

Background on Recent SBA Procedural Notices Removing Access to SBA Programs for Immigrant-Owned Businesses

The U.S. Small Business Administration (SBA) released a procedural notice in January (the latest in a series) stating that businesses applying for SBA-backed small business loans **must be 100% owned by U.S. citizens or U.S. nationals**. The notice also explicitly **lists citizens of China and Hong Kong as ineligible** for certain programs and requires lenders who offer SBA loans to **collect documentation verifying proof of citizenship** for every business owner applying for a loan.¹

Who Is Impacted?

For 25 years, legal permanent residents (green card holders), refugees, asylees, and other immigrants with legal status were eligible to acquire SBA loans to invest in and grow small businesses as long as the business applying for the loan was majority owned (at least 51%) by U.S. citizens or permanent residents.

Under the new policy, even if a business is 1% owned by a non-citizen, it is no longer eligible for these loans. As a general matter, dual citizens remain eligible for SBA programs, although naturalized citizens who maintain citizenship with China or Hong Kong may be ineligible. Because the notice lacks clarity in several areas, its full implications are not yet conclusive.

Which Programs Are Included?

The notice applies to several SBA programs, including the agency's flagship **7(a) loan program**, which provides government-backed guarantees to lenders that offer loans to small businesses. These guarantees allow lenders to serve businesses that may not qualify for conventional bank financing but demonstrate strong business potential. Under the 7(a) program, borrowers can access loans of up to \$5 million, making it one of the most important sources of capital for small businesses.²

The policy also applies to the 504, Microloan, and Surety Bond Guarantee programs. The **504 program** helps businesses expand by assisting them with the purchase of fixed assets like equipment or real estate, **microloans** provide smaller sized loans (up to \$50,000) for startups or boutique businesses, and the **Surety Bond Guarantee program** helps businesses secure important contracts that allow them to expand their operations.

Together, these programs help fill a crucial gap in the lending market for entrepreneurs who may lack sufficient credit history, collateral, or longstanding banking relationships.

What Is the Impact?

Immigrants are a vital part of the small business ecosystem. Across the country, **immigrants start businesses at much higher rates than the rest of the population**³ and they own 27% of small 'Main Street' businesses.⁴ In many communities, immigrant-owned small businesses serve as economic anchors: supporting local jobs, revitalizing commercial corridors and cultural districts, and building wealth for people and the neighborhoods in which they live.⁵

SBA lending programs have historically played an important role in helping underserved entrepreneurs access capital. In Fiscal Year (FY) 2024, the SBA supported more than 100,000 small businesses across its core programs, expanding access to capital for a wide range of business owners.⁶

Within Asian American, Native Hawaiian, and Pacific Islander (AA and NHPI) communities in particular, SBA backed 8,900 loans to Asian-owned businesses, totaling \$7.2 billion, and the number of Asian businesses funded increased by 70 percent from FY2020.⁷ These loans have supported businesses that might otherwise struggle to access financing through mainstream banks.

Overall, this means that tens of thousands of business owners could potentially be affected by this policy, including AA and NHPI owners.

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Early Effects and Economic Impact

Early reports from lenders and community-based organizations suggest the policy is already creating confusion and challenges across the small business lending ecosystem. Lenders report confusion due to unclear guidance on new citizenship verification requirements, and some are raising concerns that documentation requirements could lead to fair lending violations.

As borrowers who are no longer eligible for SBA loans seek capital elsewhere, lenders and community organizations are reporting a growing demand for alternative financing options. This includes **increased reliance on high-cost products such as merchant cash advances (MCAs)**. Mission-driven lenders, including community development financial institutions (CDFIs), will also face increased pressure as more entrepreneurs seek financing outside of SBA programs.

The broader economic impact of the policy could be significant. Eligibility restrictions may not stop with SBA lending programs. Similar limitations could extend to other federal programs and impact private lending as well, which would reduce the client pool for financing in the future. Reduced access to responsible capital could delay business growth, hiring, and expansion for many entrepreneurs. Increased reliance on high-cost financing may also expose businesses to predatory lending. **Over time, these pressures could destabilize neighborhoods, commercial corridors, and cultural districts—weakening local small business ecosystems that depend on immigrant-owned small businesses as economic anchors.**

About National CAPACD

National Coalition for Asian Pacific American Community Development (National CAPACD) is a coalition, intermediary, and the nation's leading organization in advancing community development and advocating against gentrification and displacement of AA and NHPI communities. We represent and support more than 160 community-based organizations in driving their local strategies, and we back their efforts by advancing progressive national policies.

Contact Info

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¹<https://www.sba.gov/document/policy-notice-5000-876441-update-sop-50-10-8-citizenship-residency-requirements-recission-procedural-notice-5000-872050>

²https://www.sba.gov/funding-programs/loans/7a-loans?utm_source#what-is-a7a-loan

³<https://map.americanimmigrationcouncil.org/locations/national>

⁴<https://immresearch.org/publications/businessowners>

⁵https://advocacy.sba.gov/wp-content/uploads/2026/02/FINAL_FAQsAboutSmallBusiness_2026_012826.pdf

⁶<https://www.sba.gov/document/report-sba-2024-capital-impact-report>

⁷https://www.sba.gov/sites/default/files/2024-10/Capital%20Impact%20Report%202024_Final_1.pdf