



NEWS RELEASE

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FIRST SBA ELECTRONIC ASSET SALE SUCCESSFUL

WASHINGTON – The U.S. Small Business Administration conducted a loan asset sale entirely through the Internet for the first time, SBA Administrator Hector V. Barreto announced today. The SBA used the latest encryption technology to conduct its fifth sale, propelling the agency to the forefront of cutting-edge technology.

Open E-Cry technology, used for a portion of the loan pools in the SBA's fifth asset sale, allowed multiple bidders to present their auction bids in real time over the Internet. The other loan pools were sold through sealed bids also submitted online. With each sale, the SBA has developed new techniques to market its loans. These have included using the Internet to allow bidders to bid online and offering investors the opportunity to perform due diligence in their own offices over the Internet.

"The SBA's innovative use of technology in conducting its Asset Sale Program has produced efficiencies for investors while saving costs for the agency," Administrator Barreto said. **"This asset sale was a prime example of how to leverage resources more effectively through technology. The introduction of Open E-Cry bidding has made the agency a leader both in the use of technology and in developing new ways to attract customers."**

"By privatizing more of its loan-servicing functions, the SBA is managing its loan portfolio more efficiently," Administrator Barreto added. **"Ultimately, American taxpayers will benefit from the success of the asset sales program, which improves the agency's overall efficiency and better utilizes taxpayers' hard-earned dollars."**

The SBA's fifth asset sale attracted winning bids totaling \$408.2 million through a competitive bidding process held on January 15, 2002. The sale consisted of 29,335 7(a) General Business loans, 504 Certified Development Company loans and direct disaster assistance home and business loans with an unpaid balance of \$611 million. The loans were sold in 29 pools to maximize value. The successful bidders were Bayview Financial Trading Group, L.P., UMLIC VP LLC, TC3 Grantor Trust II, LPP Mortgage, Ltd. and Community 1st Bank of Missouri.

"The SBA's Asset Sales Program continues to succeed in meeting its goal of reducing the balance of SBA-held loans. Privatizing the agency's loan portfolio allows the SBA to focus on its core mission of cooperatively finding innovative ways to help small businesses start and grow," the administrator said.

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The five sales to date have produced \$2.7 billion in gross proceeds, and in all of the sales the proceeds received by the SBA exceeded the estimated value of the loans had the SBA continued to hold them. In the August 2001 sale alone, the SBA brought in winning bids totaling \$883.7 million from its agency-held loan portfolio. Previous asset sales in 1999 and 2000 included nearly 50,000 small business and disaster assistance loans with an unpaid principal balance of approximately \$2.6 billion. Those sales brought in nearly \$1.4 billion in gross revenues. Through the five sales, the agency has sold almost 110,000 loans with an unpaid principal balance of approximately \$4.4 billion.

The Asset Sales Program began with a portfolio of more than 300,000 loans worth nearly \$10 billion. The sales are part of a governmentwide initiative to sell federal loan assets to the private sector. Under the SBA's loan sale agreements, the purchaser of an SBA loan is bound by all existing terms and conditions of the loan and cannot unilaterally change any loan terms except in connection with a modification to the loan requested by or consented to by the borrower.

The SBA has begun work on its sixth loan asset sale and anticipates a bid date in August. Bidder information packages for that sale should be available in June.

For more information about all of the SBA's programs for small businesses, call the SBA Answer Desk at 1-800-U-ASK-SBA or TDD 704-344-6640. Also, visit the SBA's extensive Web site at www.sba.gov.

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