

# SUMMARY

## Appraisal and Evaluation Requirements for SBA 7(a) Loans

A brief summary of the regulations (SOP 50 10 7.1) governing the use of Appraisals and/or Evaluations for three primary types of SBA 7(a) loans is described below.

### 1. Standard 7(a) Loans

These are loans in excess of \$500,000 and exclude 7(a) Small Loans, SBA Express, Export Express, CAPLines, and other program loans.

- Standard 7(a) loans secured by commercial real property when loan proceeds are used to acquire, refinance, or improve owner occupied commercial real estate must use a USPAP-compliant [Appraisal](#).
- Standard 7(a) loans for non-commercial real estate purposes, where commercial real estate/other real estate is taken as collateral to secure a personal guaranty, are underwritten with either an [Appraisal or Evaluation](#) at the lender's discretion. Non-commercial real estate uses include but are not limited to purchasing machinery and equipment; buying furniture, fixtures, and supplies; refinancing current business debt; for working capital or a business acquisition, etc.

### 2. 7(a) Small & SBA Express Loans

7(a) Small loans are term (non-revolving) 7(a) loans that are \$500,000 or less and may be processed under delegated Preferred Lender Program (PLP) authority or non-delegated through the Loan Guaranty Processing Center (LGPC). 7(a) Small loans exclude: Standard 7(a) loans, SBA Express, Export Express, CAPLines, Export Working Capital Program (EWCP), and Community Advantage Pilot Program loans. SBA Express loans are loans that are \$500,000 or less and may only be made by a Lender with SBA Express authority.

- When a 7(a) Small or SBA Express loan finances a transaction involving parties with a close relationship (e.g., transactions between existing owners/family members), or if SBA concludes that an appraisal is necessary to appropriately evaluate creditworthiness, or if the Lender requires an appraisal for its similarly sized, non-SBA guaranteed loans, a USPAP [Appraisal](#) is required.
- If an Appraisal is not required under the terms immediately above, Lenders must obtain an [Evaluation](#) of the commercial real estate securing the loan.

### 3. CAPLines

Lines of credit under the CAPLines program finance the short-term operating capital needs (revolving and non-revolving) of eligible small businesses.

- CAPLines greater than \$500,000 secured by commercial real estate must use a USPAP [Appraisal](#).
- For all CAPLines loans of \$500,000 or less secured by commercial real property: i) If the loan finances a transaction involving parties with a close relationship (e.g., transactions between existing owners/family members), or if SBA or the Lender otherwise concludes that an appraisal is necessary to appropriately evaluate creditworthiness, the Lender must obtain an [Appraisal](#).
- If an appraisal is not required under the terms immediately above, Lenders must obtain an [Evaluation](#) of the commercial real estate securing the loan.

In all cases above, Evaluations should be consistent with the Interagency Appraisal and Evaluation Guidelines and the Interagency Advisory on the Use of Evaluations in Real Estate-Related Financial Transactions issued by the Federal Banking Regulators.

Please be advised that while Boxwood Means, LLC deems this summary of the SOP to be accurate and reliable, SBA lenders are strongly encouraged to consult with their own legal and financial experts regarding the SOP before taking any action based on this guidance.

*Boxwood Means, LLC is a leading national provider of commercial real estate property valuations and risk assessment services in the small CRE property and loan markets.*