

# ENVIRONMENTAL INVESTIGATIONS

Pursuant to the Small Business Administration's  
SOP 50 10(5) for 7(a) and 504 Loans



**COMPLIANCE CENTRE**  
Environmental • Safety • Regulatory

800-257-8199  
[www.compliancecentre.net](http://www.compliancecentre.net)

## RISKS FOR THE LENDER INCLUDE:

- ✗ The costs of remediation could impair the borrower's ability to repay the loan;
- ✗ The value and marketability of the property could be diminished;
- ✗ The lender could be liable for environmental clean-up costs;
- ✗ The lender could be liable for third-party property damage claims;
- ✗ The property may be subject to an environmental lien from a government entity.<sup>1</sup>

<sup>1</sup>SBA SOP 50 10(5)

**COMPLIANCE CENTRE** offers a comprehensive scope of environmental assessment services, which are performed by a qualified Environmental Professional, thus preventing the lender from unknowingly making a risky loan.

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## **Environmental Investigations Required by the Small Business Administration (SBA) Loan Programs**

The SBA released a new environmental policy as part of its Standard Operating Procedure for Lender and Development Company Loan Programs (SOP 50 10(5)).

The policy includes requirements for a Phase I on most commercial property loans they are jointly involved. It also initiates a Phase II (soil and groundwater sampling) for most gas stations and dry cleaners.

### **Level 1: Environmental Questionnaire & Basic Records Review**

Compliance Centre's (CC) Environmental Professional will review the Questionnaire completed by the prospective purchaser and existing property owner to identify concerns associated with historical activities. CC will also complete an Environmental Records Review and issue a letter of explanation.

If the questionnaire and basic records review reveal that further investigation is necessary, CC will recommend completion of a Phase I ESA or Transaction Screen. Our turnaround time is 2 days or less.

### **Level 2: Environmental Questionnaire & SBA Records Search with Risk Assessment (for loans > \$150,000)**

To meet SBA's Records Search with Risk Assessment requirements for qualifying loans, CC will review the Questionnaire completed by the prospective purchaser and existing property owner to identify concerns associated with historical activities. CC will also perform a Records Search to include all State/Federal databases listed in the ASTM E1527-05, city directories, Sanborn fire insurance maps, aerial photographs and topographic maps. Our qualified Environmental Professional will evaluate the information and issue a risk assessment.

If the risk assessment reveals a High Risk for Contamination, CC will recommend completion of a Phase I ESA. Our turnaround time is 2 days or less.

### **Level 3: Phase I ESA**

If there is an environmentally sensitive NAICS code match for the property's current and known prior uses (for example, gas station, textile mill, golf course) OR if the risk assessment reveals a High Risk for Contamination, Compliance Centre will perform a Phase I to comply with the All Appropriate Inquiry standard and EPA's 40 CFR, Part 321. CC will include the SBA required reliance letter with the Phase I report.

If the Phase I reveals a hazardous substance and/or petroleum release, CC will make recommendations for soil and/or groundwater (Phase II ESA). Our turnaround time is approximately 7 days.

### **Level 4: Phase II ESA**

If our EP determines further investigation is warranted, CC will perform soil and/or groundwater testing to identify the nature and extent of contamination. This is required for certain gas stations, depending on the age. CC will include the SBA required reliance letter with the Phase II report.

If the Phase II identifies soil or groundwater contaminants above the regulatory threshold, CC will make recommendations for remediation.

### **Level 5: Remediation**

If remediation is necessary to insure the environmental risk has been sufficiently minimized and the lender still wants to make the loan, CC can execute all phases of the remediation. CC will prepare a Work Plan for Remediation to be approved by the SBA and appropriate regulatory entity(s). The Work Plan will document the nature and extent of the contamination, the recommended methods of remediation, an estimate of costs and schedule of completion.

COMPLIANCE CENTRE is a fully insured and licensed environmental consulting firm. Our experienced staff meet or exceeds the qualifications for an Environmental Professional (EP) and we work closely with each client to ensure goals are met in a timely and cost-effective manner.

*Contact us to receive a written quotation for our services. We can assist in determining the appropriate screening level in accordance with SBA's requirements.*