

**Lender's Guide**  
**SBA 504 LOAN PROGRAM**  
(Updated 03/17)

**C A P I T A L**  

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**M A T R I X**  
a n S B A 5 0 4 l e n d e r



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## OVERVIEW OF SBA 504 PROGRAM

Congress established the SBA 504 loan program in order to promote the growth of small businesses by expanding their access to favorable long-term **fixed asset financing**. Borrowers and lenders can access 504 financing through a certified development company that is certified and regulated by the Small Business Administration to make 504 loans.

**Capital Matrix, Inc.**, a certified development company, serves Idaho, Southeastern Oregon (counties of Harney and Malheur), and Eastern Washington (counties of Asotin, Spokane, Pend Oreille, and Whitman). Capital Matrix, Inc. has been providing 504 loans to borrowers since 1984 and has funded over 1,100 loans totaling over \$358 million.

Capital Matrix' goal is to provide **quality, timely** loan processing for you and your customer. The responsibilities of Capital Matrix include:

- Providing information about the 504 program to lenders and prospective borrowers;
- Assessing eligibility of borrowers and projects;
- Completing all SBA application forms;
- Underwriting, processing, closing, and servicing 504 loans.

504 financing can provide up to 90% financing to existing businesses with a successful track record. More equity will be required for start-ups, businesses with irregular profitability, lack of historical debt capacity, special purpose facilities, etc. Financing for a 504 loan comes from three different sources: a lender, Capital Matrix, and the borrower. The percentage of the funding is typically as follows:

- 50% - from the lender through a conventional real estate loan
- 40% - from Capital Matrix through the issuance of debentures\*
- 10% - from the borrower

\* The debentures, which are guaranteed by the SBA, are pooled nationally and sold monthly. The debentures bear the going market rate, which usually results in more favorable interest rates to the business.

## **BENEFITS OF SBA 504 LOANS**

### ***Benefits to Lender***

- With a 50% loan-to-value ratio, the lender is able to reduce the risk of lending to small businesses.
- Through participation in 504 financing, the lender is able to demonstrate CRA compliance and involvement in community lending and development.
- There are no fee or interest rate restrictions on the lender's portion of the 504 loan.
- Lenders faced with loan limit restrictions can spread capital among more small business borrowers.
- Because of their high quality (low loan to value), 504 loans can be sold in the secondary market. (Contact Capital Matrix for more information on accessing secondary market.)
- Since the 504 loan package is prepared by Capital Matrix, the lender saves on time and labor costs.
- Lenders build stronger banking relationships by providing their customers the benefits of 504 loans.

### ***Benefits to Borrower***

- The 504 program provides below-market, long-term, fixed-rate funds which enhance the cash flow and profitability of small businesses.
- The lower down payment requirement enables small businesses to conserve valuable working capital for future growth.
- Increase return on equity/investment.

### ***Benefits to Community***

- 504 loans permit viable businesses to expand at an accelerated rate, thereby creating jobs, generating taxes, and stimulating the overall economy.

## FEATURES OF SBA 504 LOANS

### Financing on a Typical \$1,000,000 Project

<u>Entity</u>	<u>Loan Amount</u>	<u>% of Project</u>	<u>Security</u>
Lender	\$ 500,000	50%	1 <sup>st</sup> DOT
Capital Matrix	\$ 400,000 + fees	40%	2 <sup>nd</sup> DOT
Business	\$ 100,000	10%	
Total	\$1,000,000	100%	

### Use of Loan Proceeds

The 504 program provides loans to businesses for fixed-asset acquisition or expansion including the following:

- Purchase land and construct new buildings.
- Purchase an existing building and make necessary renovations.
- Acquire and install machinery/equipment.
- Construct or remodel buildings on leased land (where the lease is as long as the term of the 504 loan).
- Other costs associated with a project are also eligible for financing, e.g., architects and engineering fees, appraisals, environmental reports, interim interest, interim loan fees, title insurance, and impact fees.
- Refinance of existing debt with Expansion (details on page 6)
- Refinance of existing Debt without expansion (details on page 7-9)

Costs incurred directly attributable towards a project are generally eligible project costs.

SBA 504 loans are for permanent financing. The lender must provide interim financing of up to 90% of the project costs to cover the cost of construction, the purchase of a building, and/or the purchase of equipment. Upon completion of the project and funding of the debenture, the SBA 504 loan proceeds are applied to the interim loan, reducing the lender's loan-to-value to 50%.

## Refinance of existing debt with Expansion

The project must involve the EXPANSION of a small business:

*“Expansion” is broadly defined to include any project that involves the acquisition, construction or improvement of land, building or equipment for use by the small business.*

New project (*expansion*) can include:

- Purchase of land or land & building
- Construction/remodeling
- Purchase/install equipment or fixtures
- Professional fees
- Other expenses

Existing debt cannot exceed 50% of the new project (expansion or cost)

Example:

Renovations	\$ 950,000
Professional fees	\$ 50,000
Total Cost of Expansion	\$1,000,000
<i>Refinanced Debt</i>	<i>\$ 500,000 (does not exceed 50% of expansion)</i>
Total Project	\$1,500,000

All the following debt refinancing requirements must be met:

1. Existing debt used for 504 eligible assets (85% or more)
2. Existing debt incurred for the benefit of the small business
3. Existing debt collateralized by the fixed assets
4. Refinancing will provide a substantial benefit to borrower (including prepayment penalties, financing fees and other financing costs)
5. Borrower needs to be current on all payments of proposed refinanced debt for at least 1 year
6. Refinancing will provide better terms or interest rate

If the refinanced portion of the project does not meet the eligibility requirements, the lender may still consolidate an existing mortgage on the project real estate with new debt related to construction or remodeling of a building. In such cases, the existing debt is part of the lender's loan, but is not considered part of the 504 project.

For example, \$1,000,000 is needed in new financing for an addition to a facility and there is an existing \$200,000 mortgage. The required injection will come from equity in existing land and building. Assuming the required injection is 10% of project, the project cost is increased by 10% (required injection) or to \$1,111,000. An appraisal will be required to verify equity.

Project:		Including Existing Debt
Lender Loan	\$ 556,000 (50% of 504 project)	\$ 756,000 (+ existing debt)
Capital Matrix	\$ 444,000 (40% of 504 project)	\$ 444,000
Borrower	<u>\$ 111,000**</u> (10% injection from equity)	<u>\$ 111,000**</u>
	\$1,111,000 Total Financing	\$1,311,000

(\*\*assumes borrower has equity in land & bldg. of at least the required down payment)  
 Notice, the amount of financing (Lender Loan with existing debt and Capital Matrix) totals the \$1,200,000, which is the existing mortgage and the new financing needed.

### **Refinance of Existing Debt without expansion**

Refinance of existing debt without expansion will be in effect only in any fiscal year in which the subsidy cost is zero. Refinance projects will be limited to 50% of approved CDC (Capital Matrix) loans during the previous fiscal year.

All the following debt refinancing requirements must be met:

1. Borrower has to be in operation for at least two years from the date of application
2. Borrower has to meet all 504 loan program requirements
3. Borrower must satisfy the job creation and job retention requirements
4. Refinance under the 504 program must include Qualified Debt
5. Refinance project may include a combination of two or more loans
6. Refinance project may include eligible business operating expenses

### **Qualified Debt**

1. Substantially all (85% or more) of the proceeds were used to acquire 504 eligible assets
2. Debt incurred no less than 2 years prior to the application date
3. Must be current on all payments due for not less than one year
4. Refinance of the existing debt has to benefit the small business
5. Not subject to guarantee by a Federal Agency
6. Not a Third Party Loan which is part of an existing 504 loan

### **Other Secured Debt**

1. Secured for a least 2 years prior to the date of application by the SAME eligible fixed assets securing the qualified debt
2. Must be current on all payments due for not less than one year

### **Eligible Operating Expenses**

1. Business expenses including salaries, rent, utilities, inventory, or other obligations of the business that were incurred but not paid prior to the loan application or that will become due for payment within 18 months after the date of the application.
2. Business operating expenses are limited to 25% of the value of the fixed asset securing the qualified debt.

Refinance of qualified debt and other secured debt secured by eligible 504 fixed assets can be financed up to 90% of appraised value.

If the project will include eligible business operating expenses, financing is limited to 85% of the appraised value.

### **Example:**

Refinance \$300K existing qualified debt plus \$200K for business operating expenses. Property is appraised at \$800K.

Appraised Value = Project	\$800K
Qualified debt	\$300K
Bus. Expenses	\$200K (25% of appraised value)
Total Financing	\$500K (62.5% LTV)
Third Party Loan	\$250K (31.3% of project or 50% of total financing needed)
SBA 504 Loan	\$250K (31.3% of project or 50% of total financing needed)
Borrower Equity	\$300K (37.5% of project)

### **Project Size**

Minimum project size is \$100,000; there is no upper limit on project size.

### **Maximum Loan Amount (Gross Debenture)**

Capital Matrix' portion of the 504 financing is limited to 40% of total eligible project costs or the maximum debenture, whichever is less.

Maximum Debenture cannot exceed

1. \$5,000,000\* for regular 504 loans and borrowers
2. \$5,500,000\*\* for a manufacturing company or businesses who can provide a reduction in energy consumption by at least 10%.
3. \$5,500,000\*\* if project generates renewable energy or renewable fuels, such as biodiesel or ethanol production.

\* This is the maximum cumulative SBA eligibility per borrower (including all affiliate businesses)--not a per loan limit.

\*\* On a \$5,500,000 debenture the maximum loan amount applies to each PROJECT, rather than per borrower

As SBA loan fees are included in the debenture, the net loan proceeds of a \$5,000,000 debenture is \$4,894,000; the net proceeds of a \$5,500,000 debenture is \$5,383,000.

### **Down Payment Requirement**

If the borrower is an established business, the typical down payment requirement is 10%. When financing is requested by a business that has been in operation less than 2 years or for the purpose of purchasing or constructing a special purpose facility, an additional five percent (5%) down payment is required, and the Capital Matrix financing would be reduced to 35% of project costs.

If the business is less than two years old and the project is special purpose, a 20% down payment would be required, and Capital Matrix financing would be reduced to 30%. Lender financing has to be at 50%.

In some circumstances, the down payment/equity can be in the form of subordinated debt or equity in the real estate to be improved/expanded. To determine value of equity, real estate owned two years or more will be valued at current market value as determined by an appraisal; real estate owned less than two years will be valued at cost.

### **Personal Guaranties**

Owners of 20% or more of the small business or the eligible passive company (defined page 9 - real estate holding company or other entity which is to own project assets) are required to guarantee the loan.

## **Term of the Loan**

The Capital Matrix portion of the financing is funded through a SBA-guaranteed debenture sold for a term of either 10 or 20 years. Equipment financed through a separate SBA loan must have at least a 10-year economic life.

The lender must provide a minimum 10-year maturity when there is a 20-year 504 loan; any amortization of 10 years or longer is acceptable. The interest rate may be adjusted periodically. When the SBA provides a 10-year loan, the lender must provide a minimum term of 7-years.

## **Interest Rate**

Capital Matrix' portion of the financing is a fully amortized, fixed-rate loan. The rate is established when the project has been completed, the SBA loan has been closed, and the debenture sold. (Visit us at [www.capitalmatrix.org](http://www.capitalmatrix.org) for current rate information).

The lender independently negotiates the rate and fees on its portion of the financing.

## **Fees**

One-time loan fees on a 504 loan are approximately 2.15% of the financing provided by Capital Matrix (i.e., up to 40% of the project cost). These fees are financed in the SBA loan.

The lender may charge fees on its portion of the financing. The SBA charges the lender a one-time fee of 0.5% of their permanent loan amount. This fee is due at the time the SBA loan is closed.

SBA regulations require that an attorney reviews and certifies Capital Matrix' closing documents. The typical charge for this legal review is between \$620 and \$980. This expense is passed on to the borrower. These fees can be financed as part of the closing costs.

Prior to submitting an application to the SBA, Capital Matrix requires a deposit of up to \$2,500 from the borrower. If the SBA declines the application the deposit will be refunded. If the application is approved, the deposit will be refunded at the loan funding. If the application is withdrawn after SBA approval, the deposit will not be refunded.

## Appraisal & Environmental Requirements

SBA requires appraisals and environmental assessments on real property financed with SBA 504 loan proceeds.

SBA requires an appraisal based on ***total project cost*** as follows:

- Under \$250M                      Tax Assessment, bank internal, or realtor valuation
- \$250M & Above                  Appraisal Required

Appraisals must address the SBA or Capital Matrix as an intended user and always include the sales approach method of valuation. Reports may be either self-contained or summary format. SBA does not accept restricted reports.

SBA's environmental requirement will be based on the size of the SBA loan, an acceptable questionnaire and the NAICS code of current or past occupants of the property. The SBA requires that the environmental questionnaire provided include the current and past uses of the subject property and adjacent properties. See Exhibit C for a flow chart of environmental requirements, NAICS list of environmentally sensitive industries, and environmental questionnaire.

## ELIGIBILITY CONSIDERATIONS

### Size of Businesses That May Be Assisted

In order to meet size eligibility requirements of the 504 program, the small business (and its affiliates) must be a for-profit firm with a tangible net worth of less than \$15,000,000 and an average net profit after taxes of less than \$5,000,000 for the preceding two years. If a business exceeds either of these two standards, it may still qualify based on SBA's industry-specific size standards.

*This new temporary alternative size standard (through the Small Business Jobs Act) is effective as of September 27, 2010 and will remain in effect until SBA publishes a permanent alternative size standard through rulemaking.*

### Occupancy Requirements

The business may lease out a portion of the building being financed. However, the business must be able to support the entire debt service requirement without relying on rental income. The specific occupancy requirements are as follows:

- **Purchase of an existing building** - The business must occupy at least 51%. It may lease out up to 49% of the building.
- **Construction a new building** - The business must immediately occupy at least 60%. It may lease out up to 40% of the building, but must intend to occupy some of the additional space within three years and occupy at least 80% of the space in 10 years. The remaining 20% may be leased out permanently.

### Ownership of Project Assets

The SBA allows the ownership of the project assets to differ from ownership of the operating company. The assets may be owned by an "*eligible passive company*" and leased back to the operating company. An "*eligible passive company*" may be any legal organizational structure (i.e. individual, corporation, partnership, Limited Liability Corporation, proprietorship, trust, etc.). The term of the lease must be at least as long as the term of the 504 loan.

***The operating company and individuals owning 20% or more of the "eligible passive company" or the operating company are required to guaranty the loan.***

## **504 Job Creation Requirements and Exceptions**

Because the 504 is a loan program designed to help small businesses expand and to promote economic development, the SBA requires that projects financed by the program result in the creation or retention of jobs. One job must be saved or created, within two years of project completion, for each \$65,000 in financing provided by the SBA; for manufacturers the requirement is one job for each \$100,000 in financing provided by the SBA.

***The job creation requirement can be waived under certain circumstances.***  
Please contact Capital Matrix for details.

## WHAT IS NEEDED FOR A 504 APPLICATION

- \_\_\_\_\_ Tax returns & financial statements for past two fiscal years on the business;
- \_\_\_\_\_ Current financial statement on the business (less than 90 days old) with details of any existing debt and an A/R aging;
- \_\_\_\_\_ Tax returns (past two years) and current financial statements of other businesses owned (20% or more) or controlled by the small business owners;
- \_\_\_\_\_ Projected profit & loss statement for two (2) years with assumptions (on start-ups or businesses which do not demonstrate ability to service proposed debt from historical earnings);
- \_\_\_\_\_ Current personal financial statements (less than 60 days old) and the last year's tax returns, on owners of 20% or more of the business;
- \_\_\_\_\_ Purchase and Sale Agreement for land or building acquisition;
- \_\_\_\_\_ Cost estimates or bids from contractors & suppliers of equipment, fixtures, etc.;
- \_\_\_\_\_ Itemization of all known and anticipated project costs;
- \_\_\_\_\_ Overview of the business, its operations, and management.

At the time the application is submitted to the SBA, these additional items will be needed:

- \_\_\_\_\_ A copy of the lender's interim and permanent loan commitment letter (see Sample Letter Appendix A);
- \_\_\_\_\_ Good faith deposit up to \$2,500.00
- \_\_\_\_\_ Corporate Documents (By-laws and Operating Agreements)

Capital Matrix underwrites the application. If found to meet Capital Matrix and SBA credit and eligibility criteria, the application will be packaged and submitted to the SBA for approval. SBA approval generally takes from 5 to 10 working days. Upon approval, the SBA will issue an Authorization and Guaranty Debenture documents which details the terms of their approval. This document will be provided to the borrower and lender for review.

## **LOAN CLOSING AND FUNDING**

Approximately 30-45 days before completion of construction, Capital Matrix will contact both the lender and the borrower to begin collecting information needed for closing the 504 loan.

### ***Information typically needed from the borrower (as applicable) includes:***

- List of final project costs;
- List of equipment purchased with serial numbers of major items;
- Evidence of down payment (canceled checks and invoices);
- Certificates of insurance for liability and hazard coverage;
- Copy of declaration page of life insurance policy and original acknowledged collateral assignment;
- Certificate of occupancy;
- Certificate of completion from general contractor;
- Updated financial statement of the operating company (less than 90 days old);
- Lease agreement between operating company and the borrower;

### ***Information typically needed from the lender***

- Copy of the interim note, term note and recorded deeds of trust;
- A letter which includes various assurances and certifications described in the Authorization and Debenture Guaranty.
- Wire Instructions
- Bank participation fee of .5% on Term Loan amount

Once this and other relevant information has been provided, Capital Matrix will coordinate with the borrower and lender to close the 504 loan. The lender's construction loan or interim loan would then be paid from the proceeds of the lender's term loan and the 504 loan at the time the 504 loan is funded. However, the lender may choose to fund its term loan and reduce the interim loan prior to the 504 funding. The proceeds of the 504 loan would then pay the balance of the interim financing.

### **Funding of the 504 Loan**

After the SBA loan is closed, the closing documents must be reviewed by Capital Matrix' attorney and then submitted to the SBA for funding. The SBA reviews the documents and the opinion of the attorney before approving the loan to be included in the next available debenture sale.

The SBA issues a schedule of monthly deadlines for submission of closed loans to meet specific funding dates. Contact Capital Matrix for information about debenture funding dates.

## AFTER THE LOAN IS FUNDED

### Loan Servicing

Capital Matrix is responsible for servicing SBA 504 loans after funding.

Annual financial statements will be requested from all 504 borrowers as per the terms of the loan approval. The financial statements will be reviewed, and if appropriate, Capital Matrix may contact the lender to review the financial performance of the borrower.

All requests for changes in the loan, e.g., subordinations, collateral release/substitution, payment deferrals, etc. must be directed to Capital Matrix. Capital Matrix will gather and evaluate relevant information and make recommendations to SBA's Fresno servicing office for action.

### 504 Loan Assumption

SBA 504 loans may be assumed with the SBA's approval. Call Capital Matrix loan officers or servicing specialists for more details.

### Prepayment Penalty

There is a prepayment penalty on a 504 loan during the first half of the loan term. This prepayment penalty is a *declining percentage* of the debenture interest rate times the principal balance at the time of prepayment.

No extra payments or partial prepayments can be made during the term of the loan.

## APPENDIX A

### Sample Bank Letter of Commitment SBA 504 program

Date

Name of CDC contact  
Title of CDC contact  
Name of CDC  
Address of CDC  
City, State Zip Code

RE: Name  
Address, City, State

Dear ***[name of CDC contact]:***

***[Insert Name of Lender]*** has reviewed the borrower's application for a \$ ***[insert total project amount]*** loan for full project financing for the ***[insert project components such as purchase, improvements, construction]*** of the ***[real estate and/or equipment]*** located at ***[insert address, city, state]***. This Bank is not in a position to meet the borrower's request for full project financing at this time as ***[insert reason, such as, "the loan maturity exceeds our credit policy"]***. To the best of our knowledge, financing of the total project cost is not available at interest rates and terms prevalent in our community.

***[Insert Name of Lender]***, however, is willing to participate with ***[insert name of CDC]*** in the SBA 504 loan program to benefit ***[Insert Name of applicant]***. In this connection, the Bank's \$***[insert amount of TPL loan]*** ***[insert % of Project Cost]*** would have an interest rate of ***[insert complete interest rate, not just the initial rate]***. The note will be for a term of ***[insert term]*** to be amortized over ***[insert amortization period]***.

The project is located at ***[physical address of project property]***. The bank commitment is contingent upon the collateral and guarantors listed below:

***List third party lender collateral requirements***

***List guarantors for third party lender loan***

In addition, ***[Insert Name of Lender]***, is willing to provide an interim loan in the amount of \$ ***[insert amount of interim loan]*** ***[insert % of the Project Cost]*** to be repaid from the proceeds of the debenture sale. This interim loan is to be secured by a ***[insert lien position]*** on the subject real estate. In addition, the SBA approval of this loan is conditioned upon the receipt by SBA from Bank of a one-time participation fee equal to one-half of one percent of the principal amount of the Bank loan attributable to the 504 project that is senior to SBA. ***[Optional: This is conditioned on the final Bank approval as well as the approval by the Small Business Administration.]***

Sincerely,

Name of Lending Official

## APPENDIX B

### Checklist For Construction Related Costs

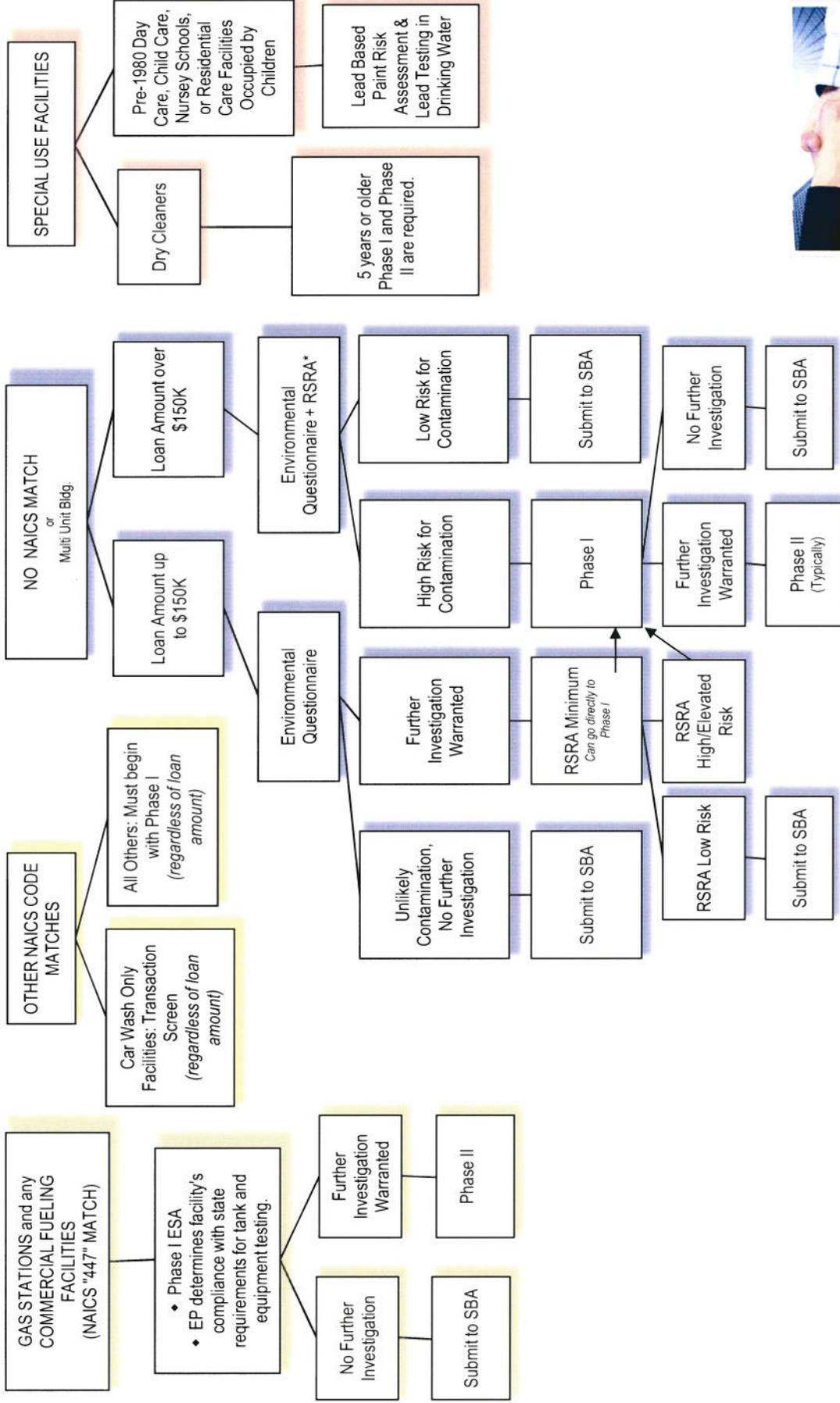
The following cost categories include items which may not be included in a construction cost breakdown. A review of the items on this checklist will help ensure that both hard and soft costs are included for an accurate cost breakdown for your construction projects. The list is not intended to be all inclusive but rather to include items that may not be part of a standard construction contract but still necessary for completion of the project. The list is as follows:

-Land Cost	\$ _____
-Construction Estimate	\$ _____
-Plans & Specs	\$ _____
-Architect and Engineering Fees	\$ _____
-Survey	\$ _____
-Building Permits	\$ _____
-Impact Fees	\$ _____
-Water Meter and Sewer Hookups	\$ _____
-Idaho Power Fees	\$ _____
-Material Testing Fees	\$ _____
-Site Preparation	\$ _____
-Landscaping	\$ _____
-Equipment/Fixtures & Installation	\$ _____
-Interest on Construction Loan	\$ _____
-Title Insurance/Escrow Fees	\$ _____
-Legal	\$ _____
-Loan Fees	\$ _____
-Appraisal/Appraisal Recertification	\$ _____
-Environmental Report & Costs	\$ _____
-Contingency ( 5-10% of const. est.)	\$ _____
-Bonding	\$ _____
-Irrigation	\$ _____
TOTAL	\$ _____

# STEPS OF ENVIRONMENTAL INVESTIGATION

According to SOP 50 10 5(D) Effective Date: October 1, 2011

Lender Determines NAICS Code For Properties' Current And Known Prior Uses



\*RSRA "Records Search with Risk Assessment": SBA SOP 50-10 5 (D) The full RSRA definition is included on the NAICS page on the opposite side.

An RSRA may be considered if it was completed up to one year prior to submission.

Environmental Questionnaire: If the current owner or operator of the Property will not sign the EQ it cannot be used and lender must then at a minimum, obtain a Transaction Screen.



**PARTNER**  
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All Transaction Screens, Phase I and Phase II ESAs must be accompanied by the Reliance Letter in Appendix 3.

# NAICS CODES OF ENVIRONMENTALLY SENSITIVE INDUSTRIES

## SBA SOP 50 10 5 (D) effective October 1, 2011

How to determine if an industry is included on this list:

A 3, 4, 5, or 6 digit NAICS code includes all industries beginning with those 3, 4, 5, or 6 digits.

<b>211 OIL &amp; GAS EXTRACTION</b>	<b>441 MOTOR VEHICLE AND PARTS DEALERS</b> (if service bays present)
<b>212 MINING (EXCEPT OIL &amp; GAS)</b>	<b>447 GASOLINE STATIONS</b>
<b>213 SUPPORT ACTIVITIES FOR MINING</b>	<b>45431 FUEL DEALERS</b> (not required for propane or firewood dealers)
<b>237 HEAVY &amp; CIVIL ENGINEERING CONSTRUCTION</b>	<b>481 AIR TRANSPORTATION</b>
<b>311 FOOD MANUFACTURING</b> (if underground fuel tanks present)	<b>482 RAIL TRANSPORTATION</b>
<b>312 BEVERAGE &amp; TOBACCO PRODUCT MANUFACTURING</b>	<b>486 PIPELINE TRANSPORTATION</b>
<b>313 TEXTILE MILLS</b> (not required if sewing, weaving, or hemming only)	<b>53212 TRUCK, UTILITY TRAILER, AND RV (RECREATIONAL VEHICLE) RENTAL &amp; LEASING</b> (if repairs, maintenance or vehicle washing are performed onsite)
<b>314 TEXTILE PRODUCT MILLS</b> (not required if sewing, weaving, or hemming only)	<b>53241 CONSTRUCTION, TRANSPORTATION, MINING &amp; FORESTRY MACHINERY &amp; EQUIPMENT RENTAL &amp; LEASING</b> (if repairs, maintenance or vehicle washing are performed onsite)
<b>316 LEATHER &amp; ALLIED PRODUCT MANUFACTURING</b>	<b>53249 OTHER COMMERCIAL &amp; INDUSTRIAL MACHINERY &amp; EQUIPMENT RENTAL &amp; LEASING</b> (if repairs, maintenance or vehicle washing are performed onsite)
<b>321 WOOD PRODUCT MANUFACTURING</b> (if finishing occurs onsite)	<b>54138 TESTING LABORATORIES</b>
<b>322 PAPER MANUFACTURING</b>	<b>56171 EXTERMINATING &amp; PEST CONTROL</b>
<b>323 PRINTING &amp; RELATED SUPPORT ACTIVITIES</b>	<b>562 WASTE MANAGEMENT &amp; REMEDIATION SERVICES</b>
<b>324 PETROLEUM &amp; COAL PRODUCTS MANUFACTURING</b>	<b>6221 GENERAL MEDICAL &amp; SURGICAL HOSPITALS</b> (if fuel tanks are present)
<b>325 CHEMICAL MANUFACTURING</b>	<b>71391 GOLF COURSES &amp; COUNTRY CLUBS</b>
<b>326 PLASTICS &amp; RUBBER PRODUCTS MANUFACTURING</b>	<b>71392 SKIING FACILITIES</b>
<b>327 NONMETALLIC MINERAL PRODUCTS MANUFACTURING</b>	<b>71393 MARINAS</b>
<b>331 PRIMARY METAL MANUFACTURING</b>	<b>7212 RV (REC. VEHICLES) PARKS &amp; RECREATIONAL CAMPS</b> (if fuel tanks are present or if vehicle repair or maintenance is performed onsite)
<b>332 FABRICATED METAL PRODUCT MANUFACTURING</b>	<b>8111 AUTOMOTIVE REPAIR &amp; MAINTENANCE</b> (except for "car wash only" facilities, which can start with a Transaction Screen)
<b>333 MACHINERY MANUFACTURING</b> (not required if assembly only)	<b>8112 ELECTRONIC &amp; PRECISION EQUIPMENT REPAIR &amp; MAINTENANCE</b> (not required if assembly only)
<b>334 COMPUTER &amp; ELECTRONIC PRODUCT MANUFACTURING</b> (not required if assembly only)	<b>8113 COMMERCIAL &amp; INDUSTRIAL MACHINERY &amp; EQUIPMENT REPAIR &amp; MAINTENANCE</b>
<b>335 ELECTRICAL EQUIPMENT, APPLIANCE &amp; COMPONENT MFG</b> (not required if assembly only)	<b>8122 DEATH CARE SERVICES</b>
<b>336 TRANSPORTATION EQUIPMENT MANUFACTURING</b>	<b>8123 LAUNDRY &amp; DRY CLEANING SERVICES</b> (if dry cleaning operations on-site)
<b>337 FURNITURE &amp; RELATED MFG</b> (if finishing occurs on site)	<b>812921 PHOTOFINISHING LABORATORIES</b> (except one hour)
<b>339 MISCELLANEOUS MANUFACTURING</b> (only required if hazardous materials are involved)	
<b>42311 AUTOMOBILE &amp; OTHER MOTOR VEHICLE MERCHANT WHOLESALERS</b> (if service bays present)	
<b>42314 MOTOR VEHICLE PARTS (USED) MERCHANT WHOLESALERS</b>	
<b>4235 METAL &amp; MINERAL MERCHANT WHOLESALER</b>	
<b>42393 RECYCLABLE MATERIAL MERCHANT WHOLESALER</b>	
<b>4246 CHEMICAL &amp; ALLIED PRODUCTS MERCHANT WHOLESALERS</b>	
<b>4247 PETROLEUM &amp; PETROLEUM PRODUCTS MERCHANT WHOLESALERS</b>	

"Records Search with Risk Assessment" means and includes (1) a search of the government databases identified in 40 CFR § 312.26<sup>5</sup> for an AAI compliant Phase I as well as a search of historical use records (for example, aerial photography, city directories, reverse directories and/or fire insurance maps) pertaining to the Property and Adjoining Properties; and (2) a risk assessment by an Environmental Professional based on the results of the records search as to whether the Property is either "high risk" or "low risk" for Contamination.

A Phase I should always be obtained if the business sells, supplies or dispenses fuel, gas, heating oil or liquefied petroleum (lp) gas, even if the NAICS code for the business is not identified on this list of environmentally sensitive industries

A COMPLETE LIST OF INDUSTRIES AND CORRESPONDING NAICS CODES IS AVAILABLE ONLINE AT

<http://www.census.gov/epcd/naics02/naicod02.txt>

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For more information, call: 1-800-419-4923 or email: [SBAExperts@PARTNEResi.com](mailto:SBAExperts@PARTNEResi.com)

# Environmental Questionnaire

Applicant Name: \_\_\_\_\_  
Date of Site Visit: \_\_\_\_\_  
Name/Title of Person Doing Site Visit: \_\_\_\_\_  
Site Name or Business Name: \_\_\_\_\_  
Site Street Address: \_\_\_\_\_  
City, State, Postal Code: \_\_\_\_\_  
County: \_\_\_\_\_  
Site Contact Name: \_\_\_\_\_  
Site Contact Business Title: \_\_\_\_\_  
Site Contact Telephone Number: \_\_\_\_\_  
Is Site Contact the Owner or Occupant: \_\_\_\_\_  
If neither, Relationship to Site: \_\_\_\_\_  
Length of Time Associated with Site: \_\_\_\_\_  
Known Past/Present Uses of Property: \_\_\_\_\_  
\_\_\_\_\_

### Adjoining Properties Known Past/Present Uses

*List name/address of the business and the current business conducted.*

North Property: \_\_\_\_\_  
Toxic Chemicals/Petroleum Products Evident? Yes / No \_\_\_\_\_  
Northeast Property: \_\_\_\_\_  
Toxic Chemicals/Petroleum Products Evident? Yes / No \_\_\_\_\_  
East Property: \_\_\_\_\_  
Toxic Chemicals/Petroleum Products Evident? Yes / No \_\_\_\_\_  
Southeast Property: \_\_\_\_\_  
Toxic Chemicals/Petroleum Products Evident? Yes / No \_\_\_\_\_  
South Property: \_\_\_\_\_  
Toxic Chemicals/Petroleum Products Evident? Yes / No \_\_\_\_\_  
Southwest Property: \_\_\_\_\_  
Toxic Chemicals/Petroleum Products Evident? Yes / No \_\_\_\_\_  
West Property: \_\_\_\_\_  
Toxic Chemicals/Petroleum Products Evident? Yes / No \_\_\_\_\_  
Northwest Property: \_\_\_\_\_  
Toxic Chemicals/Petroleum Products Evident? Yes / No \_\_\_\_\_



Question	Owner/Operator	Observed During Site Visit
1. Do any of the past and/or present uses of the Property and Adjoining Properties involve environmentally sensitive industries?	Yes No Unknown	Yes No Unknown
If yes, please explain:		
2. Have Hazardous Substances been used or identified at the Property and Adjoining Property in the past or present?	Yes No Unknown	Yes No Unknown
If yes, please explain:		
3. Is there storage, generation, treatment, emission or disposal of Hazardous Substances at the Property and Adjoining Properties?	Yes No Unknown	Yes No Unknown
If yes, please explain:		
4. Do the owners or business operators of the Property and Adjoining properties possess permits to use, store, generate, dispose, treat, emit or dispose of Hazardous Substances?	Yes No Unknown	Yes No Unknown
If yes, please explain:		
5. Is there evidence of Contamination at the Property and Adjoining Properties?	Yes No Unknown	Yes No Unknown
If yes, please explain:		
6. Are there potential sources of Contamination <sup>1</sup> at the Property and Adjoining Properties?	Yes No Unknown	Yes No Unknown
If yes, please explain:		

7. Does the borrower, seller or Lender have any knowledge of any past evidence of Contamination or sources of Contamination at the Property and Adjoining Properties?	Yes No Unknown	Yes No Unknown
If yes, please explain:		
8. Does the borrower, seller or Lender have any knowledge of any past, threatened or pending lawsuits or administrative proceedings concerning a Release or threatened Release at the Property and Adjoining Properties?	Yes No Unknown	Yes No Unknown
If yes, please explain:		
9. Has any Governmental Entity taken any regulatory actions for environmental conditions at the Property and Adjoining Properties?	Yes No Unknown	Yes No Unknown
If yes, please explain:		
10. Have any environmental risk studies or assessments been previously performed pertaining to the Property?	Yes No Unknown	Yes No Unknown
If yes, please identify the type of study (questionnaire, TSA, Phase I, Phase II, other), when it was performed, results of the study if known, and attach copies if available:		
11. Is there any presence of lead paint, asbestos, or Polychlorinated Biphenyls (“PCBs”) at the Property?	Yes No Unknown	Yes No Unknown
If yes, please explain:		

<sup>1</sup> Source of Contamination may include, but are not limited to, the following: (1) damaged or discarded automotive or industrial batteries; (2) pesticides, paints or other chemicals stored in individual containers greater than five gallons in volume or 50 gallons in the aggregate; (3) chemicals in industrial drums or sacks; (4) pits, ponds or lagoons for waste disposal or storage; (5) fill dirt from a contaminated or unknown source; (6) underground or aboveground storage tanks; (7) vent pipes, fill pipes or access ways indicated a fill pipe protruding from the ground; (8) flooring drains or walls within a facility that are stained by substances other than water and/or are emitting noxious odors; (9) clarifiers, pits or sumps; (10) dry wells.



## DEFINITIONS

As defined in SOP 50 10 (5), Effective Date: August 1, 2008 pages 322 – 326.

For purposes of this SOP, the following definitions apply. Terms that are not defined below but are defined in CERCLA, 13 CFR or 40 CFR shall have the meaning provided in CERCLA, 13 CFR or 40 CFR.

**"Adjoining Properties"** means any real property or properties the border of which is (are) shared in part or in whole with that of the Property, or that would be shared in part or in whole with that of the Property but for a street, road, or other public thoroughfare separating the properties (See 40 CFR § 312.20).

**"Contamination"** means the presence of any Hazardous Substance at or affecting the Property, including any Hazardous Substances that have migrated to or from the Property, in such quantities or under such conditions as to render the Property or the operations conducted thereon subject to, or potentially subject to, a directive or order from a Governmental Entity.

**"Environmental Questionnaire"** means the questionnaire used by a Lender to determine the likelihood that Contamination may be present at Property offered to secure and SBA guaranteed loan. Environmental Questionnaires must be completed or overseen by a Lender that has made at least one site visit to the Property and a good faith effort to conduct an interview with the current owner or operator of the site. An Environmental Questionnaire may be considered if it was completed up to one year prior to submission. The current owner or operator of the site must sign the Environmental Questionnaire.

**"Hazardous Substance"** means and includes any substance, material or waste regulated by CERCLA or any other Environmental Law, and specifically includes petroleum products.

**"Release"** means the presence of or any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, seeping, migrating, dumping or disposing of any Hazardous Substance into the environment including the abandonment or discarding of barrels, drums, tanks, and similar receptacles and containers, containing Hazardous Substances.

For more information, please call us at 800-419-4923. Ask for Nicole TK Moore or Nikki Walker and we would be more than happy to answer any questions you may have. You may also email Gary Reynolds or Marshall Stanclift at [greynolds@partneresi.com](mailto:greynolds@partneresi.com) or [mstanclift@partneresi.com](mailto:mstanclift@partneresi.com), or visit us on the web at: [www.PARTNEResi.com](http://www.PARTNEResi.com).

## HAVE ANY QUESTIONS?

If you need more information or want to discuss your project,  
call **Capital Matrix** at **(208) 383-3473**

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