

SBA 504 APPRAISAL REQUIREMENTS

When Required:

- Estimated value of project costs are greater than \$500,000.
- Business acquisition
- **Always Required and Submitted with Application:**
 - Related-party transactions
 - Equity in real estate owned more than 2 years
 - Seller take-back note that is used for the borrower contribution
 - Participating Lender OREO property

Intended Users of the Appraisal:

- **U.S. Small Business Administration and Lender**

Appraiser Qualifications

- *State-licensed* or *state-certified*. Must be *state-certified* when the estimated value is greater than \$1,000,000.
- For a limited- or special-purpose property, the appraiser must be experienced in the industry. See page 2 for limited or special-purpose properties.

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.
- Must utilize **at least two** of the three approaches to value. Need explanation when one approach is not utilized.
- Must state **useful life** of subject property.
- NO *restricted* appraisals.

“As-Is” or “As Complete?”

- No renovation or construction or real estate equity injection → “as is” value.
- Renovation or construction → “as complete” value.
- Renovation or construction > 33.33% of the purchase price requires appraiser, general contractor, architect, or construction management firm to certification construction was completed with only minor deviations (if any) from the plans and specifications used for the original estimate of value.

Required Minimum Value

- If real estate's appraised value is less than 95% of its cost, then additional down payment or collateral must be considered. If neither are available, then borrower MUST have strong, consistent cash flow. New furniture, fixtures, and equipment valued at cost. Used FF&E is valued at the lower of cost or appraised value.

Business Enterprise or Going Concern Value

- The appraiser must allocate separate values to the individual components being appraised (i.e. land, building, equipment, vehicles, working capital, and goodwill).
- SBA excludes the intangible assets' value in determining whether the appraised value is sufficient.

Businesses (including affiliates) with a Limited or Special Purpose Property must contribute at least 15% for the 1st project and 20% for each additional special purpose property SBA 504 loan. SBA defines the following list of properties to be Limited or Special Purpose.

- 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