SBA Procedural Notice

TO: All SBA Employees and 7(a) Lenders

CONTROL NO.: 5000-875701

SUBJECT: Sunset of SBSS Score for 7(a) Small Loans.

EFFECTIVE: March 1, 2026

PUBLICATION: January 16, 2026

The purpose of this Notice is to announce that SBA is discontinuing use of the FICO® Small Business Scoring Service℠ Score (SBSS Score) effective March 1, 2026. Beginning on that date, 7(a) Small loan applications will no longer receive an SBSS Score 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.

SBA's lending criteria requires 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. Lenders may use a business credit scoring model permitted by their primary Federal regulator to assess the credit history of the 7(a) Small loan applicant if they do so for their similarly-sized, non-SBA guaranteed commercial loans.

Because SBA is discontinuing the use of SBSS scores for 7(a) Small loan underwriting , SBA is revising the underwriting requirements for 7(a) Small loan applicants in SOP 50 10 8 to emphasize generally accepted industry credit analysis processes and procedures, which may include use of the Lender's own internal credit scoring models as permitted by their primary Federal regulator, provided such model does not rely solely on consumer credit scores.

Small Business Lending Company (SBLC), which do not make non-SBA guaranteed loans, and thus do not have similarly-sized, non-SBA guaranteed commercial loans in their portfolio, may continue to use credit scoring as before, though they are required to provide their credit scoring model for review by SBA on an annual basis.

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

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

Must be accompanied by SBA Form 58

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For this update SBA is revising SOP 50 10 8 by renumbering existing 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. The revised text is as follows:

2. Underwriting

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. These policies and procedures may include credit scoring models that are permitted by the Lender's primary Federal regulator.

ii. In addition to summarizing the business, ownership, and loan request, the Lender's credit memorandum must state why credit is not available elsewhere, demonstrate reasonable assurance of repayment, and include the following:

a) Analysis of the credit history of the Applicant (and Operating Company, if applicable), its Associates, and guarantors;

b) Analysis of the Applicant's (and Operating Company, if applicable), debt service coverage, and two most recent months of commercial bank activity or statements, and projected earnings (if applicable);

i) Debt service coverage is measured by dividing the operating cash flow (OCF) by the debt service (DS).

(a) 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: Standard 7(a) Loans.

(b) Debt service (DS) is defined as the future required principal and interest payments on all business debt, inclusive of new SBA loan proceeds.

(c) For 7(a) Small Loans, the Applicant's debt service coverage ratio must be equal to or greater than 1.1:1 on a historical and/or projected cash flow basis.

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ii) 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.;

iii) Lender must address other specifics relating to the loan as applicable, including:

(a) A description of any proposed collateral and estimated value;

(b) 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;

(c) The terms of any seller financing and standby agreements;

(d) Discussion of any liens, judgments, or pending litigation, including divorce proceedings;

(e) 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;

(f) 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).

(g) The effect any affiliates may have on the ultimate repayment ability of the Applicant.

c) Lenders may use a business credit scoring model permitted by their primary Federal regulator to assess the credit history of the applicant if they do so for their similarly-sized, non-SBA guaranteed commercial loans, provided such model does not rely solely on consumer credit scores.

i) The business credit scoring model may only be used in addition to the Lender's appropriate, prudent, and generally accepted industry credit analysis and procedures. If used, the business credit scoring results must be documented in each loan file and included in E-Tran with submission.

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ii) Although SBLCs do not make non-SBA guaranteed loans, SBA has determined they may use credit scoring. SBLCs are required to provide the credit scoring model for review by SBA on an annual basis.

SBA SOP 50 10 8, Appendix 2, Acronyms, page 400, the reference to "SBSS Small Business Scoring Service[SM] Score" is deleted from the list of acronyms in the SOP.

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.

Thomas Kimsey
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Office of Capital Access

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