

§ 120.213 What fixed interest rates may a Lender charge?

(a) *Fixed Rates for Guaranteed Loans.* A loan may have a reasonable fixed interest rate. SBA periodically publishes the maximum allowable rate in the Federal Register.

(b) *Direct loans.* A statutory formula based on the cost of money to the Federal government determines the interest rate on direct loans. SBA publishes the rate periodically in the Federal Register.

§ 120.214 What conditions apply for variable interest rates?

A Lender may use a variable rate of interest, upon SBA's approval. SBA's maximum allowable rates apply only to the initial rate on the date SBA received the loan application. SBA shall approve the use of a variable interest rate under the following conditions:

(a) *Frequency.* The first change may occur on the first calendar day of the month following initial disbursement,

using the base rate (see paragraph (c) of this section) in effect on the first business day of the month. After that, changes may occur no more often than monthly.

(b) *Range of fluctuation.* The amount of fluctuation shall be equal to the movement in the base rate. The difference between the initial rate and the ceiling rate may be no greater than the difference between the initial rate and the floor rate.

(c) *Base rate.* The base rate shall be the prime rate in effect on the first business day of the month, printed in a national financial newspaper published each business day, or the SBA Optional Peg Rate which SBA publishes quarterly in the Federal Register.

(d) *Maturities under 7 years.* For loans with maturities under seven years, the maximum interest rate shall not exceed two and one-quarter (2¼) percentage points over the base rate.

(e) *Maturities of 7 years or more.* For loans with maturities of seven or more

years, the maximum interest rate shall not exceed two and three-quarters (2¾) percentage points over the base rate.

(f) *Higher interest rates for smaller loans.* For a variable rate loan over \$25,000 but not exceeding \$50,000, the interest rate may be one percent more than the maximum interest rate described above. For a variable rate loan of \$25,000 or less, the maximum interest rate described above may be increased by two percentage points.

(g) *Amortization.* Initial amortization of principal and interest may be recomputed as interest rates fluctuate, as directed by SBA. With prior approval of SBA, the Lender may use certain other amortization methods.

Fees for Guaranteed Loans**§ 120.220 Guarantee fees that Lender pays SBA.**

(a) The Lender pays a guarantee fee to SBA for each loan as follows:

Guaranteed portion of loan	Fee measured as percentage of guaranteed portion	When payable	Lender may get fee from borrower	When SBA refunds fee from borrower
Under 12 months25%	With guarantee application.	When SBA approves loan.	If application withdrawn or denied ¹
More than 12 months and total guaranteed portion is \$80,000 or less.	2.0% of guaranteed portion.	Within 90 days of SBA approval.	After First disbursement.	If loan cancelled and never disbursed
More than 12 months and amount of guaranteed portion of loan that is \$250,000 or less.	3%	Within 90 days of SBA approval.	After first disbursement.	If loan cancelled and never disbursed
More than 12 months and amount of guaranteed portion of loan between \$250,000 and \$500,000.	3.0% of 1st \$250,000 plus 3.5% of balance.	Within 90 days of SBA approval.	After first disbursement.	If loan cancelled and never disbursed
More than 12 months and amount of guaranteed portion of loan exceeding \$500,000.	3.0% of 1st \$250,000 plus 3.5% of next \$250,000 plus 3.875% of the amount exceeding \$500,000.	Within 90 days of SBA approval.	After first disbursement.	If loan cancelled and never disbursed.

¹ Also, if SBA substantially changes the Lender's loan terms and approves the loan, but the modified terms are unacceptable to the Borrower or Lender. (The Lender must request refund in writing within 30 calendar days of the approval).

(b) The Lender shall also pay SBA an annual fee equal to 0.5 percent of the outstanding balance of the guaranteed portion of each loan.

(c) If the guarantee fee is not paid, SBA may terminate the guarantee. The Borrower may use loan proceeds to reimburse the Lender for the guarantee fee. Acceptance of the guarantee fee by SBA shall not waive any right of SBA arising from the Lender's misconduct or violation of any provision of this part, the guarantee agreement, the Authorization, or other loan documents.

§ 120.221 Fees which the Lender may collect from a loan applicant.

(a) *Service and packaging fees.* The Lender may charge an applicant reasonable fees (customary for similar Lenders in the geographic area where the loan is being made) for packaging and other services. The Lender must advise the applicant in writing that the applicant is not required to obtain or pay for unwanted services. The applicant is responsible for deciding whether fees are reasonable. SBA may review these fees at any time. Lender must refund any such fee considered unreasonable by SBA.

(b) *Commitment fee for Export Working Capital loan.* After SBA approves a loan under the Export Working Capital Program, the Lender may charge the borrower a commitment fee of ¼ of 1 percent (or \$200 minimum) of the loan.

(c) *Extraordinary servicing.* Subject to prior written SBA approval, if all or part of a loan will have extraordinary servicing needs, the Lender may charge the applicant a service fee not to exceed 2 percent per year on the outstanding balance of the part requiring special servicing.

(d) *Out-of-pocket expenses.* The Lender may collect from the applicant