PRECEDENTIAL

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 25-2026

CELEBRITY OF SPRINGFIELD LLC,
Appellant
v.

UNITED STATES SMALL BUSINESS ADMINISTRATION;
ADMINISTRATOR UNITED STATES SMALL BUSINESS ADMINISTRATION

On Appeal from the United States District Court
for the District of New Jersey
(D.C. No. 2:23-cv-01720)
District Judge: Honorable William J. Martini

Submitted Under Third Circuit L.A.R. 34.1(a)
September 17, 2026

Before: HARDIMAN, BIBAS, and RENDELL, Circuit Judges

(Filed: September 18, 2026)

OPINION OF THE COURT

HARDIMAN, *Circuit Judge*.

As part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Congress established the Paycheck Protection Program (PPP or Program) to help keep small businesses afloat during the COVID-19 pandemic. The Program offered eligible businesses access to low interest loans, some of which could be forgiven. The Small Business Administration implemented the PPP and promulgated the Corporate Group Rule at issue in this appeal. To help ensure widespread access to PPP loans, the Corporate Group Rule capped the aggregate amount entities with shared majority ownership could borrow.

Celebrity of Springfield, LLC, a car dealership, was part of a corporate group that borrowed more than permitted under the Corporate Group Rule. Yet Celebrity argues that it was entitled to partial forgiveness up to the capped amount. We disagree. Neither the statutory nor regulatory language mandates partial forgiveness, and the SBA did not abuse its discretion or act arbitrarily in declining to grant partial forgiveness. So we will affirm the District Court's summary judgment for the SBA.

I

The SBA was created to "aid, counsel, assist, and protect, insofar as is possible, the interests of small-business concerns in order to preserve free competitive enterprise." *See*

15 U.S.C. § 631(a). To fulfill those goals, Congress delegated authority to the SBA to guarantee private loans—known as § 7(a) loans—to eligible businesses. 15 U.S.C. § 636(a). Apart from the vagaries of the appropriations process, § 7(a) loans are subject to certain "restrictions, limitations, and provisions." *Id.* Within those constraints, the SBA has authority to set other rules to fulfill its statutory mandate. *See, e.g.*, *id.* §§ 631, 633(d), 634(b)(6), (7). For example, though a loan applicant must be a "small business concern," the SBA is authorized to "specify detailed definitions or standards" to determine which businesses qualify. 15 U.S.C. § 632(a)(2)(A).

In establishing the Paycheck Protection Program, the CARES Act expanded the SBA's § 7(a) loan-guaranteeing authority. The Act states: "[e]xcept as otherwise provided" by statute, the SBA "may guarantee [PPP] loans under the same terms, conditions, and processes as a loan made [by the SBA] under" § 7(a). 15 U.S.C. § 636(a)(36)(B). The SBA is authorized to forgive PPP loans if the recipient used the borrowed funds for certain purposes, like payroll. *See* 15 U.S.C. § 636m. And the Act directs the SBA to "issue guidance and regulations" implementing the loan forgiveness authority. Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116–136 § 1106(k), 134 Stat. 281, 301 (2020) (codified at 15 U.S.C. § 636m(k)); *see also* 15 U.S.C. § 9012.

As noted, the focus of this appeal is the SBA's Corporate Group Rule. 85 Fed. Reg. 26324 (May 4, 2020). That Rule capped, at $20 million "in the aggregate," the amount of PPP loans that businesses "majority owned, directly or indirectly, by a common parent" could receive. *Id.* at 26325. It is the borrower's "responsibility" to comply with the cap and to "withdraw or request cancellation of any pending PPP loan application or approved PPP loan not in compliance with the limitation set forth in this rule." *Id.* "Failure by the applicant to do so," the rule warns, would "be regarded as a use of PPP funds for unauthorized purposes, and the loan will not be eligible for forgiveness." *Id.* The SBA adopted this rule to "promote the availability of PPP loans" to a larger number of borrowers and strike "an appropriate balance between broad availability of PPP loans and program resource constraints." *Id.*

To protect the Program's fiscal integrity, the SBA also instituted a review system for PPP borrowers seeking forgiveness. *See* 85 Fed. Reg. 33010, 33012–13 (June 1, 2020); *see also* 15 U.S.C. § 634(b)(6), (7), (11) (authorizing the SBA to conduct investigations and ensure compliance). If the agency determines that a borrower seeking forgiveness was not eligible to obtain a certain loan, it would deny forgiveness "in whole or in part, as appropriate." 85 Fed. Reg. at 33012.

In late 2020, Congress established a "second draw" program, which authorized the SBA to guarantee additional PPP loans to certain businesses that had obtained them. Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, 134 Stat. 1182, 2001–06 (2020) (adding 15 U.S.C. § 636(a)(37)). Such loans are guaranteed "under the same terms, conditions, and processes" as first-draw loans. 15 U.S.C. § 636(a)(37)(B). And eligibility for forgiveness operates "in the same manner" as the first round of loans. *Id.* § 636(a)(37)(J)(ii). The SBA then issued an interim final rule establishing the key terms of the "Second Draw Program." 86 Fed. Reg. 3712, 3712 (Jan. 14, 2021). The Corporate Group Rule continued to apply to the Second-Draw Program. *Id.* at 3716, 3720. But given the lower statutory maximum loan amount for second-draw loans ($2 million), this time the SBA lowered the corporate group limit from $20 million to $4 million. *Id.* at 3716; *see also* 15 U.S.C. § 636(a)(37)(C).

II

Celebrity of Springfield is a New Jersey car dealership owned by Thomas Maoli, who owns three other car dealerships and a real estate investment firm. All five of his LLCs applied for and received first-draw PPP loans. Mr. Maoli's four car dealerships also applied for and received second-draw loans, which were subject to the $4 million aggregate limit. *See* 86 Fed. Reg. at 3720. But when Celebrity of Springfield sought and obtained a loan of $2 million, the Celebrity Corporate Group had already received more than $3 million in second-draw loans. So the $2 million exceeded the $4 million cap by a little more than $1 million.

Throughout the loan application process, Maoli certified that he understood the Program's rules. Maoli signed the loan application and listed himself as "100%" owner of Celebrity of Springfield. And the loan agreement that Maoli signed stated that it was "subject to . . . all rules [and] regulations . . . implementing, interpreting, or otherwise governing" the Program. A.R. 52; *see also id.* ("Borrower hereby agrees, acknowledges, and understands that the amount of principal and accrued interest which may be forgiven shall be determined in accordance with the PPP Rules.").

About ten months after exceeding the cap, Celebrity of Springfield sought loan forgiveness for its $2 million loan. The SBA denied the application, explaining that because the loan violated the Corporate Group Rule, "forgiveness in the amount of $0.00 is appropriate." App. 29–30. Celebrity filed an administrative appeal, which was also denied. The SBA offered two reasons for its decision: (1) the Corporate Group

Rule made Celebrity ineligible for the loan in the first place; and (2) even if it had discretion to decide whether to forgive the loan, it would not do so here.

Unsatisfied, Celebrity of Springfield sued the SBA in federal court. While acknowledging that it had violated the Corporate Group Rule, Celebrity maintained that it was entitled to forgiveness of the portion of its loan that did not exceed the $4 million aggregate limit. It argued that the SBA's denial contravened its statutory and regulatory authority and was arbitrary and capricious, all in violation of the Administrative Procedure Act. After the parties filed cross-motions, the District Court granted summary judgment to the SBA. Celebrity timely appealed.

III[1]

Celebrity does not dispute that it violated the Corporate Group Rule, which states that if a borrower fails to withdraw or request cancelation of a loan in excess of the corporate group limit, "the loan will not be eligible for forgiveness." 85 Fed. Reg. at 26325. Nevertheless, Celebrity contends that the SBA should have forgiven its loan up to the statutory limit for two

---

[1] The District Court had subject matter jurisdiction under 28 U.S.C. § 1331. We have jurisdiction under 28 U.S.C. § 1291. We review the District Court's summary judgment de novo, applying the same standard under Rule 56(a) of the Federal Rules of Civil Procedure. *See Kelly v. Borough of Carlisle*, 622 F.3d 248, 253 (3d Cir. 2010). We review the SBA's decision for whether it is "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law." 5 U.S.C. § 706(2)(A).

reasons, neither of which we find persuasive.

A

Celebrity first asserts that the CARES Act or its regulations require partial forgiveness. We agree with Celebrity that "the CARES Act is silent as to the question of partial forgiveness in the context of a group maximum having been exceeded." Celebrity Br. 12.[2] So the text of the CARES Act neither compels nor precludes the SBA from forgiving Celebrity's second-draw loan. Citing the CARES Act's "fundamental purpose," Celebrity suggests that "absurd results" would result from failure to forgive the portion of its loan that it might have properly borrowed had it followed the rules. Celebrity Br. 13–14. There are two problems with this argument. First, a vague notion of statutory purpose cannot conjure a requirement that the SBA forgive Celebrity's loan when, as Celebrity concedes, the CARES Act does not address the circumstances this case presents. Second, we reject that it would be absurd to deny loan forgiveness to a company that failed to comply with the legal rules for obtaining the loan in the first place.

Nor do the regulations that implement the CARES Act mandate partial forgiveness. The Corporate Group Rule states

---

[2] Celebrity correctly observes that the SBA can forgive loans "in various amounts up to the principal amount." Celebrity Br. 14 (citing 15 U.S.C. § 636m(d)(1)). But the SBA's power to partially forgive loans in other circumstances (like if a borrower uses loaned funds for impermissible expenses) does not *require* the SBA to grant Celebrity partial forgiveness under these circumstances. *See, e.g.*, 15 U.S.C. §§ 636(a)(37)(J)(iii), 636m(b), 636m(d)(2)–(7).

that if a borrower fails to withdraw or request cancelation of a loan in excess of the corporate group limit, "*the loan will not be eligible for forgiveness*." 85 Fed. Reg. at 26325 (emphasis added). As the highlighted text indicates, it is clear that once the SBA determined that Celebrity's second-draw loan was ineligible, the SBA could deny forgiveness.

Celebrity points to other regulations and guidance that the SBA has promulgated. Among those regulations is one that contains a list of Frequently Asked Questions, including: "If SBA determines that a borrower is ineligible for a PPP loan, can the loan be forgiven?" The response:

> No. If SBA determines that a borrower is ineligible for the PPP loan, SBA will direct the lender to deny the loan forgiveness application. Further, if SBA determines that the borrower is ineligible for the loan amount or loan forgiveness amount claimed by the borrower, SBA will direct the lender to deny the loan forgiveness application in whole or in part, as appropriate. SBA may also seek repayment of the outstanding PPP loan balance or pursue other available remedies.

85 Fed. Reg. at 33012. Celebrity latches on to the statement that "SBA will direct the lender" and says that this "mandatory" language "requir[es] the SBA to grant partial forgiveness in cases (such as this case) in which partial forgiveness is 'appropriate.'" Celebrity Br. 16 (emphasis omitted). But recall that violation of the Corporate Group Rule states that "the loan will not be eligible for forgiveness." 85 Fed. Reg. at 26325. That more specific regulation carries more weight than the general language Celebrity relies on and

suggests that it would not be "appropriate" to grant Celebrity even partial loan forgiveness. *See Long Island Care at Home, Ltd. v. Coke*, 551 U.S. 158, 170 (2007) (usually "the specific governs the general" in a statutory scheme); *see also* Antonin Scalia & Bryan A. Garner, *Reading Law: The Interpretation of Legal Texts* 183–88 (2012). Simply put, though this FAQ contemplates partial loan forgiveness in some hypothetical scenarios, that does not mean the SBA had to partially forgive Celebrity's loan when it violated the Corporate Group Rule.

Moreover, Celebrity takes the phrase "will direct the lender" out of context. The full phrase provides: "SBA will direct the lender to deny the loan forgiveness application in whole or in part, as appropriate." 85 Fed. Reg. at 33012. The qualifier "as appropriate" does a lot of work here and Celebrity never explains why partial forgiveness was "appropriate," much less required, in this case. As the ALJ explained, the phrase "gives SBA discretion to allow forgiveness of the ineligible loan 'as appropriate' or suitable or compatible with the CARES Act. And, that exercise of discretion is for SBA to make, not the borrower." App. 40. As discussed, the CARES Act conferred broad discretion on the SBA to promulgate rules and regulations for the PPP's implementation, including the Corporate Group Rule. And as explained above, there was no statutory mandate in the CARES Act that required partial forgiveness here.

Celebrity also interprets SBA Procedural Notice Control No. 5000-20078 to require partial loan forgiveness. Celebrity highlights this language: "[i]f the lender or SBA, as applicable, determines a borrower was ineligible for any portion of its loan amount, forgiveness will be denied for the ineligible portion and the borrower must begin making payments on the remaining loan amount." App. 57. Although that statement can be read to imply that forgiveness might be granted for the eligible portion of a loan, it does not authorize the rest of the loan to be forgiven. *See also* App. 56 ("A borrower may not receive loan forgiveness for any amount that exceeds the correct maximum loan amount permitted by statute for that borrower."). And other language from the Notice clarifies that partial forgiveness is not required, and indeed, is not allowed under these circumstances: "If SBA determines in the course of its review that the borrower was ineligible for the PPP loan based on the provisions of the CARES Act, SBA rules or guidance available at the time of the borrower's loan application, or the terms of the borrower's PPP loan application" then "*the loan* will not be eligible for loan forgiveness." *Id.* n.2 (citing 85 Fed. Reg. 38306) (emphasis added). Read as a whole, the Procedural Notice does not require partial loan forgiveness under these circumstances either, even assuming that it bound the SBA.

In sum, neither the text of the CARES Act nor its corresponding regulations compelled the SBA to partially forgive the loan Celebrity obtained in violation of the Corporate Group Rule.

B

Celebrity next argues that if the SBA had discretion to determine whether it was "appropriate" to partially forgive Celebrity's loan, it abused its discretion in denying Celebrity's request. Recall that the SBA offered two reasons for its decision: (1) that the Corporate Group Rule made the loan ineligible for forgiveness; and (2) even if the SBA had discretion to decide whether to forgive the loan, it would not do so here. The first, if true, cannot be an abuse of discretion. Agencies should follow their own rules, and that is what the

SBA did here: the Corporate Group Rule bars forgiveness of loans that exceed the cap, and the SBA rightly determined that the Rule applied. *See, e.g.*, *United States v. Nixon*, 418 U.S. 683, 695 (1974) ("So long as this regulation remains in force the Executive Branch is bound by it, and indeed the United States as the sovereign composed of the three branches is bound to respect and to enforce it."); *Leslie v. Att'y Gen.*, 611 F.3d 171, 175 (3d Cir. 2010) (reciting "the long-settled principle that rules promulgated by a federal agency that regulate the rights and interests of others are controlling upon the agency"). In following its own rules, the SBA did not abuse its discretion.

The SBA's explanation for why, even if it had discretion, it was appropriate to deny Celebrity's forgiveness application was reasonable too. Celebrity's error was not minor: it borrowed over $1 million beyond the $4 million cap and then applied for forgiveness of the entire $2 million loan. Celebrity's only explanation was that it was not "aware" and simply "lost track" of the corporate group's loan. App. 40. The SBA, with reason, found it "concerning" that Celebrity, asking for "millions" in aid "from the public trust, would not inform itself of all requirements for eligibility" and seemingly could "not responsibly keep track of the amounts of loans" it had received. App. 41. Celebrity Corporate Group had already "received 4 First Draw loans and 3 Second Draw loans" and for each loan "it had to certify on the PPP loan application that it met the eligibility requirement." *Id.* So, the ALJ concluded, the notion that Celebrity did not know about the Corporate Group Rule suggested, at best, "an incredible lack of responsibility and good faith." and at worst "that it may have falsely certified to the contrary." *Id.* And the claim that Celebrity had "lost track," the ALJ further concluded, "suggest[ed] a high degree of negligence, carelessness, and lack of responsibility in record-keeping." *Id.* Celebrity denies acting in bad faith, but even accepting Celebrity's denial, the fact remains that it could not keep track of its own loans and follow the rules. Given these explanations, the SBA's decision to deny forgiveness was "within a zone of reasonableness." *FCC v. Prometheus Radio Project*, 592 U.S. 414, 423 (2021).

We hold that even if the SBA had discretion over Celebrity's application, it did not abuse that discretion or act arbitrarily in denying Celebrity's request to forgive a loan it had obtained in violation of the SBA's rules.

***

For the reasons stated, we will affirm the District Court's summary judgment.

Thomas A. Gentile
WILSON ELSER
Counsel for Appellant

John F. Basiak, Jr.
Matthew J. Mailloux
OFFICE OF THE U.S. ATTORNEY
FOR THE DISTRICT OF NEW JERSEY

Adam C. Jed
UNITED STATES DEPARTMENT OF JUSTICE
CIVIL DIVISION

Counsel for Appellee