



SBA and DOJ Escalate Pandemic Loan Enforcement as PPP and EIDL Scrutiny Continues

Years after the height of the COVID-19 pandemic, federal enforcement involving Paycheck Protection Program (PPP) and COVID Economic Injury Disaster Loan (EIDL) funds continues, with recent actions by the U.S. Small Business Administration (SBA) and U.S. Department of Justice (DOJ) signaling that pandemic-relief enforcement remains active.

On September 14, the SBA announced the suspension of 870,000 borrowers across 45 states, six territories and the District of Columbia in connection with an estimated \$39 billion in suspected fraudulent PPP and COVID EIDL activity. Suspended borrowers are prohibited from receiving future SBA small-business and disaster loans and are ineligible for other SBA programs, including federal contracting. The announcement coincided with criminal enforcement actions announced by the DOJ targeting alleged PPP and EIDL fraud.

The SBA and its Office of Inspector General also launched “Operation No Doze,” which will begin by sending final 30-day demand letters to approximately 8,000 borrowers in Kansas and Missouri suspected of fraudulent activity. While this operation is limited to these two states, we can anticipate that similar actions will follow nationwide. The letters demand repayment of debt associated with flagged loans and warn that failure to pay within 30 days may result in additional enforcement actions, including potential liability under the Administrative False Claims Act, referral to the DOJ and collection efforts by the U.S. Department of the Treasury. The Administrative False Claims Act empowers federal agencies to independently investigate and adjudicate lower-level false claims and statements without direct DOJ court litigation.

Pandemic-Era Loans Remain Under Scrutiny

These developments reinforce a point Dan Nelson and Amy Lewandowski highlighted earlier this year: Businesses should not assume that the passage of time has ended federal scrutiny of pandemic-era relief programs. [Their March article](#) explained that federal investigators continue reviewing borrower eligibility, the accuracy of information submitted in PPP applications, use of loan proceeds, forgiveness eligibility, and lenders' compliance with their own obligations.

The earlier article also noted that businesses may encounter scrutiny through several avenues, including SBA inquiries, subpoenas, Civil Investigative Demands, and False Claims Act investigations. Receipt of an investigative request does not necessarily establish wrongdoing, but how a business responds can be vital as the government evaluates the matter.

For affected businesses, the new enforcement activity provides another reminder to take communications concerning PPP or EIDL funds seriously. Borrowers receiving a demand letter or other government inquiries should carefully evaluate the request, the underlying loan documentation and the issues raised before responding.

Spencer Fane attorneys have experience working with DOJ components and U.S. Attorneys' offices to identify the scope of PPP-related inquiries and address requests for documents and information. Our attorneys also counsel borrowers regarding eligibility concerns and negotiations with the SBA.

This blog was drafted by [Dan Nelson](#) and [Amy Lewandowski](#), attorneys in the Spencer Fane Kansas City, Missouri office. For more information, visit www.spencerfane.com.

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