



# SBA Procedural Notice

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

**CONTROL NO.:** 5000-827666

**SUBJECT:** SBA Loan Reviews of Paycheck Protection Program Lender Partial Approval Forgiveness Decisions

**EFFECTIVE:** January 27, 2022

This Notice outlines a new process being implemented by SBA to allow Paycheck Protection Program (PPP) borrowers to request an SBA loan review of partial approval forgiveness decisions issued by their PPP Lenders.<sup>1</sup> The procedures in this Notice apply to loan forgiveness decisions submitted by Lenders to SBA through both the regular forgiveness process as well as the Direct Borrower Forgiveness process.

## Partial Approval Forgiveness Decisions

When a PPP Lender receives a forgiveness application from a borrower (either through the Lender's forgiveness process or the Direct Borrower Forgiveness process), the Lender must review the application and submit a forgiveness decision to SBA within 60 days of receipt of the forgiveness application. The Lender is required to submit its forgiveness decision to SBA through the Paycheck Protection Platform (Platform). When submitting its forgiveness decision, the Lender can choose the following categories to report the decision to SBA and request a forgiveness remittance:

- 1) Approved in Full – Lender approved in full the forgiveness amount requested by the borrower and the forgiveness amount requested by the Lender equals that amount. (This choice applies where the amount of forgiveness requested by the borrower is less than the amount of the loan, if the Lender approves the full amount of the borrower's request for partial forgiveness.)

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<sup>1</sup> Borrowers that have received full denial forgiveness decisions from their Lenders should continue to follow the process outlined in the Interim Final Rule on Loan Forgiveness Requirements and Loan Review Procedures as Amended by the Economic Aid Act (86 FR 8283, February 5, 2021), as amended.

- 2) Approved in Part – Lender did not approve the full forgiveness amount requested by the borrower and the forgiveness amount requested by the Lender is less than the forgiveness amount requested by the borrower.
- 3) Denied – Lender denied the entire forgiveness amount requested by the borrower.

In all cases where the Lender selects Approved in Part, the Lender must enter its own data in the Platform for each forgiveness line-item for which it determined a different amount than the amount on the borrower's loan forgiveness application. (Lenders are reminded that the PPP loan amount entered in the Platform should always match the approved loan amount in SBA's ETRAN system and should not be manually changed to a different amount.) SBA uses the forgiveness line-item amounts entered by the Lender to verify the calculations and facilitate the final forgiveness payment to the Lender and associated interest calculation. See, [SBA Procedural Notice 5000-20038](#), Procedures for Lender Submission of Paycheck Protection Program Loan Forgiveness Decisions to SBA and SBA Forgiveness Loan Reviews (issued July 23, 2020).

While SBA receives the borrower's signed loan forgiveness application form (either directly from the borrower or through the Lender) before forgiveness remittance, SBA does not request supporting documentation unless SBA selects the loan for an SBA loan review. Additionally, when a Lender issues a partial approval forgiveness decision to SBA, the borrower does not have a right to appeal to the SBA Office of Hearings and Appeals (OHA) unless SBA selects the loan for an SBA loan review and issues an appealable final SBA loan review decision.<sup>2</sup>

### **New Process for Borrower Requests for SBA Loan Review of Partial Approval Forgiveness Decisions**

Under the Interim Final Rule on Loan Forgiveness Requirements and Loan Review Procedures as Amended by the Economic Aid Act ([86 FR 8283](#), February 5, 2021), as amended (Forgiveness and Loan Review IFR), SBA may review any PPP loan of any size at any time in SBA's discretion. SBA has received inquiries from borrowers that have received partial forgiveness of their PPP loans because (1) their Lender issued a partial approval decision to SBA on the borrower's loan forgiveness application, or (2) their Lender required the borrower to apply for forgiveness in an amount less than the full amount of the PPP loan. As a result of these inquiries, SBA has decided to allow borrowers that received a partial approval decision from their Lender that they do not agree with, or were required by their Lender to apply for forgiveness in an amount less than the full amount of the PPP loan, to request, through their Lender, an SBA loan review of their loan.

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<sup>2</sup> See, Final Rule on Borrower Appeals of Final SBA Loan Review Decisions Under the Paycheck Protection Program ([86 FR 51589](#), September 16, 2021).

## **Required Lender Notifications of Borrower's Right to Request SBA Loan Review**

When SBA remits a forgiveness payment to the Lender, the Lender is required to notify the borrower of the remittance within 5 business days of receipt. If the Lender issued a partial approval decision to SBA and SBA remits the full amount approved by the Lender, the Lender's notification to the borrower must include the Lender's partial approval decision, including the reason(s) why the Lender approved forgiveness in part but not in full. See, [SBA Procedural Notice 5000-20077](#), Paycheck Protection Program Borrower Resubmissions of Loan Forgiveness Applications Using Form 3508S, [Lender Notice Responsibilities to PPP Borrowers, and Offset of Remittances to Lenders for Lender Debts](#) (issued January 15, 2021) (Lender Responsibilities Notice). Lenders are reminded that if SBA did not select the PPP loan for an SBA loan review and thus did not issue a final SBA loan review decision, the Lender's notification to the borrower must not indicate that SBA issued a loan review decision and must not indicate that the borrower may appeal the Lender's decision to OHA, because the borrower has no such appeal right to OHA in this circumstance.

Starting from the effective date of this Notice, when a Lender receives a forgiveness remittance from SBA on a partial approval decision, including where the Lender required the borrower to apply for forgiveness in an amount less than the full amount of the loan, the Lender's post-forgiveness remittance notification must inform the borrower that the borrower has 30 calendar days from receipt of the notification to seek, through the Lender, an SBA loan review of the Lender's partial approval decision. Within 5 calendar days of a Lender's receipt of a borrower's timely request for an SBA loan review, the Lender must notify SBA through the Platform. The Lender's notice to SBA of the borrower's timely request for review must include a copy of the Lender's notice to the borrower of the reason(s) for the Lender's partial approval decision. SBA reserves the right to review the Lender's decision in its sole discretion.

***If SBA selects the loan for an SBA loan review as a result of the borrower's request, the borrower must continue to make payments on the remaining balance of the loan and the loan is not deferred.*** (While a timely OHA appeal of a final SBA loan review decision extends a deferment of loan payments, SBA's granting of a borrower's request for an SBA loan review of a partial forgiveness decision is not an OHA appeal and payments are not deferred during the SBA loan review or any subsequent appeal thereof.)

Additionally, within 30 calendar days of the date of this Notice, Lenders must notify all of their borrowers on loans that previously received a partial forgiveness remittance from SBA as a result of Lender partial approval decisions, including where the Lender required the borrower to apply for forgiveness in an amount less than the full amount of the PPP loan, that the borrower has 30 calendar days from receipt of the Lender notification to seek, through the Lender, an SBA loan review of the Lender's partial approval decision. Within 5 calendar days of the Lender's receipt of a borrower's timely request for an SBA loan review, the Lender must notify SBA through the Platform. The Lender's notice to SBA of the borrower's timely request for review must include a copy of the Lender's prior notice to the borrower of the reason(s) for the Lender's partial approval decision. SBA reserves the right to review the Lender's partial approval decision in its

sole discretion. If SBA selects the loan for an SBA loan review as a result of the borrower's request, the borrower must continue to make payments on the remaining balance of the loan and the loan is not deferred.

SBA will be providing Lenders with additional guidance to be posted in the Platform, including step-by-step instructions, which will describe the process for Lenders to notify SBA through the Platform of a borrower's request for an SBA loan review of a Lender's partial approval decision.

### **SBA Loan Reviews of Lender Partial Approval Forgiveness Decisions**

When SBA, in its sole discretion, selects a loan for an SBA loan review as a result of a borrower's request on a Lender's partial approval decision, the Lender will receive a notice that SBA is reviewing the loan. The SBA loan review will be conducted in accordance with the procedures in the Forgiveness and Loan Review IFR. Under the [Forgiveness and Loan Review IFR](#), when performing a loan review, SBA may review borrower eligibility, PPP loan amounts and use of proceeds, and loan forgiveness amounts. Borrowers should be aware that if SBA undertakes a loan review at the borrower's request, SBA may determine that the borrower is entitled to forgiveness in an amount less than what the Lender decided (including zero if, for example, the borrower is determined to be ineligible for the PPP loan), an amount more than what the Lender decided, or the same amount as the Lender decided.

When SBA completes a borrower-requested loan review of a Lender's partial approval decision, SBA may send a final SBA loan review decision to the Lender as outlined in the next section of this Notice. Any final SBA loan review decision that is appealable to OHA by the borrower will include a notice of the borrower's right to appeal the decision in accordance with SBA's Final Rule on Borrower Appeals of Final SBA Loan Review Decisions Under the Paycheck Protection Program. ([86 FR 51589](#), September 16, 2021).

### **SBA Forgiveness Payment Remittances as a Result of Partial Approval Loan Reviews**

If SBA determines, as a result of the SBA loan review, that the borrower is entitled to forgiveness in an amount greater than the Lender's partial approval decision and SBA has previously remitted a partial forgiveness payment to the Lender, SBA will remit an additional forgiveness payment to the Lender to make up the difference. SBA will issue an additional Notice of Paycheck Protection Program Forgiveness Payment (Payment Notice) to the Lender. If the SBA loan review results in a higher forgiveness amount, but less than full forgiveness, SBA will also issue a final SBA loan review decision to the Lender. The Lender must provide a copy of the Payment Notice and, if applicable, the final SBA loan review decision, to the borrower within 5 business days of the remittance and comply with applicable requirements of the Lender Responsibilities Notice.

***If a borrower has begun making payments on their loan and the SBA loan review results in full forgiveness, the Lender must refund all payments made by the borrower.***

***If the SBA loan review results in a higher forgiveness amount, but less than full forgiveness, the lender must re-amortize the PPP loan and refund any excess payments made by the borrower.***

If SBA determines, as a result of the SBA loan review, that the borrower is entitled to forgiveness in an amount equal to the partial forgiveness amount previously remitted to the Lender, SBA will issue a Payment Notice to the Lender confirming that the SBA loan review has resulted in no change to the previous remittance amount. Within 5 business days of receipt of the confirming Payment Notice from SBA, the Lender must provide the borrower with a copy of the confirming Payment Notice, and comply with applicable requirements of the Lender Responsibilities Notice.

If SBA determines, as a result of the SBA loan review, that the borrower is entitled to forgiveness in an amount less than the partial forgiveness amount previously remitted by SBA to the lender, SBA will issue a final SBA loan review decision to the Lender. Upon receipt of the final SBA loan review decision, the Lender must comply with the requirements of the Lender Responsibilities Notice. Additionally, the Lender must remit to SBA the excess amount of the forgiveness payment previously made by SBA and re-amortize the PPP loan to account for the difference.

### **Lender Dialogue with Borrowers Encouraged**

As noted in the Forgiveness and Loan Review IFR, when reviewing a borrower's forgiveness application, if a Lender identifies errors in the borrower's calculation or material lack of substantiation in the borrower's supporting documents, the Lender should work with the borrower to remedy the issue. Lenders are encouraged to work with borrowers that have requested an SBA loan review of a partial approval decision to determine whether the borrower and the Lender can come to a resolution of the issue(s) that resulted in the partial approval, if appropriate. If, as a result of this process, the Lender determines that the borrower is entitled to forgiveness in an amount that exceeds the amount requested in the borrower's original forgiveness application, the Lender must obtain from the borrower a signed corrected PPP Loan Forgiveness Application (SBA Form 3508, 3508EZ, 3508S, as applicable, or lender's equivalent) and supporting documentation (if required). Upon receipt of the signed corrected forgiveness application and supporting documentation, the Lender may submit a forgiveness payment correction request to SBA through the Platform. The forgiveness payment correction request must include the signed corrected forgiveness application and supporting documentation and an explanation of the Lender's reasons for requesting the forgiveness payment correction. SBA will review the forgiveness payment correction request and determine, in SBA's sole discretion, whether to grant the request.

Lenders are encouraged to work with borrowers that received partial approval decisions to allow for maximum flexibility in repayment of the remaining balance of the loan. Lenders should consult [SOP 50 57 2](#), 7(a) Loan Servicing and Liquidation, for applicable SBA Loan Program Requirements regarding loan modifications, including extensions of maturity.

**Questions:**

Lenders may call the Lender Hotline at (833) 572-0502 for live assistance regarding Paycheck Protection Platform access and support, policy questions and procedures, and Capital Access Financial System (CAFS) and SBA's Electronic Transmission (E-Tran) systems support.

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

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