

SBA Lenders Must Now Obtain an Independent Quality of Earnings Report

on certain 7(a) acquisitions with a business purchase price of \$3 million or more.



EFFECTIVE

SBA loans numbered on or after October 1, 2026

THRESHOLD

\$3M+ business purchase price (excluding owner-occupied real estate)

LOAN TYPE

SBA 7(a) Initial Acquisition & Business Expansion

What's Changing

For SBA 7(a) loans that receive an SBA loan number on or after October 1, 2026, lenders must obtain an independent Quality of Earnings report on Initial Acquisition and Business Expansion transactions with a business purchase price of \$3 million or more. The QoE is performed for the lender's benefit and cannot be prepared by or for the borrower or seller. Owner Buyout and ESOP or Cooperative transactions, as SBA defines them, are not subject to the QoE requirement.

Who This Affects

- Business owners pursuing SBA-financed sales at or above the \$3 million threshold
- Buyers and search funds financing acquisitions with SBA loans
- SBA lenders underwriting acquisitions (under PLP, the QoE must be engaged, with an engagement letter in place, when the loan number is issued)
- Business brokers and M&A attorneys managing deal timelines

Why Act Early

The lender's QoE reviews and documents earnings adjustments and reconciles bank activity to the books and tax returns. Sellers who get their numbers scrubbed before going to market can avoid late-stage surprises that affect price or loan size. For covered deals, the required QoE must be completed before the SBA loan closes.

How Ennis Pllum CPAs Helps

Our Transaction Advisory Services team performs buy-side and sell-side Quality of Earnings engagements throughout Northeast Florida and nationwide. We help sellers find and fix earnings issues before lender diligence begins, and we work with SBA lenders as an independent QoE provider on transactions where we don't represent the buyer or seller.

 **(904) 396-5965** jaxcpa.com

Brooks Southerland, CPA - Partner - Transaction Advisory Services

