

Summary of the OCC's Paycheck Protection Program Listening Session on Payroll Verification held on April 16, 2020

The Office of the Comptroller of the Currency (OCC) hosted a listening session¹ on April 16, 2020, to facilitate discussion of issues and potential solutions relating to the [Paycheck Protection Program](#) (PPP). The overarching purpose of this listening session was to maximize the PPP's chance of success by identifying positive solutions to implementation problems that banks had raised to the OCC. During this listening session, participants described issues and potential solutions² relating to payroll verification³ involving PPP loans including methods to increase the speed and efficiency of payroll verification during loan application and monitoring processes for PPP loans. The topic of payroll verification was chosen because of its importance in determining PPP maximum loan amounts and loan forgiveness eligibility.

The discussion began with an introduction by the OCC's Chief Innovation Officer, Beth Knickerbocker, who emphasized that the underlying objective for this listening session was to facilitate discussion of methods that industry participants could employ to get prudent PPP loans approved and disbursed to help liquidity reach small businesses in an efficient and effective manner. Following Ms. Knickerbocker's remarks, participants were asked to describe payroll verification issues observed during loan application and onboarding processes and potential issues with payroll verification that may occur during loan monitoring and loan forgiveness processes.

Participants described the impacts of manual payroll verification, which could cause processing delays and potential data input errors in addition to requiring significant time and staff to complete the work. Participants asked questions about their responsibilities for tracking payroll disbursement or identifying potential fraud. One participant expressed concern about current uncertainty pertaining to the level of verification and ongoing tracking that may be required to maintain the Small Business Administration (SBA) guaranty on PPP loans. Participants also expressed the need for additional PPP operational guidance, including further definition of key terms, program requirements, and expectations around "use of proceeds" tracking.

One participant commented that payroll can mean different things based on business structures, such as S corporations or self-employment, raising questions about what types of payroll expenses qualify as payroll. One participant raised a question about meeting third-party risk management expectations when working with financial technology (fintech) companies when processing PPP loans.

¹ Listening sessions are used to inform the OCC and participants about emerging topics, issues, or concerns of stakeholders such as banks and nonbanks, including financial technology companies. The goal of listening sessions is to encourage an open dialogue between participants. Listening sessions are not intended to result in a group consensus on recommendations to guide OCC policy or regulation.

² The OCC does not endorse any particular solutions, companies, or technologies.

³ Borrowers must provide documentation verifying the number of full-time equivalent employees on payroll as well as the dollar amounts of payroll costs. See Paycheck Protection Program Application, Small Business Administration [Form 2483 \(3/20\)](#). See also paragraph 3.b.iii of the [PPP Interim Final Rule](#), effective April 3, 2020 (describing that lenders must "[c]onfirm the dollar amount of average monthly payroll costs for the preceding calendar year by reviewing the payroll documentation submitted with the borrower's application") and Paycheck Protection Program Loans [Frequently Asked Questions](#), dated April 8, 2020.

The issues raised during this discussion were generally applicable to all lenders originating and monitoring PPP loans.

Listening session participants were also asked to discuss how to potentially solve identified issues, particularly through technology. Participants described that borrowers may already have access to data that can be leveraged to verify payroll activity. For example, some borrowers use accounting or payroll software and others work directly with third-party payroll service providers. Participants offered that leveraging data from these sources could be used to increase the speed and efficiency of payroll verification. Additionally, a data aggregator offered a solution to help financial institutions gain direct access to accounting and payroll data to electronically verify payroll and determine PPP maximum loan amounts and loan forgiveness eligibility in a more automated way. There was also discussion on whether payroll verification rules could be met if borrowers kept PPP proceeds in segregated accounts to ease the tracking of payroll payments.

One participant described the potential to further standardize some data types and data formats to enable easier exchange of information among third parties, applicants, lenders, and the SBA, although some flexibility would also need to be maintained. Data could also be accessed by lenders on a permissioned basis. Another participant described the potential to publish regulations or guidance in extensible markup language (XML) format to enable faster processing of requirements. Participants also described the potential use of a standardized payroll calculator for determining loan forgiveness amounts and to help address potential human resource strains on lenders.

In addition, one participant described that the issues raised during this listening session represented opportunities for third-party service providers or fintechs to partner with banks, particularly smaller banks, to resolve issues.

As the listening session ended, there was discussion of whether lenders participating in the discussion could consider establishing processes now to address any forthcoming issues surrounding the upcoming PPP loan forgiveness phase. Participants discussed the potential need to follow up with borrowers to collect any missing data and the opportunity to work with solution providers to electronically verify payrolls using some of the potential solutions described during the session.

Ms. Knickerbocker provided closing remarks and thanked participants for the beneficial discussion during this listening session.

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