds. This disparity is likely a result of the Biden Administration's implementation of stronger fraud safeguards, including requiring that loan reviewers address all fraud alerts before approval, verify tax information with tax transcripts, and use the Department of the Treasury (Treasury) Do Not Pay List to identify ineligible applicants.

The Trump Administration Awarded a \$750 Million EIDL Processing Contract to a Company that Relied on a Subcontractor for Nearly All the Work Required Yet Still Accrued Windfall Profits at Taxpayers' Expense.

- **The Trump Administration awarded its pre-pandemic EIDL contract to a small business—RER Solutions Inc. (RER)—which did not have the capacity to immediately scale up loan recommendation services in a catastrophic situation.** Prior to the pandemic, SBA determined that it was appropriate to award its approximately \$10 million annual EIDL processing and loan recommendation contract as a small business set aside to RER, even though there were clear indications that RER would need to rely on its large firm partner Rocket Loans (Rocket)—which, unlike RER, had significant experience with relevant lending technology and services—for core contract services. This was particularly concerning because SBA foresaw the possibility that its EIDL loan recommendation contractor could be required to quickly scale up its services a hundredfold in the event of a catastrophic disaster. In light of regulations requiring that 50 percent of revenue from small business set aside contracts remain with the prime small business contractor, this decision also created the risk that in an emergency the contract would be greatly expanded and result in an unjustified windfall for RER at taxpayers' expense. At the onset of the pandemic, with demand for millions of EIDL loans and grants, RER's existing system run by subcontractor Rocket was not capable of handling the type and volume of EIDL applications. RER had to further subcontract with Rocket-affiliated technology firm Rapid Financial Services LLC (Rapid) to build a system capable of handling the surge in EIDL applications, and Rapid ultimately provided the large majority of the labor and key inputs necessary to fulfill the COVID-19 EIDL contract.

- **The Trump Administration awarded the \$750 million COVID-19 EIDL loan recommendation contract—the largest individual contract across the entire federal government to respond to the pandemic’s economic impact—to RER without a competitive process or an adequate assessment of the reasonable cost of the services provided.** SBA did not use a competitive process for this award and instead modified RER’s much smaller pre-pandemic contract. Contractor RER, through subcontractor Rapid, primarily provided automated services that required relatively little labor, and which reviewed COVID-19 EIDL application information in less than a second to provide fraud alerts, credit checks, and approval or denial recommendations. Despite this, SBA agreed to pay RER more than \$40 per EIDL application reviewed without assessing whether this price was reasonable in light of the actual costs the contractor would incur.
- **Illustrating the Trump Administration SBA’s failure to ensure the contract was reasonably priced, RER ultimately netted more than \$340 million for the work of just six employees.** RER subcontractor Rapid provided most of the labor and technology needed to fulfill the contract, employing 163 employees and contractors who contributed to the company’s work for SBA and providing proprietary software; Rapid received \$148 million, just 20 percent of the contract’s proceeds. By contrast, RER subcontractor Rocket (a Rapid affiliate) received \$233 million for just 20 employees it contributed to the COVID-19 EIDL contract work. Most egregiously, prime contractor RER, which told the Select Subcommittee that it assigned only six employees to work on the contract and primarily engaged in “contractual administrative duties,” pocketed \$340 million. SBA’s failure to adequately assess the reasonable cost of the contract, including by considering reasonable labor and other real costs, cost taxpayers hundreds of millions of dollars and resulted in a windfall for two private companies who contributed relatively little to the contract’s performance.

II. BACKGROUND

A. The Pre-Pandemic EIDL Program

SBA’s Economic Injury Disaster Loan program predated the pandemic. Under the EIDL program, SBA makes loans available to homeowners and small businesses for economic injuries caused by disasters—typically localized disasters like hurricanes, tornadoes, and earthquakes—in areas subject to certain disaster and emergency declarations.³ SBA’s Office of Disaster Assistance (ODA) administers the EIDL program and processed an average of 65,000 EIDL applications annually before the pandemic.⁴

1. SBA’s 2018 Contract for EIDL Application Processing and Recommendations

In 2018, SBA solicited contractors to analyze EIDL applications and to quickly provide SBA with recommendations to approve or decline the applications, with the agency retaining the final decision on an application’s approval or denial.⁵ Although SBA’s solicitation noted that the volume of EIDL applications had recently averaged 65,000 annually, a rate of slightly more than 5,000 per month, SBA made clear that it foresaw the possibility that a catastrophic event could dramatically increase the volume of loan recommendations required to one million applications

in 60 days, a rate of 500,000 per month.⁶ In response to a question from a potential bidder about this capacity requirement, SBA reiterated that it required contractors be able to scale up their analysis and recommendation capacity to allow SBA to “make a million decisions in a short period,” and that this would require the contractor recommend decisions to approve or deny loan applications at a rate of “12 loans per minute.”⁷

Although SBA understood that a major catastrophe could require the EIDL program to quickly surge its processing capacity a hundredfold to aid in making a million loan decisions “in a short period,” SBA solicited its loan recommendation services contract as a small business set aside.⁸ SBA told the Select Subcommittee that the contract was solicited as a small business set aside in accordance with the federal acquisition regulations “Rule of Two,” which requires that agencies set contracts aside for small businesses when there is a “reasonable expectation” that two or more small businesses are likely to offer the solicited services “competitive in terms of fair market prices, quality, and delivery.”⁹ SBA ultimately awarded the contract to RER, which qualified as a small business at that time.¹⁰ The 2018 SBA contract with RER had a ceiling of \$10 million for the first year and \$100 million over a four year period.¹¹ Despite its determination that this contract was appropriate to set aside for a small business contractor, SBA also found that the ultimate small business contractor would need to engage a large firm as a subcontractor to meet contract requirements.¹²

2. RER, Rocket Loans, and Rapid Financial Services

To meet SBA’s requirement that a large firm partner with the small business that obtained the contract, RER partnered with Rocket, a larger company with experience in supporting personal lending (and subsidiary of Rocket Companies, Inc., which has billions of dollars in annual revenue).¹³

Before receiving its EIDL contract, RER’s previous federal contracts were to provide professional services support for federal agencies. For example, RER contracted with the Department of Energy for about \$1 million per year to provide “general and business management support services.”¹⁴ RER had some experience assisting agencies in making lending decisions on a much smaller scale than required by the EIDL program, including, for example, a \$165,000 contract with the Department of Housing and Urban Development to support underwriting 2,460 loans.¹⁵

Rocket Loans, by contrast, is a subsidiary of Rocket Companies, which is a financial technology and financial services company that supports various types of personal lending, including mortgages, home, and auto loans.¹⁶ Rocket Companies had more than \$5 billion in revenue in 2019.¹⁷ Rocket ultimately provided the software needed to make loan recommendations to SBA for the pre-pandemic EIDL contract.¹⁸ Rocket has an affiliate (which is not a subsidiary), Rapid, that did not contribute the pre-pandemic EIDL processing contract and was brought in later to support EIDL processing during the pandemic. Rapid is a financial technology company that specializes in underwriting loans to small businesses using an automated platform that employs data and algorithms to assess risk, identify potential fraud, and make lending recommendations.¹⁹ Before working on EIDL during the pandemic, Rapid had experience serving 35,000 small businesses related to \$2.2 billion in private financing.²⁰

B. The COVID-19 EIDL Program

1. With the Onset of the Pandemic, Congress Expanded the EIDL Program and SBA Received an Unprecedented Number of EIDL Applications.

The Coronavirus Preparedness and Response Supplemental Appropriations Act, Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Paycheck Protection Program and Healthcare Enhancement Act, the December Consolidated Appropriations Act, 2021, and the American Rescue Plan directed the SBA to provide EIDLs and EIDL advance grants to small businesses harmed by the pandemic, which SBA refers to as its “COVID-19 EIDL” program.²¹ By March 21, 2020, SBA declared all states, the District of Columbia, and all territories to be disaster areas, making small businesses everywhere in the country eligible for loans through the COVID-19 EIDL program for the economic injuries suffered as a result of the pandemic; demand for EIDLs from affected businesses was extraordinarily high.²² Following passage of the CARES Act on March 27, 2020, small businesses were also eligible for COVID-19 EIDL advance grants that did not need to be repaid.²³ Funds for COVID-19 EIDL grants were subsequently replenished in the American Rescue Plan and other pandemic relief legislation.²⁴

The coronavirus crisis led to an unprecedented volume of EIDL applications, with SBA receiving 4.5 million applications between March 31, 2020, and April 10, 2020, and nearly 18 million applications by July 2021.²⁵ COVID-19 EIDL loans were limited to a \$150,000 maximum loan amount (with some periods where the maximum amounts were adjusted to \$500,000), and EIDL advance grants (and later targeted and supplemental targeted grants) of up to \$10,000 were also available for affected small businesses. As of April 2022, SBA had approved more than 3.9 million COVID-19 EIDL applications and a total of over \$378 billion in EIDLs for American businesses.²⁶ 5.8 million EIDL advance grants and 1 million targeted and supplemental targeted EIDL advance grants totaling \$27.5 billion were also disbursed.²⁷

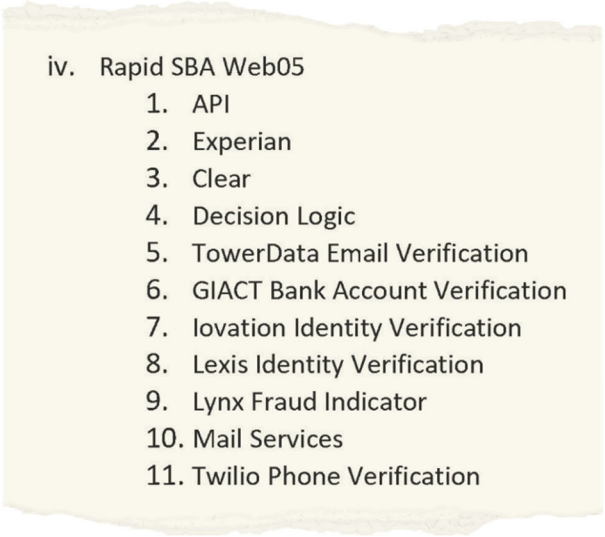
2. SBA Dramatically Expanded RER’s Contract in a Non-Competitive Process.

In late March 2020, SBA engaged with RER and Rocket, as well as Rocket’s affiliate Rapid, to create new system for providing loan recommendations and analysis for COVID-19 EIDL applications.²⁸ SBA’s existing portal could not handle the volume of EIDL applications, and Rocket’s existing loan processing system, which more commonly handled EIDLs for home property damage, was not able to handle the volume and type of applications being submitted in the COVID-19 EIDL program.²⁹ SBA rushed to create a new system that would send EIDL application data to Rapid, and where Rapid would provide SBA with recommendations to approve, manually review, or decline EIDL applications.³⁰ In April 2020, SBA modified its contract with RER to incorporate the COVID-19 EIDL program without a competitive process, increasing RER’s total contract ceiling from \$100 million to \$600 million (and later that year to \$750 million).³¹ In justifying this modification SBA asserted that the pandemic presented “exceptional circumstances” given the millions of applications received, and the modification was ultimately approved by then-SBA Administrator Jovita Carranza.³² The modified contract with RER was the largest contract awarded by the federal government in service of the response to the pandemic’s economic impacts.³³

3. SBA COVID-19 EIDL Application Vetting and Approval Process

SBA implemented a process where RER subcontractor Rapid would process EIDL applications through an automated system which would generate a recommendation to SBA loan officers on whether to approve, decline, or manually review the COVID-19 EIDL application. Rapid's system included automated fraud checks that generated alerts when there were indications that an EIDL application might be fraudulent.³⁴ Adapting its existing business loan system, Rapid created the portal where SBA loan officers and Team Leads could review Rapid's recommendation to approve a loan, manually review its fraud flags, or decline the loan, and where SBA Team Leads could ultimately obligate funds.³⁵ Rapid's system employed automated fraud checks that included running COVID-19 EIDL application information through third party data services including Lexis and Iovation Identity Verification, the Lynx Fraud Indicator, DecisionLogic bank information verification, Experian, and other email, phone, and bank account verification services.³⁶ These automated fraud check systems would lead to alerts when "Fraud Check Indicators" were present in an EIDL application, which were flagged for SBA loan reviewers as "fraud alerts."³⁷

List of Third Party Data Providers Built into Rapid's Automated COVID-19 EIDL Processing System

- 
- iv. Rapid SBA Web05
 - 1. API
 - 2. Experian
 - 3. Clear
 - 4. Decision Logic
 - 5. TowerData Email Verification
 - 6. GIACT Bank Account Verification
 - 7. Iovation Identity Verification
 - 8. Lexis Identity Verification
 - 9. Lynx Fraud Indicator
 - 10. Mail Services
 - 11. Twilio Phone Verification

When fraud alerts were generated by Rapid's system, the application was generally—though not always—sent to an SBA loan officer to review the fraud alerts or other flags and subsequently sent to an SBA Team Lead for final approval or declination.³⁸ When no fraud indicators were generated, Rapid's system would send the application directly to an SBA Team Lead with a recommendation for approval.³⁹ Rapid's system also allowed loan officers and Team Leads to access information about loan applicants, fraud alerts, or other information deficiencies on their applications, to change loan totals, to access contact information for applicants, and to eventually approve or deny EIDL applications.⁴⁰

Screenshot of Rapid Decision Loan Officer Portal for Fictitious Applicant from March 3, 2021 Rapid Briefing to the Select Subcommittee

The screenshot displays the Rapid Decision Loan Officer Portal interface. At the top, the SBA U.S. Small Business Administration logo is visible, along with navigation links for 'Admin panel', 'Existing Deals', and 'Tasks'. The user is logged in as 'John Smith (SBA Loan Officer)'.

The main content area is titled 'Rapid Decision' and shows details for 'Main street llc (5369)'. The 'Credit Report' section indicates 'Highest FICO score not available' and shows a 'No Score' alert for John Smith. The 'Financial Info' section lists 'Stated Revenue' as \$41,667 and 'Monthly Revenue' as \$41,667. The 'Loan' summary shows a 'FRAUD ALERT' and 'Status: Accepted by client'. The loan details include an amount of \$77,000, a payment amount of \$477, an interest rate of 3.75%, a term of 360 months, and a filing fee of \$100. The 'Quote Actions' section includes buttons for 'Close Documents', 'Bank Account', and 'Place on hold'. The 'Quote Info' section shows 'Created By: John Smith'.

Although Rapid’s system ran automated fraud checks and provided the portal used by SBA loan officers and Team Leads, Rocket continued to provide services for funding and disbursing loans after they were approved through SBA’s Etran payments system.⁴¹ Documents and information obtained by the Select Subcommittee show that RER’s very small staff assigned to work on this contract largely performed “contractual administrative duties” like negotiating with SBA and sending the agency invoices and data concerning the number of applications processed, and high level “project management.”⁴²

SBA greatly expanded its workforce of loan officers and other staff reviewing EIDL applications after they were processed by Rapid’s system. In total, SBA expanded its relevant staff more than five-fold to over 8,000 loan officers, Team Leads, and support staff.⁴³ These loan officers and other staff generally reviewed EIDL application information, including fraud alerts, after the applications were recommended to approval, denial, or manual review by Rapid’s system.⁴⁴ The cost of paying this staff to review EIDL applications was not included in the \$750 million contract with RER, and was an additional expense incurred by SBA.⁴⁵

4. Reports of Fraud Vulnerabilities

Reports and testimony of government watchdogs, including SBA OIG and the Government Accountability Office (GAO), raised serious concerns about the Trump Administration SBA’s failure to implement basic safeguards to prevent widespread fraud during the early operation of the COVID-19 EIDL program.⁴⁶ An independent watchdog report also alleged that SBA loan officers did not receive basic guidance on fraud prevention until after SBA OIG reported that there was significant fraud in the COVID-19 EIDL program and that SBA failed to provide adequate training to loan officers. This reportedly led loan officers to override fraud alerts and approve potentially fraudulent EIDL applications.⁴⁷

5. The Select Subcommittee's Investigation

The Select Subcommittee first initiated an investigation of the COVID-19 EIDL program, and of the Trump Administration's decision to award such a significant contract supporting the program without a competitive process, in July 2020.⁴⁸ Following reports of extensive fraud vulnerabilities in the COVID-19 EIDL program, the Select Subcommittee expanded its investigation in early 2021 to include COVID-19 EIDL fraud risks.⁴⁹ The Select Subcommittee has requested and received documents and information from SBA, RER, Rocket, and Rapid.⁵⁰ In total, the Select Subcommittee has received and reviewed 17,000 pages of documents responsive to these requests. The Select Subcommittee has also held two briefings with RER and Rapid, four briefings with SBA regarding the operation of the COVID-19 EIDL program, and a hearing on fraud in SBA programs that included the SBA Inspector General's testimony on EIDL fraud.⁵¹

III. FINDINGS

The Select Subcommittee's investigation has found that, under the Trump Administration, SBA failed to safeguard taxpayer dollars in the COVID-19 EIDL program. First, early in the Trump Administration's implementation of the program, SBA failed to implement even the most basic safeguards to prevent fraud, including by directing loan officers to approve applications with serious fraud indicators without appropriate investigation. Second, SBA failed to rigorously assess the appropriate price of its contract for automated EIDL loan recommendation and processing services when modifying its existing contract in a noncompetitive process, leading to windfalls for RER and Rocket that cost taxpayers hundreds of millions of dollars.

A. Under the Trump Administration, SBA Failed to Implement Basic Fraud Controls, Leading to the Distribution of Tens of Billions of Dollars in Potentially Fraudulent COVID-19 EIDL Loans and Grants.

SBA contracted with RER and its subcontractor Rapid to provide automated checks for indications of fraud in EIDL applications, but SBA retained the role and responsibility of approving EIDL loans and advance grants. After receiving data from Rapid's automated review of EIDL applications, including alerts that fraud indicators were present, SBA loan officers and Team Leads were responsible for reviewing EIDL applications, ensuring that the applications were not fraudulent, and ultimately approving the loans.⁵² Under the Trump Administration, though, SBA took several steps that significantly increased the vulnerability of the EIDL program to fraud, including by (i) directing Rapid to create a "batch" approval mechanism that prevented the designated SBA employee from reviewing applications before approval, (ii) directing loan officers to approve applications flagged as potentially involving identity theft without further identity verification, and (iii) directing that Rapid not flag applications containing some fraud indicators as requiring additional review by loan officers. The Trump Administration's decision to remove basic safeguards contributed to the distribution of tens of billions of dollars in potentially fraudulent loans and grants.

1. The COVID-19 EIDL Program Was Vulnerable to Widespread Fraud.

As the Select Subcommittee has previously reported, the COVID-19 EIDL program under the Trump Administration was vulnerable to widespread fraud. SBA OIG found that the Trump Administration disbursed \$86 billion in EIDL loans and advances in response to potentially fraudulent applications that contained fraud indicators including duplicate IP addresses, email addresses, physical addresses, bank accounts, bank account information with discrepancies, links to identity theft, and Employer Identification Numbers (EINs) registered after the early 2020 cutoff date.⁵³ SBA Inspector General Hannibal “Mike” Ware testified to the Select Subcommittee in March 2021 that EIDL fraud risk “wasn’t taken as seriously” as fraud risk in other programs operated by the Trump Administration, and that OIG “notified SBA up front” as the EIDL program rolled out that “we have to strengthen our controls.”⁵⁴

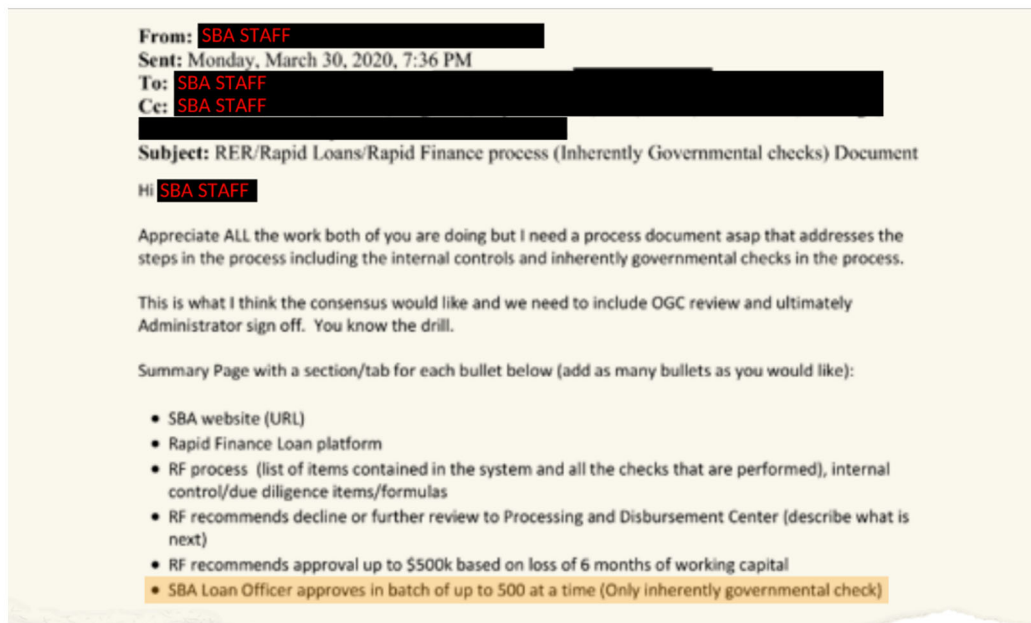
Although the precise extent of fraud in the COVID-19 EIDL program is not yet known, numerous indicators suggest that it was extensive. GAO found that financial institutions filed more than 20,000 suspicious activity reports (SARs) related to COVID-19 EIDL transactions.⁵⁵ SBA also disbursed more than 112,000 COVID-19 EIDL loans and 98,000 advance grants that it later referred to SBA OIG as being related to an identity theft complaint. As of January 2021, SBA estimated that it had received over 150,000 returned loan statements related to incorrect or fraudulent addresses, indicating that COVID-19 EIDL identity theft fraud may have been even more extensive.⁵⁶ SBA OIG also found that, in 2020, SBA distributed approximately \$4.5 billion in \$10,000 EIDL advance grants to sole proprietors and independent contractors that they were categorically ineligible for given the \$1,000 per employee advance grant limit.⁵⁷ These findings taken together show that the Trump Administration likely permitted the COVID-19 EIDL program to disburse billions of taxpayer dollars in response to fraudulent applications.

2. During the Trump Administration, SBA Created a “Batch” Approval Mechanism That Facilitated Approval of EIDL Loans with No Review by Loan Officers.

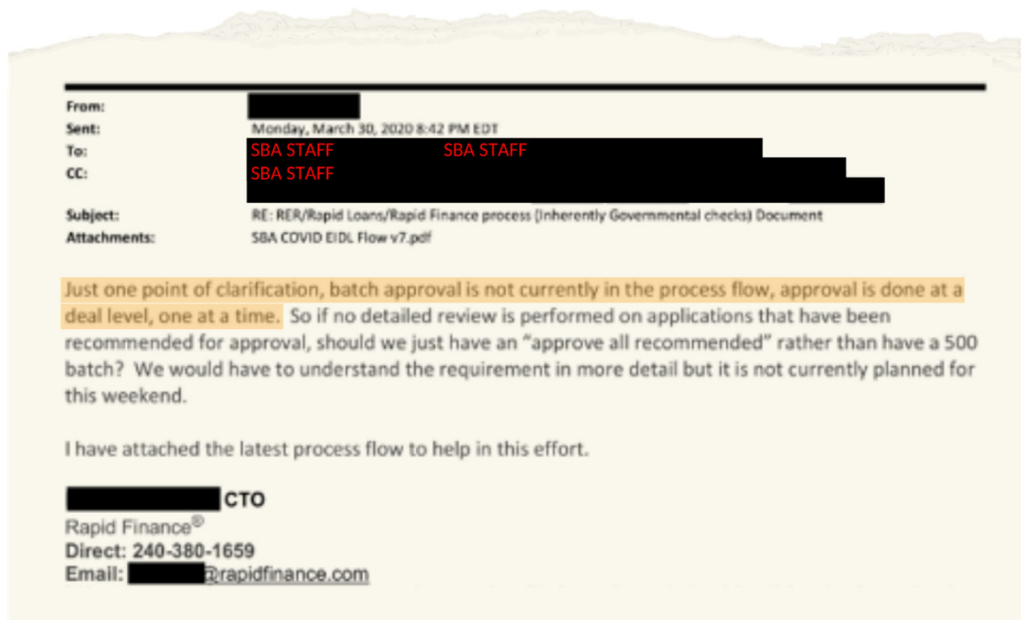
New evidence uncovered by the Select Subcommittee shows that SBA under the Trump Administration implemented a design that left the COVID-19 EIDL program vulnerable to fraud, as many applications received no review at all from SBA loan officers or Team Leads. GAO and SBA OIG have previously criticized SBA’s use of “batch” approval of EIDL applications, whereby SBA Team Leads could approve dozens of loan applications at once “with little to no vetting of the loan information” or “with little to no additional review by the team leaders.”⁵⁸ New evidence obtained by the Select Subcommittee now shows both that SBA specifically requested that its contractor add this “batch” approval function allowing mass approval of loan applications without review, and that the system prevented any review whatsoever of EIDL applications that were included in “batches.”⁵⁹

SBA’s decision to employ a “batch” approval mechanism required its subcontractor Rapid to add a function that was not part of its initial planning or existing system, which envisioned a “detailed review” of COVID-19 EIDL applications “one at time.”⁶⁰ SBA requested that Rapid add functionality that would allow SBA loan officers to approve batches of as many as 500 applications at a time (ultimately, batches included 25 to 50 applications), which would be the “only inherently governmental check” before funds were obligated and disbursed.⁶¹

SBA Requests Ability to Approve EIDL Applications En Masse in Batches



Rapid Chief Technology Officer Responds to SBA Request for Batch Approval, Noting It Had Not Originally Included a Batch Approval Mechanism



These batches of EIDL applications were sent directly to SBA Team Leads and recommended for approval without any initial review by other SBA loan officers.⁶² SBA OIG has pointed out that this batch approval process abandoned SBA's traditional "Rule of Two" control, which had previously required that two SBA employees review and approve a loan application, by only requiring loan approval by a single SBA employee.⁶³

In practice, applications in batches received no review at all from any SBA employee. SBA's Processing and Disbursement Center Director told the Select Subcommittee that the EIDL application processing system did not even allow SBA Team Leads to open individual EIDL application files in batches recommended for approval⁶⁴—making approval without review essentially automatic without any human laying eyes on application details. Data from Rapid obtained by the Select Subcommittee shows that as many as 1.6 million EIDL applications may have been included in “batches” recommended for approval and received no actual review by an SBA employee in the COVID-19 EIDL program's early months.⁶⁵ Nearly all of these applications were ultimately approved, even as less than 50 percent of those applications recommended for manual review were approved in the same period.⁶⁶

Additionally, there are strong indications that some EIDL applications included for “batch” approval without review contained fraud alerts. SBA provided Rapid with instructions that it should include applications in batches even when they contained as many as two indicators of potential fraud.⁶⁷ These applications, including those with fraud flags, would then be approved in batches without any further substantive review. This was evidently because SBA determined that certain fraud indicators—including emails that failed to pass validation, phone numbers that weren't associated with the relevant business or owner, international locations, and businesses whose registration could not be confirmed—were less concerning and directed that such applications be included in batch files for nearly automatic approval.⁶⁸ SBA staff told the Select Subcommittee that these fraud indicators were at the lower end of the hierarchy, and that they did not present an issue.⁶⁹

April 7, 2020 SBA Memorandum

Fraud Check Indicators

If any 1 of the BOLDDED fraud indicators in the verification process are triggered or any 3 BOLDDED OR NON-BOLD indicators are triggered, the application will not be included in a batch file.

1. **Large number of applications with other lenders** (large scale)
2. Large number of applications for this program (several in succession)
3. **Owner information failed validation** (information does not match, person is listed as deceased, etc.)
4. Client location is international
5. **Digital identity fraud suspicion/suspicious online behavior** – the data has been used fraudulently online
6. VOIP phone number
7. Phone number is not associated with business or owner
8. Email has not passed validation
9. **Invalid bank account number and/or routing number**
10. **Bank account ownership does not match business**
11. Unable to confirm business registration

Memorandum specifies that COVID-19 EIDL applications could be included in a batch for approval without review even if certain fraud indicators were present.

Given the unprecedented demand for EIDL loans and grants at the onset of the pandemic, SBA's decision to employ automated fraud checks for efficiency and speed could be defensible. However, SBA's judgment to not only have EIDL applications in batches approved without any actual review by an SBA employee, but to also include applications in those unreviewed batches that contained fraud indicators, significantly and unjustifiably increased the program's vulnerability to fraud.

3. Even When EIDL Applications Were Manually Reviewed, the Trump Administration SBA Directed Loan Officers to Approve Loans with Serious Fraud Indicators.

When Rapid’s automated system found that EIDL applications included what SBA had determined were serious fraud indicators, the applications were sent to SBA loan reviewers for manual review before they could be recommended to an SBA Team Lead for ultimate approval.⁷⁰ Applications subject to manual review included those where the business owner information could not be validated, where there was suspected digital identity fraud or suspicious online behavior, and where there were indications that bank account information was incorrect or did not match the applicant.⁷¹ Documents uncovered by the Select Subcommittee show, however, that during the Trump Administration, SBA specifically directed loan reviewers to approve applications with the most serious fraud alerts—including those related to identity theft—without any attempt to ensure the applications were legitimate.

SBA staff told the Select Subcommittee that it found identity theft to be a particularly significant source of EIDL fraud.⁷² This assessment is in accord with the SBA OIG finding that SBA disbursed EIDL loans and advance grants in over 200,000 cases in response to applications associated with identity theft complaints.⁷³ Yet, despite the assessment that identity theft was a significant source of fraud, SBA issued guidance to loan reviewers that directed them to approve EIDL applications with critical fraud indicators without taking action to ensure the applications were not the result of identity theft. Specifically, SBA’s Guide for loan officers directed them to simply “Approve” applications that “failed online identity verification,” and directed loan reviewers to “Approve” applications where the “Owner/Client information failed validation (info doesn’t go together, person is listed as deceased, etc.)” without taking action to address the fraud flag.⁷⁴

**Directives for Addressing Fraud Alerts in May 15, 2020
Version of Decision Guide for SBA Loan Officers**

Rapid Fraud Indicators: Appears when the RER Rapid fraud indicators are true

FRAUD ALERT FRAUD ALERT FRAUD ALERT FRAUD ALERT

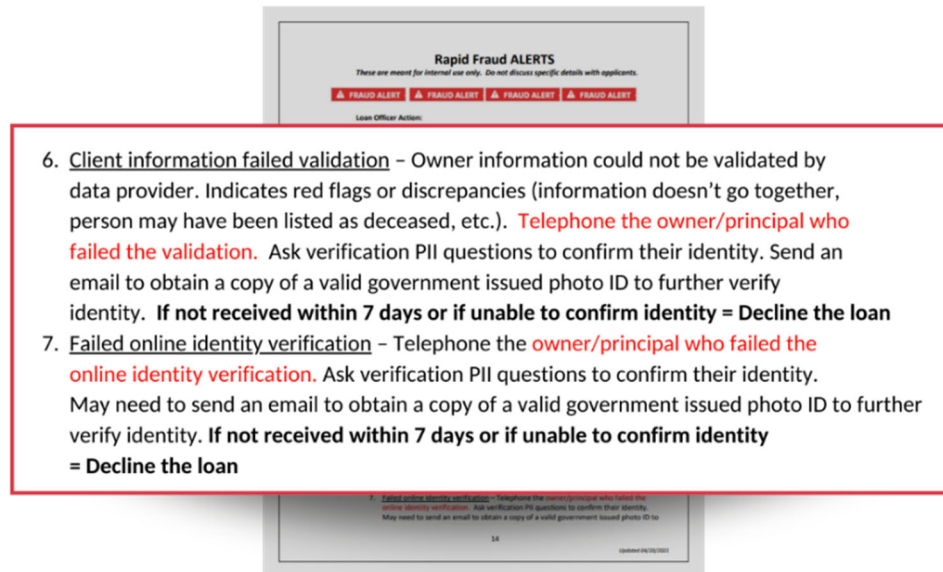
Loan Officer Action:
These are the fraud searches that will be performed by RER Rapid. Loan Officer action is the red text.

1. Device (computer, mobile, IP address) associated with fraud – Review file to determine if a loan packager is involved with applications submitted. If so, Approve.
2. Large number of applications with other lenders (large scale) – Contact Borrower and ask why so many applications with private lenders and find out status of those applications. How many approved loans for how much, etc. (see Fraud on Credit Report)
3. Large number of applications for this program (several in succession) – Review the applications to determine if they are duplicates and mark accordingly. Decline all but one of the applications from the applicant. Rapid Finance system identifies the fields
4. Owner/Client information failed validation (info doesn't go together, person is listed as deceased, etc.). Owner information could not be validated by data provider, there were discrepancies or red flags. **If owner information is correct and there are no other Alerts — Approve**
5. Owner/Client information failed online identity verification — **Approve**
7. Digital identity fraud suspicion/suspicious online behavior – the data altogether has been used fraudulently online - **Decline**
8. VOIP phone number or phone number not associated with business or owner – **Contact the applicant and get a valid phone number**
9. Email has not passed validation – **Contact applicant for valid email address**

SBA eventually changed these directives to require the loan reviewer to request a form of government identification when these indicators of identity theft were present.⁷⁵ By the time SBA made this modest improvement, however, more than 1.3 million EIDL applications totaling

over \$90 billion had been approved.⁷⁶ Early in the Biden Administration, SBA included more detailed instructions that also directed the loan reviewer to call the applicant and further confirm their identity by asking for personally identifying information.⁷⁷ The diligence SBA later required its loan officers to conduct, largely following reports of extensive vulnerabilities in the program, further demonstrates that earlier directives during the Trump Administration created intolerable fraud risks.

Directives for Addressing Fraud Alerts in April 20, 2021 Version of Decision Guide for SBA Loan Officers Distributed during Biden Administration



4. Inadequate Training and High “Production Goals” Requiring Quick Review of Applications Also Likely Increased COVID-19 EIDL Fraud Vulnerabilities.

Other aspects of the Trump Administration SBA’s early implementation of the COVID-19 EIDL program likely increased fraud risk. Reports indicate that, in addition to being given directives to approve EIDL applications containing certain fraud indicators, that loan officers—many of whom were just hired as SBA dramatically increased its processing staff—were given inadequate training on fraud prevention, particularly before SBA OIG released a critical public report of COVID-19 EIDL fraud vulnerabilities.⁷⁸ This comports with a report the Select Subcommittee received from an SBA contract loan reviewer that trainings were low quality even as those hired often had little or no experience reviewing loan applications, and that fraud was rarely, if ever, mentioned in hours-long training sessions early in the program’s operation. This lack of training regarding how to address indicators of fraud likely increased fraud vulnerability even for applications containing fraud alerts that SBA’s guidance directed reviewers to take action to address.

Further, loan officers were given aggressive target goal rates that did not allow sufficient time to fully review applications and ensure applications were not fraudulent. In October 2020, SBA OIG reported that loan officers were told to meet a “production goal” of reviewing and approving or denying four applications per hour, giving them only an average of 15 minutes to review and resolve issues in a COVID-19 EIDL application. This led to “cursory reviews” that were less likely to detect fraudulent applications.⁷⁹ SBA OIG’s report comports with information

the Select Subcommittee received from an SBA contract loan reviewer, who indicated that loan reviewers felt pressure to meet these “production goals,” which the loan reviewer referred to as “quotas,” at the expense of detecting fraudulent applications. Given these high goal rates for review, even as SBA slowly improved its directives to loan reviewers regarding fraud alerts, the loan officers’ limited time to actually address indications of potential fraud likely contributed to the continued approval of fraudulent applications.

5. The Select Subcommittee’s Analysis of DOJ Prosecutions of EIDL Fraud Indicates That the Majority of Fraud Was Committed During the Trump Administration’s Early Implementation of the COVID-19 EIDL Program.

The Select Subcommittee conducted an analysis of all DOJ prosecutions of EIDL fraud thus far to shed light on the primary methods used to commit fraud against the program by examining cases where investigators gained sufficient information to bring criminal charges. To date, DOJ has pursued 117 prosecutions of 177 defendants for COVID-19 EIDL fraud, involving at least \$45 million in fraudulently obtained EIDL funds.⁸⁰ The Select Subcommittee’s analysis of these prosecutions has revealed that the vast majority of confirmed EIDL fraud cases—nearly 95 percent—involved applications submitted between late March and August 2020.⁸¹ Even as the Biden Administration continued to approve a significant number of EIDL loans, advance grants, and loan increases—totaling over \$179 billion since February 2021—98 percent of EIDL fraud prosecutions to date have involved fraudulent applications submitted during the Trump Administration’s operation of the program.⁸²

The Select Subcommittee’s finding that the overwhelming share of DOJ prosecutions of COVID-19 EIDL fraud involve fraudulent applications submitted during the Trump Administration’s early implementation of the program is consistent with the evidence that the Trump Administration failed to employ even basic safeguards against fraud.⁸³ This finding is also consistent with indications that, in early 2021, the Biden Administration began strengthening the program’s fraud controls by requiring that fraud indicators be addressed by loan officers (including with, as shown above, detailed directions to loan officers on actions that must be taken when identity theft indicators are present), validating applications against Department of the Treasury’s (Treasury’s) Do Not Pay List, obtaining Internal Revenue Service tax transcripts to verify EIDL applicant information, and checking Employer Identification Numbers (EINs).⁸⁴

The methods many applicants used to commit EIDL fraud further confirm that the indicators of potential fraud used by SBA OIG to identify billions of dollars in potential fraud were present in many cases of confirmed fraud, and the fraud controls added by the Biden Administration would likely have prevented payment in many such cases had they been implemented by the Trump Administration:

- 51 percent of these prosecutions involved fictitious, inactive, or inoperative businesses, many of which lacked business registrations entirely, were shell companies registered after the pandemic began, or were publicly registered as “inactive.”⁸⁵ The Biden Administration’s implementation of taxpayer EIN searches, requirement that fraud alerts be adequately addressed by loan reviewers,

and review of tax transcripts have likely made it much more difficult for fictitious and inactive businesses to obtain fraudulent EIDLs.

- 22 percent of the prosecutions involved applicants that used stolen identities to submit fraudulent applications, and in some of these cases applicants used stolen identities in conjunction with fictitious business entities.⁸⁶ SBA's EIDL processing system generates fraud alerts that can prevent payment in many of these cases when loan reviewers are required to address those alerts before EIDL approval, as the Biden Administration now requires.
- 10 percent of the prosecutions involved fraud rings where a central group of conspirators solicited personal information from many other individuals in order to submit dozens or hundreds of fraudulent applications.⁸⁷ These cases show that large numbers of fraudulent applications often originated from a handful of IP addresses, generating a fraud indicator that loan reviewers could address to prevent fraudulent payments.⁸⁸ While Trump Administration guidance merely directed loan officers to "review the file" to determine if a "packager" was involved before approving loans flagged from a high risk IP address, Biden Administration guidance required loan officers to contact applicants when this fraud indicator is present and directs them to contact SBA's Fraud Review Team if fraud or identity theft is suspected.⁸⁹

B. The Trump Administration Awarded a \$750 Million EIDL Processing Contract to a Small Company that Relied on a Subcontractor for Nearly All the Work Required Yet Still Accrued Windfall Profits at Taxpayers' Expense.

Information obtained by the Select Subcommittee demonstrates that the Trump Administration's failure to rigorously assess the costs required to fulfill its automated EIDL processing and recommendation contract led the agency waste hundreds of millions of taxpayer dollars. RER received over \$340 million for the work of just six employees for one year, while its subcontractor Rocket received \$233 million for the work of just 20 employees in that time. Rapid, another subcontractor, provided the vast majority of the labor needed, created the proprietary automated system used, and paid third party data fees—essentially bearing all the core costs required by the contract—but received only 20 percent of the funds paid by SBA. This waste was partly caused by SBA's decision to award its pre-pandemic EIDL contract to a small business that lacked the ability to surge its loan processing capacity without delegating the vast majority of the work to a large firm subcontractor, even as SBA foresaw the possibility that the EIDL program could face a dramatic surge in demand for relief. Given regulations requiring that prime small business contractors retain 50 percent of a contract's revenue, the emergency modification to RER's contract for the COVID-19 EIDL program resulted in the company receiving half the contract's value while doing little of the work. Ultimately, SBA failed to ensure taxpayers paid a reasonable price for the largest single contract awarded by the federal government to aid in the response to the pandemic's economic impacts.

1. The Trump Administration's 2018 Decision to Award Its Pre-Pandemic EIDL Processing Contract to Small Contractor RER Left SBA Unprepared for the Pandemic's Surge in Demand for EIDL Relief.

In 2018, SBA determined to solicit its EIDL processing and loan recommendation contract as a small business set aside.⁹⁰ Although the volume of EIDL applications in recent years had averaged only 65,000 annually, SBA made clear that it envisioned a catastrophic event could dramatically increase the volume of loan recommendations required.⁹¹ SBA specifically articulated that the required processing could be orders of magnitude larger than it had been in recent history, requiring SBA to “make a million decisions in a short period,” and that this would require the contractor recommend decisions at a rate of “12 loans per minute.”⁹²

SBA told the Select Subcommittee that the contract was solicited as a small business set aside in accordance with the Federal Acquisition Regulations (FAR) “Rule of Two,” which requires that agencies set contracts aside for small businesses when there is a “reasonable expectation” that two or more small businesses are likely to offer the solicited services “competitive in terms of fair market prices, quality, and delivery.”⁹³ SBA ultimately awarded the contract to RER, a small business.⁹⁴ Despite SBA’s determination that the contract was appropriate to set aside for a small business contractor, the agency assessed that the ultimate small business contractor would need to engage a large firm as a subcontractor to meet contract requirements.⁹⁵

This reasonable assessment should have led SBA to question whether any such small firm contractor/large firm subcontractor arrangement could have been expected to successfully handle the surge in demand that SBA foresaw in the case of a catastrophic event. Those concerns should have been particularly acute in the case of awarding a loan recommendation contract to a company like RER, which was not itself a financial technology company that specialized in providing automated loan recommendations to aid underwriting. RER, instead, had experience providing more general support and consulting services support to a range of federal agencies.⁹⁶ To meet SBA’s requirement that a large firm partner with the small business that obtained the contract, RER partnered with Rocket Loans (Rocket), company that did specialize in providing lending services in partnership with a bank through an online platform that quickly generated loan offers in response to applications using proprietary technology.⁹⁷ SBA OIG found strong indications that Rocket performed the “primary and vital” services required for the pre-pandemic contract, including by providing the recommendation software required for the automated loan recommendations that the contract centered on.⁹⁸

At the onset of the pandemic, demand for EIDLs surged and SBA’s existing application portal and RER’s existing processing system (which was provided by Rocket) were not capable of effectively handling the dramatically increased volume of applications from small businesses.⁹⁹ The application volume was even greater than the “million [EIDL applications] in a short period” that SBA foresaw as a possibility, with 4.5 million EIDL applications submitted by April 10, 2020.¹⁰⁰ In order to handle this increased volume, SBA began working with Rapid, a new RER subcontractor (and corporate affiliate of Rocket), to build a new system to handle processing the increased volume of EIDL applications.¹⁰¹

Given that SBA foresaw that a catastrophic event could lead to a dramatic increase in application volume, SBA's decision to issue the EIDL loan recommendation contract as a small business set aside to RER may have violated the FAR given the indications that RER would not be "competitive in terms of ... quality, and delivery" particularly when faced with a catastrophic event.¹⁰² SBA should have been aware that RER lacked capacity to significantly contribute in such an event given that SBA OIG found that RER's pre-pandemic contract proposal, teaming agreement with Rocket, and SBA's Award Decision Memorandum contained clear indications that Rocket, not RER, would provide the "primary and vital" services required by the contract.¹⁰³ It is certainly possible that some small businesses—particularly those that specialized in lending technology services—may have been capable of providing loan recommendation services to SBA without undue reliance on a large firm partner, and with capacity to scale those services in the event of catastrophe, but RER did not have the capability to provide those core services.¹⁰⁴

There are also indications that SBA failed to take other steps necessary to ensure that the cost of the original contract was reasonable. SBA OIG found that SBA failed to properly assess what labor costs and other direct costs would be involved in carrying out the contract to ensure that the price paid to RER was "fair and reasonable in accordance with [Federal Acquisition Regulations] and agency policy," and as RER's proposed price exceeded a previous independent government estimate by 55 percent.¹⁰⁵

As discussed below, an additional concern with issuing a contract that where an emergency small firm contractor/large firm subcontractor arrangement was foreseen stems from regulations and a statutory provision requiring 50 percent of small business set aside services contract revenue to be retained by the prime contractor and not paid to large business subcontractors.¹⁰⁶ If a catastrophic event occurred that created an enormous surge in the needed services, that small business could receive an enormous windfall from a contract expanded under emergency conditions even as its large business subcontractor handled nearly all the additional workload.

2. After the Onset of the Pandemic, SBA Expanded RER's Contract to \$750 Million for COVID-19 EIDL Services—the Largest Contract Awarded by the Federal Government to Respond to the Economic Impact of the Pandemic—Without A Competitive Process or Taking Reasonable Costs into Account.

With the onset of the pandemic in March 2020, SBA began to work with RER and its new subcontractor, Rocket-affiliate Rapid, to develop a system for processing EIDL applications and receiving loan recommendations from Rapid's system.¹⁰⁷ SBA modified RER's contract through a non-competitive process to dramatically increase the contract's ceiling to \$600 million, and later to \$750 million. It ultimately paid out at least \$740 million.¹⁰⁸ This substantial contract was the largest individual contract awarded across the federal government in 2020 for goods or services needed to support the response to the pandemic's economic impacts—dwarfing other technical support contracts for the economic response to the pandemic and surpassed by only a handful of contracts related to the public health response to the pandemic, such as contracts to manufacture or distribute coronavirus vaccines.¹⁰⁹ SBA told the Select

Subcommittee that it was necessary to modify the existing contract, rather than use a competitive bid process, in order to respond quickly to the coronavirus crisis.¹¹⁰

In expanding RER's contract, however, SBA OIG found that SBA carried forward the problems with its initial RER contract by failing to properly assess the labor costs and other direct costs necessary to carry out the contract to ensure that the government was paying a fair and reasonable price.¹¹¹ Documents obtained by the Select Subcommittee show SBA's agreement with RER and the agency's justification of its contract costs continued to be based on an assessment of the cost per EIDL application recommendation without consideration of actual labor costs required. SBA continued to assess the cost of the contract on this per loan basis even though the Rapid loan recommendation system was automated and the COVID-19 EIDL contract allowed that automated system to operate at scale with relatively little additional labor.¹¹²

Under the Trump Administration, SBA asserted that the approximately \$41 per EIDL application that SBA paid for automated loan recommendation services has been a reasonable taxpayer value.¹¹³ Indeed, SBA assessed that its \$750 million contract with RER "saved the American taxpayer billions of dollars," by comparing the rate SBA paid per COVID-19 EIDL recommendation to the rate it paid at a much smaller scale for EIDL recommendations before the pandemic.¹¹⁴ This method of assessing the reasonableness of the cost of the contract fails to consider the reasonable costs that the contractor would actually incur by providing the service paid for. Rapid's loan recommendation system was automated, and documents obtained by the Select Subcommittee show it processed each EIDL application in less than a second, with processing continuing overnight with little or no human intervention.¹¹⁵ Although Rapid employees did work to create the system, maintain it, and to make adjustments and solve problems, essentially no labor was required to process each additional loan application through Rapid's system, but SBA paid RER and its subcontractors on a per application basis.¹¹⁶ The Select Subcommittee obtained information that confirms SBA OIG's assessment that SBA failed to assess the labor costs required for the EIDL processing contract. As of March 2021, by which time SBA had paid RER \$740 million, RER, Rocket, and Rapid together had only employed 189 people in total who had worked on the contract in the previous year (including former employees who worked for only part of this period).¹¹⁷

While there are costs other than labor incurred in creating an automated platform, maintaining it, and paying third party data providers (for example, for credit and fraud check services), SBA did not appear to consider these costs rigorously to ensure that the agency paid a reasonable price for loan recommendation services. Documents obtained by the Select Subcommittee show the third-party data fees Rapid's system incurred when processing EIDL applications were a small fraction of what SBA paid RER and its subcontractors. The credit risk assessment, identity verification, fraud detection, public records search, bank account validation, and email verification service fees for EIDL applications processed through February 2, 2021, cost only \$39 million, which was only 5 percent of the \$738 million SBA paid RER through that time.¹¹⁸ Moreover, SBA also paid a flat fee of at least \$2.3 million each month—totaling more than \$25 million—in addition to the fixed fee per loan recommendation to cover other staffing, data, and technology costs RER and its subcontractors might incur.¹¹⁹

RER, for its part, attempts to justify the reasonableness of its contract by comparing the

\$41 per application processed that it received to the higher fees charged by banks for originating Paycheck Protect Program loans and SBA's costs for fulling processing loans in other, smaller disasters.¹²⁰ This comparison is faulty. RER wrongly equates the automated processing it and its subcontractor Rapid provided—with no manual review of applications—to the full service provided by a traditional bank originating loans and to SBA when it handled the full loan evaluation, consideration, and approval process. The comparison is particularly inapt because SBA expended significant additional resources beyond those included in RER's contract to employ approximately 8,000 loan officers, Team Leads, and other staffers (over 5,000 of whom were SBA employees, with contract workers making up the remainder) to manually review EIDL applications after they were processed by Rapid's automated system.¹²¹ SBA spent hundreds of millions of additional dollars internally to conduct the labor-intensive work of reviewing EIDL applications after they were processed through Rapid's automated system.¹²² These substantial costs incurred to review EIDL applications after they were processed by Rapid's system were separately borne by SBA, not by RER or its subcontractors.

3. RER Received a Windfall of More Than \$340 Million—After Paying Its Subcontractors and Hard Costs—for the Work of Just Six Employees.

The breakdown of SBA funds received by RER, Rocket, and Rapid compared with the resources expended by each firm clarifies the dramatic extent to which RER's \$750 million contract far exceeded reasonable costs. RER subcontracted with Rocket, which further subcontracted with Rapid. Evidence the Select Subcommittee obtained from these companies makes clear that Rapid provided the vast majority of resources necessary to carry out SBA's contract but received only a fraction of the taxpayer funds paid for those services. Rocket and, especially, RER consequently received a windfall in taxpayer dollars relative to their costs or work rendered for the taxpayers.

Out of the \$738 million SBA paid on its contract through February 2021, RER received \$357 million (48%), Rocket received \$233 million (32%), and Rapid received \$148 million (20%).¹²³ But Rapid employed 163 people working on the SBA contract (86 percent of all contract personnel which contributed to contract), incurred \$39 million in direct costs paid to third party data providers associated with running fraud and other checks on EIDL applications through its automated system, and provided its proprietary technology that Rocket asserted Rapid spent nine years and nearly a million hours developing.¹²⁴ The Select Subcommittee's review of email communications between SBA and the contractors shows extensive engagement with Rapid employees surrounding the development and operation of the COVID-19 EIDL recommendation system, usually without including any employees from prime contractor RER.

RER, by contrast, assigned only six employees to work on this contract for which it pocketed \$357 million after paying its subcontractors.¹²⁵ RER also did not provide the complex proprietary technology necessary for the contract's execution or directly incur costs for third party data services used by Rapid's system. Instead, RER's small staff assigned to work on this contract largely performed "contractual administrative duties" like negotiating with SBA and sending the agency invoices and data concerning the number of applications processed, and high level "project management."¹²⁶ RER represented to the Select Subcommittee that it paid 51% of the "hard costs" identified by Rocket on invoices for services including credit checks and other

third-party data, but these costs totaled only \$31.7 million in the invoices RER produced.¹²⁷ Subtracting RER's share of the hard costs paid and payments to subcontractors, the company still received more than \$340 million for the work of six employees in less than a year.

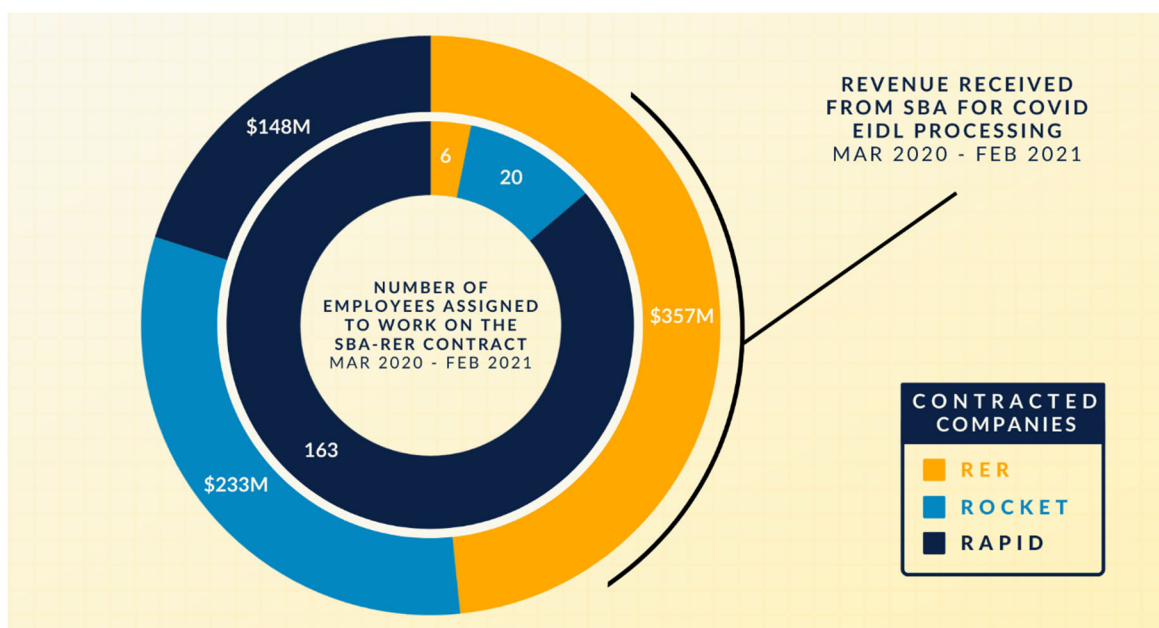
**Letter from RER to the Select Subcommittee Identifying
All RER Staff Who Worked on COVID-19 EIDL Contract**

In an effort to accommodate the Committees' Requests 1 and 2, RER below provides a list of its employees by title who have worked on the Contract, including all relevant Task Orders.

The RER Team who have supported the Contract include the following six individuals:

- Program Manager
- Director, Credit Policy
- Sr. Business Analyst
- Sr. Business Analyst
- Quality Assurance/Tester
- Technology Innovations Manager

Rocket identified only 20 employees who worked on the SBA contract through March 2021, for which it pocketed \$233 million.¹²⁸ The invoices Rocket received from Rapid show, moreover, that Rapid paid the costs incurred through third party data providers (for services like credit checks and fraud detection data) out of the \$148 million Rapid received.¹²⁹ The public filings of Rocket's parent company show that as Rocket received this windfall, its revenues surged 15-fold, from less than \$25 million in 2019 to more than \$393 million in 2020.¹³⁰ In 2021, with the large majority of the COVID-19 EIDL contract payments already paid out in the prior year, Rocket's revenue declined to \$95 million.¹³¹ Rocket's parent reported that the company lost \$200 million in income in 2021 "mainly as a result of a reduction in revenues earned from processing economic injury disaster loans offered by the Small Business Administration in response to the COVID-19 pandemic," further demonstrating the enormous revenue Rocket derived from the EIDL contract that it dedicated few employees to.¹³²



Documents obtained by the Select Subcommittee also demonstrate that Rapid employees conducted the large majority of detailed discussions with SBA about developing and operating the automated EIDL processing and recommendation system.¹³³ In one email, SBA staff raised concerns with RER about the frequency of RER's subcontractors direct communications with SBA and demanded that RER assert its role as SBA's prime contractor.¹³⁴ Specifically, an SBA procurement executive wrote to RER's Chief Executive Officer that "RER Solutions is the prime [contractor] and must assert its position as the prime – the subcontractors are running around RER and communicating without regard to RER," and also noted that Rapid employees were holding meetings with SBA that changed agency directions without RER's involvement.¹³⁵ Federal Acquisition Regulations require that the prime contractor, not agency officials, manage their subcontractors work, a provision that may have been violated by Rapid's extensive direct contacts with SBA officials without RER's involvement.¹³⁶

When the Select Subcommittee asked SBA staff about the apparent windfall of nearly \$350 million RER received while it assigned only six employees to the contract and its subcontractor did most of the work required, SBA contracting staff responded that they determined what mattered was the quality of the work not the just the number of employees engaged.¹³⁷ Yet they also stated that they did not have insight into the share of work performed by each contractor and subcontractor, making it unclear, even if they were disbursing funds based on work quality, which company should be given credit (and therefore money) for the quality of which aspects of the work.¹³⁸

SBA staff also cited the fact that RER was required to receive more than 50 percent of federal contract funds—regardless of the amount of work the company performed relative to its subcontractors—in order to comply with the federal acquisition regulations mentioned above intended to prevent so-called "pass through" small business set aside contracts, where a large firm receives the majority of the revenue.¹³⁹ As a factual matter, this does appear to be correct, and there is no emergency exception for circumstances where a catastrophic event requires an agency to dramatically expand the contract on an emergency basis while the small business contractor needs to rely on a large firm to handle the increased workload.¹⁴⁰ (SBA regulations do contain a minor exception to the 50 percent requirement for certain "direct costs," which explains why RER received slightly less than 50 percent of the contract's total value).¹⁴¹

Yet the fact that SBA's discretion was limited by this requirement is no defense of the waste of taxpayer funds. This overpayment was foreseeable at the time of the initial decision in 2018 to award the contract to RER given agency officials' knowledge that the company would need to rely on one or more large subcontractors to perform the core loan recommendation services even on the initial pre-pandemic contract, and would consequently need to rely on large subcontractors even more heavily to fulfill an expanded contract to handle a surge in EIDL applications following a catastrophe.¹⁴² SBA should have anticipated that in the event of such a crisis, under the existing law, RER would likely reap a significant windfall in revenue even as large firm subcontractors completed nearly all the necessary work. Yet the contract was awarded anyway, and in the nearly eighteen months between the initial award and the onset of the pandemic, SBA appears to have made no effort to prevent this wasteful outcome. In following one regulation, SBA appears to have violated another: to obtain a "fair and reasonable price."¹⁴³

IV. **RECOMMENDATIONS**

A. **SBA OIG Should Continue to Assess the Precise Extent of Fraud Committed Against the COVID-19 EIDL Program.**

SBA OIG previously identified tens of billions of dollars in EIDL funds approved in response to applications containing serious fraud alerts and has identified other indicia of the extent of fraud committed against the program including applications associated with identity theft and returned loan statements. However, taxpayers still do not know the precise extent of fraud committed against the program. In the coming year, most COVID-19 EIDL loans will start to enter repayment, which will offer an opportunity for SBA and SBA OIG to accurately assess the full extent of fraud in the loan portion of the program. Identifying the amount of fraud committed against the EIDL program is vital both to efforts to recover taxpayer dollars and to avoiding fraud vulnerabilities in future emergencies. SBA and SBA OIG should also continue to refer instances of fraud identified with evidence of who perpetrated the fraud to DOJ for prosecution and/or civil actions to recover taxpayer funds or use SBA's own authority to bring civil actions to recover taxpayer funds.

B. **SBA Should Identify All COVID-19 EIDL Applications Approved Early in the Trump Administration's Implementation of the Program that Contained Serious Identity Theft Fraud Alerts in Order to Aid in Relieving Identity Theft Victims From Fraudulently Incurred Debts.**

Identity theft was a significant source of fraud committed against the EIDL program and is a method of fraud that jeopardizes the credit and financial standing of individuals whose identities were stolen. SBA has indicated that in 2021 it set up a process for handling identity theft complaints, including by releasing victims from liability and referring cases to law enforcement.¹⁴⁴ To aid these efforts, SBA should identify all approved EIDL loans that contained fraud alerts suggestive of possible identity theft before SBA updated its guidance to loan reviewers in June 2020 to require action to verify applicants' identities.

C. **In Future Noncompetitive Contracts for Automated Technological Services, SBA Should Consider the Labor and Other Costs Actually Necessary to Provide the Services Required.**

SBA assessed the reasonableness of the cost of its contract with RER for automated EIDL application processing and recommendation services based on the cost of processing each application without considering the relatively small labor and non-labor costs actually required to fulfill the contract. This led to a contract award that resulted in RER receiving over \$340 million for the work of only six employees and Rocket receiving \$233 million for the work of only 20 employees, as a third company, Rapid, provided the processing system, paid a significant share of the costs and employed the large majority of employees working to fulfill the contract. In future contracts, particularly those that include automated technological services, SBA should include an assessment of the actual costs contractors will incur in providing the solicited services to ensure that taxpayers pay reasonable and fair price.

¹ Select Subcommittee on the Coronavirus Crisis, *Press Release: Clyburn and Velázquez Ramp up Investigation into SBA Loan Program Plagued by Fraud* (Feb. 11, 2021) (online at <https://coronavirus.house.gov/news/press-releases/clyburn-and-vel-zquez-ramp-investigation-sba-loan-program-plagued-fraud>); Select Subcommittee on the Coronavirus Crisis, *Press Release: Chairs Launch Investigation into \$500 Million Contract in SBA Emergency Loan Program Plagued by Errors and Delays* (July 30, 2020) (online at <https://coronavirus.house.gov/news/press-releases/chairs-launch-investigation-500-million-contract-sba-emergency-loan-program>).

² Memorandum from Majority Staff to Members of the Select Subcommittee on the Coronavirus Crisis, *The Biden Administration's Efforts to Root Out Fraud in Pandemic Relief Programs and Bring Wrongdoers to Justice* (June 13, 2022) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/The%20Biden%20Administration%27s%20Efforts%20to%20Root%20Out%20Fraud%20in%20Pandemic%20Relief%20Programs%20and%20Bring%20Wrongdoers%20to%20Justice.pdf>); Small Business Administration, Office of Inspector General, *Inspection of Small Business Administration's Initial Disaster Assistance Response to the Coronavirus Pandemic* (Oct. 28, 2020) (online at www.sba.gov/sites/default/files/2020-10/SBA%20OIG%20Report%2021-02.pdf); Memorandum from Majority Staff to Members of the Select Subcommittee on the Coronavirus Crisis, *Lowering the Guardrails: How the Trump Administration Failed to Prevent Billions in Pandemic Small Business Fraud* (Mar. 25, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/2020-03-25%20Staff%20Memo%20-%20Small%20Business%20Fraud.pdf>).

³ 15 U.S.C. § 636; 13 C.F.R. § 123.5 (2022).

⁴ Small Business Administration, *Solicitation 73351018R0010, Data Analysis and Loan Recommendation Services* (Oct. 4, 2018) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Solicitation%2073351018R0010%2C%20Data%20Analysis%20and%20Loan%20Recommendation_Redacted%23.pdf).

⁵ Small Business Administration, *Solicitation 73351018R0010, Data Analysis and Loan Recommendation Services* (Oct. 4, 2018) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Solicitation%2073351018R0010%2C%20Data%20Analysis%20and%20Loan%20Recommendation_Redacted%23.pdf).

⁶ *Id.*

⁷ Small Business Administration, *Amendment of Solicitation Questions and Answers* (Sept. 24, 2018) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Amendment%20of%20Solicitation%20Questions%20and%20Answers%20SBA%20B08_73351018R0010_Amend_Redacted.pdf).

⁸ Small Business Administration, *Solicitation 73351018R0010, Data Analysis and Loan Recommendation Services* (Oct. 4, 2018) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Solicitation%2073351018R0010%2C%20Data%20Analysis%20and%20Loan%20Recommendation_Redacted%23.pdf).

⁹ Briefing by Staff, Small Business Administration, to Staff, Select Subcommittee on the Coronavirus Crisis (July 9, 2021); 48 C.F.R. § 19.502-2.

¹⁰ Small Business Administration, *Solicitation/Contract/Order for Commercial Items* (Dec. 14, 2018) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Solicitation%20Contract%20Order%20for%20Commercial%20Items%2012.14.2018_Redacted%23.pdf); Briefing by Staff, Small Business Administration, to Staff, Select Subcommittee on the Coronavirus Crisis (July 9, 2021).

¹¹ Small Business Administration, Office of Inspector General, *Evaluation of SBA's Contract for Disaster Assistance Loan Recommendations Services* (Apr. 14, 2022) (online at www.sba.gov/sites/default/files/2022-04/SBA%20OIG%20Report%2022-10.pdf); Small Business Administration, *Solicitation/Contract/Order for Commercial Items* (Dec. 14, 2018) (online at

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⁸⁵ See, e.g., Complaint, *United States v. Casutt*, No. 2:20-MJ-666-BNW (D. Nev. Aug. 10, 2020), ECF No. 1; Complaint, *United States v. Williams*, No. 1:20-CR-00109-JRH-BKE (S.D. Ga. Nov. 19, 2020), ECF No. 1; Complaint, *United States v. Jones*, No. 3:20CR438 (W.D.N.C. Dec. 16, 2020), ECF No. 1; Complaint, *United States v. Smith*, No. 20CR922 (N.D. Ill. Dec. 17, 2020), ECF No. 1.

⁸⁶ See, e.g., Complaint, *United States v. Mack*, No. 1:20-CR-00104-DHB-BKE (S.D. Ga. Nov. 5, 2020), ECF No. 1; Complaint, *United States v. Unitan*, No. 3:20-MJ-00293 (D. Ore. Dec. 21, 2020), ECF No. 1; Complaint, *United States v. Zimmerman*, No. 2:21-MJ-08050-JSA (D.N.J. Apr. 21, 2021), ECF No. 1; Complaint, *United States v. Miller*, No. 1:21-CR-10228-FDS (D. Mass. July 27, 2021), ECF No. 1.

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⁹⁴ Small Business Administration, *Solicitation/Contract/Order for Commercial Items* (Dec. 14, 2018) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Solicitation%20Contract%20Order%20for%20Commercial%20Items%2012.14.2018_Redacted%23.pdf); Briefing by Staff, Small Business Administration, to Staff, Select Subcommittee on the Coronavirus Crisis (July 9, 2021).

⁹⁵ Small Business Administration, Office of Inspector General, *Evaluation of SBA's Contract for Disaster Assistance Loan Recommendations Services* (Apr. 14, 2022) (online at www.sba.gov/sites/default/files/2022-04/SBA%20OIG%20Report%2022-10.pdf).

⁹⁶ *Contractor Performance Assessment Reports*, RER Solutions, Inc. (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/RER%20Contractor%20Assessment%20Reports%20all%20produced_Redacted.pdf).

⁹⁷ RER Solutions, Inc., *Excerpt of Subcontract Agreement* (Apr. 1, 2019) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/RER%20Solutions%20Inc.%20Excerpt%20of%20Subcontract%20Agreement_Redacted.pdf); Small Business Administration, Office of Inspector General, *Evaluation of SBA's Contract for Disaster Assistance Loan Recommendations Services* (Apr. 14, 2022) (online at www.sba.gov/sites/default/files/2022-04/SBA%20OIG%20Report%2022-10.pdf); Rocket Companies, *Securities and Exchange Commission Form 10-K* (Mar. 1, 2022) (online at <https://ir.rocketcompanies.com/financials/sec-filings/default.aspx>); Small Business Administration, Office of Inspector General, *Evaluation of SBA's Contract for Disaster Assistance Loan Recommendations Services* (Apr. 14, 2022) (online at www.sba.gov/sites/default/files/2022-04/SBA%20OIG%20Report%2022-10.pdf).

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¹⁰⁴ *Id.*

¹⁰⁵ *Id.*

¹⁰⁶ 15 U.S.C. § 657s; 13 C.F.R. § 125.6.

¹⁰⁷ Small Business Administration, Office of Inspector General, *Evaluation of SBA's Contract for Disaster Assistance Loan Recommendations Services* (Apr. 14, 2022) (online at www.sba.gov/sites/default/files/2022-04/SBA%20OIG%20Report%2022-10.pdf); Email from Chief Executive Officer, RER Solutions, Inc., to Senior Loan Officer, Small Business Administration (Mar. 20, 2020) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/RER%20CEO%20Email%20SBA%203.20.20_Redacted.pdf).

¹⁰⁸ In 2021, SBA modestly increased the contract's ceiling to \$800 million to complete COVID EIDL processing services. USASpending, *Contract Summary RER Solutions, Inc.* (online at www.usaspending.gov/award/CONT_AWD_73351020F0071_7300_73351019D0001_7300) (accessed May 20, 2022). Small Business Administration, Office of Inspector General, *Evaluation of SBA's Contract for Disaster Assistance Loan Recommendations Services* (Apr. 14, 2022) (online at www.sba.gov/sites/default/files/2022-04/SBA%20OIG%20Report%2022-10.pdf).

¹⁰⁹ *Coronavirus Contracts Tracking Federal Purchases to Fight the Coronavirus*, ProPublica (online at <https://projects.propublica.org/coronavirus-contracts/contracts>) (accessed May 19, 2022); USASpending, *Contract Summary RER Solutions, Inc.* (online at www.usaspending.gov/award/CONT_AWD_73351020F0071_7300_73351019D0001_7300) (accessed May 20, 2022).

¹¹⁰ Briefing by Staff, Small Business Administration, to Staff, Select Subcommittee on the Coronavirus Crisis (July 9, 2021).

¹¹¹ Small Business Administration, Office of Inspector General, *Evaluation of SBA's Contract for Disaster Assistance Loan Recommendations Services* (Apr. 14, 2022) (online at www.sba.gov/sites/default/files/2022-04/SBA%20OIG%20Report%2022-10.pdf).

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¹¹⁴ *Id.*

¹¹⁵ Email from Chief Technology Officer, Rapid Financial Services, LLC, to Chief Executive Officer, RER Solutions, Inc. (Apr. 13, 2020) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Email%20Rapid%20CTO%20to%20RER%20CEO%204.13.20_Redacted.pdf).

¹¹⁶ Small Business Administration, *Amendment of Solicitation/Modification of Contract* (May 15, 2020) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Amendment%20of%20Solicitation%20Modification%20of%20Contract%203.29.20%2066.67%20dollars%20per%20rec_Redacted%23.pdf); Letter from

Counsel, Rocket Loans, to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, and Chairwoman Nydia Velazquez, Committee on Small Business (Nov. 24, 2020) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/2020-11-24%20Rocket%20Ltr%20to%20Committees%20from%20Rocket%20Loans%20highlighted.pdf>).

¹¹⁷ Letter from Counsel, RER Solutions, Inc., to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, and Chairwoman Nydia Velazquez, Committee on Small Business (Mar. 11, 2021) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Letter%20Counsel%20RER%20to%20Chairman%203.11.21_Redacted.pdf); Letter from Counsel, Rapid Financial Services, LLC, to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, and Chairwoman Nydia Velazquez, Committee on Small Business (Mar. 7, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/2021-03-07%20Rapid%20Finance%20Letter%20highlighted.pdf>); Rocket Loans Specific Responses to Committees' Document Requests (Feb. 25, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Exhibit%20A%20-%20Rocket%20Loans%20Response%20to%20Subcommittee%202.25.2021%20Rocket%2020%20employees.pdf>).

¹¹⁸ Email from Counsel, RER Solutions, Inc., to Staff, Select Subcommittee on the Coronavirus Crisis (July 2, 2021) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Email%20from%20Counsel%20RER%20to%20SSCC%207.2.21_Redacted.pdf).

¹¹⁹ Small Business Administration, *Amendment of Solicitation/Modification of Contract* (May 15, 2020) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Amendment%20of%20Solicitation%20Modification%20of%20Contract%203.29.20%2066.67%20dollars%20per%20rec_Redacted%23.pdf).

¹²⁰ Letter from Counsel, RER Solutions, Inc., to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, and Chairwoman Nydia Velazquez, Committee on Small Business (Oct. 2, 2020) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/2020-10-02%20Ltr%20N%20Eggleston%20to%20Chairpersons%20and%20Committee%20Members%20-%20signed%20highlighted.pdf>).

¹²¹ Government Accountability Office, *Economic Injury Disaster Loan Program: Additional Actions Needed to Improve Communication with Applicants and Address Fraud Risks* (July 2021) (GAO-21-589) (online at www.gao.gov/assets/gao-21-589.pdf).

¹²² SBA dramatically increased its number processing staff and contractors at a salary range that suggests the costs were hundreds of millions of dollars. Government Accountability Office, *Economic Injury Disaster Loan Program: Additional Actions Needed to Improve Communication with Applicants and Address Fraud Risks* (July 2021) (GAO-21-589) (online at www.gao.gov/assets/gao-21-589.pdf); USAJOBS, *Loan Specialist (General) – Virtual, Small Business Administration, Office of Disaster Assistance (ODA) Processing and Disbursement Center (PDC)* (online at www.usajobs.gov/job/563879000) (accessed May 20, 2022).

¹²³ The precise numbers, based on invoices and information provided by the companies are a total of \$738,294,057.09 paid by SBA to RER, with \$232,931,265.65 paid to and kept by Rocket, and \$148,024,480.79 paid to Rapid. Cite all invoices and Rapid's 3.7.21 letter. RER Solutions, Inc. Invoices to SBA Office of Disaster Assistance, Contract 73351019D0001 (May 11, 2020 - Feb. 1, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/RER%20Rocket%20invoices%20redacted.pdf>); Rocket Loans Invoices to RER Solutions, Inc., Task Order 2 (May 11, 2020 - Feb. 4, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/RER%20Rocket%20invoices%20redacted.pdf>); Rapid Financial Services, LLC Invoices to Rocket Loans (July 2, 2020 - Feb. 2, 2021) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Rocket%20and%20Rapid%20Invoices_Redacted.pdf).

¹²⁴ Letter from Counsel, Rapid Financial Services, LLC, to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, and Chairwoman Nydia Velazquez, Committee on Small Business (Mar. 7, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/2021-03-07%20Rapid%20Finance%20Letter%20highlighted.pdf>); Letter from Counsel, Rocket Loans, to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, and Chairwoman Nydia Velazquez, Committee on Small

Business (Nov. 24, 2020) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/2020-11-24%20Rocket%20Ltr%20to%20Committees%20from%20Rocket%20Loans%20highlighted.pdf>).

¹²⁵ RER Solutions, Inc. Invoices to SBA Office of Disaster Assistance, Contract 73351019D0001 (May 11, 2020 - Feb. 1, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/RER%20Rocket%20invoices%20redacted.pdf>); Rocket Loans Invoices to RER Solutions, Inc., Task Order 2 (May 11, 2020 - Feb. 4, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/RER%20Rocket%20invoices%20redacted.pdf>); Rapid Financial Services, LLC Invoices to Rocket Loans (July 2, 2020 - Feb. 2, 2021) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Rocket%20and%20Rapid%20Invoices_Redacted.pdf); Letter from Counsel, RER Solutions, Inc., to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, and Chairwoman Nydia Velazquez, Committee on Small Business (Mar. 11, 2021) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Letter%20Counsel%20RER%20to%20Chairman%203.11.21_Redacted.pdf); Small Business Administration, Office of Inspector General, *Evaluation of SBA's Contract for Disaster Assistance Loan Recommendations Services* (Apr. 14, 2022) (online at www.sba.gov/sites/default/files/2022-04/SBA%20OIG%20Report%2022-10.pdf).

¹²⁶ Letter from Counsel, Rocket Loans, to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, and Chairwoman Nydia Velazquez, Committee on Small Business (Nov. 24, 2020) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/2020-11-24%20Rocket%20Ltr%20to%20Committees%20from%20Rocket%20Loans%20highlighted.pdf>); Letter from Counsel, RER Solutions, Inc., to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, and Chairwoman Nydia Velazquez, Committee on Small Business (Oct. 2, 2020) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/2020-10-02%20Ltr%20N%20Eggleston%20to%20Chairpersons%20and%20Committee%20Members%20signed%20highlighted.pdf>).

¹²⁷ Rapid, as a subcontractor to subcontractor Rocket, sent its invoices to Rocket. Rocket then sent its invoices to RER. Consequently the “hard costs” in Rocket’s invoices to RER duplicate third party processing fees that were actually paid by Rapid. Email from Counsel, RER Solutions, Inc., to Staff, Select Subcommittee on the Coronavirus Crisis (July 2, 2021) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Email%20from%20Counsel%20RER%20to%20SSCC%207.2.21_Redacted.pdf); RER Solutions, Inc. Invoices to SBA Office of Disaster Assistance, Contract 73351019D0001 (May 11, 2020 - Feb. 1, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/RER%20Rocket%20invoices%20redacted.pdf>); Rocket Loans Invoices to RER Solutions, Inc., Task Order 2 (May 11, 2020 - Feb. 4, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/RER%20Rocket%20invoices%20redacted.pdf>); Rapid Financial Services, LLC Invoices to Rocket Loans (July 2, 2020 - Feb. 2, 2021) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Rocket%20and%20Rapid%20Invoices_Redacted.pdf).

¹²⁸ After repeated requests that Rocket identify the number of employees that contributed to its work on the COVID-19 EIDL contract, Rocket stated that “at least” 20 employees contributed and included its executives (who presumably divided their time substantially between the SBA contract and other company matters) in the list of identified employees. The Select Subcommittee sees no indication in the documents produced that significantly more than 20 Rocket employees contributed, and the company’s inability to identify other employees beyond those 20 strongly suggest any additional employees who worked on the COVID-19 EIDL contract did not make significant contributions. Rocket Loans Specific Responses to Committees’ Document Requests (Feb. 25, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Exhibit%20A%20-%20Rocket%20Loans%20Response%20to%20Subcommittee%202.25.2021%20Rocket%20%20employees.pdf>).

¹²⁹ RER Solutions, Inc. Invoices to SBA Office of Disaster Assistance, Contract 73351019D0001 (May 11, 2020 - Feb. 1, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/RER%20Rocket%20invoices%20redacted.pdf>); Rocket Loans Invoices to RER Solutions, Inc., Task Order 2 (May 11, 2020 - Feb. 4, 2021) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/RER%20Rocket%20invoices%20redacted.pdf>); Rapid Financial Services, LLC Invoices to Rocket Loans (July 2, 2020 - Feb. 2, 2021) (online at

https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Rocket%20and%20Rapid%20Invoices_Redacted.pdf).

¹³⁰ Rocket Companies, *Securities and Exchange Commission Form 10-K* (Mar. 1, 2022) (online at <https://ir.rocketcompanies.com/financials/sec-filings/default.aspx>).

¹³¹ *Id.*

¹³² *Id.*

¹³³ See, e.g., Email from Chief Technology Officer, Rapid Financial Services, LLC, to Staff, Small Business Administration (Mar. 30, 2020) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/Rapid%20CTO%20to%20Rivera%20SBA%203.30.20_Redacted%20%23.pdf).

¹³⁴ Chief Executive Officer, RER Solutions, Inc., to Senior Procurement Executive and Head of the Contracting Activity, Office of the Chief Financial Officer, Small Business Administration (Apr. 22, 2020) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/cricizing%20RER%20asking%20it%20asert%20that%20it%20is%20the%20prime%201.27.2022.set%205%2027-29_Redacted.pdf).

¹³⁵ *Id.*

¹³⁶ F.A.R. Part 42.02(e)(2); Chief Executive Officer, RER Solutions, Inc., to Senior Procurement Executive and Head of the Contracting Activity, Office of the Chief Financial Officer, Small Business Administration (Apr. 22, 2020) (online at https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/cricizing%20RER%20asking%20it%20asert%20that%20it%20is%20the%20prime%201.27.2022.set%205%2027-29_Redacted.pdf).

¹³⁷ Briefing by Staff, Small Business Administration, to Staff, Select Subcommittee on the Coronavirus Crisis (July 9, 2021).

¹³⁸ *Id.*

¹³⁹ *Id.*; 13 C.F.R. § 125.6.

¹⁴⁰ 15 U.S.C. § 657s; 13 C.F.R. § 125.6.

¹⁴¹ 13 C.F.R. § 125.6.

¹⁴² Small Business Administration, Office of Inspector General, *Evaluation of SBA's Contract for Disaster Assistance Loan Recommendations Services* (Apr. 14, 2022) (online at www.sba.gov/sites/default/files/2022-04/SBA%20OIG%20Report%2022-10.pdf).

¹⁴³ F.A.R. Part 15.402.

¹⁴⁴ Small Business Administration, *SBA's Handling of Identity Theft In the COVID-19 Economic Injury Disaster Loan Program* (May 6, 2021) (online at www.sba.gov/sites/default/files/2021-05/SBA%20OIG%20%20Report%2021-15.pdf).