



## **UNRESOLVED BORROWER RESOLUTION PROCESS FOR SECOND DRAW PPP LOANS**

If a First Draw PPP Loan is under review pursuant to PPP rules and/or 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 ("Unresolved Borrower").

If you received notice of an Unresolved Borrower due to one or more hold codes that exist on the borrower's First Draw PPP Loan, SBA will not issue a loan number for the Second Draw PPP Loan until the hold code(s) are cleared. To begin the resolution process, please review the information below listed by hold code, contact the applicant to request the necessary information and documentation, and submit the information and documentation to SBA following the instructions on the Paycheck Protection Platform.

Below is a list of hold codes and examples of documentation that will assist SBA in resolving the hold codes. Please note that these are examples only and do not represent a comprehensive list of documents and information needed to resolve the hold codes. Depending on the situation, additional information and documentation may be needed, and if so, SBA will notify you.

***For all requests to review Unresolved Borrower hold codes in connection with Second Draw PPP Loans, please submit a copy of the SBA Form 2483-SD Second Draw Borrower Application Form (or lender's equivalent). Please also obtain and submit a copy of the SBA Form 2483 (or lender's equivalent) from the First Draw Loan.***

### **CODE NAME AND DESCRIPTION**

**1**            **Criminal Record** - Criminal Record identified in public records - Potential eligibility issue

**Please provide 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 provide information and documentation explaining the criminal record:**

a. If no criminal record exists:

Provide 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:

Provide 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.

- 2**            **Bankruptcy** - Bankruptcy identified in public records - Potential eligibility issue
- Please provide 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 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. Loan transcript showing disbursement date
- 5**            **Potential Decedent Application** - Owner or Principal of borrower, as entered in ETRAN, appears to be deceased in public records.
- Please provide proof that each owner and principal is not deceased such as:**
- a. Identity affidavit
  - b. Current proof of identity including SSN
- 6**            **Inactive Business** - Borrower is no longer active according to Secretary of State filings or public records - Potential eligibility issue
- Please provide 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 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
- 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:**
- 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
- 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:**

- 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

**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:**

- 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.

**12** **SBA Franchise Directory Review** - Borrower identified as franchise in Etran but cannot be identified on Franchise Directory - Potential eligibility issue

**Please provide proof either (a) that the borrower is a franchise that is listed on the SBA Franchise Directory, or (b) that the borrower is not a franchise, such as:**

- a. SBA Franchise Identifier Code
- b. Evidence of operating agreements that demonstrate the business is not operating as a franchise

**15** **Potential Ineligible Business Size** - Based on information entered in ETRAN - Potential Ineligible Business Size for First Draw PPP Loan - Number of Employees > 500 – Potential eligibility issue

**Please provide proof of the borrower's size eligibility for the First Draw PPP Loan such as:**

- a. Form 941's – all four quarters in 2019
- b. Payroll tax data
- c. Payroll reports/documents
- d. If borrower (including affiliates) has more than 500 employees, explanation of why the borrower is eligible
- e. If borrower (including affiliates) has more than 500 employees, verification of NAICS code accuracy

- f. If borrower (including affiliates) has more than 500 employees, copies of most recent 3 years Federal Tax Returns

**16** **Large Number of Employees at Residential Business Address** - Borrower address entered in ETRAN is a Residential Address and Number of Employees  $\geq$  100

**Please provide 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 is not a residential address

**18** **Aggregate Data Mismatch** - Identification information provided in Etran cannot be verified or is found to be associated with a different entity or individual in public records - Potential eligibility issue

**Please provide proof linking borrower and principal's 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 and principals
- 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

**21** **Employee Count Threshold** - Employee Count indicative of concern – Potential eligibility issue

**Please provide proof of employee count and size eligibility for the First Draw PPP Loan such as:**

- a. Form 941's – all four quarters in 2019
- b. Payroll tax data
- c. Payroll reports/documents
- d. If borrower (including affiliates) has more than 500 employees, explanation of why the borrower is eligible
- e. If borrower (including affiliates) has more than 500 employees, verification of NAICS code accuracy
- f. If borrower (including affiliates) has more than 500 employees, copies of most recent 3 years Federal Tax Return

**24** **Business Address is Currently Vacant** - Borrower address provided in Etran is currently vacant

**Please provide proof either that (a) the borrower has an alternate business address that supports the active business; or (b) that the borrower's operations are being conducted from the current 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. Proof that the business address listed on the application is not vacant and business operations are being conducted there such as a current utility bill, current lease/rental agreement, or mortgage note/mortgage statement

**26** **Compliance - Marijuana/Cannabis Sales** - Borrower appears to be engaged in activities that are illegal under Federal law (e.g. marijuana/cannabis businesses), state or local law - Potential eligibility issue

**Please provide proof that the borrower is not engaged in the marijuana/cannabis business such as:**

- a. Description of the business activities
- b. Governing business documents; by-laws, partnership agreement, or corporate resolution
- c. Signed statement by borrower attesting that the business is not engaged in any activities that are illegal under Federal law (including marijuana or cannabis) or under state or local law
- d. Official corroborating documents such as Business License and/or State License Registration

**28** **Compliance - Debarred Businesses** - Borrower appears to be suspended or debarred from participation in Federal programs - Potential eligibility issue

**Please provide proof that the borrower is not debarred such as:**

- a. Documents validating business is not debarred
- b. Release of debarment

**29** **Compliance - Defaulted SBA loan in the last 7 years** - Borrower has defaulted and caused a loss on an SBA loan in the past 7 years - Potential eligibility issue

**Please provide proof that the borrower has not defaulted on a direct or guaranteed business loan (including Federal disaster loans) from SBA and caused a loss to the government in the last 7 years such as:**

- a. Current credit report(s)
- b. Proof of resolution

**30** **Compliance - DOL OFCCP Violations** - Borrower is suspended or debarred from participation in Federal programs - Potential eligibility issue

**Please provide proof that the borrower is not suspended or debarred from participation in Federal programs such as:**

- a. Evidence of Review/Complaint
- b. Copies of Investigation and Recommendations, if applicable
- c. Documents validating business is not debarred
- d. Release of debarment

**31 NAICS 522 - Credit Intermediation** - Borrower appears to be engaged in lending - Potential eligibility issue

**Please provide proof that the borrower is not involved in lending such as:**

- a. Verify NAICS Code
- b. Description of the business activities
- c. Governing business documents; by-laws, partnership agreement, or corporate resolution
- d. Tax Return
- e. Company Annual Report
- f. Company marketing information

**32 Payday Lender** - Borrower appears to be engaged in lending - Potential eligibility issue

**Please provide proof that the borrower is not involved in lending such as:**

- a. Verify NAICS Code
- b. Description of the business activities
- c. Governing business documents; by-laws, partnership agreement, or corporate resolution
- d. Tax Return
- e. Company Annual Report
- f. Company marketing information

**33 Potential Affiliation Issue** - Borrower appears to have affiliates. Borrower, combined with its affiliates, appears to exceed size standards.

**Please provide proof that the borrower is either (a) subject to a PPP affiliation exemption e.g., NAICS code 72, faith-based organization; or (b) combined with affiliates does not exceed applicable size standard, such as:**

- a. Addendum A or Faith-Based Addendum
- b. SBA Form 3511 Affiliation Worksheet (see Paycheck Protection Platform Resources page for form)

**34 Data Anomaly Issue – ETRAN data is incorrect**

**Please confirm accuracy of borrower information such as:**

- a. Correct inaccurate loan information in ETRAN Servicing
- b. Tax Return
- c. IRS Forms matching the name and TIN (such as Form 941)

**35**      **Research Duplicate 9 Digit Tax ID Issue** - Borrower appears to have more than one First Draw PPP Loan - Potential eligibility issue

**Please confirm accuracy of borrower information such as:**

- a. Verify borrower information with information in ETRAN Servicing
- b. Tax Return
- c. IRS Forms matching the name and TIN (such as Form 941)

**37**      **SBA - Potential Affiliation Issue** - Borrower appears to have affiliates. Borrower, combined with its affiliates, appears to exceed size standards.

**Please provide proof that the borrower is either (a) subject to a PPP affiliation exemption e.g., NAICS code 72, faith-based organization; or (b) combined with affiliates does not exceed applicable size standard such as:**

- a. Addendum A or Faith-Based Addendum
- b. SBA Form 3511 Affiliation Worksheet (see Paycheck Protection Platform Resources page for form)

**38**      **Foreign Country-related entities** - Borrower appears to be owned by a foreign government - Potential eligibility issue

**Please provide proof that the borrower is not owned by a foreign government such as:**

- a. Current tax return
- b. IRS tax filing
- c. Articles of Organization
- d. Secretary of State filing
- e. Provide proof that the Applicant is not a business concern or entity (a) for which an entity created in or organized under the laws of the People's Republic of China or the Special Administrative Region of Hong Kong, or that has significant operations in the People's Republic of China or the Special Administrative Region of Hong Kong, owns or holds, directly or indirectly, not less than 20 percent of the economic interest of the business concern or entity, including as equity shares or a capital or profit interest in a limited liability company or partnership; or (b) that retains, as a member of the board of directors of the business concern, a person who is a resident of the People's Republic of China. These entities are ineligible for Second Draw PPP Loans.

**39**      **State or Local Government** - Borrower appears to be a State or Local Government - Potential eligibility issue

**Please provide proof that the borrower is not a state or local government entity such as:**

- a. Current tax return
- b. IRS tax filing
- c. Articles of Organization/Incorporation
- d. Secretary of State filing

**40 Eligibility – Lobbying** - Borrower appears to be a Lobbyist - Potential eligibility issue

**Please provide proof that the borrower is not involved in lobbying such as:**

- a. CPA reviewed financial statements
- b. Tax return
- c. Borrower disclosure of sources/amounts of revenue

**46 Do Not Pay - Death Sources** - Owner or Principal of borrower, as entered in ETRAN, appears to be deceased - Potential eligibility issue

**Please provide proof that each owner and principal is not deceased such as:**

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

**47 Do Not Pay – SAM** - Borrower appears to be on System for Award Management (SAM) Exclusion list - Potential eligibility issue

**Please provide proof that the borrower is not on the System for Award Management (“SAM”) Exclusion list such as:**

- a. Verification of ETRAN accuracy
- b. Documents validating business is not debarred
- c. Release of debarment

**48 Do Not Pay - 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

**Please provide 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 accuracy
- c. Current credit report(s)
- d. Proof of resolution

**49 Do Not Pay - TOP Education** – Borrower listed in Do Not Pay for delinquent federal debt – Potential eligibility issue

**Please provide proof that the borrower is not delinquent on any federal debt, such as:**



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