



NEWS RELEASE

PRESS OFFICE

Release Date: December 7, 2000

Contact: Mike Stamler (202) 205-6740

Release Number: 00-108

Internet Address: www.sba.gov/news/indexheadline.html

WINNING BIDS FOR SBA PACKAGE OF PORTFOLIO LOANS TOTAL \$673.6 MILLION

Innovative Asset Sale Program Reduces Agency-Held Portfolio By A Third

WASHINGTON – The U.S. Small Business Administration's (SBA) third sale of loans from its agency-held portfolio of small business and disaster loans brought in winning bids totaling \$673.6 million, SBA Administrator Aida Alvarez announced today.

Combined with SBA's first two sales of portfolio loan assets, this week's event brings the total revenues raised by the SBA to almost \$1.4 billion. After payments to lenders for their shares of the loans and deductions for expenses, the net sales proceeds are turned over to the U.S. Treasury.

"In the current environment of prosperity and fiscal discipline of the Clinton/Gore Administration, we are very pleased with these results," Administrator Alvarez said. **"In just 16 months, we have reduced the SBA-serviced portfolio of small business and disaster loans from almost \$10 billion to about \$6.7 billion.**

"Through these sales, we are changing the way we do business and saving money for the taxpayer," Administrator Alvarez continued. **"This program gives us an opportunity to take a new look at our loan servicing infrastructure."**

Since the sales began in August 1999, the Administrator noted, SBA has been able to reduce the number of employees in its disaster home loan servicing centers by about 20 percent, down from more than 200 employees to less than 170 today.

"These results are confirming the expectations we had when we launched this program," she said. **"By allowing us to turn more of our loan servicing functions over to the private sector, these sales allow us to make more efficient use of our people and our resources, so that we can concentrate on our core mission: helping America's small businesses become more successful."**

This asset sale employed a number of innovative techniques for marketing and other sales tasks, including accepting bids in an on-line Internet auction. Thirty-eight bids for loan pools in this sale were received on-line, including a majority of the winning bidders.

-more-

SBA also webcast preparatory bidders' conferences and used the Internet to allow bidders to perform due diligence over high-speed remote access lines.

“The SBA is using the latest in technology to conduct these sales. We’re using the Internet to promote the sale, to distribute bid packages, to perform due diligence, and to conduct an on-line auction,” Administrator Alvarez said.

“In addition, three contractors – one of which is an 8(a) firm and another that is minority-owned – helped coordinate the sale,” the Administrator added. **“All of the due diligence work was done by the 8(a) company, and the firm serving as program advisor is minority-owned. I am particularly proud that these small businesses and 8(a) firms were so central to putting together this extremely large, complicated program. It’s clear to me that this successful asset sale is quite an accomplishment.”**

The sale this week included 19,033 direct and guaranteed loans made under the 7(a), 504 and disaster assistance loan programs. The unpaid principal balances for the performing and non-performing loans included in the sale totaled approximately \$1.13 billion.

Two similar sales – in August 1999 and August 2000 – of more than 30,000 small business and disaster loans with an unpaid principal balance of approximately \$1.5 billion brought in \$725 million. In all three sales, the proceeds received by the SBA exceeded private sector contractors' estimates of the value of the loans if held by the SBA.

The loans sold this week were divided among 46 loan pools in order to maximize value. SBA received 100 bids from 15 different bidders for the 46 different loan pools. The loan pools were sold in packages to Lehman Capital (New York, N.Y.); Latte Stone, LLC (Minneapolis, Minn.); LPP Mortgage, LTD (Dallas, Texas); Smoot Utzman Enterprises, Inc. (Rapid City, S.D.); NC Venture, LLP (Stafford, Texas); UMLIC VP LLC (Charlotte, N.C.); and Dennis Joslin (Dyersburg, Tenn.).

SBA Deputy Administrator Fred P. Hochberg, who approved the winning bids, said the agency was very pleased by the interest and participation in SBA's third loan sale.

“Market participation in this sales effort was very strong,” Deputy Administrator Hochberg said. **“The high level of interest in the loan markets is a strong signal that this approach to managing SBA is the right approach. It’s about getting back to basics – letting the private sector do what it does best while focusing on our core mission.”**

The sales are part of an innovative program to reduce the balance of SBA-held loans by up to \$10 billion over a three-to-four-year period, under a government-wide initiative to sell federal loan assets to the private sector.

The SBA has already begun work on its fourth sale and is anticipating a bid date in August 2001. Bid packages for that sale should be available in the spring of 2001.

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

###