



SBA Procedural Notice

TO: All SBA Employees and Paycheck Protection Program Lenders

CONTROL NO.: 5000-808216

EFFECTIVE: March 29, 2021

SUBJECT: Second Notice of Revised Procedures for Addressing Hold Codes and Compliance Check Error Messages on PPP Loans

This Notice revises the guidance provided in SBA Procedural Notice 5000-20092, “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” (First Revised Hold Code Notice). The purpose of this Notice (the Second Notice) is to inform SBA employees and Lenders of updated 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. Except as revised by this Second Notice, all other provisions of the First Revised Hold Code Notice remain in effect.

A. Interim Final Rule ([86 FR 13149](#)) Updates:

1. Disqualifying Criminal History Identified – Compliance Check Error Message #501

As outlined in the Interim Final Rule (IFR) on Revisions to Loan Amount Calculation and Eligibility ([86 FR 13149](#)), for loans approved on or after March 4, 2021, SBA has removed the eligibility restriction that prevents businesses with owners who have non-financial fraud felony convictions within the last year from obtaining PPP loans, provided that the owner is not presently incarcerated.

Going forward, SBA will remove Compliance Check Error Message #501 on a loan guaranty application, when SBA has identified that the reason for the Compliance Check Error Message is for non-financial fraud felony convictions, provided that the owner is not presently incarcerated. This change does not apply to Hold Code #1 (Criminal Record) because the eligibility change in the IFR is not retroactive.

2. Delinquent or Defaulted Federal Student Loan (Do Not Pay – TOP Education) – Compliance Check Error Message #549/Hold Code #49

In the same IFR, SBA removed the eligibility restriction that prevents businesses with owners who are delinquent or in default on their Federal student loans from obtaining PPP loans. Because this change is retroactive, SBA will remove Hold Code #49 and Compliance Check Error Message #549 for all applications and loans with no action required by the Lender.

For both A.1. and 2. above, if the only Hold Code or Compliance Check Error Message on the loan or loan guaranty application is #501 or #549/#49, the Lender will know that the Hold Code or Compliance Check Error Message has been removed when SBA issues a loan number for the First Draw PPP or Second Draw PPP Loan. Otherwise, the Lender will need to resolve any remaining Hold Code(s) or Compliance Check Error Message(s) in accordance with the First Revised Hold Code Notice, as revised by this Second Notice, before SBA will issue a loan number.

B. Refinements to Automated Screening

Using an analysis of historical data from previous manually-dispositioned loans with Hold Codes, SBA has obtained a validated machine learning scoring model that allows automated dispositioning of First Draw PPP Loans with Hold Codes that are at a minimal risk of noncompliance with eligibility requirements, fraud, or abuse. SBA intends to deploy this model, and expects that application of this model will result in a significantly reduced number of First Draw PPP Loans with Hold Codes.

In the interim, Lenders should continue resolving Hold Codes on First Draw PPP Loans in accordance with the First Revised Hold Code Notice, as revised by this Second Notice. If all Hold Codes on a First Draw PPP Loan are resolved in accordance with the First Revised Hold Code Notice, as revised by this Second Notice, SBA will issue a loan number on the Second Draw PPP Loan, regardless of whether the model has dispositioned the First Draw PPP Loan.

SBA is currently testing the model on a sample of 2021 First Draw PPP Loan and Second Draw PPP Loan applications and, once completed and validated, will begin applying the model to resolve Compliance Check Error Messages on new and existing 2021 applications. Lenders will know the model has been deployed to resolve a Compliance Check Error Message if SBA issues a loan number, but in the interim, Lenders should continue to resolve Compliance Check Error Messages in accordance with the First Revised Hold Code Notice, as revised by this Second Notice.

C. Updated Lender Certification

To encourage Lenders to continue to use the Lender Certification process to resolve Hold Codes and Compliance Check Error Messages on Table 1 of the First Revised Hold Code Notice, SBA is updating the Lender Certification process.

SBA is allowing Lenders to resolve Hold Codes and Compliance Check Error Messages by obtaining a written borrower certification along with supporting documentation of the type identified for each Hold Code or Compliance Check Error Message in the First Revised Hold Code Notice. Consistent with the borrower's application for a First Draw PPP Loan or a Second

Draw PPP Loan, the borrower's written certification must be signed under penalty of perjury and must attest to the accuracy of the certification and supporting documentation. After the Lender has obtained the borrower's written certification and supporting documentation to resolve all outstanding Hold Codes and/or Compliance Check Error Messages from Table 1 of the First Revised Hold Code Notice, the Lender may execute the updated certification within the Platform. The Lender must retain the borrower's written certification and supporting documentation in its file and must provide them to SBA as indicated in the Lender Certification. Consistent with the First Revised Hold Code Notice, Lenders may not resolve any Hold Codes that require SBA resolution (Table 2 of the First Revised Hold Code Notice).

In the Platform, the updated Lender Certification will appear as shown below.

An Authorized Lender Official must complete the certification and will be required to certify as follows:

- Lender has obtained a written borrower certification and supporting documentation as set forth in SBA Procedural Notice 5000-20092, as revised by SBA Procedural Notice 5000-808216, with respect to the issue(s) underlying each of the Compliance Check Error Message(s) and Hold Code(s) checked below. The Lender is relying on the borrower's written certification and supporting documentation to resolve the Hold Codes and/or Compliance Check Error Messages.

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
- Lender will retain the borrower's written certification and supporting documentation relied upon in making this certification in its files for the period required by Paycheck Protection Program document retention requirements.
 - Lender will provide the borrower's written certification and supporting documentation to SBA upon request.
 - I am an Authorized Lender Official and I am authorized to issue this certification on behalf of the Lender.

Consistent with the First Revised Hold Code Notice, 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. SBA is allowing the loan guaranty application to proceed in reliance upon the Lender's certification. Upon SBA's request, the Lender must submit the borrower's written certification and supporting documentation. Failure by a Lender to do so may result in denial of loan forgiveness (in whole or in part), denial of the guaranty (in whole or in part), or other remedies available under applicable law or regulation.

SBA strongly encourages Lenders to work with their applicants and borrowers to resolve Hold Codes and Compliance Check Error Messages as delegated lenders. Lenders can withdraw a loan guaranty application from the Platform in order to enable the applicant or borrower to pursue other options. SBA appreciates all the Lenders and their commitment to executing this program and facilitating much needed economic relief to small businesses and nonprofit organizations nationwide.

Questions

Questions concerning this Notice may be directed to the Lender Relations Specialist in the [local SBA Field Office](#).

Patrick Kelley
Associate Administrator
Office of Capital Access