

Debenture Sales and Service Agents

- 120.950 SBA and CDC must appoint agents.
- 120.951 Selling agent.
- 120.952 Fiscal agent.
- 120.953 Trustee.
- 120.954 Central Servicing Agent.
- 120.955 Agent bonds and records.
- 120.956 Suspension or revocation of brokers and dealers.

Closings

- 120.960 Responsibility for closing.
- 120.961 CDC closing fees.
- 120.962 Construction escrow accounts.

Servicing and Post-Closing Fees

- 120.970 Servicing of 504 loans and Debentures.
- 120.971 Post-closing fees paid by Borrower.
- 120.972 Oversight and evaluation of CDCs and ADCs.

CDC Transfer, Suspension and Revocation

- 120.980 Transfer of CDC to ADC status.
- 120.981 Voluntary transfer and surrender of CDC certification.
- 120.982 Correcting CDC servicing deficiencies.
- 120.983 Transfer of CDC servicing to SBA or another CDC.
- 120.984 Suspension or revocation of CDC certification.

Enforceability of 501, 502 and 503 Loans and Other Laws

- 120.990 501, 502 and 503 loans.
 - 120.991 Effect of other laws.
- Authority: 15 U.S.C. 634(b)(6) and 636 (a) and (h).

General Descriptions of SBA's Business Loan Programs**§ 120.1 Which loan programs does this part cover?**

This Part regulates SBA's financial assistance to small businesses under its general business loan programs ("7(a) loans") authorized by section 7(a), 15 U.S.C. 636(a) of the Small Business Act ("the Act"), its microloan demonstration loan program ("Microloans") authorized by section 7(m), 15 U.S.C. 636(m) of the Act, and its development company program ("504 loans") authorized by Title V of the Small Business Investment Act, 15 U.S.C. 695 to 697f ("Title V"). These three programs constitute the business loan programs of the SBA.

§ 120.2 Descriptions of the business loan programs.

(a) *7(a) loans.* (1) 7(a) loans provide financing for general business purposes and may be:

- (i) A direct loan by SBA;
 - (ii) An immediate participation loan by a Lender and SBA; or
 - (iii) A guaranteed loan (deferred participation) by which SBA guarantees a portion of a loan made by a Lender.
- (2) A guaranteed loan is initiated by a Lender agreeing to make an SBA

guaranteed loan to a small business and applying to SBA for SBA's guarantee under a blanket guarantee agreement (participation agreement) between SBA and the Lender. If SBA agrees to guarantee (authorizes) a portion of the loan, the Lender funds and services the loan. If the small business defaults on the loan, SBA's guarantee requires SBA to purchase its portion of the outstanding balance, upon demand by the Lender and subject to specific conditions. Regulations specific to 7(a) loans are found in subpart B of this part.

(b) *Microloans.* SBA makes loans and loan guarantees to non-profit intermediaries that make short-term loans up to \$25,000 to eligible small businesses for general business purposes, except payment of debts. SBA also gives grants to Intermediaries for use in providing management assistance and counseling to small businesses. Regulations specific to these loans are found in subpart G of this part.

(c) *504 loans.* Projects involving 504 loans require long-term fixed-asset financing for small businesses. A Certified Development Company (CDC) provides the final portion of this financing with a 504 loan made from the proceeds of a Debenture issued by the CDC, guaranteed 100 percent by SBA (with the full faith and credit of the United States), and sold to investors. The regulations specific to these loans are found in subpart H of this part.

§ 120.3 Pilot programs.

The Administrator of SBA may from time to time suspend, modify, or waive rules for a limited period of time to test new programs or ideas. The Administrator shall publish a document in the Federal Register explaining the reasons for these actions.

Definitions**§ 120.10 Definitions.**

The following terms have the same meaning wherever they are used in this part. Defined terms are capitalized wherever they appear.

Associate. (1) An Associate of a Lender or CDC is:

- (i) An officer, director, member, or key employee, or an agent involved in the loan-making process;
 - (ii) A Close Relative of any individual in paragraph (1)(i) of this definition; and
 - (iii) Any entity in which one or more individuals referred to in paragraphs (1)(i) and (ii) of this definition own or control at least 10 percent.
- (2) An Associate of a small business is:
- (i) An officer, director, member, owner, principal, key employee, or

agent authorized to act on behalf of the small business;

(ii) A Close Relative of any individual in paragraph (2)(i) of this definition;

(iii) Any entity in which one or more individuals referred to in paragraphs (2)(i) and (ii) of this definition owns or controls at least 10 percent; and

(iv) Any individual or entity in control of or controlled by the small business (except a Small Business Investment Company ("SBIC") licensed by SBA).

(3) For purposes of this definition, the time during which an Associate relationship exists commences six months before the following dates and continues as long as the certification, participation agreement, or loan is outstanding:

(i) For a CDC, the date of certification by SBA;

(ii) For a Lender, the date of application for a loan guarantee on behalf of an applicant; or

(iii) For a small business, the date of the loan application to SBA, the CDC, the Intermediary, or the Lender.

Authorization is SBA's written agreement providing the terms and conditions under which SBA will make or guarantee business loans. It is not a contract to make a loan.

Borrower is the obligor of an SBA business loan.

Certified Development Company ("CDC") is an entity authorized by SBA to deliver 504 financing to small businesses.

Close Relative is a spouse; a parent; or a child or sibling, or the spouse of any such person.

Eligible Passive Company is a small entity which does not engage in regular and continuous business activity, which leases real or personal property to an Operating Company for use in the Operating Company's business, and which complies with the conditions set forth in § 120.111.

Intermediary is the entity in the Microloan program that receives SBA financial assistance and makes loans to small businesses in amounts up to \$25,000.

Lender is an institution that has executed a participation agreement with SBA under the guaranteed loan program.

Loan Instruments are the Authorization, note, instruments of hypothecation, and all other agreements and documents related to a loan.

Operating Company is an eligible small business actively involved in conducting business operations now or about to be located on real property owned by a Passive Company, or using or about to use in its business