



February 3, 2021

Ms. Tami Perriello
Acting Administrator
U.S. Small Business Administration
409 3rd Street, S.W.
Washington, DC 20416

Dear Acting Administrator Perriello:

Thank you for your continued efforts on the Paycheck Protection Program (PPP), which has helped millions of small businesses and not-for-profits by providing much needed support at this critical time. The 44,000 CPA firms the AICPA represents have played a significant role in assisting millions of small business clients related to the PPP.

We would like to share some of the most significant issues that small businesses are experiencing in applying for the current round of funding for first and second draw PPP applications. There are a number of very significant operational changes to the PPP by the SBA which are not fully understood, as well as some process and system issues which need to be addressed in order to effectively provide critical relief to eligible organizations.

Some of these items can be addressed through more communication from Treasury and SBA, while others will require SBA system and process improvements related to the E-Tran and PPP Loan Processing system.

1. Challenges with Draw One & Draw Two applications being denied acceptance into E-Tran system:

We realize a number of additional validation checks were put in place to address fraudulent applicants. However, these validation checks are causing tens of thousands of legitimate applications to be denied acceptance by the SBA. Lenders and loan applicants do not understand the process to resolve these declines, creating great anxiety and confusion for small business owners.

It appears that there are some system/software issues which are creating these declines. For example, in many instances the small business owner is being incorrectly informed that they have a criminal record. Even after redoing this certification, borrowers may then still be declined on the same application due to another incorrect validation rule (for instance, an Applicant Tax ID issue).

Overall, the process for resolving these application declines is unclear to small business owners and their lenders. Small business owners are being surprised by these requests from lenders that are driven by the SBA system.

We request that the SBA provide more information on this validation process and correct some of these system issues as an urgent priority. In addition, to reduce anxiety and confusion, small businesses would benefit greatly by being more clearly informed that their initial acceptance in the SBA E-Tran system could take more than a week via broad communications about the program. Because these validation checks are new, many applicants do not understand the potential change in the timeline for funding, particularly if their application encounters processing errors.

2. SBA processing and resolution delays for applications successfully submitted into E-Tran system:

We realize that there is a different SBA review process for Draw One and Draw Two Applications once they are submitted to the SBA. Overall, it appears that 20-30% of all successfully submitted applications into the SBA E-Tran system are being flagged for additional review based on validation checks related to these processing rules.

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There are over 40 different “error codes” related to these additional information requests. For example, one of the new requirements for Draw 2 sole proprietor applications is to use an EIN number instead of their SSN, even though many used their SSN with their original PPP application. This new requirement is causing the application to be declined, since one of the acceptance validation checks is to confirm the same number as the original PPP application. The overall top reason for decline is discrepancy with Applicant Tax ID, and the steps to correct this issue do not seem to be working in most cases. For instance, the system appears to report errors even in cases where the borrower used the same EIN on both applications and can demonstrate this fact to the lender.

The process for resolving these “error codes” is unclear and small business owners are being surprised by receiving these requests from lenders. We request the SBA provide further clarity and, even more importantly, communicate publicly that nearly one third of all applications are receiving these requests for further review, which could delay processing by a week or more.

3. SBA capping of PPP Draw One and Draw Two loan amounts:

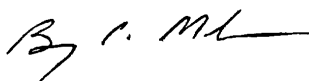
We are aware that the SBA’s loan processing system has put in place a loan eligibility amount cap of \$35k per employee for both Draw One and Draw Two applications. This cap results in the SBA E-Tran system reducing the approved loan amounts back to lenders. Please provide clear guidance related to these PPP loan caps that is widely communicated. Small businesses are confused when their loan amount is reduced with no explanation.

4. Broad communication on available funding, overall processing and timing.

We also believe that broader communication from the SBA confirming that there is sufficient funding to support all Draw One and Draw Two loan requests, along with clear communication that processing time could be one to two weeks due to the increased validation checks and reviews, will greatly reduce anxiety with small businesses. It’s been previously stated that the \$284.5 billion allocated by Congress is believed to be sufficient to see the program through to its conclusion on March 31, 2021. Reiterating this statement in a broader public context would significantly reduce anxiety among business owners.

Thank you for your continued work on PPP to ensure this aid reaches those small businesses and non-profits desperately in need of economic relief. The AICPA and our members continue to be deeply committed to ensuring the success of this program, and we welcome even more open and extensive public-private coordination on these matters.

Sincerely,



Barry Melancon, CPA, CGMA
AICPA President and CEO

cc: Secretary Yellen
The Honorable Nydia Velazquez
The Honorable Blaine Luetkemeyer
The Honorable Ben Cardin
The Honorable Marco Rubio