

Small Business Administration

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first payment on an ILP Loan for two years from the date of the first disbursement. Interest will accrue on all disbursed funds during the deferment period. Accrued interest will be added to the outstanding principal balance at the end of the deferment period and amortized over the remaining life of the loan. An ILP Intermediary may prepay an ILP Loan at any time without penalty.

(e) *Collateral.* SBA does not require the ILP Intermediary to provide any collateral for an ILP Loan.

(f) *Fees.* SBA does not charge an ILP Intermediary any fees for an ILP Loan.

§ 109.320 ILP Loan purposes.

(a) ILP Loan funds must only be used to provide direct loans to Eligible Small Business Concerns for working capital, real estate, or the acquisition of materials, supplies, furniture, fixtures, or equipment.

(b) ILP Loan funds must not be used for any other purpose, including maintenance of loan loss reserves or payment of administrative costs or expenses of the ILP Intermediary.

§ 109.330 ILP Relending Fund.

(a) *General.* The ILP Intermediary must establish and maintain an ILP Relending Fund for as long as it has an outstanding balance owed to SBA under this program. The ILP Relending Fund must be in an account separate and distinct from the ILP Intermediary's other assets and financial activities.

(b) *Contents of the ILP Relending Fund.* All ILP Loan proceeds disbursed from SBA to the ILP Intermediary must be deposited into the ILP Relending Fund. All payments received by the ILP Intermediary on loans made to Eligible Small Business Concerns must also be deposited into the ILP Relending Fund. The ILP Intermediary must not commingle funds from any other public programs (including other SBA programs) in this account.

(c) *Interest earned.* The ILP Intermediary is not required to retain the interest portion of payments received on loans made to Eligible Small Business Concerns in the ILP Relending Fund or to retain the interest earned

on the ILP Relending Fund in the ILP Relending Fund.

(d) *Allowable uses of the ILP Relending Fund.* The ILP Intermediary must use the ILP Relending Fund to disburse loans made to Eligible Small Business Concerns under this program and to make payments to SBA on its ILP Loan; it may not use the ILP Relending Fund for any other purposes.

§ 109.340 Lending requirements.

(a) *Initial lending requirement.* The ILP Intermediary must commit 100% of its ILP Loan funds to Eligible Small Business Concerns within two years of the date of the ILP Note. The Associate Administrator for Capital Access (AA/CA) or designee may approve extensions to the initial lending requirement on a case-by-case basis.

(b) *Ongoing relending requirement.* After meeting the initial lending requirement, the ILP Intermediary must relend the funds in the ILP Relending Fund so that the total principal balance of loans outstanding to Eligible Small Business Concerns does not fall below 75% of the outstanding principal balance of the ILP Loan at any time while the ILP Loan is outstanding. Exceptions to this requirement will be considered by the AA/CA or designee on a case by case basis based on the particular facts and circumstances of the ILP Intermediary.

§ 109.350 Maintenance of loan loss reserve.

The ILP Intermediary must maintain a reasonable loan loss reserve appropriate for the quality of the ILP Intermediary's portfolio in a federally insured depository account established by the ILP Intermediary at a well-capitalized financial institution. The loan loss reserve must be in an account separate and distinct from the ILP Intermediary's other assets and financial activities. This reserve must be maintained at not less than 5% of the principal balance of all outstanding loans to Eligible Small Business Concerns made from the ILP Relending Fund. The AA/CA or designee may require the ILP Intermediary to maintain a larger loss reserve if the AA/CA determines that the ILP

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Intermediary's loss reserve level is potentially inadequate to protect SBA from loss. ILP Relending Fund proceeds must not be used to establish or maintain the loan loss reserve.

§ 109.360 Recordkeeping and reporting requirements.

(a) *Maintenance of records.* The ILP Intermediary must maintain at its principal business office accurate and current financial records, including books of accounts, and all documents and supporting materials relating to the ILP Intermediary's activities in the ILP program, including files on loans made to Eligible Small Business Concerns. Records may be preserved electronically if the original is available for retrieval within 15 calendar days.

(b) *ILP Intermediary reporting.* The ILP Intermediary must submit the following to SBA:

(1) *Portfolio Identification Reports.* All loans made by the ILP Intermediary to an Eligible Small Business Concern under this program must be entered into the Intermediary Lending Program Electronic Reporting System (ILPERS) within seven calendar days of closing the loan.

(2) *Quarterly reports.* By the 30th calendar day following the end of each calendar quarter, each ILP Intermediary must submit a Portfolio Status Report via ILPERS to update the payment status and outstanding principal balances of its loans to Eligible Small Business Concerns. Additionally, each ILP Intermediary must submit an ILP Program Activities Report with accompanying bank statements to demonstrate the use and management of ILP program funds.

(3) *Audited financial statements.* Within four months after the close of the ILP Intermediary's fiscal year, the ILP Intermediary must submit to SBA audited financial statements as prepared by an independent certified public accountant, except that ILP Intermediaries subject to OMB Circular A-133 must submit audits prepared in accordance with that circular. The AA/CA or designee may provide extensions to the filing deadline.

(4) *Reports of changes.* An ILP Intermediary must submit to SBA a sum-

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mary of any changes in the ILP Intermediary's organization or financing (within 30 calendar days of the change), such as:

(i) Any change in its name, address or telephone number;

(ii) Any change in its charter, by-laws, or its officers or directors (to be accompanied by a statement of personal history on the form approved by SBA);

(iii) Any material change in capitalization or financial condition; and

(iv) Any change affecting the ILP Intermediary's eligibility to continue to participate in the ILP program.

(5) *Other reports.* Each ILP Intermediary must submit such other reports as SBA may require from time to time.

Subpart D—Requirements for ILP Intermediary Loans to Small Businesses

§ 109.400 Eligible Small Business Concerns.

(a) To be eligible to receive loans from an ILP Intermediary under this program, a small business must:

(1) Be organized for profit;

(2) Be located in the U.S.;

(3) Be small under the size requirements applicable to 7(a) business loans (including Affiliates);

(4) Be a startup, newly established, or growing small business;

(5) Together with Affiliates and principal owners, not have credit elsewhere; and

(6) Be creditworthy and demonstrate reasonable assurance of repayment of the loan.

(b) The following types of businesses are not eligible to receive a loan from an ILP Intermediary under this program:

(1) Nonprofit businesses (for-profit subsidiaries are eligible);

(2) Financial businesses primarily engaged in the business of lending;

(3) Passive businesses owned by developers and landlords that do not actively use or occupy the assets acquired or improved with the loan proceeds;

(4) Life insurance companies;

(5) Businesses located in a foreign country;