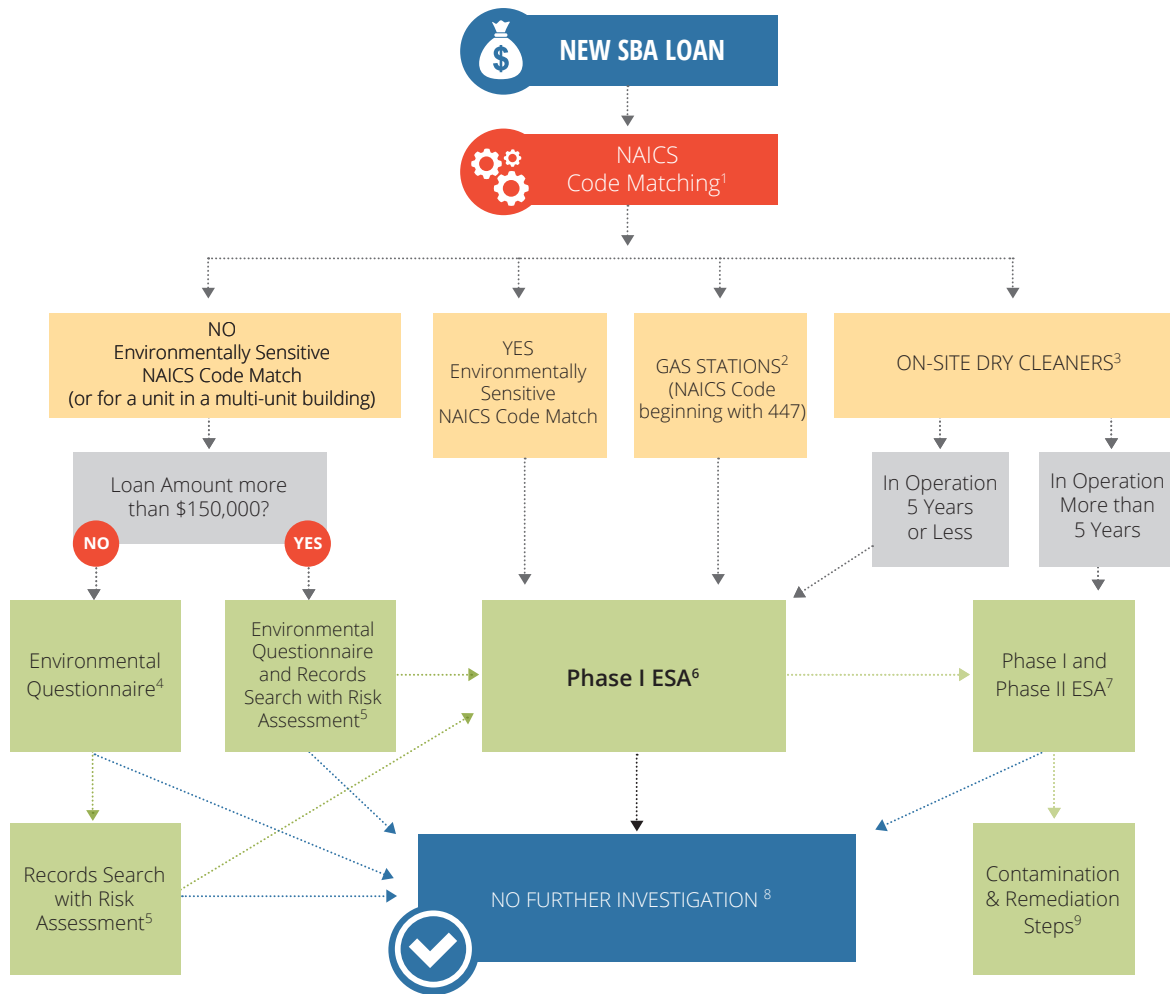


The Steps of an SBA Environmental Investigation

This chart represents the minimum steps of environmental investigations of commercial properties required by the U.S. Small Business Administration's updated SOP 50 10 5(l), effective January 1, 2017, for lender and certified development company (CDC) loan programs. More stringent due diligence may be warranted based on the lender or CDC's policies and prudent lending practices. Note that the SBA also requires that certain "special use facilities" (e.g., properties constructed before 1980 that will be used for daycare, nursery schools, or residential care facilities occupied by children) undergo lead risk assessments for lead-based paint and testing for lead in drinking water.



1. Determine NAICS codes for current and known past uses of the property, then compare these codes to the SBA list of codes for environmentally sensitive industries. Code matching applies to all properties except units in a multi-unit building (which are treated as if there is no NAICS code match). (see back side for NAICS codes)
2. NAICS code beginning with 447 (gas stations). See Appendix 5 of the SOP for detailed requirements, including equipment testing, that apply to current and former gas station properties.
3. If on-site dry cleaners have ever been in operation for more than five years at the property, SBA requires a Phase II ESA (in addition to a Phase I) as part of the environmental investigation.
4. If the questionnaire reveals the need for further investigation, lender or CDC must obtain at least a Records Search with Risk Assessment. If the current owner or operator will not sign the questionnaire, the lender must obtain a Transaction Screen.
5. Search of databases listed in the EPA's AAI rule, search of historical-use records (e.g., fire insurance maps, city directories, aerial photos) for the property and adjoining properties, and an EP risk assessment. (EDR's LoanCheck Plus report meets each of these requirements.) If "elevated risk" or "high risk" is assessed, lender or CDC must obtain at least a Phase I ESA.
6. Phase I environmental site assessment. (See Appendix 2 of the SOP for SBA definitions of the Phase I ESA and other environmental terms.) If the Phase I concludes further investigation is needed (typically a Phase II), the lender or CDC must proceed as recommended by the EP or, alternatively, submit the results to the SBA and seek concurrence for not following the EP's recommendation, providing a rationale for the "rare instance" when an exception may be warranted.
7. As with gas stations, Phase IIs conducted for dry cleaner properties must be conducted by an independent environmental professional who holds a Professional Engineer's or Professional Geologist's license and has three years of relevant experience. If the Phase II reveals contamination and lender or CDC still wishes to make the loan, lender or CDC must ensure EP documentation of contamination levels as well as remediation requirements, cost, and schedule.
8. Lender or CDC must submit results of the investigation to the SBA with recommendations and seek SBA concurrence.
9. Submit recommendation discussing factors identified in subparagraph g, "Approval and Disbursement of Loans When There is Contamination or Remediation at the Property."

For comprehensive guidance about SBA's environmental requirements, lenders and CDCs should refer to the full text of SBA SOP 50 10 5(l), including appendices.

For more information about SBA's environmental requirements, visit www.edrnet.com or contact your EDR representative at 800-352-0050.

The environmental due diligence requirements for SBA loans established by the revised SOP 50 10 5(I) (effective January 1, 2017) includes an initial NAICS code matching step which applies to all properties except units in a multi-unit building.

Lenders must make a good-faith effort to determine the NAICS code(s) for the property's current and known prior uses. Each NAICS code is then compared to SBA's list of such codes for environmentally sensitive industries, which is reproduced on this page from SOP 50 10 5(I) Appendix 4.

If there is a NAICS code match, the environmental investigation must begin with a Phase I environmental site assessment. If there is no NAICS code match, the environmental investigation may begin with less stringent due diligence steps such as a questionnaire or questionnaire and records search with risk assessment, depending on the loan amount. (Note: For current and former gas station properties [NAICS Code 477], refer to SOP 50 10 5(I) Appendix 5 for specific requirements.)

For authoritative guidance about SBA's environmental requirements, lenders seeking SBA's guaranty should refer to the full text of the SBA's SOP 50 10 5(I), including relevant appendices. For more information about North American Industry Classification System (NAICS) codes, visit www.naics.com.

How to determine if an industry is included on the list of environmentally sensitive industries:

- A 3 digit NAICS code includes all industries beginning with those 3 digits.
- A 4 digit NAICS code includes all industries beginning with those 4 digits.
- A 5 digit NAICS code includes all industries beginning with those 5 digits.
- A 6 digit NAICS code includes only that industry under that industrial code.

SBA SOP 50 10 5(I) NAICS Codes of Environmentally Sensitive Industries

211	Oil & Gas Extraction	481	Air Transportation
212	Mining (except oil & gas)	482	Rail Transportation
213	Support Activities For Mining	486	Pipeline Transportation
237	Heavy & Civil Engineering Construction	53212	Truck, Utility Trailer, and RV (Recreational Vehicle) Rental & Leasing (if repairs, maintenance or vehicle washing are performed on-site)
311	Food Manufacturing (if underground fuel tanks present)	53241	Construction, Transportation, Mining & Forestry Machinery & Equipment Rental & Leasing (if repairs, maintenance or vehicle washing are performed on-site)
312	Beverage & Tobacco Product Manufacturing	53249	Other Commercial & Industry Machinery & Equipment Rental & Leasing (if repairs, maintenance or vehicle washing are performed on-site)
313	Textile Mills (not required if sewing, weaving, or hemming only)	54138	Testing Laboratories
314	Textile Product Mills (not required if sewing, weaving, or hemming only)	56171	Exterminating & Pest Control
316	Leather & Allied Product Manufacturing	562	Waste Management & Remediation Services
321	Wood Product Manufacturing (if finishing occurs on-site)	6221	General Medical & Surgical Hospitals (if fuel tanks are present)
322	Paper Manufacturing	71391	Golf Courses & Country Clubs
323	Printing & Related Support Activities	71392	Skiing Facilities
324	Petroleum & Coal Products Manufacturing	71393	Marinas
325	Chemical Manufacturing	7212	RV (Recreational Vehicles) Parks & Recreational Camps (if fuel tanks are present or if vehicle repairs or maintenance is performed on-site)
326	Plastics & Rubber Products Manufacturing	8111	Automotive Repair & Maintenance (except for "car wash only" facilities, for which a Transaction Screen is an acceptable starting point.)
327	Nonmetallic Mineral Products Manufacturing	8112	Electronic & Precision Equipment Repair & Maintenance (not required if assembly only)
331	Primary Metal Manufacturing	8113	Commercial & Industry Machinery & Equipment Repair & Maintenance
332	Fabricated Metal Product Manufacturing	8122	Death Care Services
333	Machinery Manufacturing (not required if assembly only)	8123	Laundry & Dry Cleaning Services (if dry cleaning operations have ever existed on-site)
334	Computer & Electronic Product Manufacturing (not required if assembly only)	812921	Photofinishing Laboratories (except one hour)
335	Electrical Equipment, Appliance & Component Manufacturing (not required if assembly only)		
336	Transportation Equipment Manufacturing		
337	Furniture & Related Manufacturing (if finishing occurs on-site)		
339	Miscellaneous Manufacturing (only required if hazardous materials are involved)		
42311	Automobile & Other Motor Vehicle Merchant Wholesalers (if service bays present)		
42314	Motor Vehicle Parts (Used) Merchant Wholesalers		
4235	Metal & Mineral Merchant Wholesalers		
42393	Recyclable Material Merchant Wholesalers		
4246	Chemical & Allied Products Merchant Wholesalers		
4247	Petroleum & Petroleum Products Merchant Wholesalers		
441	Motor Vehicle and Parts Dealers (if service bays present)		
447	Gasoline Stations		
45431	Fuel Dealers (not required for propane or firewood dealers)		

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

For more information about SBA's environmental requirements, visit www.edrnet.com or contact your EDR representative at 800-352-0050.