Second Draw PPP Loans

How to Resolve First Draw PPP Loan “Unresolved Borrowers” and Hold Codes

Procedural Notice to be Published Today Jan. 26th
PPP Loan Origination Processing

Reminder - PPP origination process effective Dec. 27, 2020:

• When a Lender first submits an origination application (Form 2483 or 2483-SD) into the Platform, SBA runs the application data through a validation process

• The validation process may return “validation messages” that require input from the Lender

• PPP Loan will not receive a Loan Number until validation messages have been cleared

• “Hold codes” are a type of validation message – Second Draw PPP loans will not be approved until First Draw hold codes are resolved
Lender Communications

- Beginning Wed., Jan. 27: SBA Paycheck Protection Platform (Platform) will:
  - Expand information available to Lenders to assist Lenders to clear hold codes
    - Hold codes – What they mean
    - Provide examples of documentation that may help clear hold codes
  - Reduce steps required to resolve hold codes (Lenders will not have to re-submit loans)

Note: Resolving hold codes will also make the processing of forgiveness applications faster
Second Draw PPP Loans & Unresolved Borrowers

What is an “Unresolved Borrower”? 

• An Unresolved Borrower is a borrower with a hold code on the First Draw PPP Loan

• SBA places a hold code in the Platform when SBA has information indicating the borrower may have been ineligible for:
  • First Draw PPP Loan (borrower not eligible at all - e.g. size)
  • Loan amount received - First Draw PPP

• When Lender submits a Second Draw PPP application to SBA, Lender will receive notification if an applicant has a hold code
Significance of Status as Unresolved Borrower

- **Only after** SBA issues a Loan Number:
  - Loan considered approved; and
  - Funds are reserved for the loan

- Second Draw Loan submissions for Unresolved Borrowers will not receive a Loan Number until all issues are resolved

- **Highly important** for Lenders to clear the unresolved issues as quickly as possible so that SBA may complete processing of the Second Draw application and issue the Loan Number
Platform Procedures Beginning Wed. Jan 27

Until Wed., Jan. 27th: Any submissions for Second Draw Loans to Unresolved Borrowers will be rejected and Lenders will have to re-submit

Beginning Jan 27th: SBA Platform will no longer reject Second Draw Loan applications for Unresolved Borrowers

Platform will:

• Indicate that these submissions have a hold code and the reasons why
• Provide examples of types of documentation that may assist with resolution
• Allow Lenders to submit documentation into the Platform to support resolution

Lenders should contact borrowers to request needed documentation

Once Lenders upload documentation to Platform, SBA will need time to review and determine whether the unresolved issues may be cleared
Platform Procedures Beginning Wed. Jan 27

Process for Resolving Hold Codes

• To address hold codes, Lenders must upload into Platform:
  • Documentation needed to resolve issues (examples provided in Platform)
  • Second Draw Application SBA Form 2483-SD or lender’s equivalent
• Lenders should upload First Draw Application SBA Form 2483 or lender’s equivalent – Not required but strongly encouraged
• When SBA determines that all issues are resolved:
  • Second Draw Loan applications will be automatically submitted into the next stage of processing
  • Lenders will not need to re-enter the application
• If borrower agrees the issue cannot be resolved – Lender must withdraw the application from the Platform
Additional Information

On Wed., Jan. 27:

• SBA will update the Platform to include hold code names and descriptions
• SBA staff will receive the same list with code names and descriptions
  (Not for distribution to the public or to entities who do not have access to the Platform)
Hold Code 7

Mismatch of TIN (EIN/SSN) - Tax ID of Borrower or Principal, as entered in ETRAN, appears to be inaccurate

- Please provide proof of correct TIN (EIN/SSN) such as:
  - Copy of 2019 Tax Return or other recently filed tax forms verifying the Name and Tax ID Number for the borrower or principal
  - IRS EIN document
  - Copy of SSN card
Code Name and Description Example

Hold Code 8

Mismatch of Entity Name (Individual or Company) - Entity/Individual Name of Borrower or Principals, as entered in ETRAN, appears to be inaccurate

- Please provide proof linking borrower and principal names to TIN (EIN/SSN) such as:
- Copy of 2019 Tax Return or other recently filed tax forms verifying the Name and Tax ID Number for the borrower or principal
- Filed copy of DBA documents
- Copy of Business License or State License Registration
- Individual's Driver's License or Official ID
- Copy of SSN card
Code Name and Description Example

Hold Code 9

In Operation After Feb 15, 2020 - 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

Please provide proof that the borrower was in operation as of February 15, 2020 AND at the time of the application such as:

• Secretary of State entity formation filing
• Filed copy of DBA documents
• Filed 2019 Tax returns
• Filed 2020 Tax Returns
• Bank account statements
• Business license verified by issuing municipal authority