UPDATED OCTOBER 1, 2025

SBA 7(a) change of ownership loan types

Transaction type	Business acquisition	Strategic acquisition	Partner buyout	Partial buyout
Transaction description	Individual(s) buying 100% of an existing business.	Existing business buying 100% of another like-kind business.	Buying out all of the ownership interest of an existing partner in a business that the buyer already has ownership interest in.	A non-owner buying a portion of an existing business.
Down payment	10% minimum	0% down is possible, or 10% if certain conditions are not met.	0% down is possible, or 10% if certain conditions are not met.	0% down is possible, or 10% if certain conditions are not met.
Rule	SBA requires a minimum down payment of 10% of the total project costs, including the purchase price and soft costs.	If the buying business shares the same 6-digit NAICS code and is in the same geographical area as the target business, then SBA considers this a business expansion and no down payment is required. If this condition cannot be met, a 10% minimum down payment is required.	The remaining partner must have been actively involved in the business and have held the same or increasing ownership interest in the business of at least 10% for the past 24 months. Secondly, the business balance sheet for the most recent fiscal year and current quarter must reflect a debt-to-net worth ratio of no greater than 9:1 prior to the change of ownership. If the above two conditions cannot be met, a minimum down payment of 10% will be required.	The business balance sheet for the most recent fiscal year and current quarter must reflect a debt-to-net worth ratio of no greater than 9:1 prior to the change of ownership. If this condition cannot be met, a minimum down payment of 10% will be required.
Important note	In all four scenarios, the Bank always reserves the right to ask for a larger down payment than SBA's minimum.			
Seller carry note	Not required, but typically 5 -15% of the purchase price.	Not required, but typically 5 -15% of the purchase price.	Not required, but may be needed as a requirement of the Bank.	Not required, but may be needed as a requirement of the Bank.
Important notes	A seller carry note may be considered and is often preferred as part of the debt stack. The seller carry note must be fully subordinated to the Bank's SBA 7(a) loan in both repayment and collateral. The repayment terms of the seller carry note are to be negotiated between the Bank, buyer and seller.			
Seller carry note as down payment	A seller carry note may be considered part of the required down payment if it either: 1) Has no balloon payment and is on full standby (no payments) for the first 24 months of the loan or 2) Has no balloon payment and is on interest only payments assuming the business can cash flow the payments and at least a quarter of the SBA down payment is from the buyer.			
Maximum loan amount	$5,000,000	$5,000,000	$5,000,000	$5,000,000
Maximum loan term	10 years - longer terms are available if business real estate is included in the purchase of the business.			
Interest rates	Variable or fixed rate options, quoted as a spread to WSJ Prime.			

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Transaction type	Business acquisition	Strategic acquisition	Partner buyout	Partial buyout
Collateral	All business assets, possibly primary residences of personal guarantors if equity in home is > 25% (TX excluded) and collateral shortfall exists after all business assets are taken as collateral.			
Personal guarantors	Any individual with 20% or more ownership.			Any individual with 20% or more ownership based on ownership percentages after the change of ownership.
Fees	SBA guaranty fee (% of loan), escrow closing (est. $3K), business evaluation (est. $3K), and other fees as applicable.			
Life insurance	A key-man term life policy, assignable to the Bank, might be required in an amount up to the loan amount or the collateral shortfall on all personal guarantors.			
Business evaluation	A business evaluation is required, to be ordered by the Bank. Loan amounts are based on the lesser of the business valuation or purchase price, whichever is less.			
Role of seller after change of ownership	If a short transitional period is needed to assist the business, the business may contract with the seller(s) as a consultant for a period not to exceed 12 months including any extensions.			The seller may stay on as an owner, officer, director, stockholder, key employee or employee of the business. This is a major change to historical SBA policy.
Seller earnouts	Sales price increases post transaction based on business performance, aka seller earnouts, are not allowed.			
Buyer rebates	Buyer rebates based on business performance are allowed because this is a benefit to the borrower.			

RECENT CLIENT SUCCESS

$2.2 million SBA 7(a) **Partner buyout** Metal Work Manufacturer Oklahoma City, OK	**$1.75 million SBA 7(a)** **Business acquisition** Engineering Services Fort Worth, TX	**$1.38 million SBA 7(a)** **Business acquisition** Flower Nursery, Wholesaler Albuquerque, NM	**$2.1 million SBA 7(a)** **Partner buyout** Law Firm Scottsdale, AZ
$2.7 million SBA 7(a) **Business acquisition** Scientific & Technical Services Tulsa, OK	**$3.20 million SBA 7(a)** **Partner buyout** Landscape Services & Supplies Houston, TX	**$1.49 million SBA 7(a)** **Partner buyout** Child Day Care Goddard School Boulder, CO	**$3.84 million SBA 7(a)** **Strategic acquisition** Electrical Services Phoenix, AZ

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