

**From:** [REDACTED] [REDACTED]@kabbage.com> on behalf of [REDACTED]@kabbage.com>  
**Sent:** Wednesday, September 30, 2020 5:35 PM  
**To:**  
**Subject:** Re: Media query: Kabbage & PPP fraud

---

**CONFIDENTIAL: ATTORNEY/CLIENT PRIVILEGED**

+1 the canned responses will work for this and we should get the cus names referenced. The DOJ press releases do NOT mean KBG pushed the \$. DOJ has looked at attempts at other lenders to help build their case.

+1 we're #2, so we would have higher instances of **inquiries** but we also served lots of sole props where SBA may spend additional time investigating because the program rules are poorly constructed.

Words matter, so points of clarification to be used however you like [REDACTED]:

- We filed a shit load of SARs, which could be a trigger for LEO investigations
  - SARs are confidential, so we're not supposed to comment on them w/r/t numbers and certainly not on specific cases
  - The same goes for AML procedures. We follow the BSA. They are bank-grade and we would never comment on any specific P&P or algo that could give criminal enterprises an edge.
- [REDACTED]
- At the end of the day it's the SBA's shitty rules that created fraud, not KBG.

[REDACTED]

[REDACTED]  
*Head of Policy*  
M: [REDACTED]  
[www.kabbage.com](http://www.kabbage.com)

Kabbage, Inc.  
730 Peachtree Street NE  
Suite 1100  
Atlanta, GA 30308

On Wed, Sep 30, 2020 at 12:54 PM [REDACTED] [REDACTED]@kabbage.com> wrote:  
"Among the most".

Again, as the second largest lender, we'd expect to have "among the most".

Sent from my iPhone

On Sep 30, 2020, at 9:52 AM, [REDACTED] [REDACTED]@kabbage.com> wrote:

Attorney-client privileged.

Yes, I will clarify. My understanding is if the names are coming from DOJ reports, that means we verified and provided the data. Reports using SBA data are speculative; reports using DOJ data carry more weight. Either way, I'll confirm. 6 loans from DOJ reports is the most of any lender?

On Wed, Sep 30, 2020 at 9:42 AM [REDACTED] [REDACTED]@kabbage.com> wrote:  
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I'd have them provide the names given that we may not have even put that capital out.

Also, please call our counterparts at amex.

Not sure if relevant but we were the second largest lender in the country - I would expect us to have a number of fraudulent cases commensurate with our volume.

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Hey all - We have another inquiry on the same story. Pogo.org is an independent watchdog, reporting on government waste/corruption and gets ~350K readers a month. [REDACTED] is their senior investigative reporter and has been covering fraud in the program recently, see [here](#) and [here](#).

Again, we will repurpose our responses which we've shared with other publications and will work with Amex. Bloomberg has yet to publish their piece (fingers crossed its dead).

Regarding the highlighted, this is a misconception, correct? [REDACTED]  
[REDACTED]  
[REDACTED]

*Kabbage strictly adheres to AML and KYC protocols, including more rigorous verification checks using its data and technology which go well beyond the minimum requirements issued by the SBA. Further authentication verification analyses are made after approval and before fund disbursement.*

*These strict measures and use of automation allowed Kabbage to process applications for nearly 300,000 of America's smallest and marginalized businesses who had difficulty applying through other institutions, helping preserve an estimated 945,000 U.S. jobs.*

----- Forwarded message -----

From: [REDACTED] [REDACTED]@pogo.org>  
Date: Wed, Sep 30, 2020 at 9:17 AM  
Subject: Media query: Kabbage & PPP fraud  
To: [REDACTED]@kabbage.com>

Hi,

My name is [REDACTED] and I'm writing a story on alleged Paycheck Protection Program loan fraud for the Project On Government Oversight. A number of the loans we are examining were processed by Kabbage.

My questions are below and **my deadline is close of business tomorrow** (Thursday, September 30).

At least 6 PPP loans lent out by Kabbage allegedly were fraudulently obtained, according to our review of Justice Department charging documents and analysis of PPP loan data. That's among the most of any single lender to date. What steps did Kabbage take to reduce fraud? Does Kabbage have any comment on the number of loans?

How many suspicious activity reports related to PPP loans has your company sent to the Financial Crimes Enforcement Network (FinCEN)? Is Kabbage subject to the Bank Secrecy Act?

Has Kabbage been subpoenaed by federal law enforcement in relation to the PPP loan program?

Given that Kabbage has written that "over 75% of all applications were processed without human intervention or manual review," that on average it took no more than four hours to approve loans, and that 98% of PPP loan applicants were new customers, how did Kabbage adequately conduct due diligence to be compliant with AML/BSA requirements?

Did Kabbage use algorithms and/or other automated technology to determine eligibility, verify the identity of PPP loan applicants, and for other underwriting purposes?

Please elaborate on what Kabbage's due diligence process entails and what its systems check for.

Let me know if any of these questions need clarification.

Best regards,

[REDACTED]  
Project On Government Oversight

[REDACTED]  
[REDACTED]@pogo.org

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Best regards,

[REDACTED]  
Project On Government Oversight  
[REDACTED]


## Short Message Report

Conversations: 1	Participants: 21
Total Messages: 41	Date Range: 7/16/2020

### Outline of Conversations

 **ppp-fraud - 1594917375.035300 - 2020/07/16** 41 messages on 7/16/2020 • [REDACTED]  
[REDACTED]@kabbage.com> • [REDACTED]@kabbage.com> • [REDACTED]  
[REDACTED]@kabbage.com> • [REDACTED]@kabbage.com> • [REDACTED]  
[REDACTED]@kabbage.com> • [REDACTED]@kabbage.com> • [REDACTED]  
[REDACTED]@kabbage.com> • [REDACTED]@kabbage.com> • [REDACTED]  
[REDACTED]@kabbage.com> • [REDACTED]@kabbage.com> • [REDACTED]  
[REDACTED]@kabbage.com> • [REDACTED]@kabbage.com> • Slack Admin [REDACTED]@kabbage.com> •  
[REDACTED] • kabbage <>

Messages in chronological order (times are shown in GMT +00:00)

-  ppp-fraud - 1594917375.035300 - 2020/07/16
- B [REDACTED]@kabbage.com> 7/16/2020, 4:36 PM  
[REDACTED] an example of us asking the customer who helped/who they helped with their application and them lying and saying no one to both questions. we can see the customer logging in from the same device as a bunch of other applications. how should we treat these? <<https://jira.kabbage.com/browse/PLO-188986>>
- E [REDACTED]@kabbage.com> 4:37 PM  
I think my issue is theres SO many situations like this and they are providing all the docs necessary and they are passing inscribe so by the rules - I should clear them.
- B [REDACTED]@kabbage.com> 4:39 PM  
sure! only asking [REDACTED] and [REDACTED] because if we are going to clear them regardless of them lying to us what is the point of even asking?  
:upvote: 2 - [REDACTED] - [REDACTED]
- A [REDACTED]@kabbage.com> 4:43 PM  
I think if we have proof that someone else filled on their behalf and they are lying. We should deny
- E [REDACTED]@kabbage.com> 4:43 PM  
What would the proof be  
:upvote: 2 - [REDACTED]
- S [REDACTED]@kabbage.com> 4:48 PM  
I am fine with declining this based on the fact that we have a device match with many other accounts and yet they claim no one has helped them fill out the application...the proof is the device match
- E [REDACTED]@kabbage.com> 4:49 PM  
Could we have a number of matches that warrants this decision?
- E [REDACTED]@kabbage.com> 4:49 PM  
Or does the amount not matter
- S [REDACTED]@kabbage.com> 4:52 PM  
Everything else does match up for this account though which is interesting. Provided all the docs, no fraud signals in inscribe (even for the Sch C which we know is rare). Logically makes sense as well - income was 70k in 2018 and claiming 128k in 2019. The matching accounts also don't all have the same numbers on the Sch C - different numbers on the one matching account I looked at. So while I don't know if this is a common scenario where all of these things match up and all docs were provided and okayed, I do think we should decline this specific case because of their answer to our question.
- S [REDACTED]@kabbage.com> 4:54 PM  
I don't think number of matching accounts matters...even if its one account (with a different customer name), it warrants the question who is helping them. If I understand the question correctly.
- E [REDACTED]@kabbage.com> 4:55 PM



This is an EXTREMELY common scenario for me personally at least. I'm feeling really uncomfortable with the review procedure we have now because I'm not comfortable passing almost all the people I have to pass. But they have all the docs needed and answer the questions sooo what am I to do? And its a waste of time for me and [REDACTED] to push back and forth asking for docs over and over.

E [REDACTED]@kabbage.com> 4:55 PM

I feel like the level of fraud we're reviewing is wildly underestimated

S [REDACTED]@kabbage.com> 4:57 PM

what do they answer to the questions? yes or no? if it's no despite a device match, we can use that to deny.

E [REDACTED]@kabbage.com> 4:57 PM

Most of them name an accountant

S [REDACTED]@kabbage.com> 4:58 PM

got it...so in that case if they answer truthfully. upload all the docs we provide, and they pass our inscribe and visual checks, then we should clear it.

E [REDACTED]@kabbage.com> 4:59 PM

Ok! This is extremely helpful for us to have some black and white guidelines regarding denying apps

E [REDACTED]@kabbage.com> 5:00 PM

Do you feel like theres a number of matches that doesn't warrant concern? Like 15 or less (just an example) or we treat them all essentially the same

S [REDACTED]@kabbage.com> 5:00 PM

I know of legitimate businesses that have sent us docs that looks exactly like the ones provided here...(unfiled schedule C for example). So how is it possible for us to distinguish between fraud/not fraud? I think the best way for us to do that right now is ask for the additional docs and do the inscribe/visual checks and make a decision based on that.

S [REDACTED]@kabbage.com> 5:01 PM

As far as level of fraud...what is the concern exactly about? review process / number of apps we are reviewing or something else?

E [REDACTED]@kabbage.com> 5:01 PM

yeah the unfiled schedule C doesn't throw us off most of them are unfiled

E [REDACTED]@kabbage.com> 5:02 PM

the number of suspicious apps we see and that are meeting all the procedure requirements yet have 600+ matching devices, and the amount of sole props claiming 100k + a year

E [REDACTED]@kabbage.com> 5:03 PM

I have seen MAYBE 2-3 sole props claiming less than 100k this week

S [REDACTED]@kabbage.com> 5:05 PM

i see...i am personally okay with the review process we have right now (as far as docs requested and doing the checks we do). If anyone has any better suggestions on what to do with the review

once ew actually flag an account for a device link for example, would love to hear

- S [REDACTED]@kabbage.com> 5:07 PM  
going on a rant here but I do think we should not look at fraud here from a kabbage lending perspective. i know device matches were nowhere as common in kabbage lending...but a fundamental difference is the risk here is not ours - it is SBAs risk.
- B [REDACTED]@kabbage.com> 5:08 PM  
ok should we stop looking at fraud sproc? fine with me just let me know what ot do  
:upvote: 1 · [REDACTED]
- E [REDACTED]@kabbage.com> 5:08 PM  
I understand that I think I personally am just concerned something will come back at us. Can we be included in any discussions regarding the SBAs feelings about our reviews? I personally would like to know if we're under heat from the gov for fraudsters robbing the gov  
✓ 1 · [REDACTED]
- B [REDACTED]@kabbage.com> 5:08 PM  
can you please put something in writing for how we should be reviewing these accounts?  
:upvote: 1 · [REDACTED]
- B [REDACTED]@kabbage.com> 5:09 PM  
if someone "sees something and says something" as they were instructed to do during townhall resulting in quite a few tickets for us... how should we review those?  
:upvote: 1 · [REDACTED]
- B [REDACTED]@kabbage.com> 5:09 PM  
we are also getting a lot of tickets from nans team for "weird looking docs" but if they come back in inscribe as clear should we just say sorry there is nothing we can do here?
- E [REDACTED]@kabbage.com> 5:09 PM  
It would be nice to have something in writing to cover my rear end
- B [REDACTED]@kabbage.com> 5:10 PM  
yes please.
- S [REDACTED]@kabbage.com> 5:10 PM  
[REDACTED] that is definitely not what I said...fraud sproc is great and we should definitely use it
- B [REDACTED]@kabbage.com> 5:10 PM  
sorry i just equate device matches with fraud sproc...
- E [REDACTED]@kabbage.com> 5:11 PM  
[REDACTED] if you love fraud sproc so much why don't you marry it
- S [REDACTED]@kabbage.com> 5:11 PM  
I'll defer to [REDACTED] for the in written process, but a slack thread like this constitutes in writing for me. It's all fair game if/when there is an audit
- S [REDACTED]@kabbage.com> 5:11 PM

It's committed to [REDACTED] already 😊

B [REDACTED]@kabbage.com> 5:12 PM  
i dont know what that means

E [REDACTED]@kabbage.com> 5:12 PM  
Dear Secret Service,  
  
Please make sure my dog goes to a good home before I end up in prison.  
  
Thank you

E [REDACTED]@kabbage.com> 5:16 PM  
Should we document how many matches on the ticket as an internal comment? If we're just asking the questions and going with the answers - what's even the point of running fraud sproc.

S [REDACTED]@kabbage.com> 5:50 PM  
if someone sends in all the docs we have asked for and are not forged, we then need a convincing reason to decline them. Simply "we think you're fraudulent because you have a device match" does not cut it. If they lie to us on the questions we ask, that is convincing. I think [REDACTED] referred to this in writing on slack.

S [REDACTED]@kabbage.com> 5:51 PM  
We can document that...number of applications with the matching device.  
✓ 2 · [REDACTED]

**From:** [REDACTED]@kabbage.com> on behalf of [REDACTED]@kabbage.com>  
**Sent:** Tuesday, September 8, 2020 5:57 PM  
**To:** [REDACTED]@kabbage.com>  
**Cc:** [REDACTED]@kabbage.com>; [REDACTED]@kabbage.com>; [REDACTED]@kabbage.com>; [REDACTED]@kabbage.com>  
**Subject:** Re: McClatchy/Miami Herald reporter on PPP loans

---

Equifax reports lenders are seeing confirmed fraud between 4 and 10% (not public, at least to my knowledge). [REDACTED] has the 2% confirmed KBG fraud number, but I do not want to put that on the record at this time unless we have to.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Head of Policy  
[REDACTED]  
[www.kabbage.com](http://www.kabbage.com)

Kabbage, Inc.  
730 Peachtree Street NE  
Suite 1100  
Atlanta, GA 30308

On Tue, Sep 8, 2020 at 1:20 PM [REDACTED]@kabbage.com> wrote:

Hey all - We got word this reporter was poking around Kabbage's PPP data with the story we let in more fraud than most. Our understanding is they're telling a story that Kabbage was a "go-to" for fraudsters and their questions lead into that narrative. I'll share responses in a G Doc for transparency with this group. McClatchy gets ~10M readers, Miami Herald is closer to 34M.

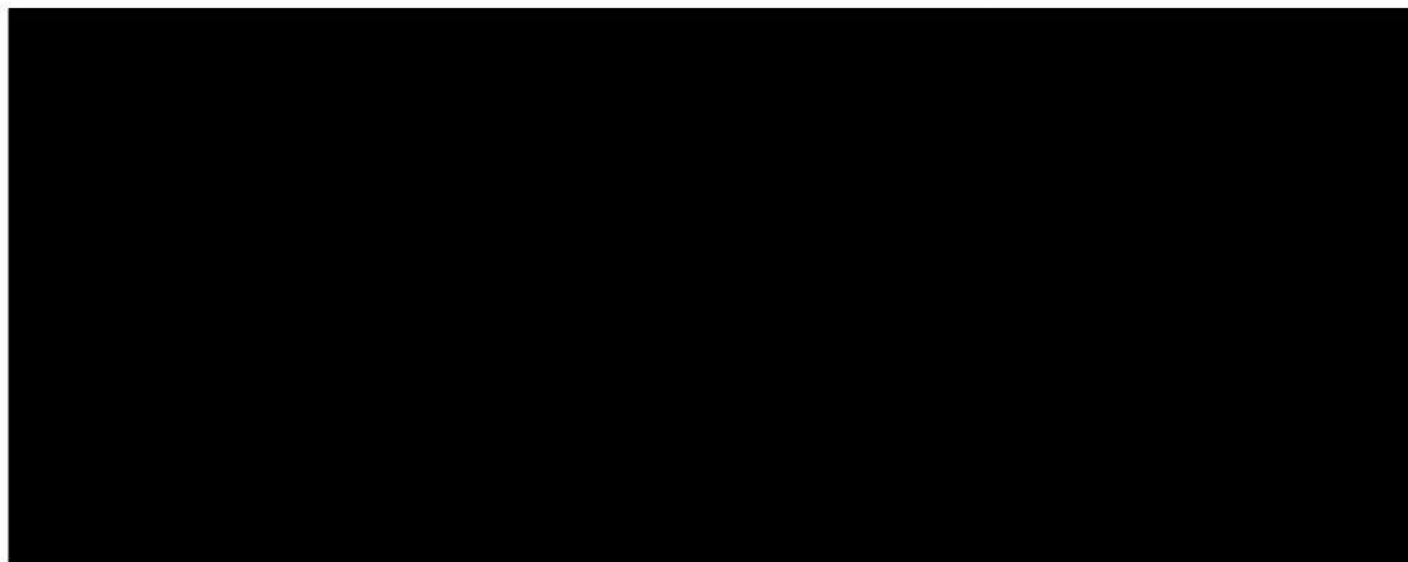
[REDACTED] did we happen to compile a fraud analysis from PPP that summarizes the details? How much we saw, how much we caught, etc? I'm not suggesting we share it, but the context would be helpful in if/how we address these questions.


----- Forwarded message -----

From: [REDACTED]@kabbage.com>  
Date: Tue, Sep 8, 2020 at 6:02 AM  
Subject: McClatchy/Miami Herald reporter on PPP loans  
To: [REDACTED]@kabbage.com>  
Cc: [REDACTED]@gmail.com>



Hello,

My colleague [REDACTED] are working on a story focused on Paycheck Protection Program loans that went to potentially ineligible borrowers. We found that Kabbage had more loans flagged in our analysis than any other lender and have the following questions. Our deadline is Wednesday at noon.







Thank you,

Data Reporter  
McClatchy Washington Bureau

Proton:

[Send tips securely](#)

**From:** [REDACTED]@kabbage.com> on behalf of [REDACTED]@kabbage.com>  
**Sent:** Tuesday, July 21, 2020 2:07 PM  
**To:** [REDACTED]@kabbage.com>  
**Cc:** [REDACTED]@kabbage.com>; [REDACTED]@kabbage.com>; [REDACTED]@kabbage.com>  
**Subject:** Re: Action needed: WF fraud requests/issues

---

[REDACTED] - has this \$18MM and the previous fraud amounts actually a KBG loss or is it still early to know?

Thanks!

[REDACTED]

Head of Capital Markets

Kabbage Inc.

1410 Broadway, Floor 16

New York, NY 10018

[REDACTED]

Email: [REDACTED]@kabbage.com

[www.kabbage.com](http://www.kabbage.com)

On Mon, Jul 20, 2020 at 2:00 PM [REDACTED]@kabbage.com> wrote:

Thanks [REDACTED] - we will get back to WF with these answers.

[REDACTED]

Head of Capital Markets

Kabbage Inc.

1410 Broadway, Floor 16

New York, NY 10018

[REDACTED]

Email: [REDACTED]@kabbage.com

[www.kabbage.com](http://www.kabbage.com)

On Mon, Jul 20, 2020 at 1:02 PM [REDACTED]@kabbage.com> wrote:

Hi [REDACTED]

The recalls on 7/16 are related to the falsified W3 ring we identified very recently. Customers falsified the W3 and applied with same amount across multiple applications. These customers didn't show any fraudulent signals based on the device, email-age, Sentilink, Threatmetrics, KYC/KYB, or other fraud checks we have, therefore they got auto-approved. Once we were informed from the receiving banks, we analyzed this pattern and found 56 of such cases, you can see the loan amount is same across multiple applications.

PFA the reasons for all 56 accounts.

We learned from this pattern and working on a prevention plan. Therefore, these types of cases will significantly reduce in the future as we are putting additional checks in place.

Regards,

[REDACTED]

On Mon, Jul 20, 2020 at 10:00 AM [REDACTED]@kabbage.com> wrote:

Thanks [REDACTED]

Here is what WF said this morning with respect to the two excel files that I attached to my original email. They are looking for reasons for the increased fraud in July, what are we doing about them and the reasons for the 56 instances of fraud on 7/16.

Thanks

[REDACTED]

During the prior 8 week period (5/14-7/7): Kabbage identified a total of 7 transactions amounting to ~\$2MM

Since 7/8/20:

7/8/20: 23 transactions were identified totaling \$7.8MM

7/14/20: 9 additional transactions were identified totaling \$3.5MM

7/16/20: The "Fraud Recalls" file details 56 additional transactions that Kabbage identified as fraudulent on 7/16, totaling \$18MM.

[REDACTED]

Head of Capital Markets

Kabbage Inc.

1410 Broadway, Floor 16

New York, NY 10018

[REDACTED]



Email: [REDACTED]@kabbage.com

[www.kabbage.com](http://www.kabbage.com)

On Mon, Jul 20, 2020 at 12:01 AM [REDACTED]@kabbage.com> wrote:

Hi [REDACTED]

During the later part of PPP program, we have observed an increase in falsified W3's. Most of these are like first-party fraud where every detail about the business look genuine but they falsify their W3details. Most of these went through the auto-approval process & without any manual intervention. After getting notification from the respective banks, we did our investigation and caught these cases. We have recalled these funds as listed in the attachment.

Starting from early July, we have introduced an additional review process if the customer approved for >150K. Along with this, we are adding some controls in the OCR process to flag few suspicious documents from auto approvals. There are two other rules on pattern identification in the engineering pipeline.

We can provide the reasons for these 56 recalls, will get back to you tomorrow.

Regards,

[REDACTED]

On Sat, Jul 18, 2020 at 8:41 PM [REDACTED]@kabbage.com> wrote:

I suggested a couple of times that I thought worked for you and [REDACTED]. I would like to do it on Monday is possible.

I don't know any of those stats - so yes it will good to give those to them. As per my text message, I think the preferred way to handle the situation is to answer the questions they have since they have a few and then follow-up with the manual.

[REDACTED]

Sent from my iPhone

On Jul 18, 2020, at 7:03 PM, [REDACTED]@kabbage.com> wrote:

Can we do Tues? Monday is BADDDD.

Have we told them we've ID as 2%, Experian data services reports 4.5% in their network, and SBA expects 12%?

I think we send them an overview of the fraud manual if we can beforehand and answer the rest verbally.

[REDACTED]

[REDACTED]  
*Head of Policy*

M: [REDACTED]  
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On Sat, Jul 18, 2020 at 9:59 AM [REDACTED]@kabbage.com> wrote:

Hi everyone

As you are aware, we currently have a contentious relationship with our corporate bank (Wells Fargo). They have submitted a notice to transition the services they provide to another bank. While we are in the process of doing so, we do need them to process all our ACHs till we transition to a different bank.

Based on the recent PPP fraud instances, they reached out to us yesterday with the following questions and requests. I don't know if their volume is correct or not - so, we need verification that they are right.

I have included several people on this email list as I am guessing all of you may have some role or the other to help resolve these items with WF.

I have assigned names below to the various action items.

[REDACTED]

[REDACTED] and [REDACTED]

As requested, we are attaching two lists of the transactions that Kabbage represented as fraudulent and asked WF to pursue recall of the transactions. As discussed on the call today, we are concerned about the significant increase in the fraudulent transactions confirmed by Kabbage over the past few days, including \$18MM of new transactions that were flagged yesterday, and have the following questions/requests for information:

**Due Diligence Question: ([REDACTED] - we propose a call on Monday with them to answer these questions. Are you comfortable doing so?)**

- What are the key drivers of the significant increase in fraudulent transactions? Is there an ongoing review of transactions that could result in a continued high volume of fraudulent transactions identified for recall?
- Please describe Kabbage's customer due diligence/KYC process prior to funding PPP loans.
- Please describe any additional controls in place to identify fraudulent transactions, and any new controls that are being introduced to address the recent increase.
- Please confirm the steps that Kabbage takes after a fraudulent event has been

identified, including any SBA or other third party notification process.

- As noted on the call today, we would like to discuss the potential for Kabbage to replace the numeric identifier on submitted files with the payee name, which may help WF and the receiving banks assist Kabbage with flagging potential fraudulent transactions. (██████████ - is this you who can help with this?)

Information Request:

- Fraud Rationale: For each transaction in the attached files, please provide the reason that the transaction is considered fraud. This information is needed for documentation purposes, and is also being requested by receiving banks and will facilitate the recall process. **Please provide by EOD Monday so WF can respond to the receiving banks on a timely basis.** (██████████, ██████████ - will you be able to help with this??)

- Financial Statements: Please provide Kabbage's most recent financial statements and/or a projected liquidity roll forward. (@██████████ - I have asked for the rationale of why they want this but if they insist, we can provide June end financials and current liquidity position).

Please let us know available times on Monday for a follow up discussion.

Thanks,

██████████

██████████

Head of Capital Markets

Kabbage Inc.

1410 Broadway, Floor 16

New York, NY 10018

██████████

Email: ██████████@kabbage.com

[www.kabbage.com](http://www.kabbage.com)

--



██████████

[www.kabbage.com](http://www.kabbage.com)

██████████

Kabbage, Inc.  
730 Peachtree St NE #1100  
Atlanta, GA 30308

--

Kabbage, Inc.



[REDACTED]

[www.kabbage.com](http://www.kabbage.com) + [REDACTED]

730 Peachtree St NE #1100  
Atlanta, GA 30308

Message

**From:** [REDACTED]@bluevine.com]  
on behalf of [REDACTED]@bluevine.com> [REDACTED]@bluevine.com]  
**Sent:** 3/30/2021 7:50:42 PM  
**To:** [REDACTED]@celticbank.com]; [REDACTED]@bluevine.com]; [REDACTED]  
[REDACTED]@bluevine.com]; [REDACTED]@bluevine.com]  
**CC:** [REDACTED]@bluevine.com]; [REDACTED]@celticbank.com] [REDACTED]  
[REDACTED]@celticbank.com]; [REDACTED]@celticbank.com]; [REDACTED]@celticbank.com]  
**Subject:** RE: QAR Escalations - Timing and Completeness

Hi [REDACTED]

Appreciate you reaching out and outlining Bank's concerns around QARs filings.

The gaps here have definitely been a result of the volume of cases, complexities of linked networks, and resource constraints. However, we are actively trying to solve for this from fixing issues in the QAR template to enhancing internal trackers for better prioritization and oversight. We are also continuing to add more resources to conduct fraud reviews.

Think it would be helpful to connect over a call and we can give you updates from our side and discuss the plan forward. We can discuss as part of the standing call tomorrow or happy to set up time per your availability.

Thanks,  
[REDACTED]

---

**From:** [REDACTED]@celticbank.com>  
**Sent:** Tuesday, March 30, 2021 9:56 AM  
**To:** [REDACTED]@bluevine.com>; [REDACTED]@bluevine.com>; [REDACTED]  
[REDACTED]@bluevine.com>; [REDACTED]@bluevine.com>  
**Cc:** [REDACTED]@bluevine.com>; [REDACTED]@celticbank.com>; [REDACTED]  
[REDACTED]@celticbank.com>; [REDACTED]@celticbank.com>; [REDACTED]@celticbank.com>  
**Subject:** QAR Escalations - Timing and Completeness  
**Importance:** High

Hi folks,

I wanted to touch base with this group as we have growing concern about the timeliness and completeness of investigations and QARs from BlueVine. Under our BSA Standards, our partners have 30 days to investigate an account once you receive an alert ([REDACTED] to make the determination if the activity is questionable/confirm fraud. If confirmed, BlueVine needs to submit a QAR to us within that 30 day timeframe. Once we receive your QAR, we have 30 days to investigate to determine if the questionable activity is suspicious, and if it is suspicious, we have 30 days to draft the SAR and file it with FinCEN. This is the 30x30x30 rule that is industry standard.

I understand that the surge in fraud associated with PPP has strained all of our resources but we need to prioritize the timeliness and completeness of these reviews. Recently, we have had a lot of back and forth on incomplete QARs and this is putting us behind on our timeframes. Some back and forth occur over the course of several weeks, and therefore we are unable to accurately report suspicious activity within 30 days. We need to avoid this at all costs because it is a direct violation of law, which can lead to monetary fines and enforcement action under the worst case scenarios. Below are a few examples where we are running past the timeframes highlighted above. We do speak with the fraud team twice a week to get status updates, but we still are still coming up short.

**Redacted**

# Redacted

We need to come up with an action plan for this issue since we have potential violations. Please let me know if you would like to set up a meeting to discuss.

Thanks,

  
Vice President - Compliance



268 S. State Street | Suite 300 | Salt Lake City | UT | 84111

Tel: 

Fax: 801 303 1930

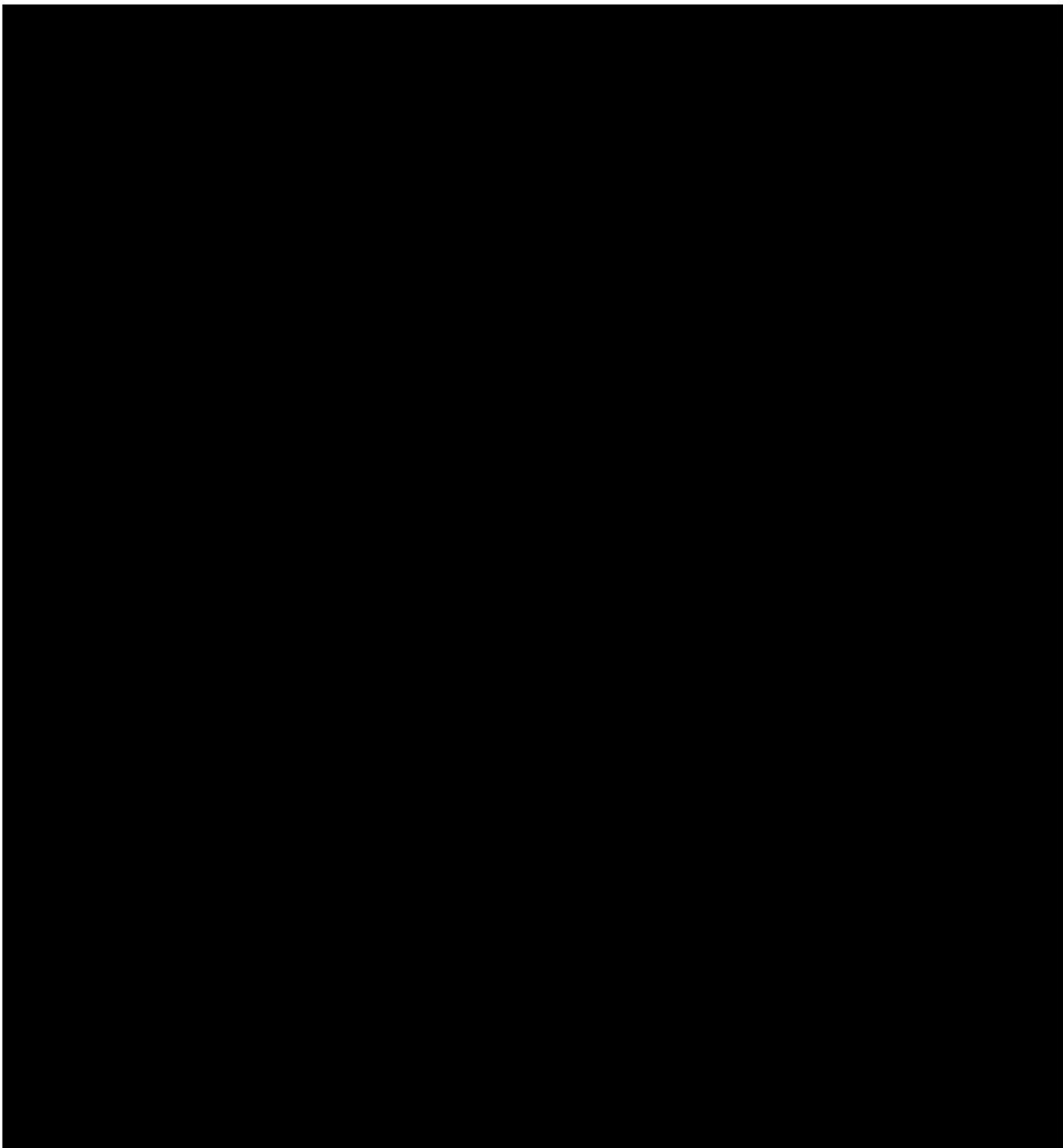
Web: [www.celticbank.com](http://www.celticbank.com)



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---

**From:** [REDACTED]  
**Sent:** Friday, May 7, 2021 4:31 PM  
**To:** Toby Scammell [REDACTED]@womply.com>  
**Subject:** RE: Benworth Aging - evening May 6

**(taking everyone off the chain)**

Toby, One of my biggest thrills is to know that we have helped over 200,000 small business save their livelihood. That is our mission and we are fulfilling what we set out to do.



However, I am very very concerned about these new challenges stated below. We are managing our banking relationship very closely because they are anxious with the amount of fraud they are seeing. Bluntly stated, we have been on the brink of being closed 3 times. They have every bank in the US calling Professional Bank when they see suspicious activity as they initiated the ACHs. It has created a lot of friction. That is why I respond to every email that even hints at fraud. I have given our bank assurances that we have every protocol in place to mitigate fraud. Now it seems that may not be the case.

Just yesterday, you sent me an email strongly recommending that we formalize our processes for engaging with government entities and that we should not be responding without a crystal clear understanding of the facts at hand. That had we conducted even the most cursory look at the file, we would have had no reason to doubt our compliance on a loan and especially your processes for that matter. Your 3 minute glance quickly let you determine that there was nothing to worry about on that loan (even though an SBA official and an OIG employee thought so) due to the services performed by Womply and the systems in place. You reminded me of a) the person passing the KYC with no issues (Womply's being "many times more strict than the program rules require"), b) driver's license check, c) selfie, d) database check which looked flawless, and e) when required borrowers are also requested to pass Lexis Nexis KBA as well. All which we agree should be done on every file, and which we expect have been done on all files based on the services we were promised when we entered into an agreement.

To say I was completely surprised by this email sent just 1 day after, would be a huge understatement. You inform me that you are now working with the SBA and freezing accounts due to fraud. That "early last week we moved from sampling approved KYC reports on an ad hoc basis to manually reviewing hundreds of thousands of \*approved\* KYC reports and manually canceling fraudulent loans." That you will now be moving to full manual reviews on 100% of the files with your recently hired KYC specialists. What happened to the systems you had in place that you were so quick to remind me of yesterday? Are they no longer good enough? Have the services provided and promised by Womply not as reliable as had been promised therefore requiring changes? Should we be worried about the 200,000 loans already funded through the use of your company's systems?

When the party is over and the lights turn on, we will be the only ones at the party (and it seems standing naked). **THIS IS A LOT OF RISK FOR 10% OF THE FEE FROM THE SBA (20% - Teslar Fee = 10%).** What happens if we lose guarantees from all this fraud? It will take us close to a 100 fees to recover losing 1 guarantee fee.

Toby, these determinations of fraud should have been done much sooner when we were sounding the alarms, not leave us in a position where we now need to freeze accounts and sign indemnifications. Again, our bank is on pins and needles leaving us with a lot of exposure and reputational risk. How much liability will we now be incurring as a result of these proposed indemnification agreements? Let's say we indemnify the bank and it turns out that there was no fraud on a file. The program will end by the time this is all sorted out and the borrower will not be able to apply again. Therefore, the borrower can file suit for damages against the bank and that bank will have every right to look to us to pay the damages. What other liability will we be taking on and what additional damages will we be incurring as a result of these indemnifications? All this for 10% on a file?

Since we, as Lender, are expected to take on the liability of these loans, we kindly ask that you include us in your communications with the SBA, especially communications that would lead to the actions you believed were the right call under the circumstances. We further need to know from the SBA what led to these radical changes. What is there position?

Let me know if you are available to hop on a call tomorrow at 2 pm est

Respectfully,

[REDACTED]  
NMLS 329578



Sunset International Center  
7000 SW 97<sup>th</sup> Ave  
Suite 201  
Miami, FL 33173  
[REDACTED] office  
305-445-5232 fax  
[REDACTED]@benworthcapital.com  
www.BenworthCapital.com

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---

**From:** Toby Scammell [REDACTED]@womply.com]  
**Sent:** Thursday, May 6, 2021 11:51 PM  
**To:** [REDACTED]@womply.com>  
**Cc:** [REDACTED]@BenworthCapital.com>; [REDACTED]@BenworthCapital.com>; Cory Capoccia [REDACTED]@womply.com>; [REDACTED]@womply.com>; [REDACTED]@womply.com>  
**Subject:** Re: Benworth Aging - evening May 6

Hi, quick update on our evolving efforts to stop fraud.

Today, in coordination with the SBA, we began working with major banks to freeze bank accounts associated with identity fraud so you can get those funds back.

Background

As you know, we have relied on highly automated solutions for collecting KYC data in order to help you meet requirements for knowing your customers. This involves a variety of approaches including many of the following:

- government database check
- ID capture
- ID authentication
- ID barcode scan
- Video selfie & liveness check
- ID image comparison to selfie
- Lexis Nexis KBA (through DocuSign)

Bank account comparison  
Etc

Early last week we moved from sampling approved KYC reports on an ad hoc basis to manually reviewing hundreds of thousands of \*approved\* KYC reports and manually canceling fraudulent loans.

We've been working through those queues, adding additional technical filters, and we hired a full time dedicated team of KYC specialists aiding in this review and analysis. We expect that nearly 100% of funded loans going forward will be manually reviewed.

We shared the list of approved but fraudulent loans (some funded, most not) with SBA a few days ago as part of ongoing discussions we've been having regarding the latest threats we've been seeing. Last night we conducted a review of the associated compromised bank accounts and identified significant funds still remaining in the accounts.

We contacted many of the banks (with help from the SBA) and were able to provide freeze instructions to Chime, Chase, Greendot, Wells Fargo, and Bank of America. Tomorrow we'll expand the outreach to banks with fewer fraudulent loans and stolen accounts.

While we were able to centralize this process today, it will still require lender participation to get these funds back. The process that we informally agreed with Chime and Greendot is:

- 1 womply provides banks with instructions on which accounts to freeze
- 2 lenders sign a general indemnification agreement
- 3 lenders then request funds back (if need be, after reviewing the loan more closely)
- 4 banks will return the funds to the lender
- 5 all parties will separately meet their reporting requirements (as applicable)

On a go-forward basis 1 & 2 above will be flipped and additional fraudulent loans that are identified will be appended to the existing indemnification agreement.

Tomorrow we'll get the indemnification agreements and circulate them for your review and consideration. I intend to continue this process tomorrow for all lenders and banks unless I hear from you that you want me to not include you.

You are welcome to develop your own process here and we can intro you directly and get out of the way. Womply is under no obligation to do this going forward and we won't be able to support separate processes here unfortunately.

Given the circumstances I believed it was the right call to at least freeze these funds today to give you the time to make a decision about how to proceed. We froze at least \$6.3m in fraudulent funds today, so I hope you'll agree this effort was worth it.

Let me know if you'd like to discuss.

Best,  
Toby

Toby Scammell

Founder & CEO at Womply



[LinkedIn](#)

On Thu, May 6 2021 at 8:16 PM,  [@womply.com](mailto: @womply.com)> wrote:

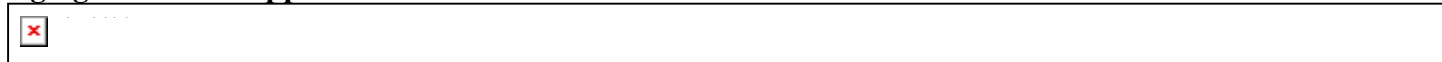
HI,

The aging dashboards are below for your review.

**Aging in Teslar**



**Aging from SBA Approved**



| VP of Partnerships | [Womply](#) |  [@womply.com](mailto: @womply.com)

## Re: PPP Fraud Update

---

**From:** [REDACTED]@celticbank.com>  
**To:** [REDACTED]@celticbank.com>, [REDACTED]@celticbank.com>  
**Date:** Fri, 30 Oct 2020 16:44:51 -0600

Thanks [REDACTED]. Good news on the compliance side. The fraud is definitely getting up there, but not surprising given the program guidelines.

Get [Outlook for iOS](#)

**From:** [REDACTED]@celticbank.com>  
**Sent:** Friday, October 30, 2020 3:35:30 PM  
**To:** [REDACTED]@celticbank.com>; [REDACTED]  
[REDACTED]@celticbank.com>  
**Subject:** PPP Fraud Update

[REDACTED]

[REDACTED]

On the fraud front, BlueVine continues to work through [REDACTED] linked IP addresses. There seem to be a few large rings that had the PPP system down, including technology to frequently alter IP addresses in order to fly under the radar.

Updated fraud data, including guesstimates of what's coming, are provided below. I've included the entire amount under investigation at BlueVine, but not all will be fraud. Additionally, [REDACTED] involved in the fraud rings indicated they have one more batch of information for us (BlueVine) to analyze. I anticipate we will receive it next week, and am guessing \$25mm (based on previous requests), and have included a placeholder below.

	\$Millions
Known fraud	\$152
In research (BlueVine)	\$18
One more round of IP address linkages coming from [REDACTED] (guesstimate)	\$25
Total projected Gross Fraud to date	\$195
Gross Fraud Rate	5.0%

Let me know if you have questions.

Thanks



Chief Risk Officer



268 S. State Street

Suite 300

Salt Lake City

UT

84111

Tel:

Fax:

[REDACTED]  
801 303 1930

Web:

<https://celticbank.com>



## Re: Potential Fraud

---

**From:** [REDACTED]@celticbank.com>  
**To:** [REDACTED]@celticbank.com>  
**Cc:** [REDACTED]@celticbank.com>  
**Date:** Fri, 08 May 2020 19:52:15 -0600

Thanks [REDACTED] It seems like we did a good job identifying these deals. This is not a surprise given the craziness of this program, and i think the industry should push hard to make sure the SBA accepts the fraud risk. We will see.

Get [Outlook for iOS](#)

**From:** [REDACTED]@celticbank.com>  
**Sent:** Friday, May 8, 2020 6:25:44 PM  
**To:** [REDACTED]@celticbank.com>  
**Cc:** [REDACTED]@celticbank.com>  
**Subject:** RE: Potential Fraud

[REDACTED]

We did more reviews today expanding the scope to all applications where [REDACTED] is the payroll service provider, beyond just a [REDACTED] view. One more loan of \$130k that was funded yesterday appears to be fraudulent.

That leaves three funded loans at \$443k.

Eight additional loans at different stages of the underwriting process prior to funding have been identified as fraudulent and marked dead.

Common characteristics are [REDACTED] as payroll service provider, California businesses, TIN check fail on the business, doctored payroll documents, loan amounts near \$130k (with a few larger exceptions).

In each of the three cases of funded loans, we are reaching out to the banks receiving the loan proceeds to freeze funds; [REDACTED]

[REDACTED] has responded and appears they will cooperate in Freezing \$182,637. [REDACTED] have not responded, but at the same time [REDACTED] is reversing the funding ACH.

Tin check review and doctored payroll documents are the key learnings for the teams thus far.

[REDACTED] and I will continue to evaluate how best to target our fraud focus.

[REDACTED]  
*Chief Risk Officer*



268 S. State Street

| Suite 300

| Salt Lake City

| UT

| 84111

Tel:

Fax:

[REDACTED]  
[801 303 1930](tel:8013031930)

Web: <https://celticbank.com>



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**From:** [REDACTED]  
**Sent:** Friday, May 8, 2020 9:43 AM  
**To:** [REDACTED]@celticbank.com>  
**Subject:** RE: Potential Fraud

\$312k funded  
~ \$1mm not funded

[REDACTED]  
*Chief Risk Officer*



268 S. State Street | Suite 300 | Salt Lake City | UT | 84111  
Tel: [REDACTED]  
Fax: [801 303 1930](tel:8013031930)

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---

**From:** [REDACTED]@celticbank.com>  
**Sent:** Friday, May 8, 2020 9:41 AM  
**To:** [REDACTED]@celticbank.com>  
**Subject:** Potential Fraud

[REDACTED]

What is the dollar amount of the potential fraud deals you have identified?

[REDACTED]  
*Chief Executive Officer*





268 S. State Street

| Suite 300

| Salt Lake City

| UT

| 84111

Tel:

Fax:

[REDACTED]  
[801 303 1912](tel:8013031912)

Web:

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## RE: For your review - BSA Training for Bank

---

**From:** [REDACTED]@celticbank.com>  
**To:** [REDACTED]@celticbank.com>  
**Cc:** [REDACTED]@celticbank.com>  
**Date:** Thu, 05 Nov 2020 10:40:02 -0700

Looks good. I am wondering about the need for the text highlighted in yellow...thoughts?

[REDACTED]  
*Chief Risk Officer*



268 S. State Street | Suite 300 | Salt Lake City | UT | 84111  
Tel: [REDACTED]  
Fax: [801 303 1930](tel:8013031930)

Web: <https://celticbank.com>



---

**From:** [REDACTED]@celticbank.com>  
**Sent:** Thursday, November 5, 2020 9:39 AM  
**To:** [REDACTED]@celticbank.com>  
**Cc:** [REDACTED]@celticbank.com>  
**Subject:** For your review - BSA Training for Bank

[REDACTED]

Attached is the training presentation I want to send to the Bank on what to do when they suspect questionable activity. Also, [REDACTED] and I went through the verbiage below I was considering as the body of the email. I want to get your final review and approval before sending everything together.

"During these unique times, with the majority of us working remotely, I wanted to provide some guidance and training materials to help you identify questionable activity during day to day operations, as well as provide my contact information for those of you whom I have not met yet. In the attached presentation, as well as context below, you will find an overview of what questionable activity may look like and what to do when you suspect it.

While Celtic Bank's participation in the Paycheck Protection Program provided emergency funding to small businesses throughout the Country, we have also seen an uptick in fraudulent and money laundering activities identified across the Bank and our Strategic Lending Partnerships. It is very important as Celtic Bank employees we do everything we can to protect our customers, as well as Celtic Bank from individuals attempting to gain access to the financial system to steal money or use us as a conduit to launder money. We have implemented processes and controls to protect the Bank from fraud and suspicious activity, but we will need everyone to be alert and conscientious of the documentation we review every day.

Questionable activity can happen at any stage during the lending process, from application to payments and payoffs. Some examples of this include:

- A false identity at application
- Altered/manipulated supporting documentation forms
- Large and/or unexpected continuous whole dollar payments and unusual requests for early payoffs followed by another application for a loan.

If at any point during the lending process you identify documentation that doesn't quite add up, receive a phone call from someone claiming they have had their identity stolen, or receive an email from an individual claiming to be the owner of a company that didn't authorize the application of a loan, please escalate immediately to a supervisor and to myself – [REDACTED] the BSA Officer for Celtic Bank] at [REDACTED]. If Compliance determines that questionable activity is identified, you will be asked to fill out a Questionable Activity Form "QAR form" (attached) and send it to [REDACTED]. If you and your manager believe questionable activity has already been identified, please fill out the QAR form and send it directly to [REDACTED].

As an ever-growing financial institution, we must be diligent in our efforts to come together and prevent fraud from affecting our customers and Celtic Bank.

Thank you,"

[REDACTED]

, CAMS

*Compliance Manager - BSA Officer*



268 S. State Street

| Suite 300

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| UT

| 84111

Tel:

Web:

<https://celticbank.com>



# RE: Emergency Management Committee : SBA WEBINAR ON PREVENTING PPP AND EIDL LOAN FRAUD

---

**From:** [REDACTED]@celticbank.com>  
**To:** [REDACTED]@utah.bank>  
**Date:** Wed, 12 Aug 2020 10:10:56 -0600

Seems a bit late for this guidance...horse has been out of the barn for a while now. Net fraud on all Celtic related loans is running just under 2% - well below the 10% to 12% estimated at various points along the way by the experts, but still a helluva lot of money (over \$10 billion if applied to all PPP loans).

[REDACTED]  
President/COO



268 S. State Street | Suite 300 | Salt Lake City | UT | 84111  
Tel: [REDACTED]  
Fax: [801 303 1959](tel:8013031959)

Web: <https://celticbank.com>



---

**From:** [REDACTED] via Utah Bankers Association [REDACTED]@ConnectedCommunity.org>  
**Sent:** Tuesday, August 11, 2020 3:47 PM  
**To:** [REDACTED]@celticbank.com>  
**Subject:** Emergency Management Committee : SBA WEBINAR ON PREVENTING PPP AND EIDL LOAN FRAUD

[Emergency Management Committee](#)

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SBA WEBINAR ON PREVENTING PPP AND EIDL LOAN FRAUD

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Aug 11, 2020 3:47 PM | [view attached](#)

[REDACTED]

Dear Lending Partner –

Please **join us this Thursday at 12:00 p.m. (Noon)** for a special webinar, presented to lenders on **Preventing PPP & EIDL Loan Fraud**. This will be presented by the SBA Office of Inspector General and SBA Office of Rural Affairs.

**Please join the webinar by opening the attachment and clicking on the link to join the live Microsoft Teams event.** The call in option is not available. For all questions, use the Q&A chat.


Stay safe!

██████████  
Lender Relations Specialist  
Utah District Office  
**U.S. Small Business Administration**  
██████████  
██████████ [@sba.gov](#)

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-----  
██████████  
President  
Utah Bankers Association  
Salt Lake City UT  
██████████  
-----

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From: [REDACTED]  
Sent: Fri 4/03/2020 2:14 PM (GMT-04:00)  
To: [REDACTED]@crossriver.com>, [REDACTED]  
[REDACTED]@crossriver.com>  
Cc:  
Bcc:  
Subject: RE: Manual Fraud Investigation for Large Deals

Whatever you guys feel is ok

From: [REDACTED]@crossriver.com>  
Sent: Friday, April 3, 2020 2:12 PM  
To: [REDACTED]@crossriver.com>; [REDACTED]@crossriver.com>  
Subject: FW: Manual Fraud Investigation for Large Deals

[REDACTED] & [REDACTED]

I suggested we talk because this will add additional costs to the program. He is looking to reposition his fraud department to this project. I think it will be money well spent in case there is fraud and we have to justify everything we did to minimize fraud. As we all know, there will be fraud rings going after these funds. If we set a minimum limit of between \$500K and \$1 million we should be able to justify.

[REDACTED]

From: [REDACTED]@pearlcatch.com>  
Sent: Friday, April 3, 2020 1:41 PM  
To: [REDACTED]@crossriver.com>  
Cc: [REDACTED]@pearlcatch.com>; [REDACTED]@crossriver.com>; [REDACTED]  
[REDACTED]@crossriver.com>  
Subject: Re: Manual Fraud Investigation for Large Deals

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He didn't. I think you need to first pick a minimum and then back it into the capacity and raise the threshold accordingly. We may be able to start with all files over 500k, be overwhelmed and have to kick it up to 2M. I don't think anyone knows your volume yet.



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On Fri, Apr 3, 2020 at 1:37 PM [REDACTED]@crossriver.com> wrote:

That is fine - what \$ amount did he suggest?

[REDACTED] SVP, Technology Chief Of Staff

Cross River

[REDACTED]@crossriver.com

[REDACTED]  
[crossriver.com](http://crossriver.com)

From: [REDACTED]@pearlcatch.com>

Sent: Friday, April 3, 2020 1:34 PM

To: [REDACTED]@crossriver.com>; [REDACTED]@pearlcatch.com>; [REDACTED]  
[REDACTED]@crossriver.com>; [REDACTED]@crossriver.com>

Subject: Manual Fraud Investigation for Large Deals

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[REDACTED] -- We just wrapped up a very helpful call with [REDACTED] re due diligence & eligibility rules for PPP customers.

One item that [REDACTED] suggested we discuss further is the prospect of having a more in depth fraud investigation (particularly on larger files) to prevent exploitation by fraud rings.

Let me know when it would make sense to hop on the phone to discuss further.

Thanks,

[REDACTED]



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*Chief Credit Officer/SVP Capital Markets*



   
525 Washington Blvd, 22nd Fl.  
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*Chief Executive Officer*

   
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