

SBA 504 APPRAISAL REQUIREMENTS

Intended Users of the Appraisal:

- At a minimum, **U.S. Small Business Administration** (SBA) must be named as an intended user. SBA will not accept reliance letters in lieu of being named in the appraisal.

Appraiser Qualifications

- The appraiser may be state-*licensed* or state-*certified* but must be state-*certified* when the estimated value is greater than \$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) and not older than 12 months.
- 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.
- Must state **useful life** of subject property.
- SBA does not accept *restricted* appraisals.

“As-Is” or “As Complete?”

- No renovation or construction or real estate equity injection → “as is” value.
- Renovation or construction ≤ 33.33% of the purchase price → “as complete” value.
- Renovation or construction > 33.33% of the purchase price → “as complete” value AND appraiser, general contractor, architect, or construction management firm 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 95% 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

- 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 intangible assets (i.e., “goodwill”, “business value” or “blue sky”) in determining whether the appraised value is sufficient.

Appraisal must be Submitted with Application Under the Following Circumstances

- Related-party transactions
- Equity in real estate owned more than 2 years
- Seller take-back note that is used for the borrower contribution
- Real estate is Third Party Lender's OREO

Businesses with a Limited or Special Purpose Property must contribute at least 15%. For any business (including affiliates) that has more than one Project involving a Limited or Special Purpose Property, for each subsequent Project, the borrower must contribute at least 20%. Below is a list of properties SBA considers Limited or Special Purpose Properties.

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