



# SBA Procedural Notice

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**TO:** All SBA Employees, 7(a) Lenders, and Certified Development Companies

**CONTROL NO.:** 5000-872050

**SUBJECT:** Update to SOP 50 10 8 – Citizenship and Residency Requirements

**EFFECTIVE:** December 19, 2025

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The purpose of this notice is to advise SBA employees, 7(a) Lenders and Certified Development Companies (“CDCs”) of revisions to Standard Operating Procedure (“SOP”) 50 10 8 Lender and Development Company Loan Programs with Technical Updates. The revisions are consistent with 13 C.F.R. 120.100, 13 C.F.R. 120.110 and Executive Order 14159 “Protecting the American People Against Invasion” and will allow a Borrower to have up to 5% ownership by foreign nationals, U.S. Citizens, U.S. Nationals, or Legal Permanent Residents (LPRs) whose Principal Residence is outside of the United States, its territories, or possessions, as well as by Aliens with Conditional LPR status. **The changes will apply to all 7(a) and 504 applications approved by SBA on and after January 1, 2026.**

The revisions to SOP 50 10 8 are as follows:

- a. The definition of “Ineligible Person” in “Appendix 3: Definitions” is deleted and replaced with the following:

**“Ineligible Person:** An Ineligible Person includes, but is not limited to:

1. Undocumented aliens who are in the U.S. illegally;
2. Individuals granted asylum, refugees, visa holders, nonimmigrant aliens under 8 U.S.C. § [1101\(a\)\(15\)](#), or those under Deferred Action for Childhood Arrivals (DACA). Note: For purposes of the 5% foreign ownership exception set forth in Section A, Ch. 1, Para. F individuals with Conditional LPR status who fall into any of the categories in this subclause are not considered an Ineligible Person;
3. A business concern or entity that was created, organized, or incorporated outside of the United States, its territories, or possessions; or

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4. An individual who has a Principal Residence in or is a citizen of the People’s Republic of China or is an individual who has a Principal Residence in or is a citizen of the Special Administrative Region of Hong Kong.

5. An individual, business concern, or entity on the Office of Foreign Assets Control (OFAC) sanctions list. See Paragraph J of this Chapter.”

b. The following definition is added to “Appendix 3: Definitions”:

**Principal Residence:** Principal Residence is defined by [IRS publication 523](#).

c. The heading and first two paragraphs in Section A, Ch. 1, Para. F, “Businesses Owned by Non-U.S. Citizens,” are deleted and replaced with the following:

#### **“F. CITIZENSHIP AND RESIDENCY REQUIREMENTS**

To be eligible for SBA financing: 100% of the direct and/or indirect owners must be U.S. Citizens, U.S. Nationals, or Lawful Permanent Residents (LPRs) (commonly referred to as “green card holders”), as defined below, and must have their Principal Residence in the United States, its territories, or possessions. All SBA-required guarantors must be U.S. citizens, U.S. Nationals, or LPRs, and must have their Principal Residence in the United States, its territories, or possessions. Entity owners (whether direct or indirect) must be created, organized, or incorporated in the United States, its territories, or possessions.

Nonetheless, the following may be direct and/or indirect owners so long as their aggregate ownership is no more than 5% of the small business concern: (a) Individuals who are not U.S. Citizens, U.S. Nationals, or LPRs, and are not Ineligible Persons but are instead foreign nationals living outside the U.S. (these individuals may also be Supplemental Guarantors); (b) U.S. Citizens, U.S. Nationals, or LPRs whose Principal Residence is outside the United States, its territories, or possessions; and (c) Aliens with Conditional LPR status. Lenders must include supporting documentation for these individuals within their credit approval.

For any loan, SBA Lenders must certify in E-Tran that, to the best of their knowledge, no direct or indirect owner or guarantor is an Ineligible Person. No loan may be made if any direct or indirect owner is an Ineligible Person. Lenders may accept the Applicant’s certifications on SBA Forms 1919 or 1244 that no more than 5% in the aggregate of the direct and indirect owners of the Applicant, OC, and EPC, and all SBA-required guarantors, including entities, have a Principal Residence (as defined by [IRS publication 523](#)) in the United States, its territories, or possessions.

#### **SBA Forms 1919 and 1244**

SBA is in the process of updating SBA Form 1919, “SBA 7(a) Borrower Information Form”, and SBA Form 1244, “SBA 504 Borrower Information Form” and will include these 5% foreign ownership requirements with those updates. Until these updated forms are available, SBA Lenders must collect all required information and certifications and retain them in the loan file.

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The certifications below will be added to the updated SBA Form 1919 and SBA Form 1244 but until the updated forms are published the SBA Lender must attach the certifications below as a supplement to the application to be signed by the Applicant.

The Applicant must certify to the following:

- I certify that none of the direct and indirect owners of the Applicant, OC, and EPC, and all SBA-required guarantors, including entities of the Applicant, OC, and EPC are Ineligible Persons. An Ineligible Person includes, but is not limited to: (1.) Undocumented aliens who are in the U.S. illegally; (2.) Individuals granted asylum, refugees, visa holders, nonimmigrant aliens under 8 U.S.C. § [1101\(a\)\(15\)](#), or those under Deferred Action for Childhood Arrivals (DACA) (Note: for purposes of the 5% foreign ownership exception set forth in the subsequent bullet, individuals with Conditional LPR status who fall into any of the categories in this subclause are not considered an Ineligible Person); (3.) A business concern or entity that was created, organized, or incorporated outside of the United States, its territories, or possessions; or (4.) An individual who has a Principal Residence in or is a citizen of the People's Republic of China, or is an individual who has a Principal Residence in or is a citizen of the Special Administrative Region of Hong Kong; or (5.) An individual, business concern, or entity on the Office of Foreign Assets Control (OFAC) sanctions list (See SOP 50 10).
- I certify that all direct and indirect owners of the Applicant, OC, and EPC, and all SBA-required guarantors, including entities, are U.S. citizens, U.S. Nationals, or Lawful Permanent Residents (LPRs) that have a Principal Residence (as defined by [IRS publication 523](#)) in the United States, its territories, or possessions, and all entity owners were created, organized, or incorporated in the United States, its territories, or possessions, except for the following, who may have no more than 5% aggregate ownership: (a) foreign nationals living outside the U.S.; (b) U.S. Citizens, U.S. Nationals, or LPRs whose Principal Residence is outside the United States, its territories, or possessions; and (c) Aliens with Conditional LPR status.

## Questions

Questions concerning this Notice may be directed to the Lender Relations Specialist in the [local SBA Field Office](#).

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