amount of $3,750,000, except as other-
wise authorized by statute for a spe-
cific program. The maximum loan
amount for any one 7(a) loan is
$5,000,000. The amount of any loan re-
ceived by an Eligible Passive Company
applies to the loan limit of both the El-
igible Passive Company and the Oper-
ating Company.

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

§ 120.160 Loan conditions.

The following requirements are nor-
mally required by SBA for all business
loans:

(a) Personal guarantees. Holders of at
least a 20 percent ownership interest
generally must guarantee the loan.
SBA, in its discretion, consulting with
the Participating Lender, may require
other appropriate individuals to guar-
antee the loan as well, except SBA will
not require personal guarantees from
those owning less than 5% ownership.

(b) Appraisals. SBA may require pro-
fessional appraisals of the applicant’s
and principals’ assets, a survey, or a
feasibility study.

(c) Hazard Insurance. SBA requires
hazard insurance on all collateral.

(d) Taxes. The applicant may not use
any of the proceeds to pay past-due
Federal and state payroll taxes.

REQUIREMENTS IMPOSED UNDER OTHER
LAWS AND ORDERS

§ 120.170 Flood insurance.

Under the Flood Disaster Protection
Act of 1973 (Sec. 205(b) of Pub. L. 93–234;
87 Stat. 983 (42 U.S.C. 4000 et seq.)), a
loan recipient must obtain flood insur-
ance if any building (including mobile
homes), machinery, or equipment ac-
quired, installed, improved, construc-
ted, or renovated with the pro-
cceeds of SBA financial assistance is lo-
cated in a special flood hazard area.
The requirement applies also to any in-
ventory (business loan program), fix-
tures or furnishings contained or to be
contained in the building. Mobile
homes on a foundation are buildings.
SBA, Lenders, CDCs, and Inter-
mediaries must notify Borrowers that
flood insurance must be maintained.

§ 120.171 Compliance with child sup-
port obligations.

Any holder of 50% or more of the
ownership interest in the recipient of
an SBA loan must certify that he or
she is not more than 60 days delinquent
on any obligation to pay child support
arising under:

(a) An administrative order;
(b) A court order;
(c) A repayment agreement between
the holder and a custodial parent; or
(d) A repayment agreement between
the holder and a State agency pro-
viding child support enforcement ser-
vices.

§ 120.172 Flood-plain and wetlands
management.

(a) All loans must conform to re-
quirements of Executive Orders 11988,
“Flood Plain Management” (3 CFR,
1977 Comp., p. 117) and 11990, “Protec-
tion of Wetlands” (3 CFR, 1977 Comp.,
p. 121). Lenders, Intermediaries, CDCs,
and SBA must comply with require-
ments applicable to them. Applicants
must show:

(1) Whether the location for which fi-
nancial assistance is proposed is in a
floodplain or wetland;
(2) If it is in a floodplain, that the as-
sistance is in compliance with local
land use plans; and
(3) That any necessary construction
or use permits will be issued.

(b) Generally, there is an 8-step deci-
sion making process with respect to:

(1) Construction or acquisition of
anything, other than a building;
(2) Repair and restoration equal to
more than 50% of the market value
of a building; or
(3) Replacement of destroyed struc-
tures.

(c) SBA may determine for the fol-
lowing types of actions, on a case-by-
case basis, that the full 8-step process
is not warranted and that only the first
step (determining if a proposed action
is in the base floodplain) need be com-
pleted:

(1) Actions located outside the base
floodplain;
(2) Repairs, other than to buildings,
that are less than 50% of the market
value;
(3) Replacement of building contents,
materials, and equipment;