



## Memorandum

Subj: **Contaminated Property  
Risk Perceptions of Lenders versus Borrowers**

A just released national study compared risk perceptions of lenders versus borrowers and found:

- 60% of investors would not purchase a contaminated property before a remediation plan is approved by state authorities, but 90% of investors would purchase, with appropriate price adjustments, after the cleanup begins. Risk perception on the market declines significantly after a state-approved cleanup is actually started.
- Lenders perceive much greater risk of contamination before, during and after cleanup than do purchasers. For a property undergoing environmental cleanup, only 10% of investors would classify a purchase as very high risk, whereas 40% of lenders would consider a loan on that property as very high risk.
- Investors with experience with contaminated properties are significantly more likely to discount risk than investors with no prior experience with contaminated properties.

It is not unusual therefore, that a lender is put in a **very uncomfortable** position vis-à-vis a borrower who is purchasing or refinancing contaminated property.

We will assist by: 1) using the available tools to quantify environmental risk in order to safely make a loan when possible, staying within guidelines set forth in the bank's policy and, 2) you can make us the "bad guy" when the environmental situation just doesn't justify the requested loan.