SBA LENDER RESOURCE · SOP 50 10 8.1

Tips to Reduce Environmental Screen-Outs

A practical checklist for 7(a) lenders and CDCs preparing environmental due diligence under SBA SOP 50 10 8.1 with Technical Policy Updates, effective October 1, 2026.

$250K
Loan-amount threshold for EQ only vs. EQ + RSRA when no sensitive NAICS match

1 year
Reports must be dated within one year of the SBA loan number issuance date

$1M
Minimum E&O insurance per claim for the Environmental Professional

App. 5
Unaltered SBA Reliance Letter with every TSA, Phase I and Phase II

The SBA environmental decision path

Most screen-outs start with the wrong first step. Section A, Chapter 5, Paragraph E sets the *minimum* path; your own credit policy may require more.

STEP 1
NAICS screen
Identify current and known prior uses. Compare against the sensitive-industry list in Appendix 6.

›

STEP 2
EQ / EQ + RSRA
No match: EQ for loans up to $250K; EQ + RSRA for loans over $250K.

›

STEP 3
Phase I ESA
Required for any NAICS match, or when an RSRA rates the property above low risk.

›

STEP 4
Phase II ESA
When the Phase I recommends more work, proceed or request an SBA exception.

- ✓ **Gas stations:** Phase I + Appendix 7
- ✓ **Dry cleaners:** Phase I + Phase II
- ✓ **Owner/operator** won't sign the EQ: at least a Transaction Screen

1 Get the scope right from the start

- **Investigate all commercial real estate collateral**, including secondary collateral, not only property bought or improved with loan proceeds.
- **Document a good-faith NAICS search** for the current use and every known prior use. Missing prior uses are a common reason files come back.
- **A sensitive-industry match means a Phase I at any loan amount.** Don't start with an EQ or RSRA and work up.
- **Anything that sells, supplies or dispenses fuel** should get a Phase I, even if the borrower's own NAICS code isn't on the list.
- **Multi-unit buildings:** a non-industrial building with four or more units may skip the NAICS step and follow the loan-amount path.
- **Car wash only** (no fuel sales, no auto servicing) may start with a Transaction Screen instead of a Phase I.

2 Environmental Questionnaires (EQ)

- **The current owner or operator signs the EQ.** The lender completes or reviews it after a site visit and a good-faith attempt to interview that party.
- **Cover the property and adjoining properties.** State past and current uses for both; blanks and "unknown" answers invite questions.
- **Use a compliant format:** SBA's required EQ topics (Appendix 4) or ASTM Questionnaire A.
- **If the owner or operator won't sign,** the EQ can't be used. Order at least a Transaction Screen.
- **If the EQ shows further investigation is warranted,** obtain at least an RSRA before going further.
- **No Reliance Letter is needed** for an EQ or an RSRA, but keep both in the loan file.

3 Reports, standards and timing

Report	Standard / content	Prepared by	Reliance Letter
RSRA	Databases in 40 CFR 312.26 plus historical sources back to first developed use or 1940; rated low, elevated or high risk	Environmental Professional	Not required
Transaction Screen	ASTM E1528-22, with Questionnaires A and B and an EP-supervised site visit	Environmental Professional	**Required**
Phase I ESA	ASTM E1527-21 and EPA All Appropriate Inquiries; opinion on RECs and whether more work is warranted	Environmental Professional	**Required**
Phase II ESA	ASTM E1903-19 or another reasonable scope	Environmental Professional*	**Required**

* Dry cleaner and gas station Phase IIs must be performed by an independent EP with a PE or PG license and at least three years of full-time relevant experience.

Watch the one-year clock. Every environmental report, and any lead testing for child-occupied facilities, must be dated within one year of the SBA loan number issuance. On slow-moving deals, confirm dates before closing.

4 Reliance Letters and the Environmental Professional

- **Use Appendix 5 exactly as written.** Altered or reworded letters are a frequent screen-out.
- **Include it with every TSA, Phase I and Phase II**, even when the report is addressed to the lender.
- **Name the right parties:** the lender and SBA, plus the CDC on 504 loans.
- **Match dates** to the report and check the correct report-type box.
- **Attach E&O evidence** of at least $1,000,000 per claim, in force on the investigation date.
- **Get the right signatures:** the EP, and a firm representative if the EP works for a firm.
- **Confirm qualifications and independence.** The EP meets 40 CFR 312.10(b) and is independent of the seller, borrower and operating company.

5 Property types with extra requirements

Child-occupied facilities

- Daycare, child care, nursery schools and similar built **before 1978**: obtain a new lead risk assessment for each loan.
- Test drinking water for lead at **all taps and fountains** accessible to children.
- Both within one year of loan number issuance; no disbursement until the risk is minimized.

Gas stations and fueling facilities

- Current stations need a **Phase I by an independent EP** and the Appendix 7 tank and equipment testing compliance before disbursement.
- Former gas stations still need a Phase I as a known prior use.
- If contaminated, plan early for the Appendix 8 Indemnification Agreement.

Dry cleaners

- Current or past on-site dry cleaning with chlorinated or petroleum-based solvents: **Phase I and Phase II** covering soil, groundwater and soil vapor.
- Laundromats with self-service dry cleaning machines count.
- Any deviation needs an exception from EnvironmentalAppeals@sba.gov.

Follow every EP recommendation

- SBA requires compliance with all EP recommendations, including housekeeping items such as sealing floor drains.
- Complete them before submission and keep proof (invoices, photos, closure letters) in the file.

6 When contamination is present

SBA won't approve or allow disbursement on a property with known contamination unless the risks are minimized to SBA's satisfaction. A complete recommendation addresses all four areas:

Nature & extent	Remediation	Collateral impact	Mitigating factors
All investigation reports and related government correspondence.	Method, status, cost, completion date, responsible party and payer.	Effect of any controls on value, marketability and repayment.	Such as third-party indemnity, a no-further-action letter or an escrow.

- **Indemnification:** use the Appendix 8 agreement unmodified, record it, and get it from a financially capable third party, not the applicant or operating company.
- **Escrows** must be at least 150% of the estimated cost and can't be funded with SBA loan proceeds.
- **Relying only on "Other Factor(s)"?** Send the reports and a justification memo to the SBA Environmental Committee, even under delegated authority. Split emails over 15 MB.
- **Submit early.** When contamination turns up, get the package to SBA as soon as possible to protect your closing timeline.

7 Submitting to SBA

Scenario	What to do
Delegated, 7(a) Small, SBA Express, Export Express	Keep all environmental reports in the loan file. Submit to SBA only when contamination requires it, such as relying solely on "Other Factor(s)".
Non-delegated, no contamination	Certify environmental compliance in the SBA Loan System (formerly E-Tran) and keep the reports in the file. The loan won't fund if the certification isn't checked.
Non-delegated, contamination found	Upload all documentation to the SBA Loan System, then email EnvironmentalReviews@sba.gov *without* attachments, using the SOP's subject-line format (district office, application number, loan number, loan name). Keep SBA's approval email in the file.

8 Pre-submission checklist

- ☐ Property address matches across the EQ, every report, the Reliance Letter and the loan authorization.
- ☐ Address or collateral changes are processed with SBA (e.g., a 327 action) before submitting.
- ☐ NAICS codes documented for current and all known prior uses.
- ☐ Every report dated within one year of loan number issuance.
- ☐ All appendices and attachments included; every scanned page legible.
- ☐ Reliance Letter unaltered, dated to match, signed and paired with the E&O certificate.
- ☐ Your conclusions match the EP's findings and recommendations.
- ☐ EP recommendations completed and documented.
- ☐ Separate documentation for each property on multi-property loans.
- ☐ Prior SBA environmental approvals or Environmental Committee decisions attached.
- ☐ On resubmission, send only what SBA requested and follow its instructions.

9 Exceptions, appeals and questions

If a Phase I recommends further investigation and you don't plan to order a Phase II, you must request an exception from the SBA Environmental Committee. SBA can no longer simply concur with stopping against the EP's advice.

EnvironmentalAppeals@sba.gov
Exceptions to policy and appeals of SBA decisions. Include the decision and your justification.

EnvironmentalReviews@sba.gov
Notification for non-delegated loans with contamination, after uploading to the SBA Loan System.

EnvironmentalQuestions@sba.gov
Questions on environmental policy; your local SBA counsel can also help.

This resource summarizes SBA requirements for general information. It does not replace SBA SOP 50 10 8.1 (Section A, Chapter 5, Paragraph E and Appendices 4–8) or constitute legal advice. SBA requirements are minimums; follow your own credit policy and consult the current SOP and SBA counsel for loan-specific questions.

©2026 CREtelligent | All Rights Reserved · 11344 Coloma Rd. Suite 850, Gold River, CA, 95670