



U.S. Small Business
Administration



PPP Guaranty Purchase, Charge-Off & Lender Servicing Responsibilities

SBA Procedural Notice 5000-812316

SBA Procedural Notice- 5000-812316

What are a Lender's Servicing Responsibilities for PPP loans?

PPP Lenders are required to:

- Keep an accurate record of the loan under its control (not with agent)
- Collect and apply loan and forgiveness payments
- Submit separate monthly SBA Form 1502 report that include loan status
- Document all loan modifications, including changes of ownership
- Issue a decision to SBA when a borrower submits for forgiveness within 10 months of the covered period



Lenders must service PPP loans until they are fully forgiven or paid in full or, in the event of a default or other qualifying event, until SBA purchases the guaranty and charges off any uncollectable remaining balance. Lenders should work with the borrower to seek forgiveness at the end of the borrower's loan forgiveness covered period or in the event of a default or other qualifying event, must request simultaneous guaranty purchase and charge off in accordance with the procedures discussed further below.

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What are a Lender's Servicing Responsibilities for PPP loans?

If borrower does not submit a forgiveness application within 10 months of the end of the covered period, or if the PPP loan is partially forgiven or forgiveness is denied in full:

- Borrower must make payments in accordance with the note
- Lender must continue servicing loan until it is paid in full or SBA purchases the guaranty
- If the borrower becomes more than 60 days past due, Lender should make demand for payment in full and submit request for guaranty purchase; charge off through Platform

If a balance remains, the principal reduction must be reported on SBA Form 1502 before lender submits a guaranty purchase request

If borrower does not receive full forgiveness and Lender receives any post-purchase payments from the borrower, Lender must send the payments to SBA via Pay.Gov (<https://www.pay.gov/>) using payment code 172

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If the Borrower Files Bankruptcy...

- PPP borrowers remain eligible to apply for forgiveness
- Lender must provide SBA notice of filing, file proof of claim and monitor bankruptcy (except Chapter 7 or if the loan has been fully forgiven)
- At the time the Lender requests guaranty purchase and charge-off, the Lender must provide SBA with the Notice of bankruptcy filing



PPP loans are 100% guaranteed and unsecured, SBA does not expect Lenders to take action in the bankruptcy proceeding beyond filing a proof of claim. SBA considers filing the proof of claim to be a nominal administrative cost prior to filing the request for purchase. SBA does not reimburse for administrative costs. At the time the Lender requests guaranty purchase and charge-off, the Lender must provide SBA with the Notice of bankruptcy filing. If SBA has purchased the loan, Lender must send any subsequent recoveries received from the bankruptcy to SBA via Pay.Gov (<https://www.pay.gov/>) using the payment code 172. Generally, SBA does not anticipate a need for lenders to incur expenses related to litigating the loan; however, SBA will honor litigation plans approved by SBA prior to the date of this Notice. *Effective the date of this Notice, SBA will not approve any additional litigation plans.*

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When May a Lender Request Simultaneous Guaranty Purchase and Charge-Off?

Lender may request simultaneous guaranty purchase and charge-off from SBA when the borrower:

- Is 60 days or more past due on scheduled loan payments and default has not been cured
- Is Permanently closed, does not plan to submit a forgiveness application
- Has Filed for Chapter 7 bankruptcy protection
- Has filed for Chapter 11, 12, 13 bankruptcy and at least 60 days has elapsed from the end of the deferment period, or any time after an order is entered confirming a plan, if the plan does not provide for payment of 100% of the underlying debt;
- In the case of self-employed individuals, sole proprietors, single-member LLCs, or independent contractors, the owner is deceased



Lenders are expected to apply the same procedures for late payments that they would for their own conventional portfolio. This includes notice and demand to the borrower when the borrower becomes delinquent. When SBA charges off a loan, SBA will refer borrowers to the Treasury for collection and offset.

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When May a Lender May Request Guaranty Purchase without Charge-Off?

Lender may request guaranty purchase without charge-off when:

- The borrower or any owner of 20% or more of the borrower, has been indicted for or convicted of a felony related to the PPP loan; or
- If the borrower has filed an appeal with the Office of Hearings and Appeals (OHA) for adjudication (program guidance), after the Lender has made a final decision to deny forgiveness. Lender may request guaranty purchase 60 days after the borrower has formally filed the appeal with OHA

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What Must a Lender do if a Borrower Submits a Forgiveness Application After the Lender Submitted a Request for Guaranty Purchase and Charge-Off to SBA?

- Lender must immediately withdraw request through the Platform and submit its forgiveness decision to SBA per PPP Loan Program Requirements
- If SBA has not completed the guaranty purchase and charge-off process, SBA will complete its review of the forgiveness decision prior to reviewing the guaranty purchase request
- If SBA has purchased the guaranty and charged off the loan, and if the borrower is eligible for forgiveness in any amount, SBA will apply the forgiveness payment to reduce the outstanding amount of the loan owed by borrower

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How do Lenders Submit Requests for Guaranty Purchase and Charge-Off?

- Lender of Record in the Platform/ETRAN makes request and follows instructions in the Platform
- If Lender made both First Draw and Second Draw loans, Lender may simultaneously request guaranty purchase for both PPP loans, if appropriate
- Lender will provide the principal balance and accrued interest and upload official transcript of account, which should be based on a pay-off date within 10 days from the date of guaranty purchase submission
- At the time of guaranty purchase, SBA will pay accrued interest through the payment deferment period plus up to a maximum of 120 days of additional interest due to payment default



Beginning July 15, 2021, the existing PPP Platform will be programmed to allow Lenders to submit requests for guaranty purchase and charge-off for individual PPP loans. The Platform also makes available Application Programming Interfaces (APIs) using an automated method. Additional guidance on how to use the Platform, including step-by-step instructions, will be posted to the Platform. The request for guaranty purchase and charge-off must be made by the Lender that owns the PPP loan at the time of purchase (Lender of Record in the Platform/ETRAN). Lender must resolve discrepancies with SBA prior to proceeding. At the time of guaranty purchase, SBA will pay accrued interest (interest that has not been paid either by the borrower or SBA) through the payment deferment period plus up to a maximum of 120 days of additional interest due to payment default, pursuant to 13 CFR 120.522(b).

What Documents to Submit For Purchase

How do Lenders Submit Requests for Guaranty Purchase?

Lender must retain and provide upon SBA request, copies of the following documents whichever is applicable, or Lender equivalent:

- Borrower Application Form(s) 2483, 2483-SD, 2483-C, or 2483-SD-C
- Supporting documentation submitted by borrower to confirm borrower's:
 - Average monthly payroll costs that were used to calculate the PPP loan amount
 - 25% revenue reduction for Second Draw Loans

If change of ownership not reported to SBA, Lender must provide details of the sale of the business and purchaser information and any other information requested by SBA



Additional Resources

Questions

Questions on purchase or charge-off of PPP loans:
PPPLoanPurchase@sba.gov