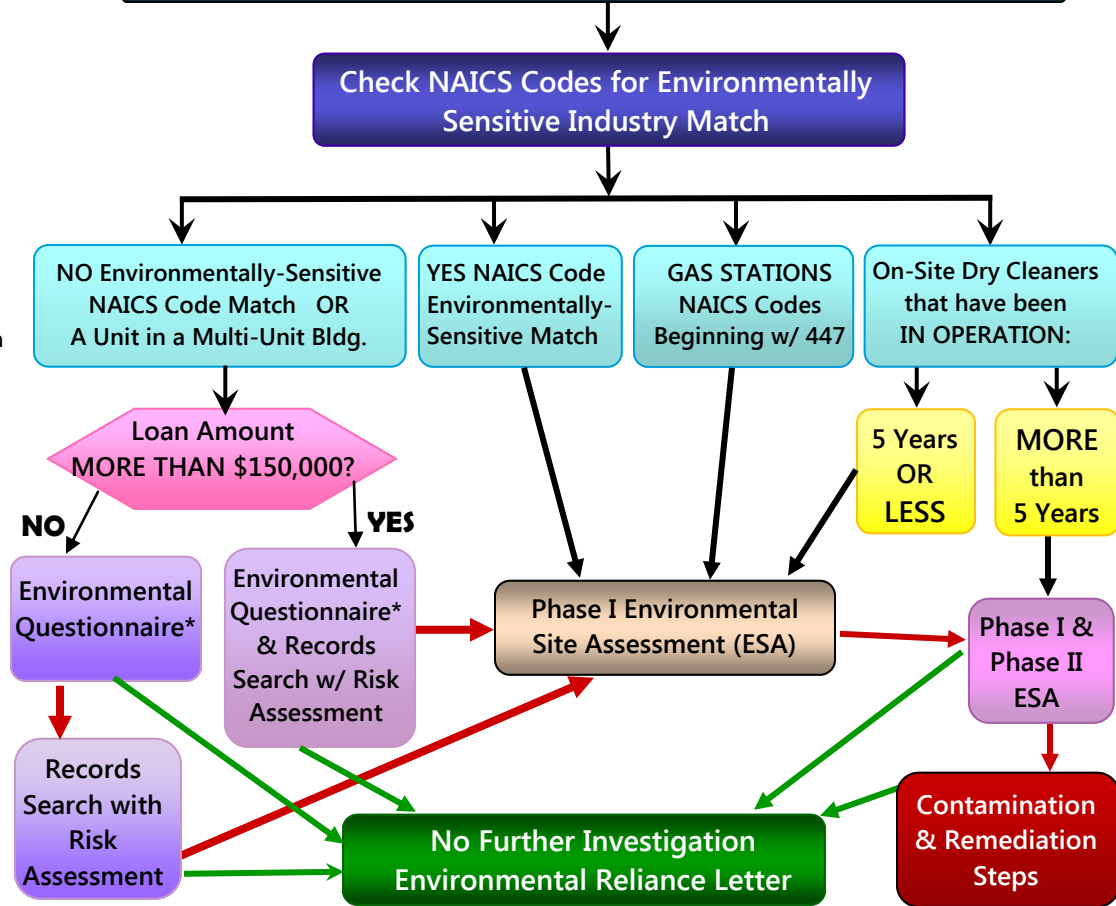


Environmental Process for SBA 7a Loans—Commercial Real Estate

New Loan—All begin with an Environmental Questionnaire*



**Please Note: "If the current owner or operator of the Property will not sign the Environmental Questionnaire it cannot be used and lender must then, at a minimum, obtain a Transaction Screen."*

1. NAICS Codes. For all Property *except* a unit in a Multi-Unit Building, Lender must begin by making a Good Faith effort to determine the NAICS code(s) for the Property's *current and known prior uses* and compare the NAICS code(s) to the list of environmentally sensitive industries on p. 2. & Appendix 4 in SOP 50-10. For a unit in a Multi-Unit Building, Lender may proceed directly to subparagraph b) below.

a) If there is a NAICS code match to an environmentally sensitive industry, the Environmental Investigation must begin with a Phase I, regardless of the amount of the loan

If the NAICS code begins with 447 (gas stations with or without convenience stores), the Environmental Investigation must begin with a Phase I, and the lender must also refer to and, if applicable, comply with "Environmental Investigation Requirements for Gas Station Loans" in Appendix 5 (in SOP 50-10.)

b) If there is not a NAICS code match to an environmentally sensitive industry, or if the Property is a unit in a Multi-Unit Building, the lender must proceed as follows:

If the loan amount is up to and including \$150,000, the Environmental Investigation may begin with an Environmental Questionnaire.

If the loan amount is more than \$150,000, the Environmental Investigation must, at a minimum, begin with an Environmental Questionnaire and Records Search with Risk Assessment, to be completed by an Environmental Professional.

2. Environmental Questionnaire Results. If the Environmental Questionnaire reveals it is unlikely that there is environmental contamination at the Property and that no further investigation is warranted, lender must submit the results of the Environmental Investigation to SBA with recommendations and seek SBA's concurrence. If at any time an Environmental Questionnaire reveals that further investigation is warranted, lender must obtain, at a minimum, a Records Search with Risk Assessment.

3. Environmental Questionnaire & Records Search with Risk Assessment Results

a) If the Environmental Questionnaire reveals that it is unlikely that there is environmental contamination at the Property and that no further investigation is warranted, and the Records Search with Risk Assessment concludes that the Property is a "low risk" for Contamination, lender must submit the results of the Environmental Investigation to SBA with recommendations and seek SBA's concurrence.

b) If the Records Search with Risk Assessment concludes that the Property is an "elevated risk" or "high risk" for Contamination, lender must obtain a Phase I ESA.

4. Transaction Screen Results

a) If the Environmental Professional conducting the Transaction Screen concludes that no further investigation is warranted, the lender must submit the results of the Environmental Investigation to SBA with recommendations and seek SBA's concurrence.

b) If the Environmental Professional conducting the Transaction Screen concludes that further investigation is warranted, the lender must obtain a Phase I ESA.

5. Phase I ESA Results

a) If the Environmental Professional conducting the Phase I ESA concludes that no further investigation is warranted, the lender must submit the results of the Environmental Investigation to SBA with recommendations and seek SBA's concurrence.

b) If the Environmental Professional conducting the Phase I ESA concludes that further investigation is warranted (typically a Phase II), and the lender still wants to make the loan, the lender must proceed as recommended by the Environmental Professional, or in the alternative submit the results of the Environmental Investigation to the SBA with recommendations and seek SBA's concurrence. In general, SBA will require compliance with all of an Environmental Professional's recommendations (including "housekeeping measures," such as secondary containment, decommissioning monitoring wells, sealing floor drains, etc.). In the rare instance where an exception may be warranted, lenders must provide a rationale for not wanting to follow the Environmental Professional's recommendation.

6. Phase II ESA Results

a) If the Environmental Professional conducting the Phase II ESA concludes that no further investigation is warranted, the lender must submit the results of the Environmental Investigation to SBA with recommendations and seek SBA's concurrence.

b) If the Phase II ESA reveals Contamination and the lender still wishes to make the loan, lender must ensure that the Environmental Professional has documented:

- i. Whether the Contamination quantities exceed the reportable or actionable levels;
- ii. Whether Remediation is necessary;
- iii. An estimate of any Remediation costs (Environmental Professionals may use ASTM E2137-01 Standard Guide for Estimating Monetary Costs and Liabilities for Environmental Matters); and
- iv. The projected completion date of any Remediation.

c) If the Environmental Investigation reveals Contamination, the lender should determine whether disbursement is appropriate under one or more of the factors identified in subparagraph G below, "Approval and Disbursement of loans when there is Contamination or Remediation at the Property". If at any stage of the Environmental Investigation SBA concurs with a lender's recommendation that environmental risk has been sufficiently minimized and that no further investigation is required, the loan may be disbursed.

SOP 50-10-5G APPENDIX 4: NAICS CODES OF ENVIRONMENTALLY SENSITIVE INDUSTRIES

How to determine
if an industry is included
on this list:

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.

Lender must submit the Environmental Investigation Report to the SBA Center processing the application, except on PLP, 7(a) Small Loans SBA Express and Export Express loans.

Lenders processing PLP, 7(a) Small Loans, SBA Express and Export Express loans do not have to submit Environmental Investigation Reports to the SBA Center but they must keep a copy of any Environmental Investigation Report in the loan file.

All lenders must comply with and meet the requirements of the Environmental Policies and Procedures as set forth in this SOP. For example, all Transaction Screens, Phase I and Phase II ESAs must be performed by an Environmental Professional and be accompanied by the Reliance Letter in Appendix 3. (A Reliance Letter is required even if the Environmental Investigation Report is addressed to the lender.) Any request for an exception to Agency Environmental Policies and Procedures must be directed to the Environmental Committee, regardless of the method of processing used for the loan.

211 OIL & GAS EXTRACTION	482 RAIL TRANSPORTATION
212 MINING (EXCEPT OIL & GAS)	486 PIPELINE TRANSPORTATION
213 SUPPORT ACTIVITIES FOR MINING	
237 HEAVY & CIVIL ENGINEERING CONSTRUCTION	53212 TRUCK, UTILITY TRAILER, AND RV (RECREATIONAL VEHICLE) RENTAL & LEASING (if repairs, maintenance or vehicle washing are performed onsite)
	53241 CONSTRUCTION, TRANSPORTATION, MINING & FORESTRY MACHINERY & EQUIPMENT RENTAL & LEASING (if repairs, maintenance or vehicle washing are performed onsite)
311 FOOD MANUFACTURING (if underground fuel tanks present)	53249 OTHER COMMERCIAL & INDUSTRIAL MACHINERY & EQUIPMENT RENTAL & LEASING (if repairs, maintenance or vehicle washing are performed onsite)
312 BEVERAGE & TOBACCO PRODUCT MANUFACTURING	
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	
323 PRINTING & RELATED SUPPORT ACTIVITIES	71391 GOLF COURSES & COUNTRY CLUBS
324 PETROLEUM & COAL PRODUCTS MANUFACTURING	71392 SKIING FACILITIES
325 CHEMICAL MANUFACTURING	71393 MARINAS
326 PLASTICS & RUBBER PRODUCTS MANUFACTURING	7212 RV (RECREATIONAL VEHICLES) PARKS & RECREATIONAL CAMPS (if fuel tanks are present or if vehicle repairs or maintenance is performed onsite)
327 NONMETALLIC MINERAL PRODUCTS MANUFACTURING	
	8111 AUTOMOTIVE REPAIR & MAINTENANCE (except for car wash only" facilities, for which a Transaction Screen is an acceptable starting point)
331 PRIMARY METAL MANUFACTURING	8112 ELECTRONIC & PRECISION EQUIPMENT REPAIR & MAINTENANCE (not required if assembly only)
332 FABRICATED METAL PRODUCT MANUFACTURING	8113 COMMERCIAL & INDUSTRIAL MACHINERY & EQUIPMENT REPAIR & MAINTENANCE
333 MACHINERY MANUFACTURING (not required if assembly only)	
334 COMPUTER & ELECTRONIC PRODUCT MANUFACTURING (not required if assembly only)	8122 DEATH CARE SERVICES
335 ELECTRICAL EQUIPMENT, APPLIANCE & COMPONENT MANUFACTURING (not required if assembly only)	8123 LAUNDRY & DRY CLEANING SERVICES (if dry cleaning operations have ever existed on site)
336 TRANSPORTATION EQUIPMENT MANUFACTURING	
337 FURNITURE & RELATED MANUFACTURING (if finishing occurs on site)	812921 PHOTOFINISHING LABORATORIES (except one hour)
339 MISCELLANEOUS MANUFACTURING (only required if hazardous materials are involved)	
	*A Phase I should always be obtained if the business sells, supplies or dispenses fuel, gasoline, heating oil, even if the NAICS code for the business is not identified on this list of environmentally sensitive industries.
42311 AUTOMOBILE & OTHER MOTOR VEHICLE MERCHANT WHOLESALERS (if service bays present)	A complete list of industries and corresponding NAICS codes is available online at http://www.census.gov/eos/www/naics/ .
42314 MOTOR VEHICLE PARTS (USED) MERCHANT WHOLESALERS	
4235 METAL & MINERAL MERCHANT WHOLESALER	<i>For comprehensive guidance about SBA's environmental requirements, lenders and CDCs should refer to the full text of SBA SOP 50-10-5G, including all appendices.</i>
42393 RECYCLABLE MATERIAL MERCHANT WHOLESALER	
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)	
481 AIR TRANSPORTATION	