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# 13 CFR § 120.110 - What businesses are ineligible for SBA business loans?

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§ 120.110 What businesses are ineligible for [SBA](#) business loans?

The following types of businesses are ineligible:

- (a) Non-profit businesses (for-profit subsidiaries are eligible);
- (b) Financial businesses primarily engaged in the business of lending, such as banks, finance companies, and factors (pawn shops, although engaged in lending, may qualify in some circumstances);
- (c) Passive businesses owned by developers and landlords that do not actively use or occupy the assets acquired or improved with the loan proceeds (except Eligible Passive Companies under [§ 120.111](#));
- (d) Life insurance companies;
- (e) Businesses located in a foreign country (businesses in the U.S. owned by aliens may qualify);
- (f) Pyramid sale distribution plans;

- (g) Businesses deriving more than one-third of gross annual revenue from legal gambling activities;
- (h) Businesses engaged in any illegal activity;
- (i) Private clubs and businesses which limit the number of memberships for reasons other than capacity;
- (j) Government-owned entities (except for businesses owned or controlled by a Native American tribe);
- (k) Businesses principally engaged in teaching, instructing, counseling or indoctrinating religion or religious beliefs, whether in a religious or secular setting;
- (l) [Reserved]
- (m) Loan packagers earning more than one third of their gross annual revenue from packaging [SBA](#) loans;
- (n) Businesses with an [Associate](#) who is incarcerated, on probation, on parole, or has been indicted for a felony or a crime of moral turpitude;
- (o) Businesses in which the Lender or CDC, or any of its [Associates](#) owns an equity interest;
- (p) Businesses which:
  - (1) Present live performances of a prurient sexual nature; or
  - (2) Derive directly or indirectly more than de minimis gross revenue through the sale of products or services, or the presentation of any depictions or displays, of a prurient sexual nature;
- (q) Unless waived by [SBA](#) for good cause, businesses that have previously [defaulted](#) on a Federal loan or Federally assisted financing, resulting in the Federal government or any of its agencies or Departments sustaining a loss in any of its programs, and businesses owned or controlled by an applicant or any of its [Associates](#) which previously owned, operated, or controlled a business which [defaulted](#) on a Federal loan (or guaranteed a loan which was [defaulted](#)) and caused the Federal government or any of its agencies or Departments to sustain a loss in

any of its programs. For purposes of this section, a compromise [agreement](#) shall also be considered a loss;

(r) Businesses primarily engaged in political or lobbying activities; and

(s) Speculative businesses (such as oil wildcatting).

[[61 FR 3235](#), Jan. 31, 1996, as amended at [82 FR 39502](#), Aug. 21, 2017]

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