

COMMENT LETTER

CBA Comment Letter re Unresolved PPP Issues

02/07/2021 • RICHARD HUNT



Dear Acting Administrator Perriello:

On behalf of the Consumer Bankers Association ("CBA"), its member banks and millions of small businesses across the country, I write to express deep concern over significant problems implementing this latest round of the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"), which continue to delay funds for a large portion of small businesses in desperate need of immediate relief and put some applicants in danger of not making the March 31st funding deadline. While we realize the SBA is under tremendous time constraints and is struggling with internal resource issues, our member banks are highly concerned by the lack of progress on major PPP processing issues, including hold/error codes and application rejections due to Taxpayer Identification Number ("TIN") issues/mismatches in addition to many unresolved technical problems with the current PPP process.

Nearly all of CBA's member banks participated in the PPP during the first round of funding. During that period, thirteen of the fifteen most active PPP lenders were CBA member banks who together served more than 1.3 million small businesses.

Hold Codes and Errors:

Issues with loan hold and error codes continue to be major hurdles for successful PPP funding. While the SBA has adjusted for possible resolution in its January 26th Procedural Notice 5000-20083, the process of identifying and resolving these issues is still difficult and time consuming, effecting as many as one third to one half of all applications. Despite

hold codes continue to significantly delay the funding of requests to businesses that have very pressing financial concerns.

We are finding many of the hold codes, when erroneous, are impossible to correct with the SBA because it requires a business to disprove a negative or there is no alternative documentation available (beyond the borrower's initial certification, which lenders are supposed to be able to rely upon) to correct these holds. Clearing them with the reporting agency (e.g., LexisNexis) can take 30 or more days, which would likely run beyond the March 31st expiration of the PPP Program – and the ability of the business to survive without the much-needed funds.

Members have informed that while the new hold codes in the January 26th Procedural Notice are helpful in identifying problems with the current first draw loans, the process of identifying and resolving these problems is overly burdensome for two primary reasons. First, the meaning of the specific code numbers is not automatically given, and lenders must manually refer to the "hold codes clearing-documentation list" to search for the meaning of the code or codes – a time consuming process. Second, there are currently 30 codes with some borrowers receiving multiple codes that must be resolved. Each code presents a substantial challenge to submit documentation to clear the code.

Due to the manual nature of the process, lenders are not able to scale and are forced to dedicate significant resources to resolving each application manually. These resources must be redirected from originating additional PPP loans. SBA could simplify the process by reducing the amount of error codes to those that cannot be addressed during forgiveness and automating the process so lenders are able to secure the meaning of error codes without manually searching for them in the documentation.

The entire PPP fraud-prevention paradigm, although well-meaning, goes far beyond the reliance upon borrower certifications and, where applicable supporting documentation, required by the initial and subsequent legislation. The SBA Inspector General has found cases of fraud in the initial round of PPP, largely in loans originated by non-bank lenders, but the solution to identifying fraud is, it appears, costing more in time and expense than the fraud itself would represent. SBA must find a balance in allowing banks to continue delivering emergency assistance to businesses quickly, as Congress intended, while ensure the integrity of PPP.

Taxpayer Identification Number Errors:

Taxpayer Identification Numbers ("TIN") format errors are also demanding heavy investment of lender resources to correct mismatching a social security number ("SSN") with an employer identification numbers ("EIN"), or vice versa. The issue occurs when a small business applies for a second loan using one number despite having applied for the first loan

business owners to have to wait more than two weeks without receiving funding for their second draw loan.

To fix this issue, we suggest the filter for validating EIN/Tax ID/SSN within the SBA system be turned off to allow these loans to be processed through and funded. Lenders can fix this issue on the backend at time of forgiveness. Banks have checked the TAXID format data transmitted to SBA in the prior PPP rounds and validated that the proper format and content was sent to SBA. Any discrepancy in SBA Servicing is in most cases a result of an error created by the SBA's own systems changing an EIN to SSN format, or vice versa. So long as the nine digits and ZIP code of the borrower for the second draw request match the SBA servicing system, second draw requests should be accepted and processed. The TAXID format issue can be corrected during the forgiveness process without holding up funds these small businesses need to survive.

CBA greatly appreciates the opportunity to share our concerns and looks forward to working with the SBA as it considers the implementation of PPP and works through issues related to its administration. Should you need further information, please do not hesitate to contact me directly at 202-552-6384 or rhunt@consumerbankers.com.

Sincerely,

Richard Hunt

President and CEO

Consumer Bankers Association

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