



SBA Procedural Notice

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

CONTROL NO.: 5000-855070

SUBJECT: Adoption of the Alternative Size Standard for SBA's 7(a) and 504 Loans Incorporating an Adjustment for Inflation

EFFECTIVE: March 5, 2024

The purpose of this notice is to revise the provisions of SOP 50 10 7.1 relating to the Alternative Size Standard for SBA's 7(a) and 504 loans to incorporate updates to the Alternative Size Standard made by the final rule that SBA published in the Federal Register ([89 FR 11703](#)), February 15, 2024. This final rule, which is effective March 18, 2024, makes permanent the Alternative Size Standard, which was adopted with the Small Business Jobs Act of 2010 ([Pub. L. 111-240](#)), subject to adjustment for inflation which has occurred since 2010.

The alternative size standard requires that the applicant, including its affiliates, has a tangible net worth and average net income that is less than the amounts established in SBA's regulations at 13 C.F.R. § 121.301. The inflation adjustment increases the Alternative Size Standard's level for tangible net worth from \$15 million to \$20 million, including all affiliates. Tangible net worth is calculated using the most recent balance sheet on the financial statements submitted with the application.

The inflation adjustment also increases the level of average net income from \$5 million to \$6.5 million. Specifically, a business using the Alternative Size Standard must have an average net income after Federal income taxes (excluding any carry-over losses) for the two full fiscal years before the application date that does not exceed \$6.5 million.

An Applicant's size may be determined using either the Industry Size Standard or the Alternative Size Standard, depending on which is most beneficial to the Applicant. The Industry Size Standard measures an applicant's size based on their primary industry (NAICS Code), using either annual receipts or the number of employees. When using annual receipts, the number is calculated based on the average of either the most recent three or five fiscal years, whichever benefits the Applicant, as described in [13 CFR §121.104\(a\)](#). When using the number of employees, the Applicant must count all individuals employed on a full-time, part-time, or other basis (volunteers are not counted), and the determination is based on the average number of employees (including domestic and foreign affiliates) for each of the pay periods for the

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preceding completed 24 calendar months, as described in [13 CFR §121.106\(b\)](#). If a concern has not been in business for 24 months, the average number of employees is used for each of the pay periods during which it has been in business.

SOP 50 10 7.1, Section A, Chapter 1, paragraph E.1.b is revised as follows:

- b. “Alternative Size Standard.” The Applicant (including affiliates) must meet the following (13 CFR §121.301):
 - i. The maximum tangible net worth may not exceed \$20 million; and
 - ii. The average net income after Federal income taxes (excluding any carry-over losses) for the 2 full fiscal years before the application date may not exceed \$6.5 million.

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