



SBA Procedural Notice

TO: All SBA Employees and 7(a) Lenders and Certified Development Companies

CONTROL NO.: 5000-866054

SUBJECT: Update to SOP 50 10 7.1 Section A, Chapter 5, Paragraph E, Environmental Policies and Procedures

EFFECTIVE: March 20, 2025

The purpose of this Notice is to modify the Environmental Policies and Procedures set forth in SOP 50 10 7.1 Section A, Chapter 5, Paragraph E.

Terms that are capitalized in this Notice are defined terms in Standard Operating Procedures (SOP) 50 10 7.1, Appendixes 3 and 4.

This Notice does not modify the Environmental Policies and Procedures for delegated processing of loans under PLP, SBA Express, Export Express, 7(a) Small Loans, or PCLP authority, except that environmental reports must be dated within one year of issuance of the SBA loan number. For those loans being processed under delegated authority, and for all 7(a) Small Loans (regardless of whether processed non-delegated or delegated), SBA Lenders cannot seek SBA approval of the Environmental Investigation, but they may continue to contact EnvironmentalAppeals@sba.gov when relying solely upon SOP 50 10 7.1, Section A, Chapter 5, Paragraph E, 5.d.ix, "Other Factor(s)" for disbursement in the presence of Contamination.

The changes in this Notice only apply to 7(a) Loans submitted for non-delegated processing (except for 7(a) Small Loans) to the 7(a) Loan Guaranty Processing Center (LGPC) and 504 loans submitted to the Sacramento Loan Processing Center (SLPC).

Environmental reports must be dated within one year of issuance of the SBA loan number.

Properties With No Contamination:

If an Environmental Investigation Report concludes that a Property has No Contamination, it is the SBA Lender's responsibility to certify in E-Tran that the Property complies with all SBA environmental requirements in the SOP and this Notice, and the SBA Lender must maintain the Environmental Investigation Reports(s) in the SBA Lender's loan file.

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EXPIRES: 3/1/26

SBA Form 1353.3 (4-93) MS Word Edition; previous editions obsolete

Must be accompanied by SBA Form 58

Properties With Contamination:

If an Environmental Investigation Report reveals Contamination and the SBA Lender still wishes to make the loan, then the SBA Lender must comply with the Environmental Policies and Procedures requirements of SOP 50 10 7.1, including following all recommendations of the Environmental Professional (for example, obtain a Phase II, etc.), preparing a Section E.5. write-up, making a selection of the appropriate mitigating factor(s) for disbursement in the presence of Contamination, etc.

Delegated Procedures and All 7(a) Small Loans: For loans that are being processed via PLP, SBA Express, Export Express, or for any 7(a) Small Loan (whether processed non-delegated or delegated), or PCLP procedures, the SBA Lender must comply with the procedures in the SOP and this notice and document the loan file.

Non-Delegated Procedures: For loans that are being processed via non-delegated procedures (except for 7(a) Small Loans), the electronic documentation must be uploaded to the SBA using the existing process via E-TRAN, and SBA Lenders must then send an e-mail, **without the environmental reports**, to EnvironmentalReviews@sba.gov, which must include in the subject line: DISTRICT OFFICE - LOAN NUMBER - LOAN NAME (no spaces in the loan number). Example: "SAN FRANCISCO DISTRICT OFFICE – 1234567810 – ABC CLEANERS". SBA's District Counsel will respond to SBA Lenders with approval of the environmental submission, request for additional information, etc. Once the environmental submission is approved, SBA Lenders must notify the appropriate loan processing center and keep a copy of the e-mail in their loan file. SBA Lenders who believe that an environmental decision rendered by SBA is inconsistent with the SOP or this Notice may appeal the decision by forwarding a copy of the decision, along with an explanation of how the determination is perceived to be inconsistent with the SOP or this Notice to EnvironmentalAppeals@sba.gov.

SBA Lenders may contact their local SBA District Counsel at EnvironmentalQuestions@sba.gov with questions and for assistance with the Environmental Review process and meeting Loan Program Requirements.

SOP Updates:

SOP 50 10 7.1 Section A, Chapter 5, Paragraph E is revised as follows:

Page 82, Subparagraph E.3:

3. Environmental Investigation Report Reviews

All SBA Lenders must conduct an environmental review to assure compliance with, and meet the requirements of, the Environmental Policies and Procedures as set forth in SOP 50 10 7.1. For example, all Transactions Screens, Phase I and Phase II Environmental Site Assessments (ESAs) must be performed by an Environmental Professional and be accompanied by the Reliance Letter in Appendix 5. (A Reliance Letter is required even if the Environmental Investigation Report is addressed to the SBA Lender). Any request for an exception to SBA's Environmental Policies and Procedures must be directed to the SBA Environmental Committee (EnvironmentalAppeals@sba.gov), regardless of the method of processing used for the loan.

Page 83, Subparagraph E.4.b:

b. 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, the SBA Lender must retain the results of the Environmental Investigation in the SBA Lender's file.

If at any time an Environmental Questionnaire reveals that further investigation is warranted, the SBA Lender must obtain, at a minimum, a Records Search with Risk Assessment.

Page 83, Subparagraph E.4.c.i:

i. If the Environmental Questionnaire reveals 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, the SBA Lender must keep a copy of the Environmental Questionnaire and the Records Search with Risk Assessment results in the loan file.

Page 84, Subparagraph E.4.d.i:

i. If the Environmental Professional conducting the Transaction Screen concludes that no further investigation is warranted, the SBA Lender must keep a copy of the Transaction Screen and review results in the loan file.

Page 84, Subparagraph E.4.d.ii:

- ii. If the Environmental Professional conducting the Phase I ESA concludes that no further investigation is warranted, the SBA Lender must keep a copy of the Phase I ESA and review results in the loan file.

If the Environmental Professional conducting the Phase I ESA concludes that further investigation is warranted (typically a Phase II), and the SBA Lender still wants to make the loan, the SBA Lender must proceed as recommended by the Environmental Professional, or in the alternative submit results for an exception to policy at EnvironmentalAppeals@sba.gov. In requesting an exception to policy, the SBA Lender must provide the SBA Environmental Committee with justification for the exception at EnvironmentalAppeals@sba.gov. 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.)

Page 84, Subparagraph E.4.f.i:

- i. If the Environmental Professional conducting the Phase II ESA concludes that no further investigation is warranted, the SBA Lender must retain a copy of the environmental documents and review results in the loan file.

Page 88, Subparagraph 5.d.ix:

- ix. Other Factor(s). The SBA Lender and SBA may rely on factors other than or in addition to the eight referenced above when considering approval or disbursement. For example, the existence of adequate environmental insurance that is already in place and already paying remediation costs, bonds, agreements not to sue present and future property owners from the Governmental Entity, brownfields agreements, Engineering and Institutional Controls, etc. However, reliance solely upon "Other Factor(s)" requires clearance from the SBA Environmental Committee. This requirement extends to loans processed under delegated and non-delegated procedures. The Lender or CDC must send the request for consideration of "Other Factor(s)" directly to the SBA Environmental Committee at EnvironmentalAppeals@sba.gov.

Page 88, Subparagraph 6.a:

- a. Prudent lending practices dictate that specific additional environmental assessments be performed for [Child-Occupied Facilities](#) (see definition in Appendix 3). Such facilities, constructed prior to 1978, must undergo a lead risk assessment and also testing for lead in drinking water at all taps and fountains potentially used as a drinking water source for children. A new lead risk assessment and new testing for lead in drinking water at all indoor and outdoor taps and fountains accessible to children and, therefore, potentially used as a drinking water source for children are required for each new loan. The assessment and any tests must have been conducted within one year of reliance upon the report by the SBA Lender. All lead assessments must be conducted in conformance with U.S. Environmental Protection Agency (EPA) regulations at 40 CFR 745 and U.S. Department of Housing and

Urban Development (HUD) Guidelines for the Evaluation and Control of Lead-Based Paint Hazards in Housing Second Edition, July 2012. The results of these assessments must be *retained in the loan file*. The SBA Lender may not disburse the loan unless the risk of lead exposure to infants and small children has been sufficiently minimized.

Email References:

EnvironmentalQuestions@sba.gov: To reach SBA District Counsel, and to ask environmental questions, and for assistance with the Environmental Review process and meeting Loan Program Requirements.

EnvironmentalReviews@sba.gov: For notifying SBA District Counsel that the SBA Lender has uploaded relevant environmental information in E-Tran: Subject line as follows: DISTRICT OFFICE - LOAN NUMBER - LOAN NAME (no spaces in the loan number). Example: "SAN FRANCISCO DISTRICT OFFICE – 1234567810 – ABC CLEANERS". Do not include the environmental reports or attachments.

EnvironmentalAppeals@sba.gov:

Non-Delegated Processing: SBA Lenders who believe that an environmental decision that has been rendered by SBA is inconsistent with the SOP or this Notice may appeal the decision by forwarding a copy of the decision, along with an explanation of how the determination is perceived to be inconsistent with the SOP or this Notice to EnvironmentalAppeals@sba.gov.

Delegated Processing: SBA Lenders cannot seek SBA approval of the Environmental Investigation, but they may continue to contact EnvironmentalAppeals@sba.gov when relying solely upon paragraph d.ix, "Other Factor(s)" for disbursement in the presence of Contamination.

Questions:

Questions concerning this Notice may be directed to the local SBA District Counsel at EnvironmentalQuestions@sba.gov.

Thomas Kimsey
Associate Administrator
Office of Capital Access