



# SBA Procedural Notice

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**TO:** All SBA Employees and Paycheck Protection Program Lenders

**CONTROL NO.:** 5000-20092

**EFFECTIVE:** February 10, 2021

**SUBJECT:** Revised SBA Paycheck Protection Platform Procedures for Addressing Hold Codes on First Draw PPP Loans and Compliance Check Error Messages on First Draw PPP Loans and Second Draw PPP Loans

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This Notice revises the guidance provided in SBA Procedural Notice [5000-20083](#), SBA Paycheck Protection Platform Procedures for Addressing Unresolved Issues on Borrower First Draw PPP Loans, effective January 26, 2021. The purpose of this updated Notice is to inform SBA employees and Lenders of new SBA Paycheck Protection Platform (platform) procedures to address (1) Second Draw Paycheck Protection Program (PPP) Loan guaranty applications where there is a Hold Code on the Borrower's First Draw PPP Loan, and (2) First Draw PPP Loan guaranty applications and Second Draw PPP Loan guaranty applications with Compliance Check Error Messages.

Under the CARES Act, PPP Lenders are deemed to have delegated authority to make and approve PPP loans without prior SBA review. After issuance of the SBA loan number, all First Draw PPP Loans made in 2020 were individually screened by an automated tool. The automated tool compared First Draw PPP Loan data against publicly available information and applied eligibility and fraud detection rules to identify anomalies and/or attributes that may indicate non-compliance with eligibility requirements, fraud or abuse. Additionally, after issuance of the SBA loan number, SBA performed data analytics, including reviewing information from the Department of Treasury Do Not Pay lists, and other analyses of the 2020 First Draw PPP Loan portfolio. The automated tool screening, data analysis, and other analyses resulted in the issuance of Hold Codes on certain 2020 First Draw PPP Loans.

In 2021, before issuance of an SBA loan number, SBA is conducting front-end Compliance Checks on Lender loan guaranty applications for new First Draw PPP Loans and Second Draw PPP Loans using a modified version of the automated screening tool and information from the Department of Treasury Do Not Pay lists. When an issue is identified, the Compliance Checks generate a Compliance Check Error Message. In many cases, the Hold Codes and the Compliance Check Error Messages identify the same issues.

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**EXPIRES: 2-1-22**

SBA Form 1353.3 (4-93) MS Word Edition; previous editions obsolete

Must be accompanied by SBA Form 58

As outlined in the Interim Final Rule for Second Draw PPP Loans, if information in SBA's possession indicates that the Borrower may have been ineligible for the First Draw PPP Loan it received or for the loan amount received by the Borrower, the Lender will receive notification from SBA when the Lender submits an application for guaranty of a Second Draw PPP Loan. See, 86 FR 3712, 3722 (January 14, 2021). The Lender will receive the notification through the platform and it will include information regarding the Hold Code(s) on the 2020 First Draw PPP Loan. When a Lender submits a loan guaranty application for a Second Draw PPP Loan where the 2020 First Draw PPP Loan has a Hold Code(s), the application will be moved automatically to a research status, and the platform will provide the Lender an opportunity to support the resolution of the outstanding 2020 First Draw PPP Loan Hold Code(s). Once resolved, these Second Draw PPP Loan guaranty applications will be automatically submitted into the next stage of processing and will not require re-entry by the Lender.

Similarly, when the Compliance Check for a 2021 First Draw PPP Loan or a Second Draw PPP Loan identifies an issue, the Lender will receive a notification through the platform that will include information regarding the Compliance Check Error Message(s). When a Lender submits a loan guaranty application for a 2021 First Draw PPP Loan or a Second Draw PPP Loan and a Compliance Check Error Message(s) is generated, the platform will provide the Lender an opportunity to support the resolution of the outstanding Compliance Check Error Message(s). Once resolved, these 2021 First Draw PPP Loan guaranty applications and Second Draw PPP Loan guaranty applications will be automatically submitted into the next stage of processing and will not require re-entry by the Lender.

SBA is providing Lenders with the following methods for assisting with the resolution of Hold Codes and Compliance Check Error Messages:

**1. Resolution of Hold Codes and Compliance Check Error Messages through Lender Certification (Delegated Authority)**

If a Lender receives one or more of the Hold Codes or Compliance Check Error Messages identified in **Table 1** below, those Hold Codes and/or Compliance Check Error Messages may be resolved through a Lender certification process. If the Lender elects to resolve the Hold Codes and/or Compliance Check Error Messages through the Lender certification process, the Lender must review **Table 1** for the examples of documentation and information that the Lender must obtain from the borrower in order to resolve the particular Hold Code or Compliance Check Error Message. If the loan guaranty application generated more than one Hold Code or Compliance Check Error Message, the Lender must resolve all Hold Codes and Compliance Check Error Messages before making the Lender certification. If there are any Hold Codes or Compliance Check Error Messages that require SBA resolution remaining after the Lender resolves the other Hold Codes or Compliance Check Error Messages, the Lender may make the Lender certification, but the loan will not be processed until all Hold Codes and Compliance Check Error Messages are resolved.

After the Lender has obtained, reviewed and retained in its file sufficient documentation to resolve all outstanding Hold Codes and/or Compliance Check Error Messages from **Table 1**, the Lender can go to the platform, where the Lender will be prompted onscreen from within

the platform to execute the certification. An Authorized Lender Official must complete the certification. The Authorized Lender Official will be required to certify as follows:

- Lender has obtained from the borrower and/or other sources, and has reviewed, all information and documentation necessary to resolve the issue(s) underlying each of the Compliance Check Error Message(s) and Hold Code(s) checked below:

Compliance Check Error Message #/Hold Code # and Description

- 501/1 Disqualifying Criminal History Identified/Criminal Record
  - 502/2 Disqualifying Bankruptcy Identified/Bankruptcy
  - 504/4 A Potential Match to Sanctions List Identified/Other Adverse Information (OFAC)
  - 505/5 Applicant Potentially Deceased/Potential Decedent Application
  - 506/6 Dormant Business Identified/Inactive Business
  - 507/7 Applicant Tax ID Discrepancy/Mismatch of TIN (EIN/SSN)
  - 508/8 Applicant Name Discrepancy/Mismatch of Entity Name (Individual or Company)
  - 509/9 Disqualifying Business Formation Date Identified/In Operation after February 15, 2020
  - 516/16 Large Number of Employees at Residential Location/Large Number of Employees at Residential Business Address
  - 546/46 Do Not Pay – Death Sources
  - 547/47 Do Not Pay – SAM
  - 548/48 Do Not Pay – TOP and CAIVRS
  - 549/49 Do Not Pay – TOP Education
- Except for any Compliance Check Error Messages or Hold Codes that require SBA resolution, the Lender has resolved all Compliance Check Error Message(s) and Hold Code(s) generated for this loan guaranty application.
  - The Compliance Check Error Message(s) and Hold Code(s) have been resolved in accordance with Paycheck Protection Program guidance.
  - Lender will retain the information and documentation supporting this certification in its files for the period required by Paycheck Protection Program document retention requirements. Lender will provide the information and documentation to SBA when Lender submits a forgiveness decision or guaranty purchase request, or upon SBA request, so that SBA can review the information and documentation in connection with a loan or lender review or a guaranty purchase review.
  - Lender acknowledges that SBA is allowing the loan guaranty application to proceed in reliance upon this certification.
  - I am an Authorized Lender Official and I am authorized to issue this certification on behalf of the Lender.

Upon submission of the Lender certification, and provided that there are no outstanding Hold Code(s) or Compliance Check Error Message(s) that require SBA resolution, the platform will automatically move the loan guaranty application to the next stage of loan processing.

**Lenders do not submit any documents to SBA at this time.**

If the Lender is unable or unwilling to resolve all of the Compliance Check Error Message(s) or Hold Code(s), except for those that require SBA resolution, the Lender must withdraw the loan guaranty application from the platform.

When a Lender resolves Hold Code(s) and/or Compliance Check Error Message(s) through the Lender certification process, the Lender must submit all information and documentation supporting the certification to SBA when the Lender submits a forgiveness decision or guaranty purchase request, whichever occurs first, or upon SBA request. If the Second Draw PPP Loan Lender is different than the First Draw PPP Loan Lender, and the Second Draw PPP Loan Lender resolves a Hold Code associated with the First Draw PPP Loan, the First Draw PPP Loan Lender will still be responsible for resolving the Hold Code at the time of loan forgiveness on the First Draw PPP Loan. The First Draw PPP Loan Lender may reach out to the Second Draw PPP Loan Lender or the borrower for information as to how the Second Draw PPP Loan Lender resolved the Hold Code on the First Draw PPP Loan.<sup>1</sup>

SBA's Office of Credit Risk Management (OCRM) will be reviewing random samples of loans where the Lender has submitted a Lender certification in support of a loan guaranty application. OCRM will review the information and documentation that the Lender was required to obtain, review and retain in support of the Lender certification. And, as part of its ongoing Lender oversight activities, OCRM will include in its loan file sampling those loans where the Lender submitted a Lender certification in support of a loan guaranty application that were not previously reviewed by OCRM as part of the prior random sample to ensure that appropriate information and documentation exists in the Lender's file.

## **2. Resolution of Hold Codes through SBA Review**

If the Lender's Second Draw PPP Loan guaranty application cannot be processed because there is a Hold Code on the First Draw PPP Loan that is identified in **Table 2** below, the platform will provide the Lender an opportunity to submit information and documentation into the platform to support the resolution of the outstanding First Draw PPP Loan Hold Code.

The Lender must resolve the Hold Code by submitting information and documentation through the platform for SBA review and resolution. Note: The platform reference guide titled "Unresolved Borrower Resolution Process for Second Draw PPP Loans" lists the Hold Codes that require SBA resolution and provides guidance as to the types of information and documentation that may assist with resolution. It is imperative that Lenders respond timely,

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<sup>1</sup> The Second Draw PPP Loan Lender remains responsible for providing to SBA, upon request, information and documentation supporting the Lender certification.

as SBA will need time to review the documentation to determine whether the Hold Code(s) can be resolved.

If SBA is able to resolve the Hold Code(s), the Second Draw PPP Loan guaranty application will be automatically submitted into the next stage of processing. If a Hold Code is resolved by SBA at this stage, the Hold Code will not require further SBA review at loan forgiveness.

If SBA is unable to resolve the Hold Code(s), SBA will not issue a loan number for the Second Draw PPP Loan.

### **3. Duplicate Loans and Multiple DUNS Issues**

SBA has controls in place to identify duplicate loans. (A borrower may receive only one First Draw PPP Loan and one Second Draw PPP Loan.) A Second Draw PPP Loan Lender may be notified of Hold Code 45 on the First Draw PPP Loan, which is identified as “Multiple DUNS Number.” Similar Compliance Check Error Messages may be generated on First Draw PPP Loans and Second Draw PPP Loans as follows: (1) “The supplied Tax ID is potentially already in use on another PPP loan;” or (2) “Only one PPP loan can exist with DUNS value.” The Lender must work with the borrower to determine whether the borrower has applied for and/or received a duplicate loan and after working with the borrower, contact SBA through the platform Inbox using the category: “Duplicate Loans and DUNS issues.”

### **4. Other Hold Codes Not Covered Above**

Some First Draw PPP Loans will have Hold Codes that cannot be resolved by the above processes. In those cases, the platform will display one of two messages as appropriate: (1) “Internal SBA Hold – Details Not Publicly Available,” or (2) “Internal SBA Hold that cannot be cleared at this time – Details Not Publicly Available.” For the “Internal SBA Hold – Details Not Publicly Available” message, the Lender may contact SBA through the platform Inbox to receive instructions on steps the Lender may take to assist SBA with resolution of the issue. For the “Internal SBA Hold that cannot be cleared at this time – Details Not Publicly Available” message, no further action can be taken by the Lender.

SBA will provide additional instructions in the user guide on the platform.

**TABLE 1: Resolution through Lender Certification (Delegated Authority)**

<b>Compliance Check Error Message</b>	<b>Hold Code</b>	<b>Description</b>
501	1	Disqualifying Criminal History Identified/Criminal Record
502	2	Disqualifying Bankruptcy Identified/Bankruptcy
504	4	Potential Match to Sanctions List Identified/Other Adverse Information (OFAC)
505	5	Applicant Potentially Deceased/Potential Decedent Application
506	6	Dormant Business Identified/Inactive Business
507	7	Applicant Tax ID Discrepancy/Mismatch of TIN (EIN/SSN)
508	8	Applicant Name Discrepancy/Mismatch of Entity Name (Individual or Company)
509	9	Disqualifying Business Formation Date Identified/In Operation After Feb 15, 2020
516	16	Large Number of Employees at Residential Location/Large Number of Employees at Residential Business Address
546	46	Do Not Pay - Death Sources
547	47	Do Not Pay – SAM
548	48	Do Not Pay - TOPS and CAIVRS
549	49	Do Not Pay - TOPS Education

Below is a list of the **Table 1** Compliance Check Error Messages and Hold Codes, an explanation of the Compliance Check Error Messages and Hold Codes, and examples of documentation that can be used to resolve the Compliance Check Error Messages and Hold Codes. Please note that these are examples only and do not represent a comprehensive list of documents and information needed to resolve the Compliance Check Error Messages and Hold Codes. For Hold Codes, if the Second Draw PPP Loan Lender is not the same as the First Draw PPP Loan Lender, the Lender should also obtain a copy of the SBA Form 2483 (Borrower Application Form) (or Lender’s equivalent) submitted by the borrower on the First Draw PPP Loan.

<b>Compliance Check Error Message/Hold Code</b>	<b>Explanation and Resolution Documentation Examples</b>
<b>501/1</b>	<b>Criminal Record identified in public records - Potential eligibility issue</b>  <b>Lender must obtain proof that the borrower (if an individual) and all individuals owning 20% or more of the equity of the borrower do not have a criminal record and/or obtain information and documentation explaining the criminal record:</b>

- a. If no criminal record exists:

Obtain a statement from each individual, signed and dated, confirming that no criminal record exists or a background report that demonstrates that no criminal record exists.

- b. If a criminal record exists:

Obtain a statement from the individual, signed and dated, that describes the specific charge, date of the offense, final disposition, and date of disposition and supporting Court documentation. This statement must show that the criminal record falls outside of the restrictions in the version of the SBA Form 2483 (Borrower Application Form) (Questions 5 and 6) (or lender's equivalent) and/or SBA Form 2483-SD (Second Draw Borrower Application Form) (Questions 4 and 5) (or lender's equivalent) submitted by the borrower.

**502/2 Bankruptcy identified in public records - Potential eligibility issue**

**Lender must obtain proof that either (a) the borrower and/or owners of 20% or more of the equity of the borrower never filed for bankruptcy, or (b) that the bankruptcy was discharged prior to the application date of the First Draw PPP Loan or Second Draw PPP Loan, whichever is applicable, or filed after the disbursement date of the First Draw PPP Loan, such as:**

- a. Court filings with filing date and discharge date (where applicable)
- b. Additional court correspondence
- c. Bankruptcy forms and documents
- d. If a Hold Code, loan transcript showing disbursement date for First Draw PPP Loan

**504/4 Potential Match to Sanctions List Identified/Other Adverse Information (OFAC)**

**The name of the borrower or one of the owners of the borrower has matched against the name of an individual or entity on an Office of Foreign Assets Control (OFAC) sanctions list. (<https://home.treasury.gov/policy-issues/office-of-foreign-assets-control-sanctions-programs-and-information>) – Potential eligibility issue**

**Lender must document in their file that they have searched all OFAC lists for the names of the borrower and all owners of the borrower. For any matches, the Lender must compare the information on the OFAC lists, including age, address, nationality, gender and any other information available from the OFAC lists, against the information provided by the**

**borrower and/or its owners to determine whether it is a true match or a false positive.**

**505/5 Owner or Principal of borrower, as entered in ETRAN or Paycheck Protection Platform, appears to be deceased in public records**

**Lender must obtain proof that each owner and principal is not deceased such as:**

- a. Identity affidavit
- b. Current proof of identity including SSN

**506/6 Borrower is no longer active according to Secretary of State filings or public records - Potential eligibility issue**

**Lender must obtain proof that the borrower was in operation as of February 15, 2020 AND at the time of the application for the First Draw PPP Loan or Second Draw PPP Loan, whichever is applicable, such as:**

- a. Secretary of State formation filing
- b. Filed copy of DBA documents
- c. 2020 Tax returns
- d. Filed 2019 Tax returns
- e. Current bank account statements
- f. Current business license verified by issuing municipal authority
- g. Current official entity verification certificate from state of registration
- h. Copies of paid invoices before & after February 15, 2020

**507/7 Tax ID of Borrower or Principal, as entered in ETRAN or Paycheck Protection Platform, appears to be inaccurate**

**Lender must obtain proof of correct TIN (EIN/SSN) such as:**

- a. Copy of 2019 Tax Return or other recently filed tax forms verifying the Name and Tax ID Number for the borrower or principal
- b. IRS EIN document
- c. Copy of SSN card

**508/8 Entity/Individual Name of Borrower or Principals, as entered in ETRAN or Paycheck Protection Platform, appears to be inaccurate**

**Lender must obtain proof linking borrower and principal names to TIN (EIN/SSN) such as:**

- a. Copy of 2019 Tax Return or other recently filed tax forms verifying the Name and Tax ID Number for the borrower or principal



- b. Filed copy of DBA documents
- c. Copy of Business License or State License Registration
- d. Individual's Driver's License or Official ID
- e. Copy of SSN card

**509/9 Public records indicate that borrower either came into existence after February 15, 2020 or business activity prior to February 15, 2020 was not detected - Potential eligibility issue**

**Lender must obtain proof that the borrower was in operation as of February 15, 2020 AND at the time of the application such as:**

- a. Secretary of State entity formation filing
- b. Filed copy of DBA documents
- c. Filed 2019 Tax returns
- d. Filed 2020 Tax Returns
- e. Bank account statements
- f. Business license verified by issuing municipal authority
- g. Copies of paid invoices before & after February 15, 2020.

**516/16 Borrower address entered in ETRAN is a Residential Address and Number of Employees >= 100**

**Lender must obtain proof either that (a) the borrower has an alternate business address that supports the number of employees; or (b) that the borrower's operations can be conducted from the current residential business address such as:**

- a. Proof of an alternate operating address such as a current utility bill, current lease/rental agreement, or mortgage note/mortgage statement, and an explanation of why the alternate operating address was not listed on the application form
- b. Signed statement by the borrower explaining how the borrower operations and number of employees can be supported from a residential address
- c. Payroll documentation validating number of employees
- d. Proof that the borrower address entered in ETRAN or Paycheck Protection Platform is not a residential address

**546/46**      **Owner or Principal of borrower, as entered in ETRAN or Paycheck Protection Platform, appears to be deceased - Potential eligibility issue**

**Lender must obtain proof that each owner and principal is not deceased such as:**

- a. Identity affidavit
- b. Current proof of identity including SSN

**547/47**      **Borrower appears to be on System for Award Management (SAM) Exclusion list - Potential eligibility issue**

**Lender must obtain proof that the borrower is not on the System for Award Management (SAM) Exclusion list such as:**

- a. Verification of ETRAN or Paycheck Protection Platform accuracy
- b. Documents validating business is not debarred  
Release of debarment

**548/48**      **TOP and CAIVRS - Borrower listed in Do Not Pay for delinquent or has defaulted on federal debt and caused a loss within past 7 years - Potential eligibility issue**

**Lender must obtain proof that the borrower has not defaulted on a direct or guaranteed business loan (including Federal disaster loans) from SBA or any other Federal agency and caused a loss to the government in the last 7 years, such as:**

- a. Screenshot of search on U.S. Department of Housing and Urban Development Credit Alert System (CAIVRS)
- b. Verification of ETRAN or Paycheck Protection Platform accuracy
- c. Current credit report(s)
- d. Proof of resolution

**549/49**      **Borrower listed in Do Not Pay for delinquent federal debt – Potential eligibility issue**

**Lender must obtain proof that the borrower is not delinquent on any federal debt, such as:**

- a. Verification of ETRAN or Paycheck Protection Platform accuracy
- b. Current credit report(s)
- c. Proof of resolution

**TABLE 2: Resolution through SBA Review**

<b>Hold Code</b>	<b>Description</b>
12	SBA Franchise Directory Review
15	Potential Ineligible Business Size
18	Aggregate Data Mismatch
21	Employee Count Threshold
24	Business Address is Currently Vacant
26	Cannabis – Marijuana/Cannabis Sales
28	Compliance - Debarred Businesses
29	Compliance - Defaulted SBA loan in the last 7 years
30	Compliance - DOL OFCCP Violations
31	NAICS 522 - Credit Intermediation
32	Payday Lender
33	Potential Affiliation Issue
34	Data Anomaly Issue
35	Research Duplicate 9 Digit Tax ID Issue
37	SBA - Potential Affiliation Issue
38	Foreign Country-related entities
39	State or Local Government
40	Eligibility - Lobbying

**Questions:**

Questions concerning this Notice may be directed to the Lender Relations Specialist in the local SBA Field Office, which can be found at <https://www.sba.gov/tools/local-assistance/districtoffices>.

John A. Miller  
Acting Associate Administrator  
Office of Capital Access