

Frequently Asked Questions (FAQs) on the Small Business Administration's Paycheck Protection Program – June 10, 2020

What is the Paycheck Protection Program (PPP)?

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law.¹ The CARES Act created a new program administered by the Small Business Administration (SBA) called the PPP. On April 2, 2020, the SBA issued an [interim final rule](#) (IFR) regarding the PPP. The CARES Act authorized the SBA to guarantee \$349,000,000,000 in loans under the program. The IFR states, “The intent of the Act is that SBA provide relief to America’s small businesses expeditiously, which is expressed in the Act by giving all lenders delegated authority and streamlining the requirements of the regular 7(a) loan program.” On April 16, 2020, the SBA announced it was no longer accepting applications, as all of the authorized funding had been fully committed. On April 24, 2020, the Paycheck Protection Program and Health Care Enhancement Act was signed into law, which authorized an additional \$310,000,000,000 for guarantees of PPP loans.² The SBA and the Treasury Department subsequently [announced](#) the SBA would resume accepting PPP loan applications on April 27, 2020 at 10:30 AM. For more information on the PPP, refer to the [SBA website](#) or the [Treasury Department website](#).

My bank has never participated in SBA lending programs. Can my bank make loans through the PPP program?

The IFR states “All SBA 7(a) lenders are automatically approved to make PPP loans on a delegated basis. The Act provides that the authority to make PPP loans can be extended to additional lenders determined by the Administrator and the Secretary to have the necessary qualifications to process, close, disburse, and service loans made with the SBA guarantee.” Refer to the IFR for a list of lenders that have been determined to have the necessary qualifications to process, close, disburse, and service PPP loans. Such lenders will need to submit a SBA [Form 3506](#) to the SBA’s email box DelegatedAuthority@SBA.gov to participate in advancing PPP loans. Financial institutions can find more information about [becoming a lender](#) on the SBA’s website.

What if a financial institution experiences liquidity constraints when using the SBA PPP program?

The FDIC understands that financial institutions may have significant near term demand for this SBA product, which could impact liquidity as institutions draw on available or alternative funding sources to fund these loans. The FDIC will not criticize financial institutions that experience short-term reductions in liquidity or use alternative funding sources to meet demand for SBA PPP loans when they are administered in a prudent manner.

Will legal lending limits apply to SBA PPP loans?

Generally, the portion of a loan guaranteed by a U.S. government agency is excluded when calculating legal lending limits. Reviewing applicable state laws regarding legal lending limitations would enable financial institutions to confirm the most accurate method for determining legal lending limits.

¹ Coronavirus Aid, Relief, and Economic Security Act, Public L. No. 116-136, 134 Stat. 281 (Mar. 27, 2020).

² Paycheck Protection Program and Health Care Enhancement Act, Public L. No. 116-139 (Apr. 24, 2020).

What is the regulatory capital treatment of a covered loan as defined under Section 1102 of the Act?

Under section 1102(a)(2)(A)(ii) and (iii) of the CARES Act, a “covered loan” means a loan made under the PPP described in this section of the Act during the period beginning on February 15, 2020 and ending on June 30, 2020. Under section 1102(a)(2)(O) of the CARES Act, 15 U.S.C. 636(a)(2)(O), a covered loan shall receive a 0 percent risk weight for purposes of calculating a financial institution’s risk-based capital requirements. Under the existing regulatory capital requirements, a covered loan is included in a financial institution’s average total consolidated assets for purposes of calculating the leverage capital ratio.

What are the regulatory capital effects of PPP loans funded through the Federal Reserve Board’s PPP lending facility?

The FDIC, FRB, and OCC, issued an interim final rule that neutralizes the regulatory capital effects of PPP loans funded through the Federal Reserve’s PPP lending facility. This treatment is similar to the treatment extended previously by the agencies in connection with the Federal Reserve’s Money Market Mutual Fund Liquidity Facility. More information is available at <https://www.fdic.gov/news/news/press/2020/pr20050a.pdf>.

Will loans originated under the PPP receive CRA Credit?

In most cases, yes. According to existing examination guidance as well as the March 19, 2020 [Joint Statement on CRA Consideration for Activities in Response to the COVID-19](#), when consistent with safe and sound banking practices and applicable law, loans that benefit small businesses and small farms impacted by COVID-19 serve the long-term interest of those communities and the financial system. Generally, loans to for-profit businesses in amounts of \$1 million or less are considered small business loans in CRA evaluations and will be considered as such under the lending test. Additionally, PPP loans to small businesses could receive consideration as innovative or flexible lending practices. Generally, loans to businesses greater than \$1 million to small businesses that create or retain jobs would qualify as community development loans under economic development if the loans create or retain jobs or under revitalization/stabilization if they benefit primarily low- and moderate-income areas or distressed middle-income areas.

When I use the SBA’s portal, I am prompted to submit an authorization code. What is this code?

The SBA has confirmed that the four digit “Authorization Code” is the local SBA District Office Code. Here is a list of those authorization codes, which can be found by clicking on the embedded hotlink at https://web.sba.gov/pro-net/search/dsp_search-help.cfm?goto=sbaoffice as follows:

“Enter the four digit code corresponding to the SBA Office servicing area where you want the firm to reside. If you indicate that 8(a), SDB or HUBZone certification is required, the MED area will be used instead. This feature is intended primarily for use by SBA Offices and the MED program offices, to find small businesses in the areas they service. Entering a code that doesn’t exist will result in no firms meeting your search criteria. To show/hide the current, existing codes, click this hotlink.”

Code	SBA District Office
0100	BOSTON REGIONAL OFFICE
0101	MASSACHUSETTS DISTRICT OFFICE
0130	SPRINGFIELD BRANCH OFFICE
0150	VERMONT DISTRICT OFFICE
0156	CONNECTICUT DISTRICT OFFICE
0165	RHODE ISLAND DISTRICT OFFICE
0172	MAINE DISTRICT OFFICE
0189	NEW HAMPSHIRE DISTRICT OFFICE
0200	NEW YORK REGIONAL OFFICE
0202	NEW YORK DISTRICT OFFICE
0206	ELMIRA BRANCH OFFICE
0219	ROCHESTER BRANCH OFFICE
0235	MELVILLE BRANCH OFFICE
0248	SYRACUSE DISTRICT OFFICE
0252	PUERTO RICO/USVI DIST OFFICE
0296	BUFFALO DISTRICT OFFICE
0299	NEW JERSEY DISTRICT OFFICE
0300	PHILADELPHIA REGIONAL OFFICE
0303	PHILADELPHIA DISTRICT OFFICE
0304	RICHMOND DISTRICT OFFICE
0316	HARRISBURG BRANCH OFFICE
0318	WILKES BARRE BRANCH OFFICE
0325	CHARLESTON BRANCH OFFICE
0341	DELAWARE DISTRICT OFFICE
0353	WASHINGTON DISTRICT OFFICE
0358	PITTSBURGH DISTRICT OFFICE
0373	BALTIMORE DISTRICT OFFICE
0390	WEST VIRGINIA DISTRICT OFFICE
0400	ATLANTA REGIONAL OFFICE
0405	GEORGIA DISTRICT OFFICE
0438	GULFPORT
0455	SOUTH FLORIDA DISTRICT OFFICE
0457	KENTUCKY DISTRICT OFFICE
0459	ALABAMA DISTRICT OFFICE
0460	NORTH CAROLINA DISTRICT OFFICE
0464	SOUTH CAROLINA DISTRICT OFFICE
0470	MISSISSIPPI DISTRICT OFFICE
0474	TENNESSEE DISTRICT OFFICE
0491	NORTH FLORIDA DISTRICT OFFICE
0500	CHICAGO REGIONAL OFFICE
0507	ILLINOIS DISTRICT OFFICE
0508	MINNESOTA DISTRICT OFFICE
0515	MICHIGAN DISTRICT OFFICE
0517	SPRINGFIELD BRANCH OFFICE
0545	CINCINNATI BRANCH OFFICE
0547	MARQUETTE BRANCH OFFICE
0549	CLEVELAND DISTRICT OFFICE
0562	INDIANA DISTRICT OFFICE
0563	WISCONSIN DISTRICT OFFICE
0593	COLUMBUS DISTRICT OFFICE
0600	DALLAS REGIONAL OFFICE

Code	SBA District Office
0610	DALLAS / FT WORTH DISTRICT OFFICE
0637	CORPUS CHRISTI BRANCH OFFICE
0639	LOWER RIO GRANDE VALLEY DISTRICT OFFICE
0669	ARKANSAS DISTRICT OFFICE
0671	HOUSTON DISTRICT OFFICE
0677	EL PASO DISTRICT OFFICE
0678	LUBBOCK DISTRICT OFFICE
0679	LOUISIANA DISTRICT OFFICE
0680	OKLAHOMA DISTRICT OFFICE
0681	SAN ANTONIO DISTRICT OFFICE
0682	NEW MEXICO DISTRICT OFFICE
0700	KANSAS CITY REGIONAL OFFICE
0709	KANSAS CITY DISTRICT OFFICE
0721	SPRINGFIELD BRANCH OFFICE
0736	CEDAR RAPIDS BRANCH OFFICE
0761	DES MOINES DISTRICT OFFICE
0766	NEBRASKA DISTRICT OFFICE
0767	WICHITA DISTRICT OFFICE
0768	ST. LOUIS DISTRICT OFFICE
0800	DENVER REGIONAL OFFICE
0811	COLORADO DISTRICT OFFICE
0875	NORTH DAKOTA DISTRICT OFFICE
0876	SOUTH DAKOTA DISTRICT OFFICE
0883	UTAH DISTRICT OFFICE
0885	MONTANA DISTRICT OFFICE
0897	WYOMING DISTRICT OFFICE
0900	SAN FRANCISCO REGIONAL OFFICE
0912	SAN FRANCISCO DISTRICT OFFICE
0914	LOS ANGELES DISTRICT OFFICE
0920	SANTA ANA DISTRICT OFFICE
0931	SACRAMENTO DISTRICT OFFICE
0942	FRESNO DISTRICT OFFICE
0944	NEVADA DISTRICT OFFICE
0951	HAWAII DISTRICT OFFICE
0954	SAN DIEGO DISTRICT OFFICE
0988	ARIZONA DISTRICT OFFICE
0995	GUAM BRANCH OFFICE
1000	SEATTLE REGIONAL OFFICE
1013	SEATTLE DISTRICT OFFICE
1084	ALASKA DISTRICT OFFICE
1086	PORTLAND DISTRICT OFFICE
1087	BOISE DISTRICT OFFICE
1094	SPOKANE BRANCH OFFICE
5466	FIELD INFO TECHNOLOGY SPECIALISTS
5770	GRANTS MANAGEMENT BRANCH
5771	CONTRACTS BRANCH
5880	CENTRALIZED TRAINING
5881	BENEFITS, PAYROLL / PERSONNEL SYSTEMS
5990	ADMINISTRATIVE INFORMATION BRANCH
5991	FACILITIES MANAGEMENT BRANCH

[04/24/2020] Are small businesses owned by directors and equity shareholders of PPP-approved lenders eligible to receive a PPP loan?

Yes, according to the SBA, small businesses owned by directors and shareholders with less than a 30 percent interest in a PPP-approved lender can obtain PPP loans from the PPP lender with which they are associated, as long as the director or shareholder is not an officer or key employee of the PPP lender. The SBA indicates that such PPP loans must follow the same process as any similarly situated customer or account holder of the PPP lender. Such PPP loans must not receive any favorable treatment by the PPP lender with which they are associated, including processing time or prioritization of their application.

The SBA goes on to note that small businesses owned by directors and shareholders with less than a 30 percent interest in a PPP lender who are an officer or key employee of the PPP lender are also eligible to receive a PPP loan, but such loans must be obtained from a PPP lender with which they are not associated. The SBA issued a second [interim final rule](#) (Second IFR) that supplements the First PPP IFR, which addresses eligibility issues for certain business concerns for PPP loans. The Second IFR states:

“The Administrator also recognizes that many directors and equity holders of PPP Lenders are owners of unrelated businesses. For those reasons, the Administrator, in consultation with the Secretary, has determined that SBA regulations (including 13 CFR 120.110 and 120.140) shall not apply to prohibit an otherwise eligible business owned (in whole or part) by an outside director or holder of a less than 30 percent equity interest in a PPP Lender from obtaining a PPP loan from the PPP Lender on whose board the director serves or in which the equity owner holds an interest, provided that the eligible business owned by the director or equity holder follows the same process as any similarly situated customer or account holder of the Lender. Favoritism by the Lender in processing time or prioritization of the director’s or equity holder’s PPP application is prohibited.

The foregoing paragraph does not apply to a director or owner who is also an officer or key employee of the PPP Lender. Officers and key employees of a PPP Lender may obtain a PPP Loan from a different lender, but not from the PPP Lender with which they are associated.”

In issuing the Second IFR, the SBA also reminded lenders that they still must comply with all other applicable federal and state laws and regulations governing extensions of credit and lending limits, including Regulation O (Extensions of Credit to Officers, Directors and Principal Shareholders).³

[05/18/2020] Is the FDIC considering modifications to its treatment of PPP loans under the deposit insurance assessment rules?

Yes, the FDIC Board has approved a notice of proposed rulemaking (NPR) that would mitigate the deposit insurance assessment effects of participating in the PPP established by the SBA and

³ On April 22, 2020, the Board of Governors of the Federal Reserve System issued an interim final rule that excepts certain loans that are guaranteed under the SBA’s PPP from the requirements of section 22(h) of the Federal Reserve Act and the corresponding provisions Regulation O. See <https://www.govinfo.gov/content/pkg/FR-2020-04-22/pdf/2020-08574.pdf>.

the Federal Reserve Board's PPP Lending Facility and Money Market Mutual Fund Liquidity Facility.

Under the proposal, changes would be applied to assessments starting in the second quarter of 2020. The NPR is available at <https://www.federalregister.gov/documents/2020/05/20/2020-10454/assessments-mitigating-the-deposit-insurance-assessment-effect-of-participation-in-the-paycheck>. Comments on the proposed rule must be received by May 27, 2020.

[04/24/2020] Has any portion of the second appropriation for the PPP been set aside for smaller lenders?

Yes. Of the commitments authorized on April 24, 2020 by the Paycheck Protection Program and Health Care Enhancement Act, \$60 billion of the funding was specifically set aside for smaller lending institutions.

[04/24/2020] Are PPP loans for existing customers considered new accounts for FinCEN CDD Rule purposes? Are lenders required to collect, certify, or verify beneficial ownership information in accordance with the rule requirements for existing customers?

The Treasury Department has provided a response to this question at account opening as follows "If the PPP loan is being made to an existing customer and the necessary information was previously verified, you do not need to re-verify the information. Furthermore, if federally insured depository institutions and federally insured credit unions eligible to participate in the PPP program have not yet collected beneficial ownership information on existing customers, such institutions do not need to collect and verify beneficial ownership information for those customers applying for new PPP loans, unless otherwise indicated by the lender's risk-based approach to BSA compliance." Please refer to the Treasury Department's PPP FAQs at <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf>.

[05/29/2020] Can PPP loans be forgiven?

Yes. The CARES Act permits PPP loans to small businesses to be forgiven if the funds were used for certain eligible expenses. The SBA and the U.S. Department of Treasury issued an interim final rule in order to help PPP borrowers prepare and submit loan forgiveness applications as provided for in the CARES Act, help PPP lenders who will be making the loan forgiveness decisions, and inform borrowers and lenders of SBA's process for reviewing PPP loan applications and loan forgiveness applications. More information is available on the SBA's website at <https://www.sba.gov/document/support--ppp-interim-final-rule-requirements-loan-forgiveness>.

**Accounting and Regulatory Reporting Frequently Asked Questions on the
Small Business Administration (SBA) Paycheck Protection Program (PPP)
May 5, 2020**

How should institutions account for loans originated within the PPP?

For regulatory reporting purposes, a loan is generally an extension of credit resulting from direct negotiations between a lender and a borrower. Accordingly, institutions should account and report loans made within the SBA's PPP as loans in Schedule RC-C, Loans and Lease Financing Receivables.

Where should institutions report PPP loans on Schedule RC-C, Loans and Lease Financing Receivables?

All loans should be categorized in Schedule RC-C, part I, according to security, borrower, or purpose. To the extent that no collateral is required as part of the program, institutions should report loans in the proper categories in Schedule RC-C, part I, according to purpose and borrower. For loan categories in Schedule RC-C, part I, that include certain loans to individuals, the term "individual" may include a trust or other entity that acts on behalf of (or in the place of) an individual or a group of individuals for purposes of obtaining the loan. Loans covering two of more categories are sometimes difficult to categorize. In such instances, institutions should categorize the entire loan according to the major criterion.

How should institutions account and report for regulatory reporting purposes fees received in connection with a PPP loan?

Institutions are reminded that for recognition and measurement purposes, the regulatory reporting requirements applicable to the Call Report should conform to U.S. GAAP. Accordingly, the accounting and reporting for fees received in connection with a PPP loan will depend on the institution's intent and accounting for the loan.

Institutions that account for the loan as a loan held for investment should account and report the fees received as a loan origination fee in accordance with ASC Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs (formerly FASB Statement No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases"). As a result, the fee received should be deferred and recognized over the life of the related loan, or the estimated life of the related loans if the criteria in ASC Section 310-20-35 is met, as an adjustment of yield (interest income).

To the extent an institution elects to measure the loans at fair value in accordance with ASC Subtopic 825-10, Financial Instruments – Overall (formerly FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities"), fees received should be recognized and reported in earnings and not deferred.

To the extent an institution originates a PPP loan with the intent to sell and accounts for the loan at the lower of cost or fair value, fees received should be deferred until the loan is sold, rather than recognized as an adjustment of yield.

Should the guarantee provided be considered in an institution’s allowance for loan and lease losses or allowance for credit losses methodology?

For institutions that have not adopted ASU 2016-13, the guarantee should be considered in determining the allowance for loan and leases in accordance with ASC Topic 450 or ASC Topic 310. For institutions that have adopted ASU 2016-13, ASC Section 326-20-30 describes that the estimate of expected credit losses should reflect how credit enhancements mitigate expected credit losses on financial assets. Accordingly, the guarantee should be considered in estimating credit losses on the originated loan.

How should institutions account for PPP loan forgiveness when notification of forgiveness is provided or a portion of the loan is transferred to the SBA?

For regulatory reporting purposes, once an institution receives notification from the SBA of the amount to be forgiven, the institution should reclassify the amount from loans to a receivable from the SBA. The receivable from the SBA should be reported in Schedule RC-F, Other Assets, item 6, and if necessary, Schedule RC-F, item 6.g. During the applicable reporting period and when notification from the SBA is received, the institution should recognize any net deferred loan fees for the proportionate amount forgiven. Accrual of interest income should cease when SBA notification is received.

Should institutions consider PPP loans to be loans originated below market interest rates?

For regulatory reporting purposes, an institution should refer to ASC Subtopic 835-30, Interest – Imputation of Interest (formerly APB Opinion No. 21, “Interest on Receivables and Payable”), which excludes transactions where interest rates are affected by the tax attributed or legal restrictions prescribed by a governmental agency. Accordingly, institutions do not need to impute interest on a PPP loan at a market rate.