



# SBA Procedural Notice

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**TO:** All SBA Employees and 7(a) Lenders

**CONTROL NO.:** 5000-876777

**SUBJECT:** Sunset of SBSS Score for 7(a) Small Loans – Supplemental Guidance

**EFFECTIVE:** March 1, 2026

**PUBLICATION:** February 20, 2026

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The purpose of this Notice is to provide supplemental guidance to Procedural Notice [5000-875701](#), which was published on January 16, 2026. SBA is discontinuing the use of the FICO® Small Business Scoring Service<sup>SM</sup> Score (SBSS Score) effective March 1, 2026. Beginning on that date, 7(a) Small loan applications will no longer receive an SBA-provided SBSS Score from E-Tran, and SBA will no longer screen 7(a) Small loan applications using the SBSS Score. In the absence of SBSS Scores, SBA is updating the 7(a) Small loan underwriting procedures in SOP 50 10 8 to emphasize generally accepted industry credit analysis processes and procedures and to include supplemental guidance, as set forth below.

SBA's lending criteria require that Lenders use appropriate and prudent generally acceptable commercial credit analysis processes and procedures consistent with those used for their similarly-sized, non-SBA guaranteed commercial loans in accordance with 13 CFR 120.150.

SBA Express loans are not affected by this change, and SBA Lenders may continue to utilize business scoring models for these loans as permitted by their primary Federal regulator, as set forth in SBA SOP 50 10 8, Section B, Chapter 2, Paragraph C.2.b.

This notice replaces the SOP changes set out in Procedural Notice 5000-875701. For this update, SBA is revising SOP 50 10 8 by renumbering existing Section B, Chapter 2, Paragraph C.2.a.ii, 7(a) Small Equity Requirements, as Paragraph C.2.a.iii, and by removing in its entirety Section B, Chapter 2, Paragraph C.2.a.i., beginning on page 168, and replacing it with the text set out below. The remainder of Section B, Chapter 2, Paragraph C.2.a. is unchanged. Any other sections not specifically amended by the text below also remain unchanged. The revised text is as follows:

## 2. Underwriting

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**EXPIRES: 3/1/27**

SBA Form 1353.3 (4-93) MS Word Edition; previous editions obsolete

Must be accompanied by SBA Form 58

Note: 7(a) Small Loans may only be increased up to \$350,000. If the 7(a) Small loan is increased above \$350,000, it becomes a Standard 7(a) loan and must follow the requirements in Chapter 1 of this section. SBA Express loans may not exceed \$500,000.

**a. Underwriting 7(a) Small Loans**

- i. Lenders must use appropriate, prudent, and generally accepted industry credit analysis processes and procedures consistent with those used for the Lender's similarly-sized, non-SBA guaranteed commercial loans to determine the Applicant's Credit History and Repayment Ability. These policies and procedures may include credit scoring models that are permitted by the Lender's primary Federal regulator for the purpose of analyzing credit history of the Applicant.
- ii. In addition to summarizing the operating business, ownership, and loan request, the Lender's credit memorandum must state why credit is not available elsewhere, and include the following:
  - a) "Credit History": Analysis of the credit history of the Applicant (and Operating Company, if applicable), its Associates, and guarantors;
    - i) The Lender may use a scoring model that combines the Applicant and guarantors as long as its use is permitted by its primary Federal regulator, it is used for its similarly-sized, non-SBA guaranteed loans, and the model does not rely solely on consumer credit scores.
    - ii) The results of the credit history analysis must be documented in the credit memorandum. If a scoring model is used, the results (e.g., score) must be stated in the credit memorandum along with the acceptable approval range.
    - iii) An SBLC may use credit scoring. If it does, SBA may request that the SBLC periodically provide the credit scoring model to SBA for review.
  - b) "Repayment Ability": Analysis of the Applicant's (and Operating Company, if applicable), debt service coverage, two most recent months of commercial bank activity or statements for the primary operating account, and projected earnings and assumptions (if applicable);
    - i) For 7(a) Small Loans, the Applicant's debt service coverage ratio must be equal to or greater than 1.10:1 on either a historical or projected basis.
      - (a) Debt service coverage is measured by dividing the operating cash flow (OCF) by the debt service (DS). The Lender must obtain, analyze, and retain in their files the financial statements and projections necessary to calculate the required debt service coverage ratio.
        - (i) Operating cash flow (OCF) is defined as earnings before interest,

taxes, depreciation, and amortization (EBITDA). Lenders may make additions and subtractions to OCF pursuant to the rules found in Section B, Ch. 1, Para. C.2.a.ii.c), Credit Standards (Page 131).

- (ii) Debt service (DS) is defined as the future required principal and interest payments on all business debt, inclusive of new SBA loan proceeds.
- (b) The debt service coverage ratio must be calculated using one of the following:
- (i) Last year-end financial statement (tax return, internal statement, or accountant-prepared), which must be dated and received within 120 days of year end.
  - (ii) Last year-end statement plus interim financial statement. Lenders will calculate the debt service coverage ratio using the last year-end statement while also confirming that there has not been a decline in the financial condition of the Applicant during the interim period. Interim financial statements must be dated within 120 days of submission to SBA.
  - (iii) 12-month projections, including supporting assumptions. When using projections, the Applicant must demonstrate a debt service coverage equal to or greater than 1.10:1 within one year of loan funding. This method must be employed on all complete change of ownership transactions.
- ii) Lenders must obtain and analyze the two most recent months of commercial bank activity or statements on the primary operating account and include them within their credit file. The commercial bank activity is to be used by the Lenders to confirm the commercial debts and obligations in the debt service coverage calculation.
- (a) If the Lender is underwriting an Applicant that is not currently in operation and has no commercial debts or obligations, they are not required to obtain two months of commercial bank activity or statements on the primary operating account.
  - (b) If the Lender is underwriting a complete change of ownership transaction and there are no other debts or obligations beyond the 7(a) loan, they are not required to obtain two months of commercial bank activity or statements on the primary operating account.
- iii) If the Lender has calculated an acceptable debt service coverage ratio and reviewed two months of commercial bank activity to confirm the

commercial debts and obligations, the requirement to determine the Repayment Ability is satisfied.

- iv) If the Applicant does not meet or exceed the required debt service coverage ratio, the loan must be processed following the procedures for either Standard 7(a) or SBA Express Loans.
- c) Insurance – Lender must address whether life insurance or other insurance (i.e., insurance other than hazard insurance) will be required. For insurance other than hazard insurance, Lender may follow the same written policies and procedures it uses for its similarly-sized, non-SBA guaranteed commercial loans. Hazard insurance is required in accordance with Section A, Ch. 5, Para. C.1.
- d) Lender must address other specifics relating to the loan as applicable, including:
  - i) A description of any proposed collateral and estimated value;
  - ii) For loans greater than \$50,000, when 50 percent or more of the loan proceeds will be used for working capital, Lender must explain in its credit memorandum why this level of working capital is necessary and appropriate for the subject business;
  - iii) The terms of any seller financing and standby agreements;
  - iv) Discussion of any liens, judgments, or pending litigation, including divorce proceedings;
  - v) If the application involves a franchise (as defined by FTC), the Lender must review any credit information provided, such as the number of failed franchisees and cash flow projections provided by the franchisor. Lender must review any management agreement (unless the management agreement is part of the franchise disclosure documents for a brand listed on the Franchise Directory) to determine if it results in an ineligible passive company;
  - vi) Any debt refinancing, including justification and original purpose (copies of all notes to be refinanced must be submitted with any loan submitted to the LGPC).
  - vii) The effect any affiliates may have on the ultimate repayment ability of the Applicant.

SBA SOP 50 10 8, Appendix 2, Acronyms, page 400, reference to “SBSS Small Business Scoring Service<sup>SM</sup> Score” is deleted from the list of acronyms in the SOP.

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Loan applications approved in E-Tran prior to 11:59 PM Eastern on February 28, 2026, may continue to use the SBSS score. All 7(a) Small loans approved on or after March 1, 2026, must comply with the 7(a) Small Loan underwriting requirements stated above.

## Questions

Lenders can submit questions on the sunset of the SBSS Score to [7aQuestions@sba.gov](mailto:7aQuestions@sba.gov).

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