



NEWS RELEASE

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SBA LOAN ASSET SALE YIELDS \$463 MILLION, IMPROVES GOVERNMENT EFFICIENCY

WASHINGTON – The U.S. Small Business Administration’s sixth sale of loans from its agency-owned portfolio of small business and disaster assistance loans attracted winning bids totaling \$463 million in a competitive auction held on August 6, SBA Administrator Hector V. Barreto announced today.

“In handing over more of its loan servicing functions to the private sector, the SBA has found a more efficient way of managing its loan portfolio,” Administrator Barreto said. **“Ultimately, American taxpayers will be the ones benefiting from the success of the Asset Sales program, which is improving the agency’s overall efficiency.**

“Now in its third year, the Asset Sales program has allowed the agency to refocus on its core mission of providing assistance to small businesses and disaster victims. The results of this sale continued the successful track record of the SBA loan asset sale program.”

SBA used the latest technology in the sixth asset sale, conducting all due diligence and bidding online. To attract small- and medium-sized investors, the SBA created eight pool of loans ranging in size from \$1.8 million to \$8.9 million. These smaller pools were offered to investors online at regular time intervals through a sealed bidding auction. Investors were notified in real time when they won a pool. This technology allowed small- and medium-sized investors with capital constraints to continue to bid until they had invested their allocated capital.

The sixth sale consisted of 30,021 loans with an unpaid principal balance of \$657 million. The portfolio included 7(a) general business loans, 504 certified development company loans and direct disaster assistance home and business loans. Lehman Brothers, Capital Crossing Bank, The Cadle Company, Atlantic National and Midwest Financial successfully bid on the loans.

The Asset Sales program began with a portfolio of more than 300,000 loans worth nearly \$10 billion in August 1999. To date, SBA has sold approximately 140,000 loans with an unpaid principal balance of just over \$5.1 billion. In all six sales, the proceeds received by the SBA exceeded the government’s estimate of the value of the loans had SBA continued to hold them.

Under the loan sale agreement, the purchaser of an SBA loan is bound by all existing terms and conditions of the loan, and cannot unilaterally change the loan terms except in connection with a modification to the loan requested by or consented to by the borrower.

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02-46 / Page 2

The SBA has begun work on its seventh loan asset sale. The bid date is scheduled for December 3, 2002. Bidder Information Packages for that sale will be available in early October.

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, or visit the SBA's extensive Web site at <http://www.sba.gov>.

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