

## Tips to reduce environmental screen outs

### CDC/LENDER Checklist for Submitting Environmental Investigation Reports

- Ensure the CDC/LENDER Checklist is included for all environmental document submittals.
- Ensure there is a property address listed on the CDC/LENDER Checklist.
- Ensure the correct NAICS codes for the past and current use of the property is included on the CDC/LENDER Checklist. **NAICS Code Website:** <http://www.census.gov/eos/www/naics/>
- The CDC/LENDER must provide comments and sign the CDC/LENDER Checklist.
- Ensure the CDC/LENDER comments on the CDC/LENDER Checklist match the environmental professional's recommendations and conclusions.
- Provide the loan number, control number or the E504 number on the CDC/LENDER Checklist.
- If a 504 loan is approved after pre-application, include the control number and the loan number so the documents can be associated with the pre-application file.
- If the loan is for more than one property, a CDC/LENDER Checklist must be submitted for each property.
- If a property is the subject of more than one loan, submit a copy of any previous environmental approvals so the SBA can cross-reference the submittals.
- Ensure all appendices and attachments to the environmental assessment are submitted.
- Ensure all scanned documents are legible.

### Address Changes

- If the addresses on the CDC/LENDER Checklist, the environmental documents, and the loan authorization don't match, please provide an explanation.
- Submit a 327 form for an address change prior to submitting the environmental documents. Please provide a copy of the approved 327 form with the environmental submittal.

### Resubmissions

- For resubmissions, send in only the requested environmental documents - *not all previously submitted documents.*
- Follow the instructions provided in the environmental response from the SBA

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## Environmental Questionnaires

- State the past and current use of the property and the adjoining properties in an Environmental Questionnaire (EQ).
- The EQ must be signed by the owner or operator of the site and the CDC/Lender.
- The SBA requires the statement (below in red) in your environmental questionnaire as of April 1<sup>st</sup> 2021  
“The undersigned owner(s) and/or operator(s) acknowledge(s) and agree(s) that intentionally falsifying or concealing any material fact with regard to the subject matter of this Environmental Questionnaire may, in addition to other penalties, result in prosecution under applicable law including 18 U.S.C. section 1001.”
- If the owner is unable or unwilling to sign the EQ and the property is not in an environmentally sensitive industry, then a Transaction Screen Analysis is the minimum requirement for submission.
- If a property is a daycare center, child care center, nursery school or a residential care facility occupied by children, state the construction date of the building. If the date of construction is prior to 1980, a lead risk assessment (for lead based paint) and testing for lead in drinking water is required.

## Reliance Letters

- Any Transaction Screen Analysis, Phase I Environmental Site Assessment or Phase II Environmental Site Assessment must be accompanied by the SBA Reliance Letter and Certificate of Professional Liability Insurance.
- Ensure the SBA Reliance Letter is not altered or modified.
- Ensure the Certificate of Professional Liability Insurance with errors and omissions statement is submitted with the SBA Reliance Letter.
- Ensure the coverage period in the Certificate of Professional Liability Insurance includes the date of the environmental assessment.
- Ensure the SBA Reliance Letter has the same date as the Transaction Screen Analysis, the Phase I Environmental Site Assessment, or the Phase II Environmental Site Assessment.
- Ensure that the SBA Reliance Letter is addressed to the CDC/Lender and the SBA.  
[Note: The SBA Reliance Letter does not need to be addressed to the third-party lender.](#)
- Ensure the SBA Reliance Letter is signed by the environmental professional and a representative of the firm. If an environmental professional is a sole practitioner, it should be noted in the signature line.

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### Contamination, Environmental Professional Recommendations and Gas Station Loans

- Ensure all information is submitted (*as stated in SBA SOP 50 10 6 Subsection 6: Property Contamination or Remediation*) if requesting approval of funds with known contamination, on-going remediation, or monitoring on the property.
- If there are contaminants on the property, submit the environmental documents to SBA as soon as possible.
- If the Phase I Environmental Site Assessment reveals Controlled Recognized Environmental Conditions (CRECs) -*as defined in the ASTM E1527-13 standard*, a response to Subsection 6 factors is required.
- If the environmental professional concludes that no further investigation is warranted, but the Phase I Assessment reveals “contamination” at the property as defined in SBA SOP 50 10 6, a response to Subsection 6 factors is required
- If the RSRA indicates an “elevated” or a “high risk,” the next step is to conduct a Phase I Environmental Site Assessment prior to conducting any necessary Phase II Environmental Site Assessments.
- Recommendations by the environmental professional should be completed before submission to the SBA. Send in documentation such as contractor’s receipts, etc.
- In addition to a Phase I Environmental Site Assessment, gas station loans must include a determination by the environmental professional stating whether or not the gas station is in compliance with all state requirements, if any, pertaining to tank and equipment testing.
- For contaminated gas stations, at a minimum, the SBA Indemnification Agreement must always be obtained and signed by the seller.
- A Phase I Environmental Site Assessment 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 the list of environmentally sensitive industries.
- When providing a response to Subsection 6 factors, be sure to address all four factors:
  - 1) Nature and Extent of Contamination
  - 2) Remediation
  - 3) Collateral Value
  - 4) Mitigating Factors
- If an environmental professional assists in preparing the response to Subsection 6 factors, the CDC/LENDER should add the required information regarding collateral value prior to submission.

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- If the environmental professional conducting the Transaction Screen concludes that further investigation is warranted, the SBA Lender must obtain a Phase I ESA. However, if an environmental professional recommends proceeding directly from the Transaction Screen to a Phase II (thus bypassing the Phase I), and the SBA Lender concurs, the SBA Lender must seek in advance an exception to policy from the SBA Environmental Committee!

(Reference: E.4 d. ii on page 217 of SBA SOP 50 10 6 at: <https://www.sba.gov/document/sop-50-10-lender-development-company-loan-programs-0>)

### Concentrated Animal Feeding Operations (CAFO)

- If a property is a CAFO, please include the following with your environmental submission:

- A CAFO Environmental Questionnaire.
- A copy of the Comprehensive Nutrient Management Plan (CNMP)
- A copy of the CAFO permit
- A statement from the borrower setting forth how the animal waste and deceased animals will be disposed.
- A copy of the NPDES Permit (if treated waste is discharged into a water source).
- A copy of the Land Based Discharge Permit (if the waste will be disposed of on land).

### Environmental Appeals

- All requests for an exception to the SBA's environmental policy must be sent to the SBA Environmental Committee at [environmentalappeals@sba.gov](mailto:environmentalappeals@sba.gov).
- Attach any SBA Environmental Appeals Committee decisions with the environmental submissions and resubmissions.