

United States Senate

WASHINGTON, DC 20510

May 6, 2020

The Honorable Joseph Simons
Chairman
Federal Trade Commission
600 Pennsylvania Avenue NW
Washington, D.C. 20580

Dear Chairman Simons:

We write to express our serious concern following recent reports highlighting a sharp increase in scams targeting small businesses seeking to access Small Business Administration (SBA) lending programs and to urge the Federal Trade Commission (FTC) to ensure that small businesses are protected from exploitation during this time of crisis.¹

Small businesses are a crucial part of our economy and employ nearly half of all workers in the private sector.² By forcing most potential customers to remain in their homes, the current crisis has placed many small businesses under extreme financial pressure, rendering them unusually vulnerable to scams.

Recent reports indicate that scammers are exploiting the publicity surrounding the SBA's Paycheck Protection Program—and the difficulties that small business owners have faced in gaining access to the program's funding—to target small businesses, especially historically disadvantaged small businesses that lack existing relationships with commercial banks.³ These accounts detail how scammers have contacted small businesses under the guise of offering SBA loan relief, requested sensitive financial information, and then used that information for financial gain.⁴ Another tactic already in use by predatory actors targets small businesses “rushing to apply for a newly approved SBA emergency loan program” by sending fake e-mail messages that purport to originate from the SBA. These messages, complete with a fake SBA logo, request that the small business owner provide a recent tax return—containing sensitive information

¹ Brit Morse, “4 Ways to Spot an SBA Loan Scam,” *Inc.*, <https://www.inc.com/brit-morse/paycheck-protection-program-sba-loan-scams.html>; SBA Office of the Inspector General, “Beware of Scams and Fraud Schemes” (Mar. 31, 2020), <https://www.sba.gov/document/report--sba-programs-scams-fraud-alerts>

² <https://www.sba.gov/sites/default/files/sbfaq.pdf>

³ See Better Business Bureau, “BBB Scam Alert: Small Businesses, Don't Fall for This Phony SBA Grant Offer” (Apr. 3, 2020) <https://www.bbb.org/article/news-releases/21986-bbb-scam-alert-small-businesses-dont-fall-for-phony-sba-grant-offer>

⁴ Eric Scrum, “Paycheck Protection Program: Beware Scammers Claiming Easy Access to Money,” Wisconsin Bankers Association (Apr. 1, 2020), <https://www.wisbank.com/press-releases/2020/03/paycheck-protection-program-beware-scammers-claiming-easy-access-to-money/> (statement of Rose Oswald Poels, Wisconsin Bankers Association president and CEO)

including a Social Security Number or Employer Identification Number—in order to facilitate immediate processing of an SBA loan.⁵

The FTC must take bold action to respond to these threats. While we recognize that the FTC has added information to its website to inform small businesses about coronavirus-related scams, we are calling on the agency to take stronger action to ensure that the huge population of potential victims—the nearly 60 million hardworking men and women who own or are employed by small businesses—are protected during this time of crisis.⁶

Given the seriousness of this issue, we urge the FTC to take action to better inform small businesses about fraud and assist victims in understanding how they can get help and avoid falling victim to exploitation. We also respectfully request that you each respond to the following questions:

1. What additional measures is the FTC planning to take to better protect small businesses and assist them should they become victims of fraud in connection with attempts to access SBA lending programs?
2. What additional measures is the FTC planning to take to prevent small businesses from falling victim to scams related to the SBA lending programs?
3. What specific assistance is the FTC providing to businesses whose historical lack of access to capital—including women- and minority-owned small businesses, veteran-owned businesses, and businesses in rural areas—make them particularly vulnerable to scams?
4. What is the FTC doing to deter unfair or deceptive conduct relating to SBA lending programs?
5. What additional resources or authorities does the FTC need in order to better protect small businesses from fraud and educate them on how to prevent it?
6. The SBA Office of Inspector General has worked to make small business owners aware of these scams. Is the FTC working with the Small Business Administration to identify potential scammers and cooperate on protecting small business owners and workers from these scams?

Thank you for your attention to this important matter. We look forward to your response.

⁵ A.J. Lago & Steve Eckert, “KARE Investigates: SBA Loan Scam Targets MN Business Owners” (Mar. 26, 2020), <https://www.kare11.com/article/news/health/coronavirus/kare-11-investigates-sba-loan-scam-targets-mn-business-owners/89-9eb43d43-11da-47e4-86e5-dd5ad8cc3c1d>

⁶ Lesley Fair, “Seven Coronavirus scams targeting your business” (Mar. 25, 2020), <https://www.ftc.gov/news-events/blogs/business-blog/2020/03/seven-coronavirus-scams-targeting-your-business>

Sincerely,

Amy Klobuchar
United States Senator

Elizabeth Warren
United States Senator

Catherine Cortez Masto
United States Senator

Edward J. Markey
United States Senator

Mazie K. Hirono
United States Senator

Chris Van Hollen
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Robert Menendez
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Ron Wyden
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Jacky Rosen
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