

**§ 120.200**

Business Administration, 409 3rd Street, SW., Washington, DC 20416.

[72 FR 18360, Apr. 12, 2007]

**Subpart B—Policies Specific to 7(a) Loans**

**BONDING REQUIREMENTS**

**§ 120.200 What bonding requirements exist during construction?**

On 7(a) loans which finance construction, the Borrower must supply a 100 percent payment and performance bond and builder’s risk insurance, unless waived by SBA.

**LIMITATIONS ON USE OF PROCEEDS**

**§ 120.201 Refinancing unsecured or undersecured loans.**

A Borrower may not use 7(a) loan proceeds to pay any creditor in a position to sustain a loss causing a shift to SBA of all or part of a potential loss from an existing debt.

**§ 120.202 Loans for changes of ownership.**

A Borrower may use 7(a) loan proceeds to purchase a portion of or the entirety of an owner’s interest in a business, or a portion of or the entirety of a business itself.

[88 FR 21086, Apr. 10, 2023]

**MATURITIES; INTEREST RATES; LOAN AND GUARANTEE AMOUNTS**

**§ 120.210 What percentage of a loan may SBA guarantee?**

SBA’s guarantee percentage must not exceed the applicable percentage established in section 7(a) of the Act. The maximum allowable guarantee percentage on a loan will be determined by the loan amount. Loans of \$150,000 or less may receive a maximum guaranty of 85 percent. Loans more than \$150,000 may receive a maximum guaranty of 75 percent, except as otherwise authorized by law.

[61 FR 3235, Jan. 31, 1996, as amended at 68 FR 51680, Aug. 28, 2003; 76 FR 63546, Oct. 12, 2011]

**13 CFR Ch. I (1–1–25 Edition)**

**§ 120.211 What limits are there on the amounts of direct loans?**

(a) The statutory limit for direct loans made under the authority of section 7(a)(1)-(19) of the Small Business Act is \$350,000. SBA has established an administrative limit of \$150,000 for direct loans. The D/FA may authorize acceptance of an application up to the statutory limit.

(b) The statutory limit for direct loans made under the authority of section 7(a)(20) is \$750,000. SBA has established an administrative limit of \$150,000. The Associate Administrator for Business Development may authorize the acceptance of an application that exceeds the administrative limit.

(c) The statutory limit on SBA’s portion of an immediate participation loan is \$350,000. The administrative limit is the lesser of 75 percent of the loan or \$150,000. The D/FA may authorize exceptions to the administrative limit up to \$350,000.

[61 FR 3235, Jan. 31, 1996, as amended at 74 FR 45753, Sept. 4, 2009]

**§ 120.212 What limits are there on loan maturities?**

The term of a loan shall be:

(a) The shortest appropriate term, depending upon the Borrower’s ability to repay;

(b) Ten years or less, unless it finances or refinances real estate or equipment with a useful life exceeding ten years. The term for a loan to finance equipment and/or leasehold improvements may include an additional reasonable period, not to exceed 12 months, when necessary to complete the installation of the equipment and/or complete the leasehold improvements.

(c) A maximum of 25 years, including extensions. (A portion of a loan used to acquire or improve real property may have a term of 25 years plus an additional period needed to complete the construction or improvements.)

[61 FR 3235, Jan. 31, 1996, as amended at 87 FR 38908, June 30, 2022]