

**Congress of the United States**  
**Washington, DC 20515**

February 11, 2021

Mr. Will Tumulty  
Chief Executive Officer  
Rapid Finance  
4500 East West Highway  
Sixth Floor  
Bethesda, MD 20814

Dear Mr. Tumulty:

The Select Subcommittee on the Coronavirus Crisis and the Committee on Small Business are continuing our investigation into the management of the Economic Injury Disaster Loan (EIDL) program during the coronavirus crisis. On July 30, 2020, our Committees launched an inquiry into a contract, currently worth \$750 million, that the Trump Administration awarded to RER Solutions (RER) to manage this program. Rocket Loans (Rocket) and its affiliate, Rapid Finance (Rapid), are RER's subcontractors and are expected to receive more than \$360 million in taxpayer funds. The Small Business Administration (SBA) Inspector General recently found that the EIDL program has been mired in fraud—with as much as \$78 billion in taxpayer funds diverted to potentially fraudulent loans, rather than going to small businesses that urgently need help during the pandemic. Documents and information obtained by our Committees have heightened our concerns that Rocket and Rapid failed to implement adequate fraud controls. Our investigation has also raised questions as to whether the contract is in the best interest of the American taxpayer given the large share of the contract's value that RER stands to receive relative to the amount of work it is performing on the contract.

The Committees expected to receive documents related to Rocket and any affiliates involved in this project in response to its July 30, 2020, letter to Jay Farner, who serves as Chief Executive Officer of Rocket Loans, Quicken Loans, and their parent company, Rocket Companies.<sup>1</sup> Upon receiving the Committees' requests, Rocket's General Counsel and Chief Compliance Officer informed Committee staff that Rocket's "ultimate parent company has notice of the requests and recognizes that the Committees want any correspondence from any entity within the family of companies related to the EIDL program."<sup>2</sup> Although Rapid is within

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<sup>1</sup> The Committees' July 30, 2020, letter to Mr. Farner sought communications with "any affiliated company." Letter from Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, and Chairwoman Nydia M. Velázquez, Committee on Small Business, to Jay Farner, Chief Executive Officer, Quicken Loans (July 30, 2020) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/2020-07-30.Clyburn%20to%20Rocket%20Loans%20re%20Contracting.pdf>).

<sup>2</sup> Email from Colin Darke, General Counsel and Chief Compliance Officer, Rocket Loans, to Majority Staff, Select Subcommittee on the Coronavirus Crisis (Aug. 4, 2020).

this family of companies, Rocket has not produced any documents on behalf of Rapid.<sup>3</sup> For the avoidance of all doubt, we write to request these overdue documents from Rapid directly.

### **Inadequate Fraud Controls**

On December 17, 2018, SBA's Office of Disaster Assistance awarded RER a contract with a ceiling of \$100 million to assist SBA with processing disaster loan applications.<sup>4</sup> Because SBA set aside the award for small businesses, only businesses meeting certain size thresholds were eligible to compete for the contract. After the onset of the coronavirus pandemic, SBA used its emergency contracting powers to issue a \$50 million task order under this contract for loan recommendation services related to the coronavirus. After that initial task order on March 29, 2020, the Trump Administration expanded the award amount to \$750 million without any additional competition.<sup>5</sup>

Our Committees launched this investigation on July 30, 2020, "to ensure that taxpayer dollars are being spent in the best interest of the American people and not diverted to fraud, waste, or abuse."<sup>6</sup> Unfortunately, as the investigation has progressed, concerns regarding the program's fraud controls have only increased.

On October 28, 2020, the SBA Inspector General issued a report finding that SBA approved billions of dollars in potentially fraudulent EIDL loans and advances. The report identified: (a) approximately \$62.7 billion in potentially fraudulent loans made to applicants using the same IP addresses, email addresses, bank accounts, or business addresses; (b) \$14.3 billion in loans made to bank accounts that differed from the ones listed on the original loan applications; and (c) approximately \$1.1 billion in loans made to businesses that registered after the program's cutoff date. The Inspector General noted that, among other problems, "controls in the subcontractor's system"—meaning controls implemented by Rocket and Rapid—"were not always consistently flagging problematic loan applications."<sup>7</sup>

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<sup>3</sup> Rapid Finance is part of the "The Rock Family of Companies," which includes Rocket Loans, Quicken Loans, and Rocket Companies. See, e.g., Quicken Loans, *The Rock Family of Companies* (online at [www.quickenloans.com/about/partner-company](http://www.quickenloans.com/about/partner-company)) (accessed Dec. 23, 2020).

<sup>4</sup> USA Spending, *Indefinite Delivery Vehicle Summary* (online at [www.usaspending.gov/award/CONT\\_IDV\\_73351019D0001\\_7300](http://www.usaspending.gov/award/CONT_IDV_73351019D0001_7300)) (accessed Feb. 2, 2021).

<sup>5</sup> USA Spending, *Contract Summary* (online at [www.usaspending.gov/#/award/CONT\\_AWD\\_73351020F0071\\_7300\\_73351019D0001\\_7300](http://www.usaspending.gov/#/award/CONT_AWD_73351020F0071_7300_73351019D0001_7300)) (accessed Feb. 2, 2021).

<sup>6</sup> Letter from Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, and Chairwoman Nydia M. Velázquez, Committee on Small Business, to Jay Farnar, Chief Executive Officer, Quicken Loans (July 30, 2020) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/2020-07-30.Clyburn%20to%20Rocket%20Loans%20re%20Contracting.pdf>).

<sup>7</sup> 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](http://www.sba.gov/sites/default/files/2020-10/SBA%20OIG%20Report%2021-02.pdf)).

During a recent briefing with Committee staff, you and a representative from Rocket confirmed that: (a) records exist regarding the performance of the fraud controls; (b) the project team produced “a couple dozen” reports to SBA that included the results of those controls; (c) the project team kept a list of the potential fraud “alert messages” generated by the loan recommendation software and presented to SBA loan officers; and (d) project team members took notes of SBA’s requirements for classifying loan recommendations (e.g., “auto-decline,” “recommend decline,” “manual review,” or “recommend approve”).<sup>8</sup>

### **Potential Waste of Taxpayer Funds**

This investigation has also raised serious questions as to whether the EIDL contract, which was intended to be set aside for small businesses, is in the best interest of the American taxpayer. The prime contractor, RER, appears to be performing only a small portion of the work, while receiving 51% of the contract’s value—over \$380 million. According to RER, its personnel comprised a “small percentage of overall staffing,” perhaps only “15-20%” of a project team consisting of “a couple hundred people.”<sup>9</sup> The remainder of the work appears to be performed by Rocket and its affiliate, Rapid.

For small business set-aside contracts—such as the contract at issue here—SBA’s regulations prohibit a prime contractor from paying more than 50% of the amount paid to it by the government to a subcontractor that is not a small business.<sup>10</sup> RER asserts that it is complying with this subcontracting requirement by paying Rocket less than 50% of the overall value of the contract. However, RER appears to be performing only a small percentage of the work and receiving the biggest share financially, raising questions about whether the contract is in the best interest of taxpayers.<sup>11</sup>

Our Committees have requested information on the number of RER, Rocket, and Rapid employees who have worked on this contract to gain a better understanding of the work performed by each party. Rocket and RER have refused to provide this basic information, asserting they did not track headcount or keep hourly records over the term of the project.<sup>12</sup>

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<sup>8</sup> Briefing by Will Tumulty, Chief Executive Officer, Rapid Finance, and Jeremy Condon, Vice President of Software Engineering, Rocket Loans, to Staff, Select Subcommittee on the Coronavirus Crisis (Dec. 2, 2020).

<sup>9</sup> Briefing by Errin Green, Chief Executive Officer, RER Solutions, to Staff, Select Subcommittee on the Coronavirus Crisis (Aug. 13, 2020).

<sup>10</sup> *Small Business Government Contracting and National Defense Authorization Act of 2013 Amendments*, 13 C.F.R. § 125.6(a)(1).

<sup>11</sup> See *Statement of Guiding Principles of the Federal Acquisition System*, 48 C.F.R. § 1.102(a) (noting that “[t]he vision for the Federal Acquisition System is to deliver on a timely basis the best value product or service to the customer, while maintaining the public’s trust and fulfilling public policy objectives”). The Committees have a strong interest in ensuring the efficacy of contracting rules.

<sup>12</sup> See, e.g., Letter from Colin Darke, General Counsel, Rocket Loans, to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, and Chairwoman Nydia M. Velázquez, Committee on Small Business (Sept. 22, 2020); Letter from W. Neil Eggleston, Kirkland & Ellis LLP, Counsel to RER Solutions, to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, and Chairwoman Nydia M. Velázquez, Committee on Small Business (Oct. 2, 2020); Letter from Colin Darke, General Counsel, Rocket Loans,

However, information recently provided to our Committees casts doubt on the assertion that employee headcount on this project cannot be determined. During a recent staff briefing, you and Rocket's representative admitted that every employee who worked on the EIDL project signed a non-disclosure or confidentiality agreement as required by the Statement of Work. Rapid should therefore be able to easily provide the personnel information the Committees seek.

For all these reasons, we request that you produce by February 25, 2021, the following priority documents in addition to all other documents responsive to the Committees' July 30, 2020, document requests:<sup>13</sup>

1. All non-disclosure or confidentiality agreements signed by Rapid employees or contractors relating to the EIDL contract;
2. All documents indicating the attendance by Rapid employees or contractors at meetings or conference calls relating to the EIDL contract;
3. All documents and communications regarding SBA's requirements, specifications, or guidance regarding the business process rules for managing the application work flow, including but not limited to how the loan software should classify applications for various recommendation queues (e.g., approval, denial, or manual review), and descriptions of the relevant SQL code;
4. All documents and communications regarding fraud checks conducted on EIDL applications, including any reports regarding the performance of those fraud checks;
5. All reports and updates provided by the project team to SBA, including but not limited to reports and updates tracking the number of applications received, decisioned, and pending; and reports and updates documenting the performance of the loan recommendation software or fraud checks; and
6. A list of all potential alert messages generated by the project's loan recommendation software and presented to SBA loan officers.

In addition, please provide the following information by February 25, 2021:

1. Rapid's total revenue, expenses, and profit from performing the EIDL contract to date;

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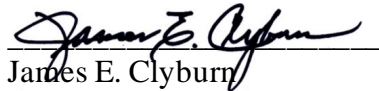
to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, and Chairwoman Nydia M. Velázquez, Committee on Small Business (Nov. 24, 2020); Letter from W. Neil Eggleston, Kirkland & Ellis LLP, Counsel to RER Solutions, to Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, and Chairwoman Nydia M. Velázquez, Committee on Small Business (Nov. 25, 2020).

<sup>13</sup> Letter from Chairman James E. Clyburn, Select Subcommittee on the Coronavirus Crisis, and Chairwoman Nydia M. Velázquez, Committee on Small Business, to Jay Farner, Chief Executive Officer, Quicken Loans (July 30, 2020) (online at <https://coronavirus.house.gov/sites/democrats.coronavirus.house.gov/files/2020-07-30.Clyburn%20to%20Rocket%20Loans%20re%20Contracting.pdf>).

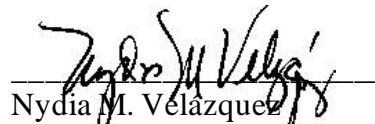
2. A list of all fraud checks conducted by the RER-Rocket-Rapid team on EIDL applications and a description of how each check serves to detect and prevent fraud;
3. Rapid's assessment or estimate of the amount of improper payments that have been made to applicants who were processed through its loan recommendation software; and
4. A description of SBA's rules, specifications, and requirements for how the loan software should classify applications for various recommendation queues (e.g., approval, denial, or manual review).

An attachment to this letter provides additional instructions for responding to the Committees' request. If you have any questions regarding this request, please contact staff for the Select Subcommittee on the Coronavirus Crisis at (202) 225-4400.

Sincerely,



James E. Clyburn  
Chairman  
Select Subcommittee on the Coronavirus  
Crisis



Nydia M. Velázquez  
Chairwoman  
Committee on Small Business

Enclosure

cc: The Honorable Steve Scalise, Ranking Member  
Select Subcommittee on the Coronavirus Crisis

The Honorable Blaine Luetkemeyer, Ranking Member  
Committee on Small Business