Small Business Administration Policy Changes
An Overview

Due to a larger agency-wide reorganization, the United States Small Business Administration (SBA) has made numerous changes to its small business loan programs. These changes will take effect on June 1st, 2025. Below is an overview of the upcoming changes.

1) Tighter Ownership and Citizenship Requirements
   - Businesses seeking a loan must be 100% owned by a U.S. citizen, a significant increase from the previous 51%.
   - Any business owner seeking a loan must have been a permanent resident for the last six months.

2) Stricter Underwriting Standards
   - The SBA reintroduced pre-2023 underwriting standards for 7(a) loans, returning to a more traditional and rigorous underwriting criteria. Lenders can no longer use the “do what you do” approach, but must follow SBA-specific guidelines.
   - All loans now require collateral, starting at a $50,000 threshold.
   - Borrowers are required to contribute an equity injection of 10% of project costs for changes of ownership and start-up businesses.
   - The threshold for 7(a) sm,all loans is lowered to $350,000.
   - The minimum credit score for SBA loans went up 10 points and is now 165.

3) Increased Loan Limits for Manufacturing Companies
   - The SBA is considering raising the maximum SBA loan amount for manufacturers from $5 million to $10 million.
   - Both 7(a) and 504 loan programs are affected by this.
   - This would affect businesses classified under manufacturing NAICS codes (31, 32, 33) that are based in the United States.

4) Fee Changes
   - The SBA reinstated upfront guarantee and lender service fees for approved 7(a) loans, effective starting March 27, 2025.
   - An annual service fee of 0.55% for the guaranteed portion of the outstanding balance of 7(a) loans has also been instituted.

5) SBA Recertification and Contracting Changes

- If a small business changes ownership, it must recertify with the SBA within 30 days. If it no longer qualifies as a small business, it will not receive new set-aside federal contracts under multiple award contracts.
- A business's size will be determined at the order level for unrestricted multiple award contracts.
- If two small businesses merge and the combined company exceeds size standards, it can still compete for set-aside orders under existing contracts. However, agencies can't count those awards towards their small business goals.
- Rules affecting mergers and acquisitions will be implemented in January 2026.

Overall, the SBA announced many changes to their loan programs. Their loans are likely going to be harder to obtain due to their new, stricter standards. Legislation could potentially increase manufacturers' loans to up to $10 million. In the face of these changes, it's important to contact an authorized SBA lender when seeking out an SBA loan. If you're looking to sell your business, contact an expert M&A advisor before moving forward.