



Effective Date: January 13, 2021

ACTION: Procedural Notice

References:

<https://www.sba.gov/sites/default/files/2021-01/5000-20076.pdf>

SBA Procedural Notice: First Draw Paycheck Protection Program Loan Increases After Enactment of the Economic Aid Act

Overview

The Economic Aid Act changed the existing PPP rules regarding increases to PPP loans. Under previous PPP rules, First Draw PPP loans could not be increased unless the loan was made to a partnership or seasonal employer and the Lender approved the increase before the lender submitted the initial SBA Form 1502 report for the loan. Section 312 of the Economic Aid Act provides for additional narrow circumstances where certain eligible borrowers that received a First Draw PPP loan may reapply for a First Draw PPP loan or request for increase for a PPP Loan that was approved on or before August 8, 2020.

This notice is to guide SBA employees and lenders on the procedures for such reapplications or requests for increases for a First Draw PPP loan that was approved on or before August 8, 2020. This notice also discusses how lenders can obtain the additional processing fee that is due on the increased loan amount (if not previously paid by SBA), and how lenders can obtain a processing fee on a reapplication.

IFR “Business Loan Program Temporary Changes; Paycheck Protection Program as Amended by Economic Aid Act” posted January 6, 2021 (Consolidated IFR) describes the narrow circumstances where certain eligible borrowers can reapply for a new First Draw PPP loan or request an increase to a First Draw PPP loan approved on or before August 8, 2020. First Draw PPP loan increases can be made only by the lender of record, and only under certain circumstances, outlined below. A lender of record is the lender that is reflected on SBA’s system as the current owner of the First Draw PPP loan. If the First Draw PPP Loan was sold after loan origination, the lender of record is the Lender that purchased the loan. Originating lender is the lender that processed the First Draw PPP loan application and receive the SBA loan number.

If the SBA has remitted a forgiveness payment to the lender on the First Draw PPP Loan, no loan increases or reapplications are allowed.

Partnerships

Requirements

Partnership must have only received a First Draw PPP Loan in an amount for necessary payroll costs of employees and other eligible expenses and *not* for partner compensation.

SBA must have not remitted forgiveness payment to the lender of the loan.

Procedure

If eligible, lender of record may electronically submit a request through SBA’s E-Tran site to increase the First Draw PPP loan amount to include appropriate partner compensation.

This is true even if the loan is fully disbursed and even if the lender’s first 1502 report to SBA on the First Draw PPP loan has been submitted.



Borrowers must provide lender of record with all required documentation to support the calculation of the increase to include partner compensation.

Lenders must comply with the loan amount underwriting requirements found in the Consolidated IFR.

SBA will pay an additional processing fee to the originating lender on the amount of the increase.

Increase

The amount of the increase cannot exceed the maximum loan amount the borrower is entitled to under the PPP rules.

The increased loan amount cannot exceed the maximum PPP loan amount (\$10 million for individual borrower or \$20 million for a corporate group).

Deadline

Any request for an increase must be submitted electronically in E-Tran by the lender of record on or before March 31, 2021 and is subject to funds availabilities.

Seasonal Employees

Requirements

Section 336 of the Economic Aid Act revised how seasonal employers can determine their maximum loan amount for purposes of the PPP to allow them to use the average total monthly payments for payroll for any 12-week period selected by the seasonal employer beginning February 15, 2019 and ending February 15, 2020.

Seasonal employer must have received a First Draw PPP loan and SBA has not remitted a forgiveness payment to the lender on the loan.

Seasonal employer would be eligible for an increase if the new calculations result in a higher loan amount.

Procedure

If eligible, lender of record may electronically submit a request through SBA's E-Tran site to increase the First Draw PPP loan amount to include appropriate partner compensation.

This is true even if the loan is fully disbursed and even if the lender's first 1502 report to SBA on the First Draw PPP loan has been submitted.

Borrowers must provide lender of record with all required documentation to support the calculation of the increase to include partner compensation.

Lenders must comply with the loan amount underwriting requirements found in the Consolidated IFR.

SBA will pay an additional processing fee to the originating lender on the amount of the increase.

Increase

The amount of the increase cannot exceed the maximum loan amount the borrower is entitled to under the PPP rules.

The increased loan amount cannot exceed the maximum PPP loan amount (\$10 million for individual borrower or \$20 million for a corporate group).

Deadline



Any request for an increase must be submitted electronically in E-Tran by the lender of record on or before March 31, 2021 and is subject to funds availabilities.

Farmers and Ranchers

Requirements

Section 313 of the Economic Aid Act changed the calculation of the maximum loan amount for certain farmers and ranchers and is found in the Consolidated IFR.

Eligible farmer or rancher must have received a First Draw PPP loan and the SBA has not remitted a forgiveness payment to the lender on the loan.

Seasonal employer would be eligible for an increase if the new calculations result in a higher loan amount.

Procedure

If eligible, lender of record may electronically submit a request through SBA's E-Tran site to increase the First Draw PPP loan amount to include appropriate partner compensation.

This is true even if the loan is fully disbursed and even if the lender's first 1502 report to SBA on the First Draw PPP loan has been submitted.

Borrowers must provide lender of record with all required documentation to support the calculation of the increase to include partner compensation.

Lenders must comply with the loan amount underwriting requirements found in the Consolidated IFR.

SBA will pay an additional processing fee to the originating lender on the amount of the increase.

Increase

The amount of the increase cannot exceed the maximum loan amount the borrower is entitled to under the PPP rules.

The increased loan amount cannot exceed the maximum PPP loan amount (\$10 million for individual borrower or \$20 million for a corporate group).

Deadline

Any request for an increase must be submitted electronically in E-Tran by the lender of record on or before March 31, 2021 and is subject to funds availabilities.

Other PPP Borrowers Eligibility for a PPP Loan Increase (or Reapplication)

Eligible Borrowers that full repaid a First Draw PPP Loan before December 27, 2020

Requirements

Eligible borrower must have received a First Draw PPP loan, Lender reported to SBA before December 27, 2020 that borrower repaid the loan in full, and the SBA has not remitted a forgiveness payment to the Lender on that loan.

Borrower can reapply for new First Draw PPP Loan in an amount for which the borrower is eligible under the current PPP loans.

Procedure



If eligible, lenders may approve a reapplication if the borrower is eligible for a First Draw Loan under current PPP rules. Reapplication procedure depends on when the lender reported the loan to the SBA as “cancelled” or “paid in full” as a result of the borrower’s repayment before December 27, 2020.

Reapplication procedure applies only to loan reported as “cancelled” or “paid in full” by lender because borrower returned the full amount of the original loan amount prior to December 27, 2020. Lender of record may electronically submit a request through SBA’s E-Tran site to increase the First Draw PPP loan amount to include appropriate partner compensation.

Cancelled

Lenders who reported First Draw PPP loans as “cancelled” to SBA after the borrower’s full repayment before December 27, 2020—no further action must be taken by lender in order for borrower to reapply for new First Draw PPP loan.

Borrowers can make a good faith certification on the PPP Borrower Application Form Revised 2483, and once done, the borrower can reapply for a new First Draw PPP loan with any participating PPP Lender.

Paid In Full

Lenders who reported First Draw PPP loans as “paid in full” following the return all of borrower’s funds before December 27, 2020, SBA’s loan processing system will not allow a reapplication to be processed until the lender of record changes the reported status of the First Draw PPP Loan in E-Tran from “paid in full” to “cancelled” by following the following instructions:

- 1502 Information Page on E-Tran
 - Change loan status to “Disbursed Current
 - Enter original total loan amount in outstanding balance field
 - Select save at bottom of screen
- Pull up loan in E-Tran again
 - Select 1502 Information Page
 - Change status of “Active Undisbursed”
 - Enter zero in the outstanding balance field
 - Enter full loan amount in the total amount undisbursed field
 - Select save at bottom of screen
- After changing status to “Active Undisbursed”
 - Pull up loan in E-Tran again
 - Select cancel icon at top of screen
 - Select circle for “yes” to cancel
 - Select save

Loan status should change to “Fully Cancelled.”



Lenders of record must not change a loan status from “paid in full” to “cancelled” unless the borrower returned the full amount of the original loan amount prior to December 27, 2020.

After the lender of record has completed the above steps, they can then submit a reapplication for a new First Draw PPP loan.

Once cancelled, eligible borrowers can certify in good faith on the PPP Borrower Application Revised 2483.

On all other reapplications for First Draw PPP loans, lenders must comply with the loan underwriting requirements in the Consolidated IFR.

Any disbursement of a reapplication must be reported by the lender on the 1502 report within 20 days of approval of the reapplication.

SBA will pay a processing fee to the Originating Lender on any new First Draw PPP Loan.

Borrowers that returned part of a First Draw PPP Loan before December 27, 2020

Requirements

Eligible borrower must have returned or repaid part of a First Draw PPP loan, lender must have reported to SBA before December 27, 2020 that the borrower repaid the loan in part, and SBA must not have remitted a forgiveness payment to the lender on that loan.

Procedures

If eligible, lenders of record may approve a borrower’s request for a loan increase and re-disburse funds equal to the difference between the amount retained by the borrower and the amount previously approved.

After re-disbursing the funds of the increase, Lender must ensure loan amount and status are correctly reported on the next 1502 report submitted by the lender.

If the SBA previously paid the originating lender a processing fee based on the \$100,000 fully disbursed amount, SBA will not pay the originating lender any additional processing fee as a result of the re-disbursement.

Any re-disbursement of the increased amount must be reported by the lender on a 1502 report on or before March 31, 2021 and is subject to funds availability.

Borrowers that did not accept the full amount of the First Draw PPP Loan they were approved for

Requirements

Eligible borrower must not have accepted before December 27, 2020 the full amount of a First Draw PPP loan for which they were approved for in SBA’s E-Tran Origination site and SBA must not have remitted a forgiveness payment to the lender on that loan.

Procedures

Eligible borrowers can submit a request for an increase.

Lenders of record may approve and disburse a loan increase in the amount of the First Draw PPP loan up to the amount previously approved.

Process for this differs depending on how the lender previously reported to the SBA before December 27, 2020 that the borrower did not accept the full amount of the First Draw PPP loan.



Partially Disbursed

If the lender reported the loan as partially disbursed for the lower amount and did not process a decrease of the loan in E-Tran, lender may make a second disbursement on the loan to the borrower up to the full approved amount in E-Tran, provided that SBA has not remitted a forgiveness payment to the lender on that loan.

Example

E-Tran reflects an approved loan amount of \$100,000. Lender reported to SBA on 1502 it disbursed \$50,000.

If lender never decreased the approved amount in E-Tran to \$50,000, lender can disburse an additional \$50,000 to the borrower and report that disbursement on the next 1502 report filed for the loan.

Disbursement of the increased amount must be reported by the lender on a 1502 report on or before March 31, 2021 and is subject to availability of funds.

Here, SBA would pay the full processing fee to the originating lender because it was not previously paid.

Any request for an increase must be submitted electronically by the lender in E-Tran on or before March 31, 2021 and is subject to funds availability.

Decrease of Approved Loan Amount

Lender processed a decrease of the approved loan amount in E-Tran. Lender can process an increase on the loan.

Example

Borrower was originally approved for \$100,000 but only accepted \$50,000 (never receiving full amount).

Lender decreased the approved amount in E-Tran to \$50,000 and reported disbursement of \$50,000 on 1502 report.

Lender may process a loan increase of \$50,000 on the loan only if SBA has not remitted a forgiveness payment to the lender on the loan.

Process for obtaining a loan increase using E-Tran is found here: [Downloads and Resources](#)

After the lender processes a loan increase in E-Tran, lender must disburse the increased amount to the borrower within 10 calendar days and report the increase on the next 1502 report.

SBA here will pay originating lender a processing fee on the increased amount.

Any request for an increase must be submitted electronically by the lender in E-Tran on or before March 31, 2021 and is subject to funds availability.

Other Applicable Procedures

Disbursement

If a First Draw PPP Loan is increased in any way mentioned above, lender must make a single additional disbursement of the increased loan proceeds within 10 calendar days of the lender's successful processing of the increase in E-Tran.

Reapplications for a new First Draw PPP loan require lenders to make one-time, full disbursement of the PPP Loan within 10 calendar days of loan approval—loan approval is when the loan is assigned a loan number by SBA.

Limitation on One First Draw PPP Loan



Borrowers can reapply for a new First Draw PPP loan in the manner described in this notice without prohibition on more than one First Draw PPP loan.

Lender Instructions for SBA Form 1502 Reporting and Making Changes to Loan Statuses and Loan Amounts

Instructions for submitting reapplications can be found on the [SBA Paycheck Protection Platform](#).

Lender Responsibilities and Additional Information

Lenders may not approve reapplications for new First Draw PPP Loans or increases to First Draw PPP Loans for borrowers where SBA has remitted a forgiveness payment in any amount to the Lender on that loan; however, such borrowers remain eligible for Second Draw PPP Loans if they meet the eligibility criteria for Second Draw PPP Loans.

If the Lender has submitted a forgiveness decision to SBA and SBA has not yet remitted the forgiveness payment to the Lender, the Lender must withdraw the forgiveness decision from the SBA Paycheck Protection Platform prior to taking any actions contemplated in this Notice.

Lenders submit reapplications for new First Draw PPP Loans using the SBA Paycheck Protection Platform to request an SBA loan number for First Draw PPP Loans. Lenders request increases to First Draw PPP Loans through E-Tran.

Only the Lender of Record may increase a loan.

For reapplications and increases, Lenders must comply with the loan amount underwriting requirements in the Consolidated IFR.

Lenders must disburse loan increases or reapplications in a single disbursement within 10 calendar days of successful processing of the increase in E-Tran or issuance of the SBA loan number for reapplications. Except for those 1502 reports identified in this Notice that must be submitted on or before March 31, 2021, Lenders must submit the 1502 report within 20 calendar days after a First Draw PPP Loan increase is successfully processed in E-Tran or after the issuance of the SBA loan number for reapplications. Lenders may report PPP Loan increases and reapplications in the same batch 1502 report with PPP First Draw Loans and PPP Second Draw Loans. Lenders must not commingle PPP Loans with regular 7(a) Loans in a batch 1502 report.

Processing Fees

Lender processing fees due and payable by SBA, if any, including fee differentials due to loan increases and processing fees on reapplications, will be remitted to the Originating Lender in accordance with SBA Procedural Notice 5000-20036.

For loan increases, processing fees will be calculated in accordance with the PPP rules in effect at the time the borrower submitted its original First Draw PPP Loan application.

For reapplications, processing fees will be calculated in accordance with the Consolidated IFR.

In order to obtain a processing fee on a reapplication or a loan increase, the Lender must follow the procedures set forth in SBA Procedural Notice 5000-20036 and this Notice.

Revised Lender Confirmation



By submitting a 1502 report on a First Draw PPP Loan or a Second Draw PPP Loan on or after the effective date of this Notice, any PPP Lender that submitted a 1502 report for a PPP Loan before such date agrees to the following revision to the one-time certification previously made by such Lender:

By checking the “I confirm” box below, Lender is agreeing that for each SBA Form 1502 report submitted by Lender to request payment of First Draw Loan or Second Draw Loan Paycheck Protection Program (PPP) processing fees, Lender confirms that:

- (1) except for any First Draw Loan included in the report that has been or may be increased,
 - (a) all First Draw Loans and Second Draw Loans included in the report were fully disbursed to the borrowers on the disbursement dates entered and in the loan amounts entered in the report, and
 - (b) Lender will make no further disbursements on the First Draw Loans and Second Draw Loans included in the report;
- (2) for any First Draw Loan included in the report that has been increased,
 - (a) Lender approved the increase in accordance with PPP requirements,
 - (b) Lender has fully disbursed the increased amount to the borrower on the disbursement date entered and in the amount entered in the report, and
 - (c) Lender will make no further disbursements on the First Draw Loan;
- (3) all information in the report is true and correct; and
- (4) the report has been submitted by an authorized employee or agent of Lender acting within the scope of Lender’s authority and Lender acknowledges responsibility for all entries and certifications made on its behalf.

PPP Lenders submitting a 1502 report for a PPP loan for the first time will be required to make this revised one-time confirmation in the Lender’s FTA portal upon submission of their first 1502 report requesting payment of PPP processing fees.

Unresolved Borrowers

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 of Record will receive notification from SBA when the Lender submits a request for increase of the First Draw PPP Loan or submits a reapplication for a First Draw PPP Loan (“unresolved borrower”).

If the Lender receives notification of an unresolved borrower, the Lender will not be able to process an increase on the First Draw PPP Loan, nor will the Lender be able to obtain an SBA loan number on a First Draw PPP Loan reapplication. SBA will resolve expeditiously the issue related to the unresolved borrower and will notify the Lender of the process to obtain an increase on the First Draw PPP Loan or obtain a loan number on a First Draw PPP Loan reapplication, if appropriate.

Loan Increase Availability

Lenders may approve increases on First Draw PPP Loans starting on January 25, 2021.

