



SBA Procedural Notice

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

CONTROL NO.: 5000-858322

EFFECTIVE: June 24, 2024

SUBJECT: 7(a) and 504 loans to Cooperatives and
valuation requirements for 7(a) loans to ESOPs for
changes of ownership

The purpose of this notice is to revise SBA procedures to:

- Allow SBA Lenders to process loans to a cooperative or an eligible small business owned or controlled by a cooperative under delegated authority. Upon the effective date of this notice, SBA Lenders may use their delegated authority to make loans to Cooperatives and eligible small businesses owned or controlled by a cooperative.
- **(7(a) Loans only)** Remove the requirement for an independent business valuation for 7(a) loans involving ESOPs for the types of loans discussed in SOP 50 10 7.1, Section A, Chapter 2, Paragraph B.2.

Cooperatives

SOP 50 10 7.1 is revised as follows.

Section A, Chapter 2, Paragraph B.3.b. (page 30), which applies to both the 7(a) and 504 Loan Programs, is revised as follows:

“b. SBA Lenders may process loans to a cooperative or to an eligible small business owned or controlled by a cooperative under delegated authority.”

Section B, Chapter 1, Paragraph A.2.f.vi (page 98), which applies to the 7(a) Loan Program Standard 7(a) Loans delivery method, is revised as follows:

“vi. A cooperative is purchasing a controlling interest (51% or more) in the employer small business. (Note: any transaction costs associated with the purchase of the controlling interest, but not costs associated with setting up the cooperative, may be included in the use of proceeds.) These loans may be processed under PLP authority.”

Section B, Chapter 1, Paragraph A.3.b. (page 99), which applies to the 7(a) Loan Program Standard 7(a) Loans delivery method, is deleted, and the subsequent subparagraphs are renumbered.

Section B, Chapter 2, Paragraph A.2.f.vi (page 128), which applies to the 7(a) Loan Program 7(a) Small and SBA Express delivery methods, is revised as follows:

“vi. A cooperative is purchasing a controlling interest (51% or more) in the employer small business. (Note: any transaction costs associated with the purchase of the controlling interest, but not costs associated with setting up the cooperative, may be included in the use of proceeds.) These loans may be processed under PLP or SBA Express authority.”

Section B, Chapter 2, Paragraph A.3.b. (page 130), which applies to the 7(a) Loan Program 7(a) Small and SBA Express delivery methods, is deleted, and the subsequent subparagraphs are renumbered.

Section B, Chapter 3, Paragraph A.5.a. (page 156), which applies to the 7(a) Loan Program CAPLines delivery method, is deleted, and the subsequent subparagraphs are renumbered.

Section B, Chapter 4, Paragraph A.2.b.i. (page 194), which applies to the 7(a) Loan Program Export Express delivery method, is deleted, and the subsequent subparagraphs are renumbered.

Section B, Chapter 4, Paragraph B.4.a. (page 216), which applies to the 7(a) Loan Program Export Working Capital Program, is deleted, and the subsequent subparagraphs are renumbered.

Section B, Chapter 4, Paragraph C.2.b.i. (page 244), which applies to the 7(a) Loan Program International Trade delivery method, is deleted, and the subsequent subparagraphs are renumbered.

ESOP Business Valuation Requirements

The following language is added to SOP 50 10 7.1 in Section A, Chapter 2, Paragraph B.2 (page 29) as the new subparagraph j.

“j. Regardless of the requirements stated throughout this SOP for business valuations, an independent business valuation is not required when the Lender is making a loan involving ESOPs for the types of loans discussed in SOP 50 10 7.1, Section A, Chapter 2, Paragraph B.2. In lieu of an independent business valuation, the Lender may use the valuation obtained by the ESOP that was made in accordance with ERISA specifications.”

Questions

Questions concerning this Notice may be directed to the Lender Relations Specialist in the [local SBA Field Office](#).

Kathryn Frost
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Office of Capital Access