SBA Procedural Notice

TO: All SBA Employees, 7(a) Lenders and Certified Development Companies

SUBJECT: Update to SOP 50 10 8 – Revised Applicant Ownership Citizenship and Residency Requirements for 7(a) and 504 Loans.

CONTROL NO.: 5000-876626

PUBLICATION: February 11, 2026

EFFECTIVE: March 1, 2026

The purpose of this notice is to announce that SBA is incorporating into Standard Operating Procedure ("SOP") 50 10 8, *Lender and Development Company Loan Programs*, recent policy changes issued in SBA Policy Notice 5000-876441, *Update to SOP 50 10 8 – Citizenship and Residency Requirements and Recission of Procedural Notice 5000-872050*, the updated policy requirements that 100% of all direct and/or indirect owners of a small business Applicant be U.S. Citizens or U.S. Nationals who have their Principal Residence in the United States, its territories, or possessions.

These changes will apply to all 7(a) and 504 loans approved (i.e., issuance of the SBA loan number) under **delegated** procedures on or after **March 1, 2026**.

These changes will apply to all **non-delegated** 7(a) and 504 applications that enter R1 status (as indicated in E-Tran) on or after **March 1, 2026. Applications with any Lawful Permanent Resident (LPR) ownership that receive R1 status in E-Tran on or before 11:59 PM Eastern, February 28, 2026, will be processed by SBA. Beginning March 1, 2026, only Applications from businesses with 100% ownership by U.S. Citizens or U.S. Nationals are eligible.**

SOP 50 10 8 Revisions

The revisions to SOP 50 10 8 are as follows:

a. Section A, Ch. 1, Para. F. (pages 27 through 31): The heading and current content of Paragraph F. "BUSINESSES OWNED BY NON-U.S. CITIZENS" are deleted and replaced with the following:

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"F. CITIZENSHIP AND RESIDENCY REQUIREMENTS

SBA financing is limited to business Applicants with 100% direct and/or indirect owners and SBA-required guarantors, all of whom must be U.S. Citizens or U.S. Nationals who have their Principal Residence in the United States, its territories, or possessions. All entity owners (whether direct or indirect) must be created, organized, or incorporated in the United States, its territories, or possessions.

For any loan, SBA Lenders must certify in E-Tran that, to the best of their knowledge, no direct or indirect owner or SBA-required guarantor is an "Ineligible Person" as defined in Appendix 3 of this SOP. No loan may be made if any direct or indirect owner or SBA-required guarantor is an Ineligible Person.

Direct/Indirect Owners: If a direct or indirect owner is an Ineligible Person, the business is ineligible unless the Ineligible Person completely divests their ownership prior to the date of issuance of the SBA loan number. Undocumented aliens who are in the U.S. illegally may not be an officer, director or employee of the Applicant business.

Six-month lookback: The Applicant business is ineligible if any direct or indirect owner of the business commencing 6 months prior to the date of issuance of the SBA loan number is an Ineligible Person, unless the Ineligible Person completely divests their ownership interest prior to the date of issuance of the SBA loan number.

Guarantors (including Supplemental and Limited Guarantors): If any SBA-required guarantor (including an OC for a project structured as an EPC/OC), including direct and indirect owners, are Ineligible Persons, the Applicant is ineligible, with the following exception for limited or supplemental guaranties. When a limited or supplemental guaranty is required by the Lender for their approval, or by SBA to support the pledge of jointly held required collateral, an Ineligible Person (except for undocumented aliens who are in the U.S. illegally) may provide a limited guaranty.

When the applicant business has other businesses that report their taxes on the Applicant business's tax returns, all the businesses on the tax return are subject to these requirements. However, affiliate businesses and partially owned subsidiaries that do not report their taxes on the Applicant business's tax returns are not subject to these requirements.

For servicing requests (e.g., substitution of an owner or SBA-required guarantor), the new individual may not be an Ineligible Person.

Eligible Persons: The following categories of individuals are eligible for SBA financing:

1. U.S. Citizens - Citizens born in an American territory: Generally, those born in an American territory are U.S. citizens. This includes but is not limited to the fifty U.S. states, the District of Columbia, Guam, Puerto Rico, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands, but does not include outlying possessions of the United States (i.e., American Samoa and Swains Island).

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2. U.S. Nationals - People born in American Samoa and Swains Island are considered U.S. Nationals at birth but are not automatically U.S. citizens. 8 U.S.C. § 1408 and 8 U.S.C. § 1101(a)(29). When making a loan to a business owned by a non-citizen U.S. National, the SBA Lender must document in the loan file that the SBA Lender has reviewed evidence of the person's status as a U.S. National (e.g., birth certificate or passport) and must enter the U.S. National's Social Security Number on the application and into E-Tran.

3. Naturalized Citizens - Businesses owned by Naturalized Citizens are eligible, and the naturalized citizens are not subject to any special restrictions or requirements. No further verification of status is required if an individual is reflected as a U.S. Citizen on the SBA application.

Documenting Applicants' Eligibility: The SBA Lender must enter into E-Tran 100% of the Applicant's direct and indirect owners, which includes entity and individual owners with direct or indirect ownership. SBA Lenders must also follow this process for guarantors and for servicing actions (e.g., for requests to substitute an owner or SBA-required guarantor). The ownership percentage of married spouses and minor children must be combined."

b. Section B, Ch. 1, Para. D.1.n. (page 147), (Contents of Lender's Application for Guaranty for Standard 7(a) loans); Section B, Ch. 2, Para. D.1.b.ii.h) (page 185) (Contents of Lender's Application for Guaranty for 7(a) Small loans); Section B, Ch. 3, Para. D.1.c.xi. (page 214) (Contents of Lender's Application for Guaranty for CAPLine loans); Section B, Ch. 4, Para. B.6.a.xv. (page 271) (Contents of Lender's Application for Guaranty for Export Working Capital Program (EWCP) loans); and Section B, Ch. 4, Para. C5.a.iii.l)ix) (pages 309 and 310) (Contents of Lender's Application for Guaranty for International Trade loans), are revised to read as follows:

"**Documentation of U.S. National** in accordance with Section A, Ch. 1, Para. F.2, "Citizenship and Residency Requirements". Lenders must receive verification of the status of each U.S. National. Lender must document their findings of the review proving a U.S. National's status (birth certificate and/or passport) in the loan file, and enter the U.S. National's Social Security Number on the Application in E-Tran."

c. Section B, Ch. 2, Para. D.1.c.ii.g) (page 186) (Contents of Lender's Application for Guaranty for SBA Express loans); and Section B, Ch. 4, Para. A.5a.j) (page 252) (Contents of Lender's Application for Guaranty for Export Express loans), are revised to read as follows:

"Documentation of U.S. National in accordance with Section A, Ch. 1, Para. F.2, "Citizenship and Residency Requirements". Lenders must receive verification of the status of each U.S. National. Lender must document their findings of the review proving a U.S. National's status (birth certificate and/or passport) in the loan file, and enter the U.S. National's Social Security Number on the Application in E-Tran."

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d. Section C, Ch. 1, Para. F.2.a.xxi. (page 368) is revised to read as follows:

"Documentation of U.S. National in accordance with Section A, Ch. 1, Para. F.2, "Citizenship and Residency Requirements". CDCs must receive verification of the status of each U.S. National. CDC must document their findings of the review proving a U.S. National's status (birth certificate and/or passport) in the loan file, and enter the U.S. National's Social Security Number on the Application in E-Tran."

e. **Appendix 3: Definitions – Ineligible Person** (page 406): The definition of Ineligible Person is deleted and replaced with the following:

"**Ineligible Person**: An Ineligible Person includes, but is not limited to:

1. Undocumented aliens who are in the U.S. illegally;

2. An individual granted asylum, a refugee, a visa holder, a non-immigrant alien under 8 U.S.C. § 1101(a)(15), or those under Deferred Action for Childhood Arrivals (DACA);

3. An individual, including a visa holder, who is not a U.S. Citizen, or U.S. National (non-resident aliens);

4. An individual (including U.S. Citizens and U.S. Nationals) who has their Principal Residence outside of the United States, its territories, or possessions;

5. A business concern or entity that was created, organized, or incorporated outside of the United States, its territories, or possessions;

6. An individual who is a citizen of the People's Republic of China, or the Special Administrative Region of Hong Kong;

7. A Lawful Permanent Resident (LPRs) (commonly referred to as "green card holders"), including individuals with permanent (Unconditional) LPR status, and Conditional LPR status;

8. An individual, business concern, or entity on the Office of Foreign Assets Control (OFAC) sanctions list. See Paragraph J of this Chapter."

f. **Appendix 3: Definitions – Principal Residence** (page 409): The definition for "Principal Residence" is added as follows:

Principal Residence: Principal Residence is defined by IRS Publication 523.

SBA Forms 1919 and 1244

g. New Applicant Certifications:

SBA is in the process of updating SBA Form 1919, "SBA 7(a) Borrower Information Form", and SBA Form 1244, "SBA 504 Borrower Information Form." Until these updated forms are

available, SBA Lenders must collect all required information and certifications and retain them in the loan file. The certifications below will be added to the updated SBA Form 1919 and SBA Form 1244. Until the updated forms are published, the SBA Lender must attach the certifications below as a supplement to the application to be signed by the Applicant.

"The Applicant must certify to the following:

- I certify that none of the direct and indirect owners of the Applicant, OC, and EPC, and all SBA-required guarantors, including entities of the Applicant, OC, and EPC, are Ineligible Persons. An Ineligible Person includes but is not limited to: 1. Undocumented aliens who are in the U.S. illegally; 2. An individual granted asylum, refugees, visa holders, nonimmigrant aliens under 8 U.S.C. § 1101(a)(15), or those under Deferred Action for Childhood Arrivals (DACA); 3. An individual, including a visa holder, who is not a U.S. Citizen, or U.S. National (non-resident aliens); 4. An individual (including U.S. Citizens, and U.S. Nationals) who has their Principal Residence outside of the United States, its territories, or possessions; 5. A business concern or entity that was created, organized, or incorporated outside of the United States, its territories, or possessions; 6. An individual who is a citizen of the People's Republic of China, or the Special Administrative Region of Hong Kong; 7. A Lawful Permanent Resident (LPRs) (commonly referred to as "green card holders"), including individuals with permanent (Unconditional) LPR status, and Conditional LPR status; or 8. An individual, business concern, or entity on the Office of Foreign Assets Control (OFAC) sanctions list (see SOP 50 10).

- I certify that all direct and indirect owners of the Applicant(s) and OC(s), and all SBA-required guarantors, are U.S. Citizens or U.S. Nationals that have a principal residence (as given the meaning of principal residence in IRS publication 523) in the United States, its territories, or possessions; and all entity owners and guarantors were created, organized, or incorporated in the United States, its territories, or possessions."

Questions:

Questions concerning this Notice may be directed to the Lender Relations Specialist in the local SBA Field Office.

Thomas Kimsey
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