

**§ 120.214**

**13 CFR Ch. I (1-1-01 Edition)**

(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 (2 1/4 ) 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 (2 3/4) percentage points over the base rate.

(f) *Amortization.* Initial amortization of principal and interest may be recomputed and reassessed as interest rates fluctuate, as directed by SBA. With prior approval of SBA, the Lender may use certain other amortization methods, except that SBA does not allow balloon payments.

**§ 120.215 What interest rates apply to smaller loans?**

For a 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 loan of \$25,000 or less, the maximum interest rate described above may be increased by two percentage points.

[61 FR 3235, Jan. 31, 1996; 61 FR 7986, Mar. 1, 1996]

**FEEES FOR GUARANTEED LOANS**

**§ 120.220 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               |
|---|--|---------------------------------|----------------------------------|--|
| 12 Months or less .....   | .25% .....   | With Guarantee Application.     | When SBA Approves Loan.          | If Application Withdrawn or Denied. <sup>1</sup> |
| 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.           |

<sup>1</sup> 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).