



SBA 504 Loan Appraisal Requirements

- Appraisals are not required if the project is \$500,000 or less, however if the project involves parties with a close relationship (i.e. family members), or if SBA or the Lender otherwise concludes that an appraisal is necessary.
- If an appraisal is not required under the preceding paragraph, all Lenders must obtain an appropriate evaluation of the commercial real estate securing the loan that is consistent with safe and sound banking practices.
- Appraiser must be independent (no appearance of a conflict of interest) and State-Licensed or State-Certified. (Certification required if estimated value is over \$1,000,000.)
- Appraisal must be prepared in compliance with Uniform Standards of Professional Appraisal Practice (USPAP). (the SBA will not accept a “*Restricted Appraisal Report*”)
- For credit reasons the SBA requires that the Appraisal provides at least two (2) methods of valuation. Estate appraised must be “Fee Simple”.
- The following must be named intended users of the Appraisal and the report must be addressed to (1) the Bank and (2) the CDC and (3) the SBA as follows:

U.S. Small Business Administration 6501 Sylvan Road, Suite 111 Citrus Heights, CA 95610-5017	Indiana Statewide Certified Development Corporation 4181 East 96th Street, Suite 200 Indianapolis, IN 46240
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- The Appraisal must address each of the following: Is the purchase price stated? Is occupancy confirmed? Is the remaining useful life or remaining economic life stated?
- With new construction or substantial renovation the Appraisal must estimate what the market value will be at completion of construction. This should be an “*as complete*” value as the SBA will **not** accept an “*as stabilized*” value. When the collateral is an existing building the Appraiser should estimate market value on an “*as-is*” basis or the narrative must explain why the “*as-is*” basis was not used.
- If the appraisal engagement letter asks for a business enterprise or going concern value, the appraiser must allocate separate value to the individual components, including land, building, equipment and business (including intangible assets).
- If the collateral is a special purpose property, the appraiser must be experienced in the particular industry.
- Equipment appraisals must be done in person; they cannot be desktop appraisals.