

Small Business Administration

§ 120.933

note in effect before the date of the Borrower's default.

[61 FR 3235, Jan. 31, 1996, as amended at 64 FR 2118, Jan. 13, 1999]

§ 120.922 Pre-existing debt on the Project Property.

In addition to its share of Project cost, a Third-Party Loan may include consolidation of existing debt on the Project Property. The consolidation must not improve the lien position of the Lender on the pre-existing debt, unless the debt is a previous Third-Party Loan.

§ 120.923 Policies on subordination.

(a) Financing provided by the seller of Project Property must be subordinate to the 504 loan. SBA may waive the subordination requirement if the property is classified as "other real estate owned" by a national bank or other Federally regulated lender and SBA considers the property to be of sufficient value to support the 504 loan.

(b) A Borrower is eligible for a 504 loan even if part of the Project financing is tax-exempt. SBA's lien position must not be subordinate to loans made from the proceeds of the tax-exempt obligation.

(c) The Borrower must not prepay any Project financing subordinate to the 504 loan without SBA's prior written consent.

[61 FR 3235, Jan. 31, 1996, as amended at 68 FR 57988, Oct. 7, 2003]

§ 120.925 Preferences.

No Third Party Lender shall establish a Preference. (See §120.10 for a definition of Preference.)

[61 FR 3235, Jan. 31, 1996, as amended at 68 FR 57988, Oct. 7, 2003]

§ 120.926 Referral fee.

The CDC can receive a reasonable referral fee from the Third Party Lender if the CDC secured the Third Party Lender for the Borrower under a written contract between the CDC and the Third Party Lender. Both the CDC and the Third Party Lender are prohibited from charging this fee to the Borrower. If a CDC charges a referral fee, the CDC

will be construed as a Referral Agent under part 103 of this chapter.

[68 FR 57988, Oct. 7, 2003]

504 LOANS AND DEBENTURES

§ 120.930 Amount.

(a) Generally, a 504 loan may not exceed 40 percent of total Project cost plus 100 percent of eligible administrative costs. For good cause shown, SBA may authorize an increase in the percentage of Project costs covered up to 50 percent. No more than 50 percent of eligible Project costs can be from Federal sources, whether received directly or indirectly through an intermediary.

(b) A 504 loan must not be less than \$25,000.

(c) Upon completion of the Project, the Debenture amount will be reduced by the amount that the unused contingency reserve exceeds 2 percent of the anticipated Debenture.

[61 FR 3235, Jan. 31, 1996, as amended at 68 FR 57988, Oct. 7, 2003]

§ 120.931 504 Lending limits.

The outstanding balance of all SBA financial assistance to a Borrower and its affiliates under the 504 program covered by this part must not exceed \$1,000,000 (or \$1,300,000 if one or more of the public policy goals enumerated in §120.862(b) applies to the Project).

[68 FR 57988, Oct. 7, 2003]

§ 120.932 Interest rate.

The interest rate of the 504 Loan and the Debenture which funds it is set by the SBA and approved by the Secretary of the Treasury.

§ 120.933 Maturity.

From time to time, SBA will publish in the FEDERAL REGISTER the available maturities for a 504 loan and the Debenture that funds it. Such available maturities remain in effect until changed by subsequent FEDERAL REGISTER publication.

[68 FR 57988, Oct. 7, 2003]