TO: All SBA Employees and Paycheck Protection Program Lenders

SUBJECT: First Draw Paycheck Protection Program Loan Increases After Enactment of the Economic Aid Act

The Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act or Act) (Pub. L. 116-260) changed the existing Paycheck Protection Program (PPP) rules regarding increases to PPP loans. Under previous PPP rules, a First Draw PPP Loan 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 (1502) report for the loan. Section 312 of the Economic Aid Act provides for additional narrow circumstances under which certain eligible borrowers that received a First Draw PPP Loan may reapply for a First Draw PPP Loan or request an increase in a First Draw PPP Loan that was approved on or before August 8, 2020. The purpose of 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.

The interim final rule titled “Business Loan Program Temporary Changes; Paycheck Protection Program as Amended by Economic Aid Act” (the “Consolidated IFR”) posted on SBA’s website on January 6, 2021, describes the additional narrow circumstances under which certain eligible borrowers may 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, 1 and only under the circumstances outlined in this Notice. No

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1 As used herein, the “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. As used herein, the “Originating Lender” is the Lender that processed the First Draw PPP Loan application and received the SBA loan number.
other First Draw PPP Loan increases are allowed. If SBA has remitted a forgiveness payment to the Lender on a First Draw PPP Loan, no loan increases or reapplications are allowed.²

**Partnerships:**

If a partnership received a First Draw PPP Loan that only included amounts necessary for payroll costs of the partnership’s employees and other eligible operating expenses, but did not include any amount for partner compensation, and SBA has not remitted a forgiveness payment to the Lender on that loan, the Lender of Record may electronically submit a request through SBA’s E-Tran Servicing site (E-Tran) to increase the First Draw PPP Loan amount to include appropriate partner compensation, even if the loan has been fully disbursed and even if the Lender’s first 1502 report to SBA on the First Draw PPP Loan has already been submitted.³ The amount of the increase may not exceed the maximum loan amount to which the borrower is entitled under PPP rules, and in no event can the increased loan amount exceed the maximum PPP loan amount ($10 million for an individual borrower or $20 million for a corporate group). Additionally, the borrower must provide the Lender of Record with all required documentation to support the calculation of the increase to include partner compensation, and the Lender must comply with the loan amount underwriting requirements in paragraph C.3. of the Consolidated IFR. 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 the availability of funds. SBA will pay an additional processing fee to the Originating Lender on the amount of the increase.

**Seasonal Employers:**

Section 336 of the Economic Aid Act revised the method by which a seasonal employer may determine its maximum loan amount for purposes of the PPP to allow the seasonal employer 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, 2020.⁴ If a seasonal employer received a First Draw PPP Loan and SBA has not remitted a forgiveness payment to the Lender on that loan, the seasonal employer would be eligible for an increase if application of the methodology in Section 336 of the Economic Aid Act results in the calculation of a higher loan amount. In that case, the Lender of Record may electronically submit a request through E-Tran to increase the seasonal employer’s First Draw PPP Loan amount, even if the loan has been fully disbursed and even if the Lender’s first 1502 report to SBA on the PPP loan has already been submitted. The amount of the increase may not exceed the maximum loan amount to which the borrower is entitled under PPP rules, and in no event can the increased loan amount exceed the maximum PPP loan amount ($10 million for an individual borrower or $20 million for a corporate group). Additionally, the borrower must provide the Lender of Record with all required documentation to support the calculation of the increase due to the newly-selected 12 week period, and the Lender must comply with the loan amount underwriting requirements in paragraph C.3. of the Consolidated IFR. Any request for an increase must be submitted

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² However, the borrower may be eligible for a Second Draw PPP Loan.
³ See subsection D.6. of the Consolidated IFR.
⁴ See subsection D.7. of the Consolidated IFR.
electronically in E-Tran by the Lender of Record on or before March 31, 2021, and is subject to the availability of funds. SBA will pay an additional processing fee to the Originating Lender on the amount of the increase.

**Farmers and Ranchers:**

Section 313 of the Economic Aid Act changed the calculation of the maximum loan amount for certain farmers and ranchers. This calculation is described in subsection B.4.d. of the Consolidated IFR. If an eligible farmer or rancher received a First Draw PPP Loan and SBA has not remitted a forgiveness payment to the Lender on that loan, and such farmer or rancher would be eligible for a higher maximum loan amount based on the formula described in subsection B.4.d. of the Consolidated IFR, the Lender of Record may electronically submit a request through E-Tran to increase the First Draw PPP Loan amount, even if the loan has been fully disbursed and even if the Lender’s first 1502 report to SBA on the PPP loan has already been submitted. The amount of the increase may not exceed the maximum loan amount to which the borrower is entitled under PPP rules, and in no event can the increased loan amount exceed the maximum PPP loan amount ($10 million for an individual borrower). Additionally, the borrower must provide the Lender of Record with all required documentation to support the calculation of the increase under the new methodology, and the Lender must comply with the loan amount underwriting requirements in paragraph C.3. of the Consolidated IFR. 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 the availability of funds. SBA will pay an additional processing fee to the Originating Lender on the amount of the increase.

**Other PPP Borrowers Eligible for a PPP Loan Increase (or Reapplication):**

1. Eligible Borrowers that fully repaid a First Draw PPP Loan before December 27, 2020:

If an eligible borrower received a First Draw PPP Loan, the Lender reported to SBA before December 27, 2020 that the borrower fully repaid the loan, and SBA has not remitted a forgiveness payment to the Lender on that loan, the borrower may reapply for a new First Draw PPP Loan in an amount for which the borrower is eligible under current PPP rules. All reapplications are subject to the availability of funds. Lenders may approve such a reapplication if the borrower is eligible for a First Draw Loan under current PPP rules. The reapplication procedure depends on whether the Lender reported the loan to SBA as “cancelled” or “paid in full” as a result of the borrower’s repayment before December 27, 2020. The reapplication procedure applies only to those loans reported as “cancelled” or “paid in full” by the lender because the borrower returned the full amount of the original loan amount prior to December 27, 2020.

5 *See* subsection D.8. of the Consolidated IFR. For clarification, any First Draw PPP Loan reported as “paid in full” by a Lender due to SBA’s remittance of a forgiveness payment in any amount to the Lender is not eligible for a reapplication. However, the borrower may be eligible for a Second Draw PPP Loan.
If the Lender reported the First Draw PPP Loan as “cancelled” to SBA after the borrower’s full repayment before December 27, 2020, no further action must be taken by the Lender in order for the borrower to be able to reapply for a new First Draw PPP Loan. Because the First Draw PPP Loan was reported as “cancelled,” such borrowers may in good faith make the certification on the PPP Borrower Application Form Revised January 8, 2021 (SBA Form 2483) that “the Applicant has not and will not receive another loan under the Paycheck Protection Program, Section 7(a)(36) of the Small Business Act (15 U.S.C. 636(a)(36)).” In this circumstance, the borrower may reapply for a new First Draw PPP Loan with any participating PPP Lender.

However, if the Lender reported the First Draw PPP Loan as “paid in full” following the return of all funds by the borrower 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 instructions below:

a. On the 1502 information page in E-Tran: Change the loan status to “Disbursed Current,” enter the original total loan amount in the outstanding balance field, and then select save at the bottom of the screen.

b. Pull up the loan in E-Tran again, select the 1502 information page, change the status to “Active Undisbursed,” enter zero in the outstanding balance field, enter the full loan amount in the total amount undisbursed field, and then select save at the bottom of the screen.

c. After changing the status to “Active Undisbursed” (step b), pull up the loan in E-Tran again, select the cancel icon at the top of the screen, select the circle for “yes” to cancel, and then select save. The loan status should change to “Fully Cancelled.”

The Lender 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 successfully completed these steps, the Lender of Record (or any participating PPP Lender) can submit a reapplication for a new First Draw PPP Loan. Because the First Draw PPP Loan was successfully reported as “cancelled,” such borrowers may in good faith make the certification on the PPP Borrower Application Form Revised January 8, 2021 (SBA Form 2483) that “the Applicant has not and will not receive another loan under the Paycheck Protection Program, Section 7(a)(36) of the Small Business Act (15 U.S.C. 636(a)(36)).”

On all reapplications for new First Draw PPP Loans, the Lender must comply with the loan amount underwriting requirements found in subsection C.3. of the Consolidated IFR. Any disbursement on a reapplication must be reported by the Lender on a 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, calculated in accordance with subsection C.5. of the Consolidated IFR.

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

If a borrower returned (or repaid) part of a First Draw PPP Loan, the Lender reported to SBA before December 27, 2020 that the borrower repaid the loan in part, and SBA has not remitted a
forgiveness payment to the Lender on that loan, the Lender 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 loan increase amount, the Lender must ensure that the loan amount and status are correctly reported on the next 1502 report submitted by the Lender.

For example, if a First Draw PPP Loan was originally approved in SBA’s loan processing system for $100,000, the Lender disbursed $100,000 to the borrower, the Lender reported the fully disbursed amount to SBA on the 1502 report, and the Lender reported before December 27, 2020 that the borrower repaid $25,000 to the Lender because the borrower could not spend the funds during the covered period (retaining $75,000), the lender can make an additional disbursement of $25,000 on the loan to increase the outstanding balance of the loan back to the approved amount of $100,000, provided SBA has not remitted a forgiveness payment to the Lender on that loan. Because the Lender previously reported the $25,000 borrower repayment on the loan to SBA on the 1502 report and E-Tran currently reflects an outstanding balance of $75,000 on the loan, the Lender must report a corrected balance of $100,000 on the loan on the first 1502 report submitted by the Lender after the $25,000 re-disbursement. If 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 the availability of funds.

3. Borrowers that did not accept the full amount of a First Draw PPP Loan for which they were approved:

If a borrower did not accept before December 27, 2020 the full amount of a First Draw PPP Loan for which it was approved in SBA’s E-Tran Origination site and SBA has not remitted a forgiveness payment to the Lender on that loan, the borrower may request an increase and the Lender of Record may approve and disburse a loan increase in the amount of the First Draw PPP Loan up to the amount previously approved. The process for obtaining the loan increase in this situation differs depending on how the Lender previously reported to SBA before December 27, 2020 that the borrower did not accept the full amount of the First Draw PPP Loan.

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, the 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. For example, E-Tran currently reflects an approved loan amount of $100,000. The Lender reported to SBA on the 1502 report that it disbursed $50,000 on the loan. If the Lender never decreased the approved loan amount in E-Tran to $50,000, the Lender can disburse an additional $50,000 to the borrower and report that disbursement on the next 1502 report filed for the loan. The disbursement of the increased

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6 See subsection D.8. of the Consolidated IFR.
7 See subsection D.8. of the Consolidated IFR.
amount must be reported by the Lender on a 1502 report on or before March 31, 2021, and is subject to the availability of funds. In this example, SBA will pay the full processing fee to the Originating Lender because it has not been previously paid.

If the Lender processed a decrease of the approved loan amount in E-Tran, the Lender may process an increase on the loan. For example, a borrower was originally approved for $100,000, but the borrower only accepted $50,000 (never receiving the full approval amount), the Lender decreased the approved loan amount in E-Tran to $50,000, and reported disbursement of $50,000 on the 1502 report. In this scenario, the Lender may process a loan increase of $50,000 on the loan, provided that SBA has not remitted a forgiveness payment to the Lender on that loan. The process for obtaining a loan increase using E-Tran is set forth in the “Section 1102 of the CARES Act – Paycheck Protection Program (PPP)” section of the FTA’s Downloads and Resources page. After the Lender successfully processes a loan increase in E-Tran, the Lender must disburse the increased amount to the borrower within 10 calendar days and report the increase on the next 1502 report. In this example, SBA will pay the 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 the availability of funds.

**Other Applicable Procedures:**

1. **Disbursement:**
   If a First Draw PPP Loan is increased in any of the manners described above, the 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. If a reapplication for a new First Draw PPP Loan is approved as described above, the Lender must make a one-time, full disbursement of the PPP loan within ten calendar days of loan approval; for the purposes of the PPP, a loan is considered approved when the loan is assigned a loan number by SBA. 8

2. **Limitation of One First Draw PPP Loan:**
   A borrower may reapply for a new First Draw PPP Loan in accordance with this Notice notwithstanding the 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:**

SBA’s Fiscal Transfer Agent (FTA) provides step-by-step instructions for 1502 reporting and for making changes to loan statuses and loan amounts. Instructions are posted in the “Section 1102 of the CARES Act – Paycheck Protection Program (PPP)” section of the FTA’s Downloads and Resources page.

**Lender Instructions for First Draw PPP Loan Reapplications:**

8 See subsection D.5. of the Consolidated IFR.
Instructions for submitting a reapplication for a new First Draw PPP Loan can be found in the welcome email sent to all lenders from SBA as well as on the [SBA Paycheck Protection Platform](https://paycheckprotection.sba.gov) (previously known as the Loan Forgiveness Platform).

**Lender Responsibilities and Additional Information:**

1. Lenders approve reapplications for new First Draw PPP Loans and increases to First Draw PPP Loans under lenders’ delegated authority. 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.

2. 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.

3. 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.

4. Only the Lender of Record may increase a loan.

5. For reapplications and increases, Lenders must comply with the loan amount underwriting requirements in paragraph C.3. of the Consolidated IFR.

6. 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 (July 13, 2020). 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 subsection C.5. of 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:9

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”).10 If the Lender receives notification of an unresolved borrower, the Lender will not be able to process an

9 The revised confirmation will also be posted on the home page to the 1502 Dashboard (before the Lender logs in). By logging in to the 1502 Dashboard, the Lender will be agreeing to the revised Lender confirmation.

10 This process also applies to Second Draw PPP Loans.
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.

**Questions:**

Lenders may call the Lender Hotline at (833) 572-0502 for live assistance regarding platform access and support, policy questions and procedures, and Capital Access Financial system (CAFS) and SBA’s Electronic Transmission (E-Tran) systems support. Lenders may also direct general PPP forgiveness questions to PPPForgivenessRequests@sba.gov; requests for advanced technical support, API support and UAT error support to developer@ussbaforgiveness.com; and requests for assistance on SBA Paycheck Protection Platform navigation and platform user experience issues to help@ussbaforgiveness.com.

Questions concerning this Notice may be directed to the Lender Relations Specialist in the local SBA Field Office, which can be found at:

https://www.sba.gov/tools/local-assistance/districtoffices

Dianna L. Seaborn
Director
Office of Financial Assistance