



BELL NUNNALLY ON ACCOUNTING TODAY LOOKS AT PPP LOAN SCRUTINY, COMPARES TO MORTGAGE CRISIS “LIAR’S LOANS”

September 16, 2020

Bell Nunnally Partner Jeffrey J. Ansley and associates Arianna G. Goodman and Katherine M. Devlin authored the *Accounting Today* article “Will PPP fraud turn into the next wave of ‘liar’s loans’?” The piece looks at U.S. Department of Justice scrutiny of Paycheck Protection Program (PPP) loans and similarities to so-called “liar’s loans” of the 2008-2009 mortgage crisis, which, like PPP applications, required very little documentation. PPP loans were offered through the U.S. Small Business Administration as part of the federal pandemic-relief CARES Act. They are meant to be used to cover payroll and other specified business expenses, provided that certain conditions are met both at the time of application, and for a specified period following receipt of any funds. As of early September, \$517 billion in PPP loan funds have been approved to approximately 4.9 million small business recipients.

Ansley, Goodman and Devlin comment:

In the case of the PPP loan program, the consequences that followed, and will continue to follow, were highly predictable from the start. The government sought to get funds in the hands of qualifying participants at an unparalleled speed and in unprecedented amounts — allowing individuals to apply online, disclose minimal information, and provide little supporting documentation....[R]equiring so little from applicants and giving so little guidance to them is virtually begging for fraudulent loan applications to be submitted or for good faith errors to be made. In this sense, the PPP loan program resembles the “liar’s loans” of the 2008-09 mortgage crisis, in which “no document” loans were awarded to borrowers by financial institutions across America. In many cases, these borrowers knowingly submitted fraudulent applications for mortgages that they had no possibility or intention of repaying. Based on investigations and indictments to date, the Justice Department and many of its state corollaries believe that something similar is occurring with PPP loan applications, and they



BELLNUNNALLY

have brought the indictments to support that belief. Many more will surely follow in the ensuing months and years.

To read the full article, please click [here](#).