

Coleman Report

VOL XXXIII,
No. 21

JUNE 2, 2025

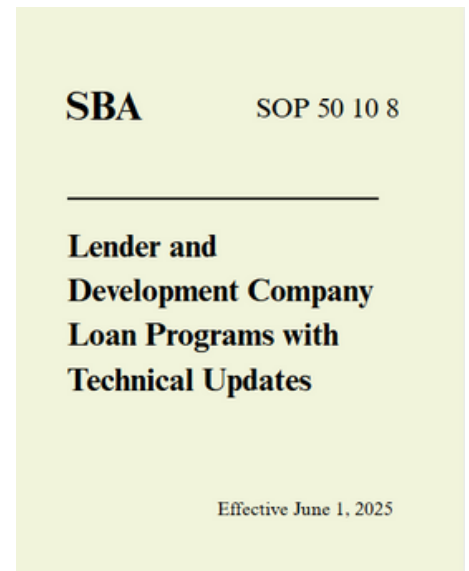
Bob Coleman, Publisher;
bob@colemanreport.com

Anna Griggs, Editor;
anna@colemanreport.com

SBA SOP 50 10 8 Technical Change Updates for June 1, 2025

A technical update released by SBA's Office of Capital Access May 28th includes several significant changes aimed at ensuring compliance, clarity, and efficiency in SBA loan application and management procedures. These changes, set to take effect on June 1, 2025, will apply to all applications issued an SBA loan number after this date.

- [SOP 50 10 8 with technical updates](#) ("clean" final version – will appear on SBA's website soon);
- [SOP 50 10 8 in track changes](#) (this will not be posted to the SBA website because it is not compatible with screen readers used by the sight-impaired)
- [Information Notice 5000-866746](#) on the issuance of the SOP with technical updates (temporary link – will be on SBA's website shortly)



Let's take a closer look at the critical updates introduced in SOP 50 10 8:

Updates to Business Eligibility Requirements

1. Entity and Ownership Location

Applicant businesses and their entity owners must be created, organized, or incorporated in the United States, its territories, or possessions. Additionally, **all direct and indirect owners and guarantors must reside primarily in the U.S.** SBA Lenders must ensure compliance with this requirement when processing applications.

2. Businesses Owned by Non-U.S. Citizens

The updated SOP clarifies the documentation required for businesses owned by non-citizen U.S. Nationals. SBA Lenders must verify and document evidence such as birth certificates or passports for non-citizen U.S. Nationals. Moreover, taxed affiliate businesses must meet the same eligibility criteria as the Applicant Business.

Coleman Report

JUNE 2, 2025

Delinquent Federal Debt and Prior Loss to the Government

SBA Lenders are now required to use the Credit Alert Verification Reporting System (CAIVRS) to determine loan eligibility. If applicants or businesses controlled by applicants have prior losses to the Federal Government or delinquent nontax debts, they are considered ineligible for SBA loans. Documentation of CAIVRS checks must be retained in loan files.

Compliance with OFAC Sanctions

SBA Lenders must verify that applicant businesses and owners are not listed on the Office of Foreign Assets Control (OFAC) sanctions lists. For CDCs handling 504 loans, reliance on Third Party Lenders' certification of OFAC compliance is acceptable under specific conditions, though CDCs retain the option to perform their own verification.

Clarifications on Fees and Legal Services

The SOP has clarified guidelines for fees charged for legal services—a licensed attorney, or someone working under the attorney's direct supervision, must perform these services. This applies regardless of whether the attorney is in-house or external counsel.

IRS Tax Transcript and Financial Verification

A new solution is provided for situations in which the IRS returns a “no records found” message for required tax transcripts. SBA Lenders may proceed with loan closing if:

1. Proof of filing the tax return is obtained (e.g., an IRS e-file submission or stamped paper return).
2. Proof of payment or refund reconciles with the stated tax liability.

For businesses with a pass-through tax structure, lenders may use individual guarantors' tax transcripts to verify payments.

Changes to Ownership and Loan Structuring

1. Co-Borrower Requirements for Partial Ownership Changes

The updates clarify that new owners acquiring even 1% of direct or indirect ownership in the Applicant Business must become Co-Borrowers on the new loan. Selling owners remaining with less than 20% ownership must provide a limited guaranty for the loan.

2. Interest-Only Periods for SBA Loans

For 7(a) term loans, Lenders may offer interest-only payments for a defined period. These loans can be sold on the secondary market after the interest-only period ends.

Coleman Report

JUNE 2, 2025

Clarifications to Collateral Thresholds

Updates to collateral requirements now exempt Lenders from placing liens on vehicles under certain conditions:

- Existing liens do not require additional liens.
- Vehicles valued below \$20,000 are exempt from lien placement requirements.

E-Tran Owner Entry Requirement

SBA Lenders are now required to enter into E-Tran 100% of direct and indirect owners of the Applicant Business, ensuring full transparency in ownership information.

Search Fund Practices Declared Ineligible

The SBA has explicitly declared that certain emerging practices in "search funding" are ineligible for 7(a) loans. Ineligible practices include:

1. Entrepreneurs lacking actual control over businesses they acquire.
2. Investors requiring repayment prior to guaranty release.



What SBA Lenders Need to Know

SOP 50 10 8 introduces a range of technical improvements and clarifications to streamline loan processing while reinforcing compliance requirements. SBA Lenders, Certified Development Companies (CDCs), and borrowers need to prepare for these changes to ensure smooth application processes after June 1, 2025.

These updates aim to create a more efficient and rigorous framework for SBA loans, promoting transparency and accountability across the board.

Upcoming Webinar Announcement

We are excited to announce a webinar on June 5th to discuss the recent changes outlined in SBA SOP 50 10 8.

- **Automatic Registration:** If you or your team have previously enrolled in our SBA SOP 50 10 8 training, you will be automatically registered for this webinar—no action required.
- **New Enrollment:** For those who haven't registered yet, we encourage you to join us for this important training. Please use the following links on our website to secure your spot: ColemanReport.com.

Additionally, we have updated the SOP 50 10 8 manual, now available on Amazon. If you purchased the previous edition within the last 30 days, you are eligible for a full refund from Amazon.

A handwritten signature in purple ink that reads "Bob Coleman".