

# New England Certified Development Corporation SBA Appraisal Requirement Guidelines

Effective 12/12/08

## What you should know:

- All appraisals should be prepared for and addressed to the **U.S. Small Business Administration (SBA), c/o New England Certified Development Corporation (NECDC)**; and may also be addressed to the Third Party Lender (the Bank).
- All appraisals must be consistent with USPAP as established by the Appraisal Standards Board of the Appraisal Foundation and must be either: (i.) a **Self-Contained Appraisal Report**, or (ii.) a **Summary Appraisal Report**. (Note: A **Restricted Appraisal Report** is acceptable only when it is used to update a Self-Contained or Summary appraisal that is no more than 12 months old AND that meets all other SBA requirements).
- All appraisals must be performed by either a State Certified, or State Licensed (if property value is in excess of \$1,000,000) appraiser.
- The appraiser must be independent, having no appearance of a conflict of interest (such as a direct or indirect interest in the property or the transaction)
- Appraisals must be **Complete**, detailing all three accepted approaches to valuation (cost, income and comparable sales). HOWEVER, when one or more approaches to value are not considered appropriate by the appraiser, that (those) approach(es) may be omitted. The appraiser should indicate the reason for omitting a given approach in the report.
- Appraisals dated within **one year** prior to the application date are acceptable to SBA.
- For projects involving new construction or substantial (33% or more of the property's original value) renovations, SBA requires that the appraisal include an "As Built" valuation, estimating the value after completion, based upon the appraiser's review of plans and specifications. Upon completion of the project a **Completion Certificate** from the appraiser is required, confirming that construction was completed according to those plans and specifications. Any substantial departures and their effect on the originally appraised value should be noted.
- An existing appraisal, not addressed to SBA or NECDC but which otherwise meets the above requirements may be used only if: (i.) the appraiser extends reliance upon the appraisal to NECDC and SBA, in writing, or (ii.) a "Review" of the existing appraisal is obtained from the original, or another, qualified appraiser.

## **I. Self-Contained Appraisal Reports must:**

- A. Identify and describe real estate being appraised
- B. State the real property interest being appraised, including legal description and known encumbrances
- C. State the purpose and intended use of the appraisal
- D. Define the value (cost, income, or comparable sales) to be estimated
- E. State the dates of the appraisal and the report
- F. State all assumptions and limiting conditions that affect the analysis, opinions and conclusions
- G. State the extent of the process of collection, confirming, and reporting data
- H. Describe the information considered, the procedures followed, and the reasoning that supports the analysis, opinions and conclusion
- I. Describe the appraiser's opinion of the highest and best use of the real estate, when such opinion is necessary and appropriate
- J. Explain and support the exclusion of any of the usual value approaches
- K. Describe any additional information that may be appropriate and explain any departures
- L. Have a signed certification from the appraiser.

## **II. Summary Appraisal Reports must:**

Include all of the items required in a Self-Contained Appraisal Report, except the level of presentation can be less detailed or summarized for items (a), (f), (h), (i) and (k) listed above.