

Environmental Risk Management in Commercial Lending

Environmental Risk Evaluation Tools, Analysis and Loan Documentation

Presented by:

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Risk Evaluation

Risk Evaluation Tools



Questionnaire

Questionnaire completed by current owner/operator

Database Report

Public record search of environmental, health, chemical/waste regulatory databases for listings associated with site and surrounding area. Usually in accordance with ASTM 1527/1528 radii.

RSRA

SBA SOP 50 10 6

Questionnaire

Database

Historical Records

Transaction Screen

ASTM 1528-22

Questionnaire

Database

Historical Records

EP/Non-EP Site Visit

Phase I ESA

ASTM 1527-13 * ASTM 1527-21

Questionnaire

Database

Historical Records

EP Site Visit

In-depth Regulatory File Review

Innocent Landowner Defense

Phase II ESA

Site-specific

Sample Collection

Laboratory Analysis

Common Issues & Contaminants



Gasoline Station

Common Issues

- -USTs (current & former)
- -Multiple Tank Beds
- -Site Reconfiguration
- -Auto Repair

Likely Contaminants

- -Total Petroleum Hydrocarbons (TPH)
- -PAHs
- -SVOCs
- -VOCs
- -Metals

Auto Repair

Common Issues

- -USTs /ASTs
- -Drum Storage
- -Housekeeping
- -Waste Handling, Storage & Disposal
- -Hydraulic Lifts
- -Oil/Water Separators

Likely Contaminants

- -TPH
- -PAHs
- -SVOCs
- -VOCs
- -Metals

Dry Cleaners

Common Issues

- -Solvent Use
- -Waste Handling, Storage & Disposal

Likely Contaminants

- -VOCs
- -SVOCs
- -PAHs

Manufacturing

Common Issues

- -Industrial Processes
- -Waste Handling, Storage & Disposal
- -Wastewater Treatment Lagoons
- -Septic Systems, Cesspools
- -Oil/Water Separators
- -Drums
- -Landfilling

Likely Contaminants

- -TPH
- -PAHs
- -SVOCs
- -VOCs
- -Metals, RCRA 8 & PP13
- -PFAs

Agricultural

Common Issues

- -Agricultural Wells
- -Waste Handling, Storage & Disposal
- -Equipment Maintenance
- -Equipment Fueling
- -Application of Crop Chemicals
- -Landfilling

Likely Contaminants

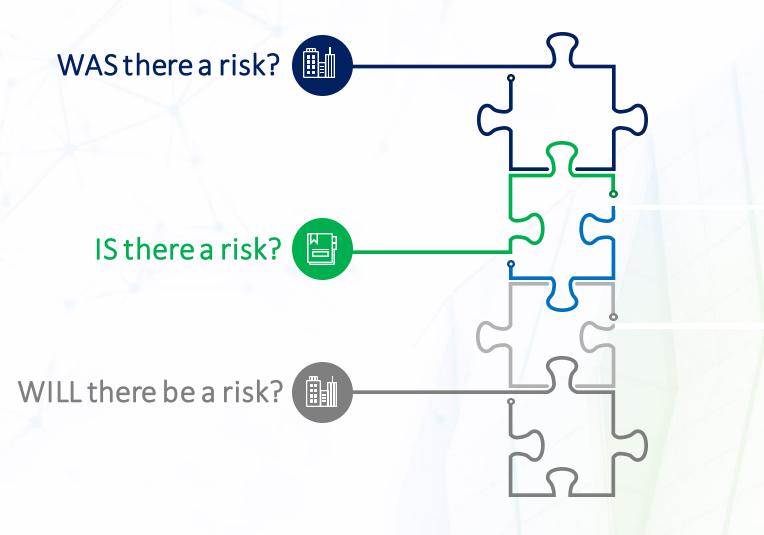
- -TPH
- -PAHs
- -SVOCs
- -VOCs
- -Metals, RCRA 8 & PP13
- -Pesticides
- -Herbicides

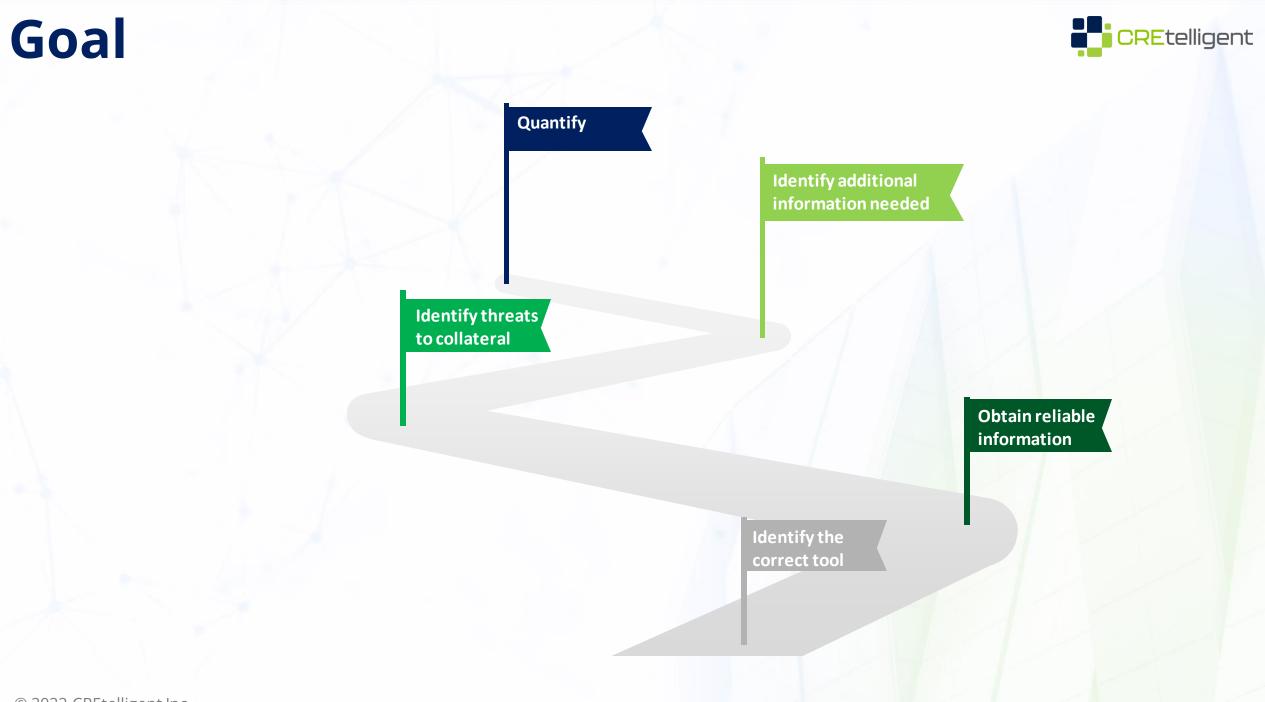


Risk Analysis Considerations

Considerations







Risk Analysis - Questionnaire



| Environmental Property Assessment Questionnaire | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------|
| New Loan Renewal/Mod with New Money Renewal/Mod Date | | |
| This box to be completed in its entirety by the Sanker (Phase I required* ONLY complete Information within this box) | | |
| Borrower name: | | |
| If New Loan is it a Purchase or Refinance? Exposure Amount on this Property: 5 | | |
| Property Address Prior Environmental Report(s) Obtained: | Yes□ N | lo 🗆 |
| Date of Report: | | |
| Current Tenant's NAICS Code and Suspect NAICS Code (Y/N)**: | | |
| Yes □ No □Yes □ No □Yes □ No □ | Yes | □ No □ |
| *For Example: gas station / c-store with UST(s), onsite dry cleaning, foundry, etc. **If more space is needed, please attach an addition | al page. | |
| dividual. For questions requiring a "Yes or "No" response, place an "X" in the appropriate column in response t Current/Historic Uses | o the que: | tion. |
| 1a) What is the current use of the subject property? | | |
| 1b) How long have you owned the property? | | |
| | | |
| | | |
| 1c) How was the property being used when you purchased it? | | |
| | | |
| 1c) How was the property being used when you purchased it? 1d) What are the past uses of the subject property? (include dates) | | |
| 1d) What are the past uses of the subject property? (include dates) 1e) What are the past and present uses of adjoining properties? | | |
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| 1d) What are the past uses of the subject property? (include dates) 1e) What are the past and present uses of adjoining properties? North: South: East: West: | VFS | NO |
| 1d) What are the past uses of the subject property? (include dates) 1e) What are the past and present uses of adjoining properties? North: South: East: | YES | NO |
| 1d) What are the past uses of the subject property? (include dates) 1e) What are the past and present uses of adjoining properties? North: South: East: West: Questions 2) Is the subject and/or adjacent properties used for industrial purposes now or is there is evidence of historic industrial uses? | YES | NO |
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Page 1 of 3

Risk Analysis - Questionnaire







Risk Analysis - Questionnaire



Who completed the document?

Banker? Current Owner (Refinance v. Seller)? Prospective Purchaser?

Complete answers provided?

Adequate understanding of the past, present and future property uses?

Follow up documentation provided where indicated?

Photographs consistent with answers?

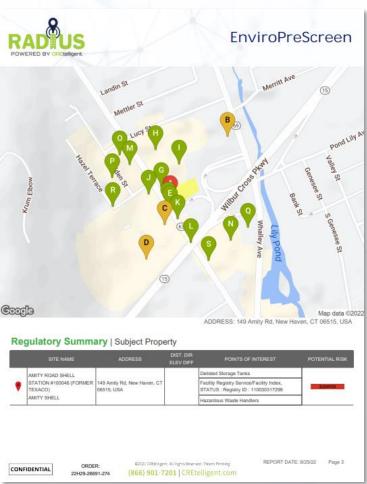
Missing signatures?

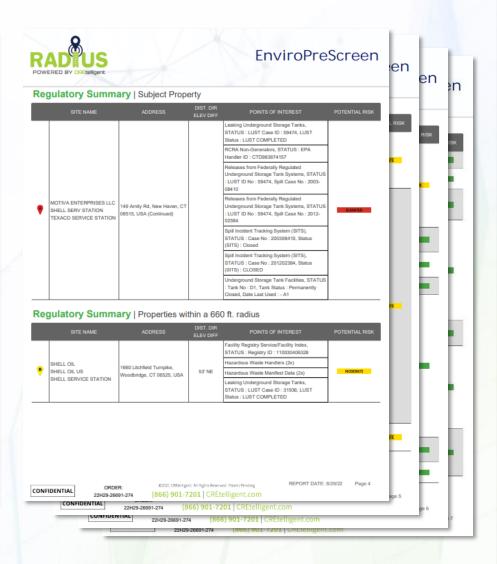
Unresolved red flags?

Risk Analysis – Database Report









Risk Analysis – Database Report



Subject Property

- Are there listings?
 - Permit?
 - Incident?
 - Violation?
 - Open v. Closed?
- Do you already have knowledge of listings?
- Do you have documentation resolving the listings?

Off-site Properties

- Are there listings?
 - Permit?
 - Incident?
 - Violation?
 - Open v. Closed?
- Proximity/threat to Subject?
 - Adjacent?
 - Nearby?
 - Neighborhood?
- Risk tolerance?



Risk Analysis – RSRA





Risk Analysis - RSRA



Findings

Supported by research? Able to reference sources?

Conclusions

Supported by findings? Able to reference support?

Recommendations

Clear next steps? Do the recommendations make sense?

Less than 1 year old (for SBA)?

Data gaps adequately explained?

Risks to subject property?

Risks from off-site?

Risk Analysis – TSA & Phase I ESA





Risk Analysis – TSA & Phase I ESA



Findings

Supported by research? Able to reference sources?

Conclusions

Supported by findings? Able to reference support?

Recommendations

Clear next steps? Do the recommendations make sense?

Data gaps adequately explained?

Risks to subject property from on-site sources? Risks to subject from off-site sources?

Oversights? Check your Appendices!

General Report Considerations

Report meets standards listed? Still current? Limitations?

Risk Analysis – Phase II





Risk Analysis – Phase II ESA



Scope

What was the scope requested? Did you outline the scope? Was the scope followed?

What was found?

Where was it found?

How much was found?

Can remedial costs be estimated?

Migration of contamination beyond property boundaries?

Check your appendices!



Documentation

Document Your Findings



Policy Followed

Tools used consistent with policy matrix.



Risk Evaluated

Potential environmental risks were evaluated and identified.



Risk Quantified & Understood

Informed Decision.



Document Your Findings



Clarity

- Be Concise
- Avoid the "Copy & Paste"

Compliance

- Confirm the document's compliance with Policy Matrix.
- Confirm the document followed the appropriate Scope.
- Confirm the collateral's acceptability (risk tolerance).

Analysis

- List the primary risks identified.
- Indicate whether any of the risks had been sufficiently mitigated and why/how.
- For unmitigated risks, indicate whether they have been sufficiently quantified.

Conditions Precedent

List steps required prior to closing.

Exceptions

- Identify mitigating factors that offset the identified risk.
- Cite documentation supporting the decision.



Bringing It All Together





Know your regulator.

Define your risk tolerance, manage through policy and matrix.

Identify, quantify and mitigate risk. IN THAT ORDER!

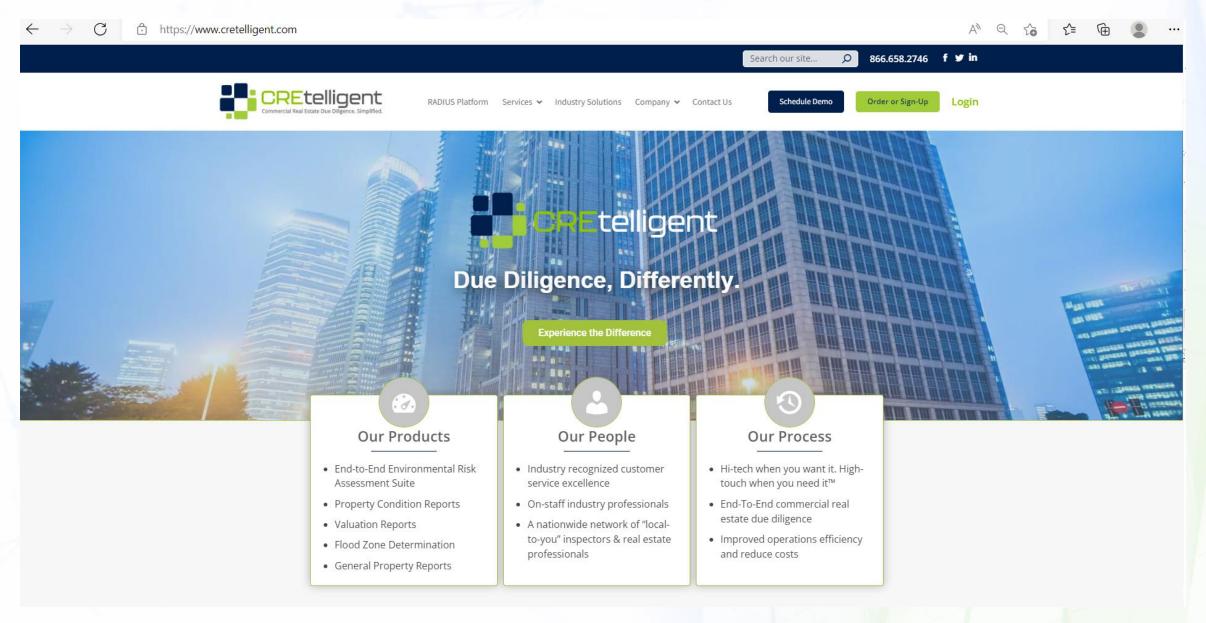
If issuing waivers or exceptions, document your rationale!

Train. Train. Train.

Be consistent!

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Site Assessments

Transaction Screen Assessment

Phase I Environmental Site Assessment

Phase II Limited Subsurface Investigation

Property Condition Reports & Services

Automated Screen Reports

Property Condition PreScreen

Site Assessments

Property Condition Assessment

Property Condition Inspection

Valuation Reports & Services

Automated Screen Reports

Commercial Automated Valuation Model (CAVM)

Desktop Reports

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Commercial Appraisal

Flood Zone & Natural Hazard Reports

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Services

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ALTA/NSPS Land Surveys

Zoning Reports

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Inspection PACK II (Phase I ESA, PCA, ALTA Land Survey)

Inspection PACK III (Phase I ESA, PCA, ALTA Land Survey, Zoning Compliance)





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