

Appraisal Requirements (EDC Finance - SBA 504)

Appraisals being used in an SBA 504 project must have the following:

Intended User

Appraisal must list ‘**Small Business Administration**’ and ‘**EDC Finance Corporation**’ as an intended user:

Small Business Administration (SBA)

AND

EDC Finance Corporation

115 East King Street,

Lancaster, PA 17602

Appraiser:

The appraiser must be:

- (i) Independent and have no appearance of a conflict of interest
- (ii) Either State-licensed or State-certified with the following exception: When the Project Property’s estimated value is over \$1,000,000, the appraiser must be State Certified.

Report:

Appraisal must be Uniform Standards of Professional Appraisal Practice (USPAP) compliant and Appraisal Report. Restricted appraisals are not acceptable.

Cost, Market Comparison, and Income Approaches

The appraisal must utilize at least two of the three approaches: Cost, Market Comparison, and Income. If for any reason a particular third approach is determined to not be viable, the appraiser is requested to note and justify why an approach cannot be utilized.

New Construction:

When the collateral will be new construction or involve substantial renovation of an existing building, the appraisal must estimate what the market value will be at completion of construction. After construction is completed, EDC Finance must obtain a certification from the appraiser, general contractor, project architect, or construction management firm that construction was completed according to plans and specifications.

Going Concern:

If the appraisal engagement letter asks the appraiser for a business enterprise or going concern value, the appraiser must allocate separate values to the individual components of the transaction including land, building, equipment and business (“blue sky”).

Special Purpose

When the property is a special purpose property, the appraiser must be experienced in the particular industry.

THANK YOU.