

32.304-8 Other borrowing.

(a) Because of the limitations under *guaranteed loans*, some contractors seek to supplement the loan by other borrowing (outside the guarantee) from the financing institution or other sources. It has been recognized in practice that, while prohibition of borrowings outside the *guaranteed loan* is preferable when practicable in a given V-loan case, such other borrowings *should* be permitted when necessary.

(b) If the agency consents to the contractor obtaining other borrowing during the *guaranteed loan* period, the agency *shall* apply the following restrictions:

(1) A reasonable limit on the amount of other borrowing.

(2) If guaranteed and unguaranteed loans are made by the same financing institution, a requirement that any collateral security requested by the institution under the unguaranteed loan is also to be secondary collateral for the *guaranteed loan*.

(3) A requirement that the contractor provide appropriate documentation to the *guaranteeing agency*, at intervals not longer than 30 days, to disclose outstanding unguaranteed borrowings.

Parent topic: [32.304 Procedures.](#)