



Revision to U.S. SBA's New Environmental Policies & Procedures

July 2008

Overview

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The U.S. Small Business Administration (SBA) released an update to its new procedures under the Lender & Development Companies Loan Programs (SOP 50-10(5)) that went into effect on May 1, 2008.

Based on discussions with the lenders that took place after the new policies took effect, SBA published certain revisions, which are effective August 1, 2008. These revisions can have a significant impact on how and whether certain real estate loans secured by SBA will require environmental review, including Transactions Screening or Phase 1 Environmental Site Assessments. This Regulatory Briefing summarizes **updates** to the Policies that became effective May 1, 2008; a Briefing on the overall policies can be reviewed using this link:

www.calthacompany.com/environmental/regulatory-briefings/New%20SBA%20Environmental%20Policies%20and%20Procedures.pdf

Key Changes to SBA Policy

The overall structure of the SBA Policy remains the same. SBA requires an Environmental Investigation of **ALL COMMERCIAL** property loans it is securing. The level of investigation will depend on the risks associated with specific types of current or past property uses (see Page 2).

Some of the key changes effective August 1, 2008 are:

1. For properties that **do not** have NAICS Code match which requires a mandatory Phase I ESA, or at multi-unit buildings, increased threshold for Transaction Screens and/or Phase I ESA from \$50,000 to \$150,000 loan value;
2. Eliminated certain agricultural, forestry and transportation uses from list of mandatory Phase I ESA uses;
3. Requires mandatory Phase I ESA at current or past furniture manufacturing sites only if finishing takes/took place on site;
4. Requires mandatory Phase I ESA at current or past auto or parts dealerships only if service bays are/were present;
5. Requires mandatory Phase I ESA at current or past laundry sites, only if dry cleaning operations are present;
6. Requires **SOIL SAMPLING** for any property with past dry cleaning or gas station operations.

Environmental Investigation:

*The process of evaluating
the environmental
conditions at a property.*

It may include:

Environmental Questionnaire

Records Search

Phase I ESA

Transaction Screen

Phase II ESA



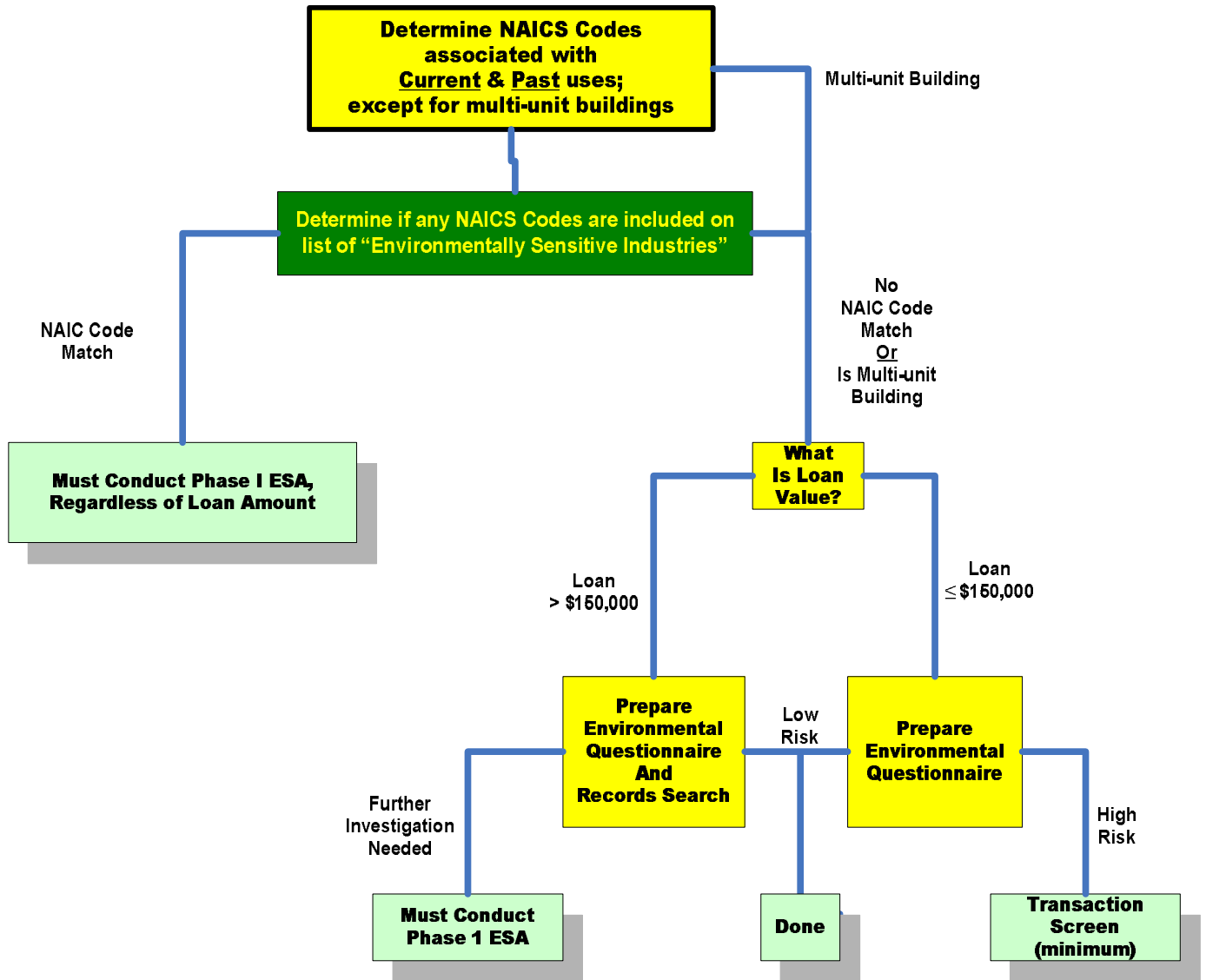
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UPDATED Decision Process Flowchart (effective August 1, 2008)



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