

## **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