



Appraisal

Requirements and Regulations

Project Property

- If \$250,000 or less, then an appraisal is not needed

Appraiser

- Must be independent and no conflict of interest
- Must be State-licensed or State-Certified
- If project is special purpose then the appraiser must be experienced in that particular industry

Appraisal Report

- Must be prepared in compliance with USPAP
- A self-contained appraisal report; or
- A summary appraisal report
- Must be addressed to the Lender and the U.S. Small Business Administration
- Must be approved by SBA prior to loan closing

New Construction or Expansion Projects

- The appraisal must estimate the market value at the completion of construction
- Letter from Appraiser at completion confirming that all was built with only minor deviations

Existing Building

- Market Value must be estimated on an as-is basis
- If estimated on any other basis then the narrative of the report must include an explanation as to why the as-is basis was not used

Engagement Letter

- If asked for a going concern value then the appraiser separate the values including land, building, equipment and business

Value at 90% or More

- The CDC may close the loan

Value less than 90%

- Additional collateral can be provided; or
- The borrower can contribute more equity; or
- Additional Guarantors can be added; or
- The project costs can be decreased; or
- The borrower must show strong, sufficient cash flow to support the debt.