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SBA Suspends 870,000 PPP, EIDL Borrowers in $39B Fraud Crackdown

By Carmen Alexander Vacco

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Key Takeaways:

- The SBA suspended roughly 870,000 PPP and EIDL borrowers tied to $39 billion in suspected pandemic fraud, barring them from all SBA programs and federal contracting.
- Under "Operation No Doze," the SBA is issuing 30-day demand letters threatening False Claims Act liability, DOJ referral, Treasury collection fees up to 28%, and offset of tax refunds and federal benefits.
- Because pandemic relief rules were interpreted in real time, even good-faith PPP/EIDL applicants may face fraud allegations—making early counsel engagement critical upon receiving any government correspondence.

In a press release issued on September 14, 2026 , the U.S. Small Business Administration announced a major enforcement action suspending approximately 870,000 U.S. borrowers in connection with an estimated $39 billion in suspected fraudulent Paycheck Protection Program (PPP) and COVID Economic Injury Disaster Loan (EIDL) activity. This action, taken as part of the White House Task Force to Eliminate Fraud, is the SBA's largest suspension effort to date and marks the completion of its state-by-state pandemic fraud crackdown. The newly announced suspensions cover borrowers in 45 additional states, six territories, and the District of Columbia, and follow earlier suspensions of more than 150,000 borrowers associated with about $10 billion in suspected fraud in California, Ohio, Minnesota, Maine, and Wisconsin. Suspended borrowers are barred from future participation in SBA programs, including small-business and disaster loans and federal contracting opportunities such as the 8(a) Business Development Program.

Separately, the SBA and its Office of Inspector General launched “Operation No Doze,” a focused recovery initiative. Under this operation, the SBA will issue final 30-day demand letters to suspected fraudulent PPP and EIDL borrowers, beginning with approximately 8,000 borrowers in Kansas and Missouri. These letters demand repayment of the associated loan obligations and warn of consequences for failing to resolve the debt within the specified timeframe.

Borrowers who do not make full payment within 30 days may face:

- Enforcement under the False Claims Act, with exposure of up to double the government’s damages plus administrative penalties;
- Referral to the Department of Justice for additional legal action, as appropriate;
- Transfer of delinquent debts to the U.S. Department of the Treasury’s Bureau of the Fiscal Service Cross-Servicing Program, potentially triggering added interest and collection fees of up to 28 percent; and
- Offset of certain federal payments under the Treasury Offset Program, including tax refunds, contractor and vendor payments, federal salaries, and Social Security and other benefit payments.

The SBA reports that it has already referred more than 560,000 suspected fraudulent pandemic-era borrowers, tied to $22 billion in loans, to the Treasury Department for collection. The agency also released a state-by-state breakdown of the number of suspended borrowers and related loan approval amounts, underscoring the nationwide scope of the enforcement effort, which includes 75,451 borrowers in New York who collectively received $4,971,935,141 through the PPP and EIDL programs.

This announcement signals an aggressive and sustained federal posture on pandemic-relief enforcement, with significant implications for businesses and individuals that obtained PPP or EIDL funds. Borrowers under investigation may be subject to suspension from SBA programs, civil liability under the False Claims Act, and aggressive collections and offsets.

While it remains to be seen what evidence of fraud the federal government has uncovered against the suspected fraudulent pandemic-era borrowers, prior to this most recent announcement, the Department of Justice has been aggressively targeting borrowers who applied for PPP loans contemporaneously with the rollout of the pandemic relief legislation and loan eligibility regulations, which were interpreted in real time by the government, employers, banks, accounting firms, and law firms. As a result, employers who applied for PPP funds in good faith and consistent with their understanding of the law and program when they applied could unfairly face post hoc allegations of fraud and investigations by the government. Clients that received PPP or EIDL funds—particularly those with any concerns about application accuracy, eligibility, or documentation—should anticipate closer federal review. Early engagement with counsel upon receipt of any SBA or Treasury correspondence will be critical to mitigating suspension, collection, and False Claims Act risks in this evolving enforcement environment.

For questions about this enforcement task force or other related matters, please contact Lippes Mathias government & corporate investigations practice team members Dennis C. Vacco (dvacco@lippes.com), Michael G. Rossetti (mrossetti@lippes.com), Scott S. Allen, Jr. (sallen@lippes.com), or Carmen Alexander Vacco (cvacco@lippes.com), the author of this alert.

Related Team

Carmen Alexander Vacco
Senior Associate

Scott S. Allen, Jr.
Partner | Team Leader - Agriculture

Michael G. Rossetti
Partner | Team Co-Leader – Government & Corporate Investigations | Team Co-Leader - Lobbying & Public Policy

Dennis C. Vacco
Partner | Team Co-Leader - Government & Corporate Investigations