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The $3M line: SBA now prices your deal on the lender's numbers

Since 1 October 2026, an SBA-financed acquisition at $3 million or more is underwritten on a lender-ordered quality-of-earnings report and on last year's results, not on the seller's adjusted numbers or your projections. **Find out what that report will say before you sign the LOI.**

$3M	1.25x	50%+	$16M
price that triggers a lender-ordered QoE	debt service coverage, on last year's results	of the 10% equity must be your own cash	median search-fund purchase price, 2024–25

Sources: SBA SOP 50 10 8.1, Appendix 15, as summarized by Weaver, CLA, CBIZ, PilieroMazza and Starfield & Smith (Aug–Sep 2026); Stanford GSB 2026 Search Fund Study.

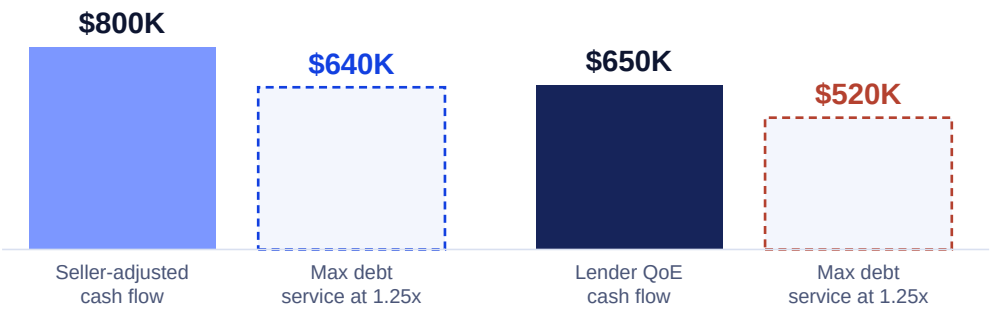
What changed on 1 October

01 QoE at $3M+	Price of $3M or more, excluding owner-occupied real estate: the lender must get a QoE as well as the valuation.
02 The lender's QoE	Prepared by an independent professional for the lender, not for you. The loan is sized on its earnings number.
03 1.25x on trailing results	Coverage is measured on actual historical cash flow. Projections no longer close the gap.
04 10% equity, half yours	Seller notes and other limited sources cover at most half of the minimum, and a seller note only on full standby.
05 Price above support	If the price exceeds what the valuation and QoE support, the difference must be more equity.

Why the work moves before the LOI

Most searchers are above the line: the median search-fund purchase in 2024–25 was $16 million, and 78% of Main Street buyers surveyed by BizBuySell expect to use SBA financing. The risk is the gap between the seller's adjusted earnings and the lender's QoE earnings. That gap now decides how much you can borrow, and the lender finds it on its own schedule.

Same business, two earnings numbers ($K a year, illustrative)

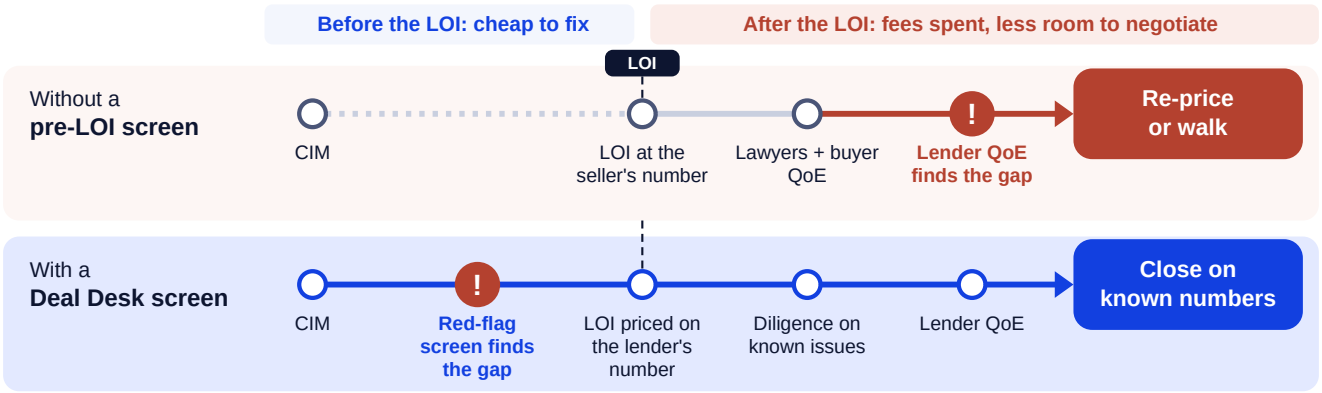


Debt capacity lost
▼ $120K
per year, about 19%

Debt service the buyer can no longer carry, found by the lender after the LOI is signed.

Illustrative numbers. Maximum debt service = cash flow ÷ 1.25. A $150K difference in earnings removes $120K a year of debt-service capacity.

When the earnings gap gets found



Five checks to run before you sign

1 Deposits vs tax returns
The lender's QoE includes a proof of cash. If 24 months of deposits don't reconcile to the returns, earnings and the loan shrink.

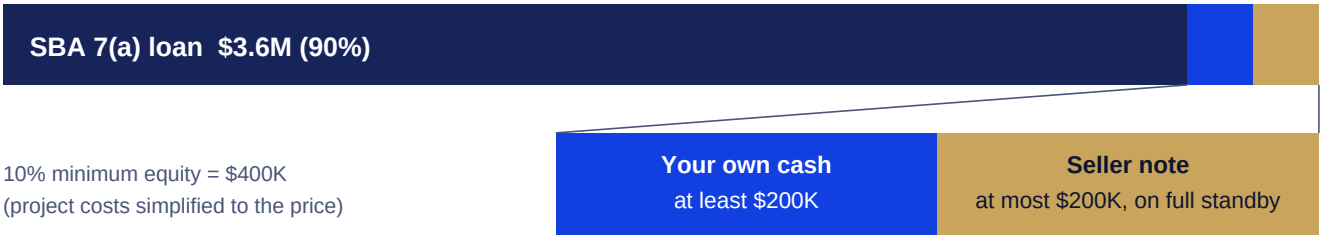
2 Customer concentration
An explicit QoE test. Know the top five customers' share of revenue and their contract terms.

3 The add-back stack
If adjusted earnings rest on one large add-back (owner pay, a "one-time" item), test coverage without it.

4 1.25x on last year
Divide trailing cash flow by annual debt service on your structure. $500K of debt service needs at least $625K of cash flow.

5 The equity stack
At least half of the 10% must be your own cash; a seller note fills no more than the other half, on full standby.

A $4M acquisition under the new equity rules (illustrative)



Illustrative: assumes the loan and equity fund the full $4M price. Real project costs add fees and working capital.

How Kapability helps

Deal Desk runs fixed-fee screens for searchers and independent sponsors. The **Red-Flag Screen** shows what a lender's QoE is likely to find and whether the deal clears 1.25x on trailing numbers. The **LOI-Ready Pack** adds structure, the working-capital approach and the questions to settle before exclusivity. Fixed fee, quoted before we start. No success fee and no broker role.

Send us a deal: tomer@kapabilitygroup.com

Sources. SOP 50 10 8.1 dates, QoE requirement and Appendix 15: Weaver (Aug 2026), Starfield & Smith (Sep 2026), CLA (Aug 2026), BVR (Sep 2026). QoE prepared for the lender and its scope: CBIZ (Sep 2026), PilieroMazza. Coverage on trailing results and equity sources: PilieroMazza, MMCG, Appendix 15 text quoted on Searchfunder. Median search-fund price: Stanford GSB 2026 Search Fund Study (Jul 2026). SBA use by buyers: BizBuySell Insight Report Q3 2026. Kapability Group provides analysis, not legal, tax or lending advice. Check every rule with your lender and counsel.