SBA acquisition checklist

What the lender will test on an SBA 7(a) business acquisition under SOP 50 10 8.1 (effective October 1, 2026).

1. KNOW YOUR DEAL TYPE

Type	Coverage	Equity	QoE at $3M+
Initial Acquisition (new owner; the default)	1.25x	10%, can't be reduced	Yes
Business Expansion (same owners 2+ years, same 4-digit NAICS)	1.15x	10%, lender may reduce	Yes
Owner Buyout	1.25x	10% of price, lender may reduce	No
ESOP / co-op (51%+)	1.25x	ESOP: none; co-op: 10%	No

2. COVERAGE

- ☐ EBITDA ÷ all post-closing debt service, on the **last fiscal year or two-year average**, historical or adjusted.
- ☐ Every adjustment justified in writing. Owner-pay adjustments need **global cash flow at 1:1**.
- ☐ Projections are reviewed but **can't be used to pass**.
- ☐ Seller notes with payments count as debt service; interest-only debt is amortized over 10 years or less.

3. EQUITY (10%)

- ☐ **Unlimited:** unborrowed cash (yours or on a business's balance sheet), outside-repaid personal loans, grants.
- ☐ **Capped at half:** seller notes and other debt on **full standby** (no payments for the life of the loan, Form 155), passive investors under 20%.
- ☐ Price above the valuation? The gap is covered by equity.
- ☐ Buyer-paid valuation and QoE costs count toward equity.

4. FINANCIAL DUE DILIGENCE

- ☐ **Business valuation** on every deal: accredited appraiser, ordered by the lender.
- ☐ **QoE** if Initial Acquisition or Business Expansion and business price ≥ $3M (before equity or seller notes; owner-occupied real estate excluded). Lender-ordered, with a cash proof on TTM + 2 fiscal years.
- ☐ Seller's returns verified against **IRS transcripts**.
- ☐ Total debt (incl. non-standby seller notes) **capped at the valuation**.

5. TERMS THE SOP SETS

- ☐ **10-year** amortization on the business portion; real estate up to 25 years.
- ☐ **No seller earnouts.** Buyer rebates allowed, paid to loan principal.
- ☐ Seller exits; consulting **up to 24 months** total.
- ☐ Site visit to the buyer and the business.
- ☐ Collateral shortfall: liens on personal real estate of 20%+ owners (if 25%+ equity) and **life insurance** for the shortfall for single-member LLCs and one-owner businesses.

6. DOCUMENTS TO GATHER

- ☐ Seller: 3 years of tax returns; monthly P&L and balance sheets, 3 years + YTD; general ledger
- ☐ Every bank statement, including savings, 24–36 months
- ☐ Revenue by customer; top customer contracts; AR/AP agings
- ☐ Payroll registers and owner/family pay detail
- ☐ Fixed asset list; debt schedule; leases, incl. related-party
- ☐ Support for every add-back
- ☐ Buyer: résumé, SBA Form 413, 3 years of personal returns, 2 months of statements for the equity cash
- ☐ LOI, draft purchase agreement, seller note and standby terms

7. ADD-BACKS THAT GET CUT

- ☐ "One-time" costs that show up every year
- ☐ Family on payroll who actually work
- ☐ Seller pay added back without a market replacement salary
- ☐ Vehicles and phones at 100% when partly business
- ☐ Anything that depends on projections

Watch for costs the broker left out: below-market related-party rent, deferred maintenance, customer prepayments booked as revenue, and one-time income.

Source: SBA SOP 50 10 8.1, Appendix 15. A summary, not legal or tax advice; lenders may apply stricter policies.