SBA Procedural Notice

TO: All SBA Employees	**CONTROL NO.**: 5000-1227
SUBJECT: Credit Alert Verification Reporting System (CAIVRS) and SOP 50 10 5(D)	**EFFECTIVE**: 11-21-2011

Description of the Credit Alert Verification Reporting System (CAIVRS)

CAIVRS was implemented in 1988 as a Federal Housing Administration (FHA) loan origination aid. In 1989, the Office of Management and Budget (OMB) mandated that Federal credit agencies prescreen all applicants to assure they were not delinquent on other Federal debt. In 1990, CAIVRS was expanded to include delinquent Federal borrower data from agencies other than FHA, including the Department of Agriculture, Department of Veterans Affairs, Small Business Administration, Federal Deposit Insurance Corporation, Department of Education and the Department of Justice. In 2004, CAIVRS became available through the internet.

CAIVRS is used to determine if a loan applicant has a Federal debt that is currently in default or foreclosure or has had a claim paid by the reporting agency within the last three years.

SOP 50 10 5(D) Requirement

SOP 50 10 5(D), Subpart B, Chapter 2, which became effective October 1, 2011, added the following procedure for delegated 7(a) lenders to follow:

> "Delegated lenders are responsible for checking the Credit Alert Verification Reporting System (CAIVRS) to determine if any of the individuals or businesses identified in paragraph (4) immediately above has either a Delinquent Federal Debt or a Prior Loss which would result in the Small Business Applicant being ineligible for SBA financial assistance.
>
> (a) CAIVRS allows the lender to enter multiple tax id numbers (either SSN or EIN) to search for an outstanding Delinquent Federal Debt or Prior Loss in connection with a loan application.
>
> (b) Lenders may obtain instructions for accessing CAIVRS at http://www.hud.gov/offices/hsg/sfh/sys/caivrs/caivrs_faq.cfm."

Paragraph (4) referenced in the previous paragraph lists the following groups as being subject to a CAIVRS review:

> "These rules apply to:
>
> (a) The Small Business Applicant;

(b)   Any business in which an Associate of the Small Business Applicant owned, operated or controlled a business that incurred the Delinquent Federal Debt or caused the Prior Loss;

(c)   Any business controlled by the same person(s) who controls/controlled the business that incurred the Delinquent Federal Debt or caused the Prior Loss;

(d)   Any Associate of the Small Business Applicant who has (or guaranteed) a Delinquent Federal Debt or caused a Prior Loss (either directly or as a guarantor); and

(e)   Any guarantor who has (or guaranteed) a Delinquent Federal Debt or caused a Prior Loss (either directly or as a guarantor)."

The same procedures were added to Subpart C, Chapter 2 for PCLP-CDCs.

In order to give delegated lenders and PCLP-CDCs enough time to sign up for and include CAIVRS in their approval process, SBA is giving delegated lenders and PCLP-CDCs until December 31, 2011, to meet the SOP requirements to use CAIVRS for 7(a) and 504 loans processed under delegated authority. Instructions to sign-up for and use CAIVRS are attached to this notice.

Although CAIVRS may not identify all federal "delinquent debt" or "prior losses," it is a good resource, especially for "delinquent debt." Other sources to identify federal "delinquent debt" and/or "prior losses" include credit bureau reports as well as the borrower's loan application.

Reminder:

Only SBA approved 7(a) lenders or Certified Development Companies (CDCs) are permitted to sign up for CAIVRS to identify possible delinquent debt associated with their 7(a) or 504 loan applications. Loan packagers are not recognized as SBA approved lenders and therefore cannot have access to CAIVRS through SBA.

Questions

Questions regarding this notice should be directed to the lender relations specialist in the local SBA field office. The local SBA field office may be found at www.sba.gov/about-offices-list/2.

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Steven J. Smits
Associate Administrator
 Office of Capital Access

SBA Form 1353.3 (4-93) MS Word Edition; previous editions obsolete
Must be accompanied by SBA Form 58

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Instructions to Sign Up for and Use CAIVRS

The only way to access CAIVRS is through an FHA Connection.

If the lender is FHA-approved, it can use CAIVRS for SBA loans as well.

If the lender is not FHA-approved, the following are the steps to register:

Step 1: Coordinator User ID

First, **identify a "Coordinator."**   This person will be responsible for updating the system for other individuals the Lender chooses to have access CAIVRS.

There must be at least one, but no more than two, coordinators for each lending institution. You must register under the name of the lending institution.

You will need your Lender **EIN number** (tax id) to register for a User ID and password to gain Internet access to CAIVRS. **Do not enter any dashes or spaces in the EIN number.**

Go to https://entp.hud.gov/caivrs/public/home.html. (This link will direct the reader to the "**USING CAIVRS**" menu for non-**FHA** approved lenders.)

On the first page, choose "**Lending Institutions**."   Do NOT choose "Government Agencies."

Select: Registration for Lender User ID.

Follow the instructions at the top of the page to obtain a Coordinator's ID.

Register as a **Coordinator**. (DO NOT register as both a coordinator and a standard user.)

Enter into the "Lender ID field" the **Lender's EIN number (tax ID). (Do not add dashes, spaces or zeroes to either side of the EIN in an attempt to create a 10 digit number.)**

For the **Agency/Program field,** select Small Business Administration.

If the application is rejected and the message is "Invalid Lender ID or Agency," you may contact kristi.harris@sba.gov. SBA may have to enter information about the Lender into the HUD CAIVRS system database in order for you to proceed further.

If the application is accepted: You should receive an e-mail stating that your request for a CAIVRS User ID was processed successfully. A letter **containing your User ID** will be sent from the FHA Connection security application to the **CEO of the lender by U.S. Mail**. **This may take a week to ten days.** There is no way to expedite this process**.**

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If the CEO of your company has not received a message containing your Coordinators ID in the U.S. Mail within two weeks of your registration, send an e-mail to SFADMIN@hud.gov, advising them that you have not received your "Coordinator ID."

You must include:
- your name;
- your social security number;
- the Lender's EIN number (tax id); and
- your mother's maiden name.

The FHA Connection help desk will assist you.

Step 2: Process to Submit CAIVRS Inquiries by a Coordinator

After a Coordinator ID has been issued, the following steps are to be followed by the **Coordinator:**

Go to the "USING CAIVRS" page and select "Lender User Administration."

Login:
- Enter your User ID found in the letter that you received from FHA Connection into the **User Name** window;
- Enter the password that you chose when you registered into the **Password** window;
- Press **submit**.

When the FHAC Lender User Administration screen appears:
- Enter your **User ID** into the window "User IDs;"
- Press **submit**.When your profile page appears, find and verify that the box for CAIVRS Prescreening Authorization has been checked. (The CAIVRS Prescreening Authorization box will need to be checked for each user, including the Coordinator, before being authorized to perform a CAIVRS Prescreening.)

*Please note: You only need to verify your user id authorization this one time.

Return to the **USING CAIVRS** menu:

- Select **CAIVRS Prescreening** option.
- Enter your **User ID** and **Password** into the "pop up box."
- **This is the place where you enter the tax id numbers for the small businesses (EIN) and the owners/guarantors (SSN). Limit of 5 per inquiry screen.**
- Enter your Lender EIN number (tax id). (**Do not enter any dashes or spaces in the EIN number.)**
- For the **Agency**, select Small Business Administration.
- Press send.

- Then proceed with prescreening up to five (5) social security numbers (individuals) or EIN numbers (businesses) to obtain the CAIVRS Confirmation code(s). The results will be printable on your local computer.

Step 3: Process for Coordinator to Add Additional Lender Employees (Standard Users) to the CAIVRS System

Employee Step:

Employee(s) goes to the "Using CAIVRS" main screen and click on "Registration for Lender User ID."

For "application type," choose **User**.

Fill in all the requested information.

Again, the Lender ID is the Lender EIN Number (no spaces or other additions).

Agency: Select **Small Business Administration**.

Organization Name: Lender's Name.

Once completed, click on "Send Application" at the bottom of the screen.

This is an overnight process.

Coordinator Step:

No sooner than the following day, **the coordinator must** go to the USING CAIVRS page, and select Lender User Administration.

Login by entering your User ID.

Enter your password.

Press **submit**.

When the **FHAC Lender User Administration** screen appears:

    Select "**By ID Status"**
    Then select "**All IDs"**
    Press submit.
    A list of IDs will appear.
    Select each individual by clicking on the ID number.

When an individual's profile page appears:

- **Assign a CAIVRS role (Standard User)**

- **Find and check the box for <u>CAIVRS Prescreening Authorization</u>**
  (The <u>CAIVRS Prescreening Authorization</u> box will need to be checked for each user, including the Coordinator, before being authorized to perform a CAIVRS Prescreening.)

- **Provide the system-issued user ID to each employee** who has a registration request pending once the coordinator approves the employee to have access to CAIVRS.

(Note: Coordinators must also **terminate the User ID of employees** who no longer need access to the FHA Connection. If a coordinator is leaving the position, it would be best for the current FHA Connection coordinator to go to "Lender User Administration" and change an existing employee's User ID from "Standard User" to "Coordinator" before the current coordinator leaves the position.   When the current coordinator no longer needs access, the new coordinator must terminate the previous coordinator's User ID.)

Step 4: Process to Submit CAIVRS Inquiries by a Standard User

Once an FHA Connection User ID and Password has been issued to a Standard User, the Standard User then goes to https://entp.hud.gov/caivrs/public/home.html to submit CAIVRS inquiries.

This will bring up the **USING CAIVRS** menu.

- Select **CAIVRS Prescreening** option.

- Enter your **User ID** and **Password** into the "pop up box."

- Enter your Lender EIN number (tax id). (**Do not enter any dashes or spaces in the EIN number.**)

- For the **Agency**, select Small Business Administration.

- Then proceed with prescreening up to five (5) social security numbers (individuals) or EIN numbers (businesses) to obtain the CAIVRS Confirmation code(s). The results will be printable on your local computer.

<u>Passwords</u>

FHA Connection passwords are good for **21** days and <u>must be reset before they expire</u>.

Passwords must be <u>exactly 6</u> characters, are case sensitive, and must contain <u>at least one letter and one number</u>.

To reset your password, go to the "Using CAIVRS" screen. Choose "Lending Institutions."

Then click on "Password Change."

After changing your password, reboot your PC. (PCs have a tendency to hold your old ID/Password, and the server that houses the FHA Connection security module sometimes takes 15 to 20 minutes to recycle. **Make sure that you do not check the "Remember My Password" box.)**

Coordinators have the authority to reset user passwords from the user id profile screen. Coordinators can reset passwords of FHA Connection Users if the User is locked out because it has been more than 21 days.

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