Technical Issues Memo 21-20

To: NADCO Members (Please disseminate to all appropriate personnel)

From: Denise Ripley, Director of Regulatory Affairs, Training & Support

Subject: SBA Notice 5000-20016 - Changes to 4506-T Tax Transcript Verification Procedures during the COVID-19 Emergency

Date: April 8, 2020

Today SBA published a procedural notice 5000-20016 that covers the changes made to 4506-T tax transcript verification procedures during the COVID-19 crisis. After the National COVID-19 Emergency Declaration, the IRS temporarily suspended acceptance of new IRS Income Verification Express Service (IVES) work until further notice. SBA recognizes this IRS temporary suspension of services will affect the ability of SBA Lenders to comply with the Loan Program Requirements to verify financial information of the Borrower prior to the first disbursement of loan proceeds (for a 7(a) loan) and prior to submitting the closing documents to SBA Counsel (for 504 loans).

SBA is providing the below temporary procedural guidance. Effective today, April 8, 2020, and until further notice, all SBA Lenders, must follow the procedures set forth below to verify the Applicant’s financial information provided in connection with a 504 or 7(a) loan:

If the SBA Lender has submitted IRS Form 4506-T to the IRS and has not received a response from the IRS or the copy of the tax transcript within 10 business days or is unable to submit the IRS Form 4506-T due to the temporary suspension of IRS acceptance of the form, the SBA Lender:

i. May proceed to close and disburse the loan;

ii. Must follow-up with the IRS to obtain and verify the tax data by submitting IRS Form 4506-T or by resubmitting a copy of the IRS Form 4506-T to IRS with the notation “Second Request” in the top right hand side, as applicable;

iii. Must document its file with a dated copy of the submission/second submission, as applicable; and

iv. Must perform the verification and resolve any significant differences discovered as soon as the IRS response is received, but in no event later than 6 months from the date of the Note.

Under current circumstances, if an SBA Lender is unable to submit the 4506-T to the IRS, the SBA Lender must obtain a certification from the Applicant that the tax information provided to the SBA Lender is identical to what was submitted to the IRS.

If you would like to access this TI Memo, or the SBA Procedural Notice via the NADCO website, please click below.

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SBA Procedural Notice 5000-20016