



**ASSET SALES PROGRAM
BORROWER'S FREQUENTLY ASKED QUESTIONS
March, 2001**

1. Why will my loan be sold and how will it affect me?

As part of a government-wide initiative, the SBA is charged with the responsibility to sell its portfolio of owned loans. This allows the Agency to reduce the amount of resources devoted to activities that are not critical to its mission of providing capital to small businesses and helping people recover from the effects of natural disasters.

The principal effect on you is to change the address of where you send your payment. When a private sector investor acquires your loan, they will select a new Servicer to collect your payment.

2. Who will my loan be sold to? Where will I send my payments? Who will service my loan?

You will receive a good-bye letter from the SBA listing the new owner and Servicer of your loan; you will also receive a hello letter from your new Servicer. The letters include instructions as to when and where to send your payments.

3. What will the Purchaser pay for my loan?

A buyer will buy your loan in a pool containing many loans; therefore, your loan will be sold in a pool in which the buyer will be required to bid in a competitive auction on the whole pool and not individual loans. The price for an individual loan will not be available.

4. Who will I talk to about a loan modification? Who will I talk to about a partial release of the collateral securing my loan or any other servicing action? Can SBA tell the new Servicer to honor my request to . . . ?

Until servicing is transferred to the new Servicer, you should continue to deal with whoever is now servicing your loan. However, specific servicing cut-off dates will be established for servicing actions that affect the collateral or the note, and no further servicing action on loans can be taken for a period of time after the dates established, absent urgent circumstances. The servicing cut-off dates are as follows:

<u>SERVICING CUT-OFF DATE</u>	<u>ACTION</u>
3 months before Bid Date	Modification of the Terms of the Note.
1 month before Bid Date	Collateral Releases/Subordinations; Collateral Substitutions; Deferrals; Borrower Negotiations/Compromises, Third Party Sales and/or similar situations that extinguish the debt to the SBA.

The Bid Date for Sale #5 is currently scheduled for December of 2001, with the Servicing Transfer(s) expected to take place within two months of the Bid Date. Approximately two weeks after the Bid Date, the SBA will be able to confer with the new purchaser(s) about urgent servicing actions. After the Bid Date, approval of servicing actions is at the sole discretion of the purchaser(s). In addition, since SBA is selling all rights to your loan(s), the Agency will have no authority to engage in any discussions with borrowers about their loan terms after the servicing has been transferred.

5. What are the Servicer's obligations and rights in regard to my loan?
The Servicer must:
 - (1) Comply with all laws;
 - (2) Comply with the terms of the note and other loan documents.

6. Can I get a deferment from my new Servicer?
Your new Servicer will evaluate your request to temporarily or permanently change the terms of the loan. SBA will have no authority to engage in such discussions with any borrower whose loan has been sold.

7. Flood insurance is so expensive; can the Servicer waive that requirement?
No. As a condition of the sale, the Purchaser (Servicer) agrees that they will not waive or alter the flood insurance requirement at any time in the future. SBA required you to maintain flood insurance in an amount which protects both you and your lender. In the event of a subsequent disaster, you will have maximum protection, and less need for further borrowings from the Government. If you do not maintain flood insurance, you may not be eligible for additional disaster assistance if flooding again occurs.

8. Can the Servicer change my payment amount?
The Servicer must comply with the terms of the note. The Servicer cannot unilaterally change your payment amount. In the event that you experience hardship, however, the Servicer may negotiate different terms with you.

9. Can the Servicer force me to pay off my loan?
The Servicer must comply with the terms of the note. If you are in default on your loan, the Servicer has the right to "demand" payment of the entire outstanding balance of your loan. If you are making your payments in accordance with the loan terms, the Servicer cannot unilaterally alter those terms.

10. Can the Servicer foreclose on the collateral securing my loan?
The Servicer can exercise the rights in the loan security documents. For instance, if you are in default on your loan, the Servicer has the right to pursue the collateral. If you are making your payments in accordance with the loan terms, the Servicer cannot initiate foreclosure proceedings. Neither the borrower's nor the Servicer's rights are changed by the sale of your loan.

11. Can I get another SBA Disaster Assistance loan?
The sale of your loan will not impact your eligibility for a future SBA Disaster Assistance loan. However, failure to comply with the terms and conditions of the loan (for example, paying as agreed or maintaining required insurance) before or after the loan is sold may result in ineligibility for future disaster assistance (e.g., maintaining insurance).

12. Are there any prepayment penalties associated with paying off my loan?
The note and loan documents would govern such items as prepayment penalties. SBA disaster assistance loans do not have a prepayment penalty.

13. Can I request that SBA not sell my loan, or request that they buy it back and resume servicing?
No. The SBA has a budgetary mandate to sell its owned loans along with the associated rights to collect the payments.