



SMALL BUSINESS ADMINISTRATION

13 CFR Part 120

7(a) Alternative Base Rate Options

Agency: U.S. Small Business Administration.

ACTION: Notification.

SUMMARY: SBA is introducing alternative base rate options for use with variable interest rate loans made under the 7(a) Loan Program. The alternative base rate options are also available for use under any 7(a) pilot loan programs, unless expressly prohibited.

DATES: Implementation Date: The 7(a) alternative base rates will be effective March 1, 2026, and will remain in effect until further notice.

FOR FURTHER INFORMATION CONTACT: For further information, contact Daniel Pische, Director, Office of Financial Assistance, Office of Capital Access, Small Business Administration, (202) 205-7119 or Daniel.Pische@sba.gov. The phone number above may also be reached by individuals who are deaf or hard of hearing, or who have speech disabilities, through the Federal Communications Commission's TTY-Based Telecommunications Relay Service teletype service at 711. Lenders can submit questions on the 7(a) Alternative Base Rate options to 7aQuestions@sba.gov.

SUPPLEMENTARY INFORMATION:

I. 7(a) Alternative Base Rate Options

A 7(a) Lender may use a variable rate of interest for guaranteed loans. Currently, a 7(a) Lender may use either the Prime rate or the Optional Peg Rate as the base rate when determining the interest rate for such loans. Per 13 CFR 120.214(c), SBA is permitting the use of three “Alternative Base Rate” options (in addition to the Prime rate and the Optional Peg Rate) for loans made with a variable interest rate under the SBA 7(a) Loan Program: the 5-year Treasury Note Rate, the 10-year Treasury Note Rate, and the Secured Overnight Funding Rate (SOFR) (collectively, “Alternative Base Rates”). Lenders choosing to use one of the Alternative Base Rates must follow the guidance provided in SOP 50 10 found on [sba.gov](https://www.sba.gov), which establishes the maximum interest rate allowed for a loan based on its amount. When using one of the Alternative Base Rate options, the maximum interest rate that can be charged by the Lender shall not exceed Prime plus the allowed spread for that loan amount.

Treasury Rates:

The 5-year, and 10-year Treasury Note Rates that 7(a) Lenders may use as Alternative Base Rates will be adjusted monthly and based on the market rate at 5:00 PM Eastern on the final business day of the previous month.

Secured Overnight Funding Rate (SOFR):

SBA is allowing Lenders to use the Secured Overnight Financing Rate. SBA recognizes that financial institutions use a range of SOFR products to deliver an equivalent reference rate (e.g., 30-day term SOFR and 30-Day Average SOFR). Lenders may continue to use their established in-house SOFR reference rates of 30 days or less, as these rates closely correlate with the daily SOFR rate. The amount of interest SBA will pay to a Lender following a default will be calculated based on the daily SOFR rate reported by the Federal Reserve Bank of New York and published by SBA on a monthly basis.

SBA will publish the 7(a) Alternative Base Rate options on SBA’s website at <https://catran.sba.gov/ftadistapps/ftawiki/> on a monthly basis, along with the Prime rate and SBA Optional Peg Rate.

Authority: 15 U.S.C. 636(a)(4)(A) and 13 CFR 120.214(c).

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