

MEMORANDUM

To: Subscribers to *Small Business Lending for Financial Institutions*

From: Sheshunoff Information Services

Subject: Highlights

Financial institutions must verify that the small businesses to whom they lend meet the environmental regulations or other requirements of the state, city, and federal laws and are consistent with all the applicable environmental policies. This essentially means that financial institutions must screen projects and ensure that any legally required environmental report has been prepared and approved by the appropriate authorities, before approving any loan or investment. This update to *Small Business Lending for Financial Institutions* contains information for maintaining your bank's adherence to the loan approval policies and procedures required by statute, regulation, and principles of safety and soundness. This update includes:

- **Chapter IV-5, Environmental Issues**, now includes a whole new section on creating an environmental risk management program to protect your bank from potential liability under various environmental laws.
- An update of **Chapter I-3, Best Lending Practices and Code of Conduct**, provides new information and details on FIRREA, CERLA, and environmental assessments.
- New information in **Chapter II-3-6, Loan Participations**, addresses very important areas of concern when participating with a bank that is the lead lender and servicing agent of the loan.
- We've updated **Chapter II-5, Construction and Development Loans and Chapter II-5A, Commercial Real Estate Lending**, with environmental liability information regarding environmental assessments.