



Asset Sales Program

SBA Purchased 7(a) Loans Sale #3 Update for Participating Lender-Servicers Questions & Answers June 9, 2000

The SBA is providing the following questions and answers to explain:

- The Sale #2 time schedule;
- Cut-off dates for servicing actions;
- Cut-off dates for cash collections and expenses;
- Next steps for lenders;
- What loans are included in the sale;
- Where to direct lender questions.

Key Dates for Sale #3

1. What is the Sale #3 time schedule?

The Sale #3 Bid Date is December 5, 2000. It is anticipated that the closings will be completed by December 31 and servicing transfers will be completed by January 31, 2001.

2. How can lenders interested in purchasing SBA loans obtain further information about Sale #3?

The Sale #3 announcement brochure will not be available until early September 2000. Bidder Information Packages are expected to be available in mid September 2000. To request the announcement brochure or obtain further information, call our toll free number, (888) 737-3840, or visit our website at <http://www.sba.gov/assets>.

Cut-off Dates for Servicing Actions and Cash Collections

3. Are there any special guidelines for servicing the loans in Sale #3?

Yes. In anticipation of the December 5, 2000 bid date for Sale #3, we have established servicing cut-off dates after which certain actions on loans in the Sale will not be permitted. Litigation and foreclosure are not to be initiated except in the most urgent and compelling circumstances in order to protect the government's interest, such as to preserve perishable goods or prevent conversion of

collateral. Even in that event such action will require the written consent of SBA's Associate General Counsel of Litigation, or his designee. Requests to initiate litigation or foreclosure should be forwarded to lenderquestion@sba.gov or your local SBA field office contact.

The servicing cut-off dates relate to the last date on which the servicing actions must be executed in writing and forwarded to METEC, the SBA's due diligence contractor (DDC). After these dates the following servicing action on loans in the sale will not be permitted.

<u>Date</u>	<u>Action</u>
September 1	Permanent Modification of the Payment Terms of the Note
October 31	Collateral Releases
October 31	Deferments
October 31	Borrower Negotiations/Compromises, and/or similar situations that extinguish the debt to SBA.

The servicing actions listed above affect the value of loans, the pools to which they are assigned (e.g., secured versus unsecured), and the credibility of the sale process. Once investors begin their due diligence, the loans need to be as stabilize as possible. Collateral releases should be granted only under exigent circumstances that are clearly in the best interest of the lender and SBA.

Since the loan files will have already been sent to the DDC, they must be notified of any of the aforementioned actions immediately. In addition to sending the trailing documents to the DDC, please notify Zen Blair of METEC at zen4sba.a.aol.com or by fax at (202) 479-7253. Payoffs should also be reported as soon as they occur so the loans can be removed from the sale, and the necessary documents can be returned to lenders.

The trailing documents and e-mail notification of the servicing action taken must be received by the DDC by the applicable servicing cut-off date. Please ensure the SBA loan number is included prominently on the trailing documents and in the e-mail.

4. What is the cut-off date for lenders retaining their percentage of cash collections for loans in Sale #3? When will the purchasers become responsible for Collateral Protection expenses?

The cut-off date for establishing the unpaid principal balance of the loans being sold, and delineating when cash collections belong to the purchasers approximately November 1, 2000. Any cash collections **posted** by SBA after November 1 belong to the purchasers, and they will be responsible for reimbursing SBA for collateral protection expenses posted after that date.

The lenders must remit 100% of any cash collected (less the servicing fee, if any) on the loans after November 1 because all the cash collections posted after that date on the loans belong to the purchasers.

Next Steps for Lenders

5. What are SBA's procedures for collateral protection expenses on Sale #3 assets?

Submission of expenses: Lenders should submit collateral protection (CP) expenses that have not been reimbursed by SBA for payment as soon as possible, and continue to submit them to the SBA as incurred until the servicing is transferred to the purchaser(s) of the loans.

Documentation: Lenders should provide their records and supporting documentation and invoices for all prior and current CP expenses that have not been reimbursed by the borrower in the loan files that they ship. Lenders should send copies of new invoices to the Due Diligence Contractor as they are received. *Please ensure the SBA loan number is included prominently on any documents or invoices.*

The shipment of lender documents will be paid for by SBA, and can be charged to Federal Express # 2174-21322. The shipment address is as follows:

METEC Due Diligence Office
499 S. Capitol Street, SW, 3rd Floor
Washington, DC 20003
Attn: Files Manager
(202) 479-4555

6. What are the requirements for the updated Transcript of Accounts?

As delineated in the Consent Agreement authorizing SBA to sell lender-serviced loans, each loan file must include a TOA as follows which:

- (a) Covers the time from the date of purchase by SBA to the present time,
- (b) Evidences the entire unpaid principal balance of the loan, and
- (c) Is certified by the Lender as true and accurate.

In some instances, lenders have only provided the Transcript of Account (TOA) from the time of purchase under the SBA guarantee. The Transaction Financial Advisor or SBA field offices will follow up with these lenders.

7. Is Form 172 reporting still required?

Yes. Form 172 reporting will continue as usual until the servicing transfer date. Please comply with the SBA SOP, and provide remittances promptly within 15 days of receipt.

8. What happens if a lender's balance on a loan does not agree with SBA's balance?

In some instances SBA records may reflect different unpaid principal balances from balances reported in the lender's last Form 172 Report. SBA will reconcile the principal balance prior to the Bid Date. Lenders will be contacted in the event that SBA has questions about a reported balance.

9. What do lenders do with updates to the files?

Updates to the file, referred to as "Trailing Documents", include borrower correspondence, compromise offers, bankruptcy filings or other legal actions, and invoices for property protection expenses, etc. Trailing documents should be provided to SBA's Due Diligence Contractor (DDC) on

the first of each month. However, documents that evidence changes to the terms of the loan should be forwarded immediately to the DDC.

Additionally as noted in #3 above, notification of servicing actions that modify the terms of the loan or extinguish the debt should be directed to Zen Blair of METEC at zen4sba@aol.com and your SBA field contact.

Please ensure the SBA loan number is included prominently on the Trailing Documents. The shipment of these documents will be paid for by SBA, and should be sent to the address noted in #5 above using the Federal Express number provided.

10. Will lenders continue servicing loans after the sale? If not, how will the servicing transfer work?

Lenders will continue to service the loans until SBA transfers servicing to the purchasers, which is expected to occur approximately 30 days after closing of the sale(s). The address for the new servicer will be provided so that trailing documents can be forwarded directly to purchaser.

At a later date, servicing transfer instructions will be provided to the lenders. It is anticipated that SBA will send "Goodbye Letters" to the borrowers on behalf of the lenders.

Loans Included in the Sale

11. What loans are included in Sale #3?

As a general rule, if the files were received by the due diligence contractor by July 1, 2000, the loans listed in the Schedule of Assets will be included in Sale #3. Schedule A was provided to the lenders as an attachment to their consent agreement

In instances where loan files were not received by July 1, 2000, or an updated Transcript of Account is not provided, the loans may be removed from Sale #3.

How Will Communication Be Handled?

12. Where can questions about the sales or servicing procedures be directed?

Sales Procedures: A dedicated e-mail account has been set up for lenders participating in the sale to get answers to their sale questions, lenderquestions@sba.gov. Lenders can also call the Transaction Financial Advisor, c/o KPMG Consulting, LLC toll-free at (888) 737-3840.

Servicing Procedures: The name and phone number of your SBA field contact is noted in the SBA's SBA's website, www.sba.gov/assets, under the link entitled "Lenders' Corner."

13. How will SBA correspond with lenders throughout the sale to provide general instructions?

SBA will periodically distribute notices to the lenders. These notices will contain Frequently Asked Questions, provide an update of the status of the sale, and provide lenders with any required

instructions. These updates will also be posted on SBA's website, www.sba.gov/assets, under the link entitled "Lenders' Corner."