

SBA 504 APPRAISAL REQUIREMENTS

Intended Users of the Appraisal:

- The **intended users** named in the appraisal must be **your institution, 504 Corporation, and the U.S. Small Business Administration.**
- If an existing appraisal is being used, it must be extended to 504 Corporation and SBA. If the appraiser will not agree to extend the existing appraisal, a new appraisal must be obtained that lists your institution, 504 Corporation, and SBA as the intended users.
- SBA will not accept reliance letters in lieu of the appropriate intended users being named in the appraisal.

Appraiser Qualifications

- The appraiser may be state-*licensed* or state-*certified* for properties when the estimated value of the *certified* when the estimated value > \$1,000,000.
- When the collateral is a limited- or special-purpose property, the appraiser must be experienced in the particular industry. SBA's current list of limited- or special-purpose properties is on the next page.

Type of Report

- Prepared in compliance with Uniform Standards of Professional Appraisal Practice (USPAP).
- Either a **self-contained** or **summary** appraisal report.
- Appraiser must utilize **at least two** of the three approaches to value. Need explanation when one is not used.
- SBA does not accept *restricted* appraisals.

“As-Is” or “As Complete?”

- No Renovation, construction, or real estate equity injection → “as is” appraisal.
- Renovation or construction ≤ 33.33% of the purchase price → “as complete” appraisal.
- Renovation or construction > 33.33% of the purchase price → “as complete” appraisal AND appraiser's certification that construction was completed with only minor deviations (if any) from the plans and specifications upon which the original estimate of value was based.

Required Minimum Value

- The net 504 loan plus senior mortgage(s) and lien(s) should not exceed 90% of the real estate's appraised value, the cost of new FF&E, and/or third party valuation of used FF&E.

Business Enterprise or Going Concern Value

- If the appraisal engagement letter asks the appraiser for a 'business enterprise' or 'going concern' value, the appraiser must allocate separate values to the individual components being appraised, including land, building, equipment and business
- SBA will **not** include the value of personal property or the contributed business value (i.e., “goodwill”, “business value” or “blue sky”) in determining whether the appraised value is sufficient.

- a) Amusement parks
- b) Bowling alleys
- c) Car wash properties
- d) Cemeteries
- e) Clubhouses
- f) Cold storage facilities where more than 50% of total square footage is equipped for refrigeration
- g) Dormitories
- h) Farms, including dairy facilities
- i) Funeral homes with crematoriums
- j) Gas stations
- k) Golf courses
- l) Hospitals, surgery centers, urgent care centers and other health or medical facilities
- m) Hotels, motels, and other lodging facilities
- n) Marinas
- o) Mines
- p) Museums
- q) Nursing homes, including assisted living facilities
- r) Oil wells
- s) Quarries, including gravel pits
- t) Railroads
- u) Sanitary landfills
- v) Service centers (e.g., oil and lube, brake or transmission centers) with pits and in ground lifts
- w) Sports arenas
- x) Swimming pools
- y) Tennis clubs
- z) Theaters
- aa) Wineries