SBA Procedural Notice

TO: All SBA Employees and 7(a) Lenders

CONTROL NO.: 5000-883564

SUBJECT: Update to Minimum Equity Requirement for Veteran Business Acquisitions

EFFECTIVE: November 11, 2026

PUBLICATION: November 10, 2026

The purpose of this notice is to announce a new flexibility for 7(a) changes of ownership in which one or more Veterans will own and control the Applicant business following the transaction. In recognition of their service to the Nation, and to help Veterans acquire and continue established small businesses as their owners retire, SBA is allowing eligible Veteran buyers to meet the required equity injection through permitted outside sources (standby debt, seller debt on full standby, and Non-controlling Minority Equity Investments) so that Veterans may preserve personal savings and liquidity to support post-acquisition operations.

The flexibility is available only for loans that receive an SBA loan number on or before 11:59 PM Eastern, September 30, 2027 (the end of Fiscal Year 2027).

To implement this update, SBA is revising the following sections of SOP 50 10 8.1:

a. Appendix 15, Paragraph C.2.a.ii., "Source of Equity Injections": A new Paragraph C.2.a.ii.c) is added immediately following Paragraph C.2.a.ii.b)iii), "Non-controlling Minority Equity Investments," and immediately preceding Paragraph C.2.b., "Lender's Credit Analysis," to read as follows:

"c) Equity Flexibility for Veteran Business Acquisitions:

i) A Veteran Business Acquisition is a change of ownership transaction in which, immediately following the transaction, one or more Veterans, as defined in Appendix 3 of this SOP, will:

(a) Directly or indirectly own, individually or collectively, at least 50 percent of the Applicant (and the Operating Company, if applicable). For purposes of determining Veteran ownership, all direct and indirect ownership interests held by one or more Veterans are aggregated, regardless of whether the same Veteran holds both a direct and an indirect ownership interest. Indirect ownership interests held through any entity (including but not limited to holding companies, trusts, or limited partnerships) are aggregated with any direct and/or indirect ownership interest held by Veteran(s).

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ii) For loans financing changes of ownership that receive an SBA loan number between November 11, 2026, and 11:59 PM Eastern Standard Time, September 30, 2027, the Limited Equity Injection Sources in Paragraph C.2.a.ii.b) of this Appendix, whether individually or in the aggregate, may provide up to 100 percent of the required equity injection when the transaction is a Veteran Business Acquisition.

iii) This flexibility changes only the permitted mix of equity sources. It does not reduce the minimum equity injection required under Paragraph C.2.a.i. of this Appendix, including that for Initial Acquisitions the required equity injection cannot be reduced or eliminated. Any amount by which the Business Purchase Price exceeds the business valuation must be funded with equity in accordance with Paragraph C.1. of this Appendix.

iv) Each Limited Equity Injection Source used under this paragraph must meet all requirements of Paragraph C.2.a.ii.b) of this Appendix. Standby debt and seller debt must be on full standby (no payments of principal or interest) for the term of the 7(a) loan; the provider of standby debt may not take an equity investment in the business; and each Non-controlling Minority Equity Investor must hold less than 20 percent of the equity in, and exert no control over, the operating business, and may receive only tax distributions until the 7(a) loan is paid in full.

v) In addition to the requirements in Paragraph C.2.b. of this Appendix, the Lender must:

(a) Accurately report the Veteran status of each owner in the SBA Loan System; and

(b) State in the credit memorandum that the loan is a Veteran Business Acquisition relying on this flexibility and identify each source of the required equity injection by type, provider, and amount in addition to the requirements in Section B., Para 6.D.3.f. Documentation of Equity Injection.

b. Appendix 15, Paragraph C.2.a.ii.b), "Limited Equity Injection Sources": The first sentence of the introductory paragraph is deleted and replaced with the following. Subparagraphs i) through iii) of Paragraph C.2.a.ii.b) are unchanged.

"Except as provided in Paragraph C.2.a.ii.c) of this Appendix, the following sources, whether individually or in the aggregate, may provide no more than half of the required Equity Injection."

In support of this update, SBA is revising the following sections of SOP 50 10 8.1 to provide clarity and consistency across the requirements and restore guidance governing internal real estate valuations.

a. Appendix 14: 7(a) Debt Refinancing Requirements: Paragraph A.4.b. is modified to read as follows: "In accordance with 13 CFR § 120.452, a Lender may not use PLP authority to reduce the Lender's credit exposure to the Applicant."

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b. Appendix 14: Paragraph A.4.f. is modified to read as follows:

"f. Refinancing a same institution 7(a) loan: A Lender may refinance its own 7(a) loans via non-delegated processing only if:

i. It is unable to modify the terms of the existing loan because a secondary market investor will not agree to modified terms, or

ii. An increase in the amount of an existing SBA-guaranteed loan is not possible."

c. Appendix 15: 7(a) Changes of Ownership: Paragraph C.2.a.i.a)ii)(a) the first sentence of the second paragraph is modified to read as follows: "When eliminating or reducing the equity requirement, the Lender cannot include dedicated permanent working capital in this or any other 7(a) term loan request within 90 days."

d. Appendix 19: 7(a) Collateral Requirements: Paragraph B.2.c. a new paragraph is added B.2.c.iii. "For commercial real estate securing 7(a) Small Loans," immediately following Paragraph B.2.c.ii. "Working Capital" which reads as follows:

iii. For commercial real estate securing 7(a) Small Loans:

a) An appraisal under Paragraph A.1.1. is required when the transaction involves related parties, or if SBA or the Lender concludes that an appraisal is necessary to evaluate creditworthiness.

b) If an appraisal is not required, the Lender must obtain an appropriate evaluation of the commercial real estate securing the loan that is consistent with safe and sound banking practices. Evaluations are not required to be performed in accordance with USPAP or by State licensed or certified appraisers but should be consistent with the Interagency Guidance Appraisal and Evaluation Guidelines and the Interagency Advisory on the Use of Evaluations in Real Estate-Related Financial Transactions, issued by the Federal Banking Regulators.

e. Appendix 19: 7(a) Collateral Requirements: Paragraph B.3.c. a new paragraph is added B.3.c.i. "For commercial real estate securing SBA Express Loans" immediately following Paragraph B.3.c. which reads as follows:

i. For commercial real estate securing SBA Express Loans:

a) An appraisal under Paragraph A.1.1. is required when the transaction involves related parties, or if the Lender concludes that an appraisal is necessary to evaluate creditworthiness.

b) If an appraisal is not required, the Lender must obtain an appropriate evaluation of the commercial real estate securing the loan that is consistent with safe and sound banking practices. Evaluations are not required to be performed in accordance with USPAP or by State licensed or certified

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appraisers but should be consistent with the Interagency Guidance Appraisal and Evaluation Guidelines and the Interagency Advisory on the Use of Evaluations in Real Estate-Related Financial Transactions, issued by the Federal Banking Regulators.

f. Section B., Chapter 1, Paragraph C.2.a.ii.c) the paragraph is deleted and replaced with the following:

> c. Evaluate the Applicant(s) creditworthiness, including the Applicant(s)'s credit history, and document the analysis of any material adverse credit information. The requirement to evaluate and discuss the Applicant(s)'s credit history is separate from any requirement to obtain a particular third-party business credit report. Review and analyze the personal credit reports for any natural person who is a co-borrower, and any natural person who is guaranteeing the loan, regardless of ownership percentage.

g. Section B., Chapter 2, Paragraph C.2.a.ii.a)i) is deleted and replaced with the following: "Review and analyze the personal credit reports for any natural person who is a co-borrower, and any natural person who is guaranteeing the loan, regardless of ownership percentage."

Questions

Questions concerning this Notice may be directed to 7aQuestions@sba.gov.

Thomas Kimsey
Associate Administrator
Office of Capital Access

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