

Frequently Asked Questions (FAQs) on the Small Business Administration's Paycheck Protection Program – March 3, 2021

1. [Updated 7/16/2020] 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 amends Section 7(a) of the Small Business Act to include a new 100 percent guaranteed temporary loan program administered by the Small Business Administration (SBA) called the PPP.

The PPP provides low-cost, qualifying forgivable loans to small businesses to help cover payroll costs, interest on mortgages, rent, and utilities during this period of economic dislocation caused by the COVID-19 pandemic. On April 15, 2020, the SBA published in the Federal Register an [interim final rule](#)² (First PPP IFR) regarding the PPP. In order to provide relief expeditiously, the First PPP IFR states that the “SBA will allow lenders to rely on certifications of the borrower in order to determine eligibility of the borrower and use of loan proceeds and to rely on specified documents provided by the borrower to determine qualifying loan amount and eligibility for loan forgiveness.”³ The CARES Act authorized the SBA to guarantee \$349 billion in loans under the program. On April 24, 2020, the Paycheck Protection Program and Health Care Enhancement Act was signed into law, authorizing an additional \$310 billion for guarantees of PPP loans.⁴

Following the First PPP IFR, the SBA issued a number of interim final rules implementing amendments to the PPP. On June 5, 2020, the Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act) was signed into law, amending the CARES Act. To implement amendments to the PPP required by the Flexibility Act, the SBA issued a revised PPP [interim final rule](#)⁵ (revised PPP IFR) published in the Federal Register on June 16, 2020, which changed key PPP provisions. The revised PPP IFR also made conforming amendments to the use of PPP loan proceeds for consistency with amendments made in the Flexibility Act. Several of these amendments are retroactive to the date of enactment of the CARES Act, as required by section 3(d) of the Flexibility Act. The SBA’s authority to accept PPP applications from participating lenders closed on August 8, 2020 (this authority was extended by Congress⁶ from an original expiration date of June 30, 2020).

The SBA and the U.S. Department of Treasury (Treasury Department) periodically update PPP Frequently Asked Questions (FAQs) to provide additional guidance regarding the PPP. For more information on the PPP, including a list of the subsequent interim final rules implementing the PPP, refer to the [SBA website](#) or the [Treasury Department website](#).

2. [Updated 07/16/2020] My bank has never participated in SBA lending programs. Can my bank make loans through the PPP program?

In the First PPP IFR, the SBA stated that “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

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

² 85 FR 20811 (Apr. 15, 2020).

³ *Id.* at 20812.

⁴ Paycheck Protection Program and Health Care Enhancement Act, Public L. No. 116-139 (Apr. 24, 2020).

⁵ 85 FR 36308 (June 16, 2020).

⁶ Extension of the authority for commitments for the paycheck protection program, Pub. L. 116-147 (July 4, 2020).

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.” The First PPP IFR provides a list of lenders that have been determined to meet the criteria and are eligible to make PPP loans (*see* 85 FR 20811, 20815, question 3.a.iii). Such lenders will need to submit 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.

3. *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.

4. *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.

5. *[Updated 7/16/2020] What is the regulatory capital treatment of a covered loan as defined under Section 1102 of the Act?*

Section 1102 of the CARES Act defines a “covered loan” to mean a loan made under the PPP during the “covered period.” The CARES Act originally defined the “covered period” as the period beginning on February 15, 2020 and ending on June 30, 2020. However, the Flexibility Act amended the definition of “covered period” for a PPP loan to cover “the period beginning on February 15, 2020 and ending on December 31, 2020.”

Section 1102 of the CARES Act also provides that a “covered loan” made under the PPP shall receive a zero percent risk weight for purposes of calculating a financial institution’s risk-based capital requirements. However, the effect of a PPP loan on leverage capital calculations depends on whether the loan has been pledged as collateral to the Federal Reserve Board (FRB)’s Paycheck Protection Program Liquidity Facility (PPPLF). A PPP loan that has not been pledged to the PPPLF must be included in average total consolidated assets and total leverage exposure. Refer to Question #6 regarding leverage capital calculations for PPP loans that have been pledged to the PPPLF.

6. *[Updated 7/16/2020] What are the regulatory capital effects of PPP loans funded through the Federal Reserve Board’s PPP Liquidity Facility (PPPLF)?*

The PPPLF was approved on April 9, 2020 by the Board of Governors of the FRB to supply liquidity to participating institutions through non-recourse, low-cost, term financing secured by PPP loans. On April 13, 2020, the FDIC, the FRB, and the Office of the Comptroller of the

Currency (OCC), issued the [PPPLF/PPP Interim Final Rule](#)⁷ to modify the agencies' capital rules to neutralize the regulatory capital effects of covered loans by financial institutions participating in the PPPLF. Under the PPPLF/PPP Interim Final Rule, if an institution pledges PPP loans to the PPPLF, then it may exclude those PPP loans from average total consolidated assets and total leverage exposure. The regulatory capital relief related to the leverage ratio applies only to exposures pledged to the PPPLF. For example, in the case of a \$100 PPP loan that is partially funded by a \$60 PPPLF advance, the institution would only be able to receive capital leverage relief on \$60, recognizing \$40 in its leverage calculation. This treatment is similar to the treatment extended previously by the agencies in connection with the FRBs Money Market Mutual Fund Liquidity Facility. More information is available at <https://www.fdic.gov/news/news/press/2020/pr20050a.pdf>.

7. [Updated 07/16/2020] Will loans originated under the PPP receive CRA Credit?

In most cases, yes. Generally, loans, including PPP loans in amounts of \$1 million or less to for-profit businesses, or to nonprofit organizations that are secured by nonfarm, nonresidential real estate, are reported and considered as small business loans under the applicable retail lending test. PPP loans will be considered particularly responsive if made to small businesses with gross revenues of \$1 million or less or to businesses located in low- or moderate-income geographies or distressed or underserved nonmetropolitan middle-income geographies. Additionally, participation in the PPP could receive consideration as innovative or flexible lending practices.

PPP loans to businesses in amounts greater than \$1 million may be considered as community development loans if they also have a primary purpose of community development as defined under the current CRA regulations. Generally, loans to small businesses with gross annual revenues of \$1 million or less that create or retain jobs for low- or moderate-income individuals or in low- or moderate income geographies, or that otherwise meet the economic development “size” and “purpose” tests, qualify as community development loans. Such loans may also qualify if the loans help revitalize/stabilize low- and moderate-income geographies or distressed or underserved nonmetropolitan middle-income geographies.

8. 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.”

⁷ Refer also to [PPPLF/PPP Interim Final Rule Correction](#) , 85 FR 22009 (Apr. 23, 2020).

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

9. *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 PPP IFR) that supplements the First PPP IFR, which addresses eligibility issues for certain business concerns for PPP loans. The Second PPP 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 PPP 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).⁸

10. *[Updated 7/16/2020] Has the FDIC modified its treatment of PPP loans under the deposit insurance assessment rules?*

Yes. On June 22, 2020, the FDIC Board adopted a final rule that mitigates the deposit insurance assessment effects of participating in the program and the PPPLF and Money Market Mutual Fund Liquidity Facility. The FDIC will apply the changes under the final rule to an

⁸ On April 22, 2020, the Board of Governors of the Federal Reserve System issued an interim final rule that exempts 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>.

institution's assessments starting in the second quarter of 2020. The final rule is available at <https://www.fdic.gov/news/financial-institution-letters/2020/fil20063.html>

11. 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.

12. 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 (Question #18) at [Treasury PPP FAQs](#) .

13. [Updated 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 Treasury Department 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>.

14. [Updated 07/14/2020] Adverse Action Notices. How do the Equal Credit Opportunity Act (ECOA) and Regulation B provisions requiring creditors to notify an applicant of action taken on a "completed application" apply to PPP loan applications received by the creditor?

The CFPB has issued FAQs that clarify certain responsibilities of creditors under the ECOA and Regulation B with respect to SBA PPP loan applications. The CFPB's FAQs are available on its website at <https://www.consumerfinance.gov/policy-compliance/guidance/other-applicable-requirements/equal-credit-opportunity-act/>.

The following FAQ's related to the PPP can also be found in the [FDIC's General FAQs for Financial Institutions Affected by the COVID-19](#).

15. BSA Issues for New Customers. What are a financial institution's BSA requirements when a financial institution is approached by a non-customer (potential new customer relationship) regarding the PPP?

The Treasury Department has provided a response to this question. For new customers, the lender's collection of the following information from all natural persons with a 20% or greater ownership stake in the applicant business will be deemed to satisfy applicable BSA requirements and FinCEN regulations governing the collection of beneficial ownership information: owner name, title, ownership %, TIN, address, and date of birth. If any ownership interest of 20% or greater in the applicant business belongs to a business or other legal entity, lenders will need to collect appropriate beneficial ownership information for that entity. Please refer to the Treasury Department's PPP FAQs (Questions #25 and 26) at [Treasury PPP FAQs](#).

If you have additional questions about requirements related to beneficial ownership, refer to <https://www.fincen.gov/resources/statutes-and-regulations/cdd-final-rule>. Decisions regarding further verification of beneficial ownership information collected from new customers should be made pursuant to the lender's risk-based approach to BSA compliance.

16. CRA PPP Reporting. For PPP loans reported as small business loans (Type 01), with loan amounts of \$1 million or less, made to an existing bank customer, should a bank report revenue on the CRA loan register based on what it had previously gathered about that business? For a new PPP borrower, which has an unknown revenue, may banks use a revenue estimate and report it as having gross annual revenues of "1" (gross annual revenues of \$1 million or less) or must they use a CRA revenue code of "3" (unknown/not used in credit decision).

Generally, a bank should rely on and report the gross annual revenues that it considered in making its credit decision. Loans for which the bank did not collect revenue information may not be included when evaluating a bank's performance in lending to businesses and farms with gross annual revenues of \$1 million or less unless the small business or small farm provides supplemental information or the bank has another source demonstrating the borrower's revenue, such as information on existing customers. Banks that have access to an applicant's gross annual revenue information may, but are not required to, report that information. When evaluating CRA performance, the FRB, the OCC, and the FDIC (agencies) will take into account the unique circumstances affecting borrowers and banks resulting from the COVID-19 emergency and will not penalize a bank for making a large volume of loans for which gross annual revenue information is not available. The agencies will also take into account a bank's good faith efforts demonstrably designed to support low- and moderate-income individuals and small businesses and small farms and its efforts to comply with applicable consumer protection laws.

17. PPP CRA Consideration. How will PPP loans be considered when evaluating the borrower and geographic distribution of loans and the distribution of loans inside and outside of bank assessment areas?

PPP loans in amounts of \$1 million or less will be considered when evaluating a bank's performance under the applicable retail lending test. This includes the evaluation of performance based on the distribution of loans inside and outside of its assessment areas, by business size based on gross annual

revenues, and across geographies of different income levels. The agencies understand that this current environment presents unique challenges. Therefore, although performance may appear to be negatively affected, for example by a high level of out-of-assessment area lending, examiners will consider the information in context and evaluate it accordingly. That said, banks should continue to seek to meet the credit needs of their communities if making a significant amount of loans outside of their assessment areas.

Additionally, an examiner's review of the borrower distribution of retail lending is typically focused on activities within a bank's assessment area(s). However, as noted in Q&A 345.22(b)(2) & (3)—⁹ a bank may receive consideration for retail loans to low- or moderate-income individuals, small businesses, or small farms outside of their assessment area(s), provided that they have adequately addressed the needs of borrowers within their assessment area(s).

18. [03/03/2021] PPP CRA Considerations Community Development. Are PPP loans in amounts greater than \$1 million that are also in low- or moderate-income geographies or in distressed or underserved nonmetropolitan middle-income geographies automatically considered to be community development activities?

Yes, a PPP loan in amounts greater than \$1 million in one of these geographies will be considered an eligible community development activity. Pursuant to the Interagency Questions and Answers Regarding Community Reinvestment,¹⁰ activities that revitalize or stabilize a low- or moderate- income geography or a distressed or underserved nonmetropolitan middle-income geography help to attract new, or retain existing, jobs, businesses, or residents. The PPP was enacted and signed into law in order to support smaller businesses and retain jobs.

19. [03/03/2021] CRA PPP Reporting. Should banks report, and should examiners give CRA consideration to, PPP loans that have been rescinded or returned under the SBA's safe harbor?

No. Banks should neither report these loans on their CRA loan register nor will examiners consider the loans in their CRA evaluations of banks during the applicable time period, as these loans ultimately had no impact on the relevant business, its employees, or its community.

20. [03/03/2021] PPP CRA Services. Can banks receive CRA service test consideration for processing Paycheck Protection Program (PPP) or other pandemic-focused loan applications and related servicing activity?

The CRA regulatory criteria for the service test do not include loan processing and servicing activities for retail loans originated by a bank.¹¹ Additionally, the agencies generally consider building new lending platforms and technical assistance provided to borrowers during a loan application process to be activities that banks engage in during the normal course of doing business. Therefore, the agencies will not extend CRA service test consideration for PPP-related activities.

⁹ See [Interagency Questions and Answers Regarding Community Reinvestment](#), 81 FR 48506 (July 25, 2016).

¹⁰ See <https://www.ffiec.gov/cra/qnadoc.htm>.

¹¹ The retail service test criteria include the current distribution of branches, the bank's record of opening and closing branches, the availability and effectiveness of alternate systems for delivering retail banking services, and the range of services provided. See 12 CFR .24(d) for details.

The agencies do recognize the Paycheck Protection loan program is responsive to community credit needs. Therefore, these activities will be considered under the CRA lending test when evaluating flexible or innovative lending programs offered by the bank.

21. [03/03/2021] PPP CRA Services. Due to the economic distress caused by the COVID-19 pandemic, some banks have been: (a) waiving withdrawal penalties on certificates of deposit (CDs); (b) fulfilling early distribution requests regarding individual retirement accounts (IRAs); (c) allowing draws on home equity lines of credit (HELOCs) during the repayment periods; (d) increasing transaction limits; (e) eliminating overdraft fees; and (f) eliminating ATM fees. Will CRA community development service credit be given for these types of actions during the pandemic? How should banks document these activities and the number of customers served by them?

The [*Joint Statement on CRA Consideration for Activities in Response to COVID-19*](#) (Joint Statement) on March 19, 2020, explains that the agencies will provide favorable CRA consideration to retail banking services and retail lending activities in a bank's assessment area(s) that are responsive to the needs of low- and moderate-income individuals, small businesses, and small farms affected by the pandemic and that are consistent with safe and sound banking practices. The *Community Reinvestment Act (CRA) Consideration for Activities in Response to the Coronavirus Frequently Asked Questions (FAQs)* include additional examples of such activities.

The waiving of ATM fees, overdraft fees, and early withdrawal penalties on CDs are examples of retail services considered responsive to the needs of low- and moderate-income individuals as explained in the Joint Statement. The waiving of a bank's withdrawal fees on savings accounts is not included in the Joint Statement or other of these FAQs, but is another example of a responsive service. Allowing a low- or moderate-income individual to make draws from a HELOC during the repayment period could constitute a flexible lending practice. On the other hand, allowing a low- or moderate-income individual to make a withdrawal from an IRA, as allowed under the CARES Act,¹² or to draw on a HELOC during the draw period are routine banking services and, as such, are not eligible for CRA consideration.

Examiners will consider any relevant information a bank provides that demonstrates a service is responsive or tailored to the convenience and needs of its assessment area(s), particularly the convenience and needs of low- or moderate-income individuals.

22. [03/03/2021] PPP CRA Services. Considering the challenge of providing in-person community development services during the COVID-19 pandemic, how will such services provided virtually by bank representatives be considered for CRA purposes?

Historically, for CRA purposes, bank representatives have primarily provided community development services in-person. However, the agencies recognize that the COVID-19 pandemic has limited banks' ability to continue doing so. As an alternative to in-person services, the agencies will consider services provided virtually (e.g., Zoom, Microsoft Teams, WebEx, etc.) by bank representatives that have a primary purpose of community development and that are related to the provision of financial services. Examples of community development services provided virtually could include, but are not limited to, financial literacy programs or first-time homebuyer education sessions targeted to low- and moderate-income individuals and small business or small farm technical assistance sessions.

¹² See Coronavirus Aid, Relief, and Economic Security Act (CARES Act), <https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf>.

Community development services provided virtually are qualified individually, by each event conducted and in consideration of the assessment area(s) benefitted. Therefore, if a bank representative conducts a financial counseling session to help people affected by COVID-19 virtually for primarily low- and moderate-income individuals in a single assessment area, the bank will receive credit for one community development service for the assessment area. Of note, a community development service provided virtually that reaches multiple assessment areas should be considered at either the state or institution level. For example, if a bank representative conducts a small business technical assistance session that is virtually attended by businesses nationwide, the community development service will be considered at the institution level.

Accounting and Regulatory Reporting Frequently Asked Questions on the
Small Business Administration (SBA) Paycheck Protection Program (PPP)
August 14, 2020

1. 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.

2. [Updated 08/14/2020] Where should institutions report PPP loans in the Call Report?

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 or more categories are sometimes difficult to categorize. In such instances, institutions should categorize the entire loan according to the major criterion. Beginning with the June 30, 2020 Call Report, financial institutions separately report in Schedule RC-M, items 17.a., 17.b., 17.c., and 17.e, the number of PPP covered loans outstanding, the quarter-end outstanding balance of PPP covered loans, the quarter-end outstanding balance of PPP covered loans that are pledged to the Federal Reserve Board’s PPP Liquidity Facility (PPPLF), and the quarterly average amount of PPP covered loans pledged to the PPPLF that were excluded from total assets for the leverage ratio reported in Schedule RC-R, Part I, item 30, respectively. Refer to the June 2020 COVID-19 Related Supplemental Instructions to the Call Report for more information.

3. [Updated 08/14/2020] 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. 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). On June 30, 2020, the American Institute of Certified Public Accountants and its Depository Institutions Expert Panel released a Technical Questions and Answers that discussed the accounting for the fee received or receivable from the SBA for originating the loan.

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¹³See <https://www.aicpa.org/content/dam/aicpa/interestareas/frc/downloadabledocuments/tqa-sections/tqa-section-2130-42-44.pdf>.

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.

4. [Updated 8/14/2020] 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. 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. On June 30, 2020, the American Institute of Certified Public Accountants and its Depository Institutions Expert Panel released a Technical Questions and Answers that discussed the SBA guarantee and its interaction in estimating credit losses on the associated loan.¹⁴

5. [Updated 8/14/2020] 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, PPP loans should continue to be accounted for as loan receivables recognizing payments from the borrower or the SBA. Payments received from the borrower or the SBA prior to the maturity of the loan, other than required payments of principal and interest, are considered prepayments of the loan. Based on the premise that the SBA is considered one of the counterparties, or co-borrower, to the loan agreement in a PPP loan, if the borrower provides the institution and SBA with documentation supporting that it has met the condition of forgiveness, payments received from the SBA should be accounted and reported similar to payments received from the borrower. Accordingly, payments received prior to the loan's maturity from the borrower or the SBA, either full or partial, should be accounted and reported as a prepayment. Unamortized loan origination fees should be accounted for in accordance with ASC Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs.

6. 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, 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.

¹⁴ See <https://www.aicpa.org/content/dam/aicpa/interestareas/frc/downloadabledocuments/tqa-sections/tqa-section-2130-42-44.pdf>.