



SBA Information

Determining the value of a business (not including real estate which is separately valued through an appraisal) is the key component to the analysis of any loan application for a change of ownership. An accurate business valuation is required because the change in ownership will result in new debt unrelated to business operations and create “blue sky” or goodwill. A business valuation assists the lender and the buyer in making the determination that the seller’s asking price is supported by historic operations.

(a) For loans of \$350,000 or less, the lender may do its own valuation of the business being sold.

(b) For loans greater than \$350,000 or if there is a close relationship between the buyer and seller, the lender must obtain an independent business valuation from a qualified source. A “qualified source” is an individual who regularly receives compensation for business valuations and is accredited by a recognized organization. Some recognized organizations and the accreditations they provide include:

1. Accredited Senior Appraiser (ASA) accredited through the American Society of Appraisers;
2. Certified Business Appraiser (CBA) accredited through the Institute of Business Appraisers;
3. Accredited in Business Valuation (ABV) accredited through the American Institute of Certified Public Accountants; and
4. Certified Valuation Analyst (CVA) accredited through the National Association of Certified Valuation Analysts.

(c) The lender may not use a business valuation provided by the seller or the buyer to meet these requirements.

(d) The lender may use a going concern appraisal to meet these requirements if:

1. the loan proceeds will be used to purchase a special use property;
2. the appraisal is performed by an appraiser experienced in the particular industry; and
3. the appraisal allocates separate values to the individual components of the transaction including land, building, equipment and the business (“blue sky”).

SBA Standard Operating Procedures (SOP) 50 10 (5), page 179.