Coleman

Government Loan Solutions' CPR Report

Providing the most detailed monthly SBA 7(a) and 504 prepayment, default and market information

Volume 7, Issue #4

April, 2013

Bob Judge, Government Loan Solutions, Editor

Bob Judge is a partner at Government Loan Solutions.

Government Loan Solutions is a provider of valuation services, prepayment analytics and operational support for the SBA marketplace.

Bob has 25 years of experience in the fixed income markets. He holds a B.A. in Economics from Vassar College and an M.B.A. in Finance from NYU Stern School of Business.

INSIDE THIS ISSUE:

Special points of interest:

- CPRs Fall in March
- SBI: Rich/Cheap Analysis **NEW!**
- 7a Defaults Decrease
- 20 year Debenture Speeds Rise

Prepays Fall 25% in March

In March, prepays fell back below 6% for the first time this year, after being above 7% for the first two months of the year.

This decrease was caused by double-digit decreases in both defaults and voluntary prepayments.

As for the detail, overall prepayments fell 25.02% to 5.57% from 7.43% in February.

In comparing prepayment speeds for the first month of 2013 to the same period in 2012, we see that this year is running 25% ahead of 2012, 6.94% versus 5.57%.

As for the largest sector of the market, 20+ years to maturity, prepayment speeds fell by 23% to 4.92% from 6.37% in February.

Turning to the CPR breakdown, the default CPR fell by 18% to 2.07% from 2.53%. This reading is the lowest reading this year and reminiscent of 2012 levels.

Article continued on page 3, graphs on page 2 and data on pages 19-20.

SBI: Rich / Cheap Analysis

By Bob Judge

This month, we are introducing a new analysis using data collected from our SBI indexes over the past 13 years. We call it the SBI Rich /Cheap Analysis and is an attempt to create a "fair value" pricing model, based on 13 years of historical index pricing.

We then compare the fair value price to current market levels, as represented by the GLS pricing model as the valuation input for the indexes.

We do this for 10 to 15 year maturity index-eligible pools and for 15+ maturity ones, effectively creating two separate calculations.

The first step was to create a fair value pricing algorithm for each maturity bucket, which is based on the following historical inputs:

Fundamental Inputs:

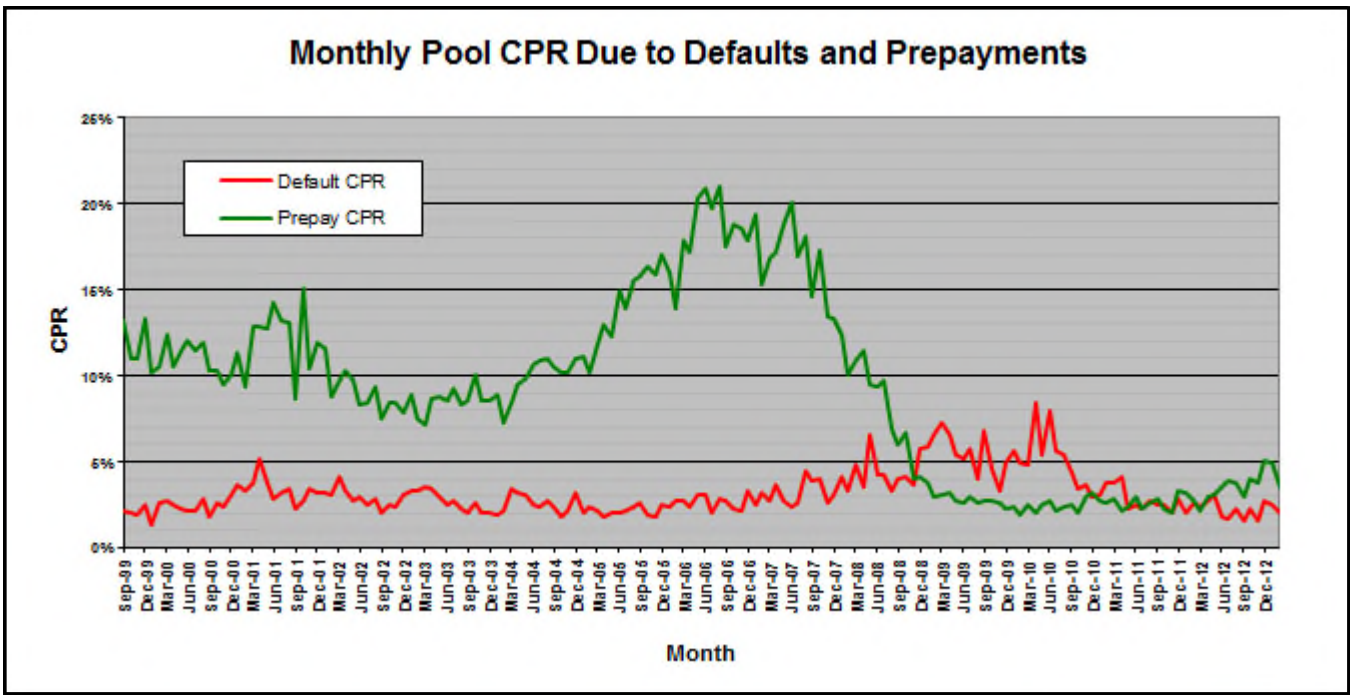
1. The rolling 12-month historical CPR for all pools, including non-eligible ones, inside each maturity bucket.

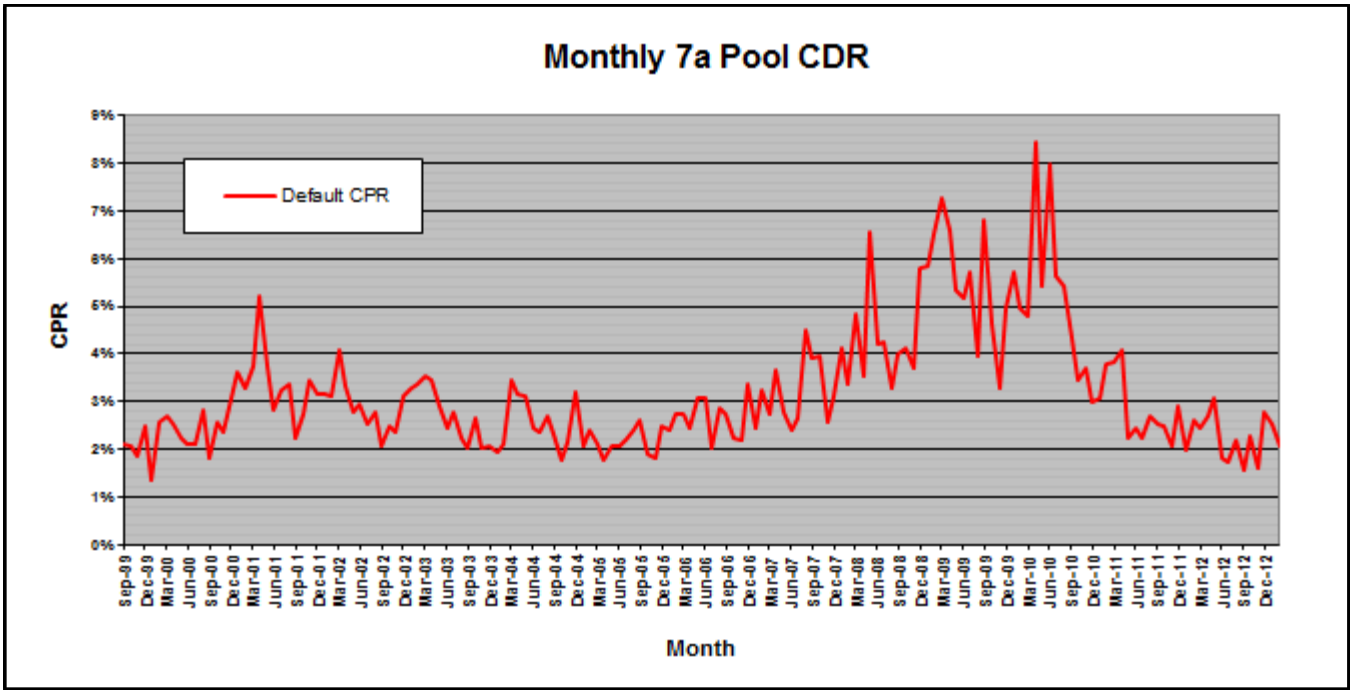
Continued on page 4

SMALL BUSINESS FACT OF THE MONTH

Just **6.3%** of companies in the U.S. — almost all of them small businesses — created all net jobs between 1994 and 2008, a study for the SBA found.

PREPAYMENT SPEEDS...CONTINUED





Bob Judge can be reached at (216) 456-2480 ext. 133 or bob.judge@glsolutions.us

PREPAYMENT SPEEDS...CONTINUED

Regarding voluntary prepayments, they fell for a second month in a row, decreasing another 29% to 3.49% from 4.90%. This represents the lowest reading this year.

Preliminary data for next month suggests that voluntary prepayments should mirror this month's level. After two months of 5% readings, this fallback to the high-end of the range from 2012 is welcome news from a prepayment perspective.

Specifically, preliminary data from Colson suggests another sub-6% reading, with a voluntary number in the 3%-4% range, very close to this month's numbers.

Turning to the default/voluntary prepayment breakdown, the **Voluntary Prepay CPR** (green line) fell to 3.49% from 4.90%, a 29% decrease. While the VCPR fell below 4%, the **Default CPR** (red line) moved lower by 18% to 2.07% from 2.53% the previous month.

Prepayment speeds fell in four out of six maturity categories. Decreases were seen, by order of magnitude, in the 10-13 sector (-43% to CPR 6.01%), 20+ (-23% to CPR 4.92%), <8 (-21% to CPR 7.76%) and 8-10 (-14% to CPR 6.29%).

Increases, also by order of magnitude, were seen in 16-20 (+44% to CPR 9.09%) and 13-16 (+14% to CPR 6.78%).

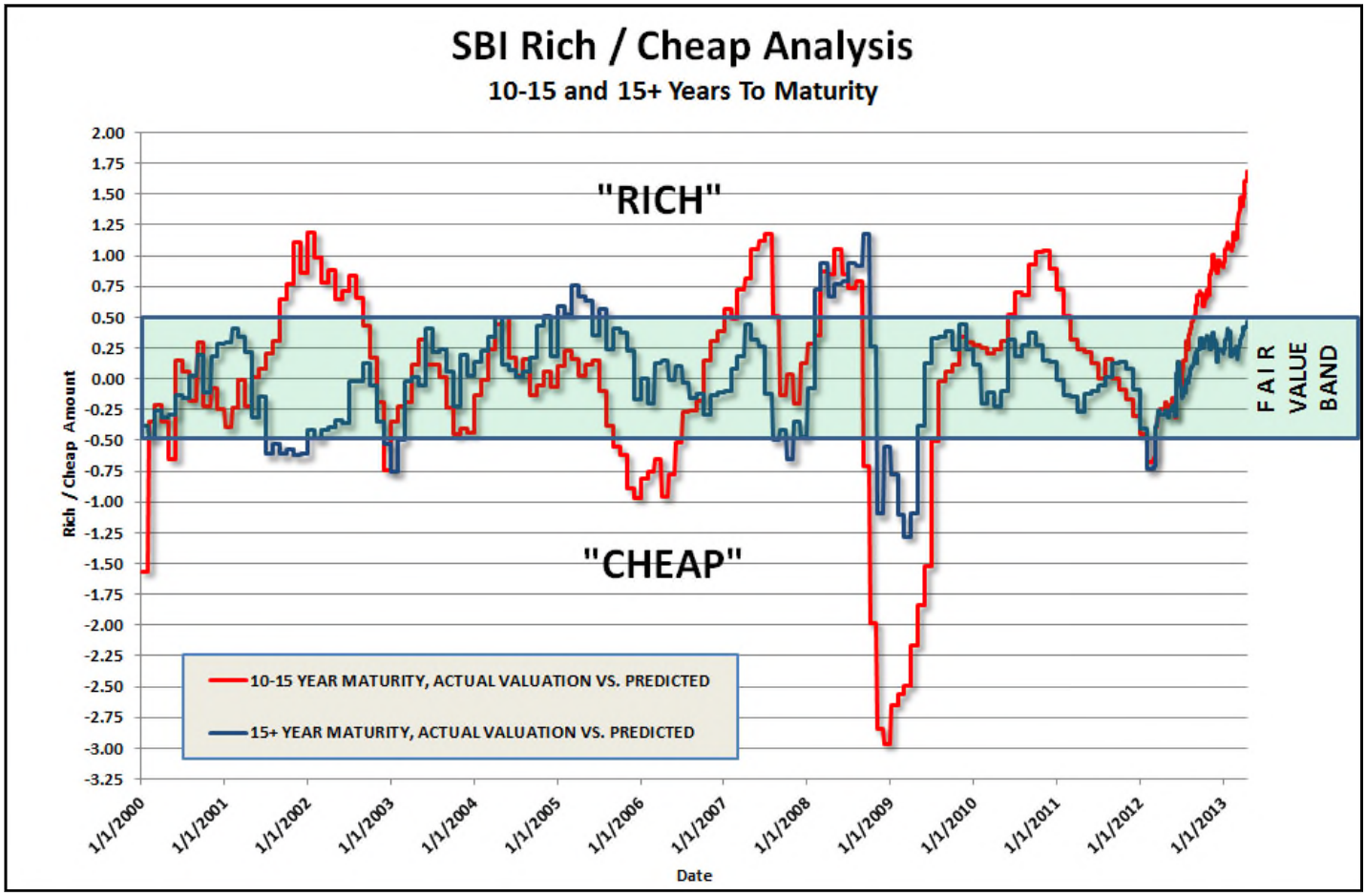
After two months of 7%+ prepayment speeds, we have returned to the sub-6% levels seen in late 2012 for this month, as well as next. As we enter the Spring, we'll see if these lower levels will hold, or if the first two months of the year are a better barometer of 2013.

For further information on the terminology and concepts used in this article, please refer to the "Glossary and Definitions" at the end of the report.

"Preliminary data for next month suggests that voluntary prepayments should mirror this month's level. After two months of 5% readings, this fallback to the high-end of the range from 2012 is welcome news from a prepayment perspective."

Data on pages 19-20

SMALL BUSINESS INDEXES...CONTINUED



2. The previous month's 1 month CPR for the same population and maturity bucket.
3. We used all pools, since the GLS pricing models do not differentiate between eligible and non-eligible pools.
4. Weighted average pool coupon.

We chose the prepayment inputs in order to provide a directional element for pool prepayments. For instance, when the 1 month CPR is lower than the 12 month one, than the trend for prepayments is lower and when it is higher, the trend is toward higher prepayments.

We added the coupon input to add market level interest rates to the analysis. Since we are only using floating-rate SBA 7a pools that reset monthly or quarterly, this input is a proxy for the base rate on the pricing date.

Structural Inputs:

1. Weighted average pool net margin to the base rate.
2. Weighted average remaining months to maturity.
3. Weighted average pool age.

The structural inputs put the weighted average index price into context, based on the amount and number of interest payments into the future.

We utilized daily index pricing levels from 1/1/2000 to 12/31/2012, or 4,749 observations to calculate the fair value algorithms. We then used the resulting calculation to predict pricing from 1/1/2000 to 4/15/2013.

Since this will be a continuing analysis, we will continue to add monthly data each month into the CPR Report for our readership. We intend to re-run the analysis each year with the addition of the past year's data, to re-calibrate the weightings so that we can calculate the fair value levels for the following year.

Methodology

We used multiple regression for the analysis and achieved an r-squared of .80 for the 10-15 year maturity bucket and .95 for the 15+ maturity bucket.

We then subtracted the fair value price from the index pricing level to find the difference between these two pricing elements. Basically, when the index pricing level is higher than the fair value price,

Continued on next page

SMALL BUSINESS INDEXES...CONTINUED

the index price is, to varying degrees, "rich" and when it is below the fair value price, it is "cheap".

Additionally, we determined that a "Fair Value Band" was necessary for the analysis. We decided that when the two pricing components are within +.50 and –.50 of each other (green portion of the above graph), the index pricing level was fairly valued as per the model.

When the index price rose above the fair value band, the market for SBA pools is considered "Rich", or expensive compared to historical pricing and when it is below the band, it is "Cheap" or inexpensive as compared to our fair value price.

Results

- Looking at the graph on the previous page, we first notice that the 10-15 maturity bucket is more volatile than the 15+ maturity one. This would stand to reason, since shorter maturity pools, with fewer remaining payments, would be more sensitive to changes in prepayment expectations and interest rates than 15+ maturity pools.
- Late 2008 and early 2009 showed the expected huge move from Rich to Cheap, due to the crash in secondary market pricing and the beginning of the historically low prepayment environment that continue to this day.
- One interesting data point is the fact that the 15+ maturity bucket is still in the Fair Value Band, albeit by a very small margin, even with pricing near 120 for fully-priced, long maturity pools. This goes to show the power of a low prepayment and low interest rate environment when it comes to paying high premiums for 7a loans and pools.
- Today, the 10-15 year maturity bucket is at it's richest level since the begin date of the indexes. This also is not unexpected, since the 10 year maturity sector has risen 3.29% over the past year (through February, as calculated from our pricing data on page 16), as compared to 3.79% for the 25 year sector. The price rise in the 10 year sector over the past year, from a yield perspective, has had a much greater impact than the rise in the long-end.

Conclusion

At the end of the day, the market decides what is fair value, expressed in loan and pool transactions that occur every day. What SBI, GLS and Bob Judge think is irrelevant, with the exception being the ability to put market level pricing into an historical perspective.

Sometimes, the market clearing price is richer or cheaper than at other times in history. That analysis can be interesting to market participants, with the belief that market pricing will revert toward the mean, or in this case, the Fair Value Band, over time.

SBI Index Results continue on next page

SMALL BUSINESS INDEXES

END DATE: 04/15/2013	SBI POOL INDEX TOTAL RETURN							
INDEX TYPE	1 MONTH	3 MONTH	6 MONTH	1 YEAR	3 YEAR	5 YEAR	10 YEAR	INCEPTION
POOL, ALL EQUAL INDEX	0.29%	0.67%	1.23%	2.91%	18.87%	40.02%	79.85%	117.86%
POOL, ALL ACTUAL INDEX	0.32%	0.73%	1.32%	3.10%	13.76%	26.63%	59.52%	92.77%
POOL, LONG EQUAL INDEX	0.29%	0.68%	1.26%	2.99%	21.96%	48.22%	92.26%	133.01%
POOL, LONG ACTUAL INDEX	0.31%	0.75%	1.35%	3.17%	15.45%	30.86%	66.18%	100.89%
POOL, SHORT EQUAL INDEX	0.31%	0.61%	1.14%	2.70%	11.65%	22.50%	51.50%	83.22%
POOL, SHORT ACTUAL INDEX	0.33%	0.68%	1.22%	2.90%	9.86%	17.88%	44.65%	74.48%
POOL, ALL EQUAL INCOME INDEX	0.22%	0.62%	1.24%	2.46%	17.91%	39.85%	94.77%	137.56%
POOL, ALL ACTUAL INCOME INDEX	0.23%	0.64%	1.27%	2.52%	12.68%	26.41%	71.73%	108.63%
POOL, LONG EQUAL INCOME INDEX	0.20%	0.56%	1.11%	2.19%	19.81%	46.00%	104.50%	149.33%
POOL, LONG ACTUAL INCOME INDEX	0.21%	0.58%	1.15%	2.25%	13.23%	28.78%	75.46%	113.08%
POOL, SHORT EQUAL INCOME INDEX	0.28%	0.79%	1.59%	3.18%	13.48%	26.53%	73.51%	113.23%
POOL, SHORT ACTUAL INCOME INDEX	0.29%	0.81%	1.62%	3.25%	11.53%	21.64%	64.98%	101.85%
POOL, ALL EQUAL PRICE INDEX	0.14%	0.29%	0.44%	1.24%	2.79%	2.75%	0.01%	1.27%
POOL, ALL ACTUAL PRICE INDEX	0.16%	0.34%	0.49%	1.37%	2.91%	2.78%	0.13%	1.35%
POOL, LONG EQUAL PRICE INDEX	0.15%	0.32%	0.48%	1.37%	3.17%	3.19%	0.51%	1.77%
POOL, LONG ACTUAL PRICE INDEX	0.16%	0.36%	0.53%	1.48%	3.29%	3.19%	0.63%	1.86%
POOL, SHORT EQUAL PRICE INDEX	0.13%	0.22%	0.31%	0.92%	1.85%	1.70%	(1.46%)	(0.48%)
POOL, SHORT ACTUAL PRICE INDEX	0.15%	0.28%	0.38%	1.07%	2.01%	1.85%	(1.38%)	(0.40%)
POOL, ALL EQUAL PREPAY INDEX	(0.04%)	(0.15%)	(0.25%)	(0.43%)	(1.00%)	(1.40%)	(5.78%)	(7.28%)
POOL, ALL ACTUAL PREPAY INDEX	(0.04%)	(0.15%)	(0.25%)	(0.42%)	(0.98%)	(1.39%)	(5.37%)	(6.73%)
POOL, LONG EQUAL PREPAY INDEX	(0.04%)	(0.13%)	(0.21%)	(0.35%)	(0.78%)	(0.99%)	(5.30%)	(6.79%)
POOL, LONG ACTUAL PREPAY INDEX	(0.04%)	(0.13%)	(0.21%)	(0.34%)	(0.75%)	(0.93%)	(4.80%)	(6.16%)
POOL, SHORT EQUAL PREPAY INDEX	(0.05%)	(0.21%)	(0.36%)	(0.65%)	(1.56%)	(2.40%)	(7.16%)	(8.67%)
POOL, SHORT ACTUAL PREPAY INDEX	(0.05%)	(0.21%)	(0.38%)	(0.65%)	(1.57%)	(2.44%)	(6.91%)	(8.31%)
POOL, ALL EQUAL DEFAULT INDEX	(0.02%)	(0.05%)	(0.09%)	(0.16%)	(0.49%)	(0.68%)	(1.40%)	(1.75%)
POOL, ALL ACTUAL DEFAULT INDEX	(0.02%)	(0.05%)	(0.09%)	(0.16%)	(0.48%)	(0.68%)	(1.33%)	(1.65%)
POOL, LONG EQUAL DEFAULT INDEX	(0.01%)	(0.05%)	(0.07%)	(0.13%)	(0.38%)	(0.46%)	(1.16%)	(1.51%)
POOL, LONG ACTUAL DEFAULT INDEX	(0.01%)	(0.05%)	(0.07%)	(0.12%)	(0.36%)	(0.43%)	(1.06%)	(1.38%)
POOL, SHORT EQUAL DEFAULT INDEX	(0.02%)	(0.07%)	(0.12%)	(0.24%)	(0.78%)	(1.21%)	(2.03%)	(2.38%)
POOL, SHORT ACTUAL DEFAULT INDEX	(0.02%)	(0.07%)	(0.13%)	(0.24%)	(0.78%)	(1.22%)	(2.00%)	(2.32%)
POOL, ALL EQUAL VOL PREPAY INDEX	(0.03%)	(0.10%)	(0.16%)	(0.27%)	(0.51%)	(0.73%)	(4.44%)	(5.63%)
POOL, ALL ACTUAL VOL PREPAY INDEX	(0.03%)	(0.10%)	(0.16%)	(0.26%)	(0.50%)	(0.72%)	(4.09%)	(5.17%)
POOL, LONG EQUAL VOL PREPAY INDEX	(0.02%)	(0.08%)	(0.14%)	(0.22%)	(0.40%)	(0.53%)	(4.19%)	(5.37%)
POOL, LONG ACTUAL VOL PREPAY INDEX	(0.02%)	(0.08%)	(0.14%)	(0.21%)	(0.39%)	(0.50%)	(3.78%)	(4.85%)
POOL, SHORT EQUAL VOL PREPAY INDEX	(0.03%)	(0.13%)	(0.24%)	(0.41%)	(0.79%)	(1.20%)	(5.23%)	(6.44%)
POOL, SHORT ACTUAL VOL PREPAY INDEX	(0.03%)	(0.14%)	(0.25%)	(0.41%)	(0.80%)	(1.23%)	(5.02%)	(6.13%)
POOL, ALL EQUAL SCHED PRIN INDEX	(0.03%)	(0.10%)	(0.19%)	(0.37%)	(0.93%)	(1.17%)	(2.00%)	(2.33%)
POOL, ALL ACTUAL SCHED PRIN INDEX	(0.03%)	(0.10%)	(0.19%)	(0.37%)	(0.93%)	(1.16%)	(1.96%)	(2.25%)
POOL, LONG EQUAL SCHED PRIN INDEX	(0.02%)	(0.06%)	(0.12%)	(0.23%)	(0.55%)	(0.63%)	(1.22%)	(1.48%)
POOL, LONG ACTUAL SCHED PRIN INDEX	(0.02%)	(0.07%)	(0.13%)	(0.23%)	(0.54%)	(0.60%)	(1.13%)	(1.36%)
POOL, SHORT EQUAL SCHED PRIN INDEX	(0.07%)	(0.19%)	(0.38%)	(0.73%)	(1.87%)	(2.46%)	(4.56%)	(5.46%)
POOL, SHORT ACTUAL SCHED PRIN INDEX	(0.07%)	(0.20%)	(0.39%)	(0.74%)	(1.89%)	(2.47%)	(4.49%)	(5.33%)
POOL, ALL EQUAL TOTAL PRIN INDEX	(0.07%)	(0.25%)	(0.45%)	(0.80%)	(1.92%)	(2.56%)	(7.67%)	(9.44%)
POOL, ALL ACTUAL TOTAL PRIN INDEX	(0.08%)	(0.25%)	(0.45%)	(0.79%)	(1.90%)	(2.54%)	(7.23%)	(8.83%)
POOL, LONG EQUAL TOTAL PRIN INDEX	(0.06%)	(0.20%)	(0.34%)	(0.58%)	(1.33%)	(1.61%)	(6.46%)	(8.17%)
POOL, LONG ACTUAL TOTAL PRIN INDEX	(0.06%)	(0.19%)	(0.33%)	(0.57%)	(1.28%)	(1.53%)	(5.88%)	(7.44%)
POOL, SHORT EQUAL TOTAL PRIN INDEX	(0.11%)	(0.40%)	(0.74%)	(1.37%)	(3.40%)	(4.80%)	(11.39%)	(13.66%)
POOL, SHORT ACTUAL TOTAL PRIN INDEX	(0.11%)	(0.41%)	(0.77%)	(1.39%)	(3.43%)	(4.85%)	(11.09%)	(13.20%)

SBI Index Results

This month continues a string of positive results due to strong pricing in the secondary market. Please note we have moved the calculation dates to the 15th of the month for publication purposes.

This month saw positive returns for both the pool and IO strip indexes. The pool index that has all eligible pools between 10 and 25 years, returned .29% (versus .42% in March) for equal weighting and .32% (versus .44%) for actual weighting.

As for the IO strip indexes, the indexes for 10 to 25 year IO strips returned 2.57% (versus 3.86%) for equal weighting and 2.81% (versus 3.98%) for actual weighting in March. The IO strips indexes also benefited from price increases in the secondary market. For details regarding returns, please view our charts on this, and the following, page.

If you wish to further delve into the SBI Indexes, please visit our website at www.sbindexes.com. Registration is currently free and it contains a host of information relating to these indexes, as well as indexing in general.

For further information on the SBI Indexes, please refer to the "Glossary and Definitions" at the end of the report.

Continued on next page

SMALL BUSINESS INDEXES...CONTINUED

END DATE: 04/15/2013	SBI STRIP INDEX TOTAL RETURN							
INDEX TYPE	1 MONTH	3 MONTH	6 MONTH	1 YEAR	3 YEAR	5 YEAR	10 YEAR	INCEPTION
STRIP, ALL EQUAL INDEX	2.57%	6.37%	10.47%	29.69%	124.92%	388.23%	133.17%	463.69%
STRIP, ALL ACTUAL INDEX	2.81%	7.21%	11.99%	33.48%	121.06%	285.31%	99.17%	381.41%
STRIP, LONG EQUAL INDEX	2.73%	6.88%	12.60%	32.01%	168.76%	593.81%	237.90%	742.57%
STRIP, LONG ACTUAL INDEX	2.90%	7.58%	13.56%	34.34%	151.98%	402.45%	152.20%	522.13%
STRIP, SHORT EQUAL INDEX	2.29%	5.47%	6.93%	25.86%	71.53%	202.34%	26.94%	151.28%
STRIP, SHORT ACTUAL INDEX	2.65%	6.54%	9.30%	31.76%	83.60%	180.67%	36.23%	204.79%
STRIP, ALL EQUAL INCOME INDEX	1.06%	3.13%	6.67%	14.95%	86.86%	239.90%	712.06%	1,881.56%
STRIP, ALL ACTUAL INCOME INDEX	1.05%	3.10%	6.61%	14.84%	74.13%	172.31%	521.94%	1,403.51%
STRIP, LONG EQUAL INCOME INDEX	1.25%	3.71%	7.86%	17.54%	108.58%	333.00%	977.36%	2,563.88%
STRIP, LONG ACTUAL INCOME INDEX	1.26%	3.71%	7.88%	17.71%	89.90%	216.42%	638.41%	1,705.85%
STRIP, SHORT EQUAL INCOME INDEX	0.73%	2.14%	4.67%	10.81%	57.61%	145.40%	423.73%	1,079.94%
STRIP, SHORT ACTUAL INCOME INDEX	0.67%	2.00%	4.43%	10.24%	52.93%	125.31%	386.03%	989.61%
STRIP, ALL EQUAL PRICE INDEX	2.45%	6.57%	9.96%	26.54%	67.19%	170.43%	63.84%	165.41%
STRIP, ALL ACTUAL PRICE INDEX	2.66%	7.26%	11.25%	29.58%	74.92%	167.24%	72.24%	183.88%
STRIP, LONG EQUAL PRICE INDEX	2.21%	5.61%	8.98%	21.57%	61.59%	154.92%	54.89%	155.62%
STRIP, LONG ACTUAL PRICE INDEX	2.34%	6.09%	9.56%	22.76%	64.30%	149.77%	59.36%	165.67%
STRIP, SHORT EQUAL PRICE INDEX	2.88%	8.26%	11.72%	35.11%	77.96%	195.92%	71.31%	138.23%
STRIP, SHORT ACTUAL PRICE INDEX	3.24%	9.37%	14.32%	41.55%	95.07%	200.26%	82.96%	188.76%
STRIP, ALL EQUAL PREPAY INDEX	(0.48%)	(1.87%)	(3.16%)	(5.66%)	(15.07%)	(30.05%)	(72.30%)	(81.77%)
STRIP, ALL ACTUAL PREPAY INDEX	(0.46%)	(1.76%)	(3.02%)	(5.28%)	(14.61%)	(30.33%)	(70.74%)	(80.94%)
STRIP, LONG EQUAL PREPAY INDEX	(0.46%)	(1.62%)	(2.64%)	(4.56%)	(12.23%)	(26.00%)	(72.63%)	(82.26%)
STRIP, LONG ACTUAL PREPAY INDEX	(0.45%)	(1.48%)	(2.43%)	(4.12%)	(11.53%)	(25.78%)	(71.47%)	(81.71%)
STRIP, SHORT EQUAL PREPAY INDEX	(0.51%)	(2.31%)	(4.06%)	(7.44%)	(19.37%)	(35.47%)	(69.37%)	(77.18%)
STRIP, SHORT ACTUAL PREPAY INDEX	(0.48%)	(2.27%)	(4.07%)	(7.23%)	(19.14%)	(35.96%)	(67.72%)	(75.94%)
STRIP, ALL EQUAL DEFAULT INDEX	(0.18%)	(0.66%)	(1.10%)	(2.16%)	(8.09%)	(16.58%)	(27.97%)	(34.06%)
STRIP, ALL ACTUAL DEFAULT INDEX	(0.17%)	(0.62%)	(1.05%)	(2.00%)	(7.87%)	(16.80%)	(27.56%)	(33.82%)
STRIP, LONG EQUAL DEFAULT INDEX	(0.17%)	(0.58%)	(0.93%)	(1.73%)	(6.53%)	(13.73%)	(26.22%)	(32.66%)
STRIP, LONG ACTUAL DEFAULT INDEX	(0.17%)	(0.53%)	(0.85%)	(1.55%)	(6.18%)	(13.64%)	(25.74%)	(32.39%)
STRIP, SHORT EQUAL DEFAULT INDEX	(0.19%)	(0.82%)	(1.40%)	(2.86%)	(10.46%)	(20.37%)	(29.59%)	(33.89%)
STRIP, SHORT ACTUAL DEFAULT INDEX	(0.18%)	(0.80%)	(1.40%)	(2.76%)	(10.35%)	(20.65%)	(29.18%)	(33.50%)
STRIP, ALL EQUAL VOL PREPAY INDEX	(0.30%)	(1.22%)	(2.07%)	(3.57%)	(7.58%)	(16.09%)	(61.45%)	(72.27%)
STRIP, ALL ACTUAL VOL PREPAY INDEX	(0.29%)	(1.14%)	(1.99%)	(3.34%)	(7.29%)	(16.21%)	(59.52%)	(71.10%)
STRIP, LONG EQUAL VOL PREPAY INDEX	(0.29%)	(1.05%)	(1.72%)	(2.88%)	(6.10%)	(14.18%)	(62.81%)	(73.55%)
STRIP, LONG ACTUAL VOL PREPAY INDEX	(0.28%)	(0.96%)	(1.59%)	(2.60%)	(5.70%)	(14.02%)	(61.48%)	(72.85%)
STRIP, SHORT EQUAL VOL PREPAY INDEX	(0.32%)	(1.50%)	(2.68%)	(4.71%)	(9.92%)	(18.89%)	(56.40%)	(65.40%)
STRIP, SHORT ACTUAL VOL PREPAY INDEX	(0.30%)	(1.47%)	(2.70%)	(4.59%)	(9.78%)	(19.22%)	(54.33%)	(63.73%)
STRIP, ALL EQUAL SCHED PRIN INDEX	(0.46%)	(1.37%)	(2.74%)	(5.46%)	(15.33%)	(24.31%)	(35.94%)	(40.80%)
STRIP, ALL ACTUAL SCHED PRIN INDEX	(0.43%)	(1.31%)	(2.63%)	(5.28%)	(15.14%)	(24.21%)	(35.75%)	(40.52%)
STRIP, LONG EQUAL SCHED PRIN INDEX	(0.27%)	(0.80%)	(1.60%)	(3.19%)	(9.25%)	(15.23%)	(24.90%)	(29.64%)
STRIP, LONG ACTUAL SCHED PRIN INDEX	(0.25%)	(0.76%)	(1.51%)	(3.02%)	(8.81%)	(14.50%)	(23.81%)	(28.54%)
STRIP, SHORT EQUAL SCHED PRIN INDEX	(0.79%)	(2.36%)	(4.68%)	(9.11%)	(24.23%)	(35.81%)	(53.34%)	(60.55%)
STRIP, SHORT ACTUAL SCHED PRIN INDEX	(0.77%)	(2.30%)	(4.57%)	(8.97%)	(24.04%)	(35.50%)	(52.12%)	(59.58%)
STRIP, ALL EQUAL TOTAL PRIN INDEX	(0.94%)	(3.23%)	(5.82%)	(10.84%)	(28.15%)	(47.14%)	(82.33%)	(89.26%)
STRIP, ALL ACTUAL TOTAL PRIN INDEX	(0.89%)	(3.06%)	(5.58%)	(10.31%)	(27.58%)	(47.28%)	(81.28%)	(88.72%)
STRIP, LONG EQUAL TOTAL PRIN INDEX	(0.73%)	(2.42%)	(4.20%)	(7.62%)	(20.38%)	(37.32%)	(79.50%)	(87.56%)
STRIP, LONG ACTUAL TOTAL PRIN INDEX	(0.70%)	(2.23%)	(3.91%)	(7.02%)	(19.35%)	(36.59%)	(78.32%)	(86.97%)
STRIP, SHORT EQUAL TOTAL PRIN INDEX	(1.30%)	(4.64%)	(8.58%)	(15.93%)	(39.01%)	(58.71%)	(85.81%)	(91.07%)
STRIP, SHORT ACTUAL TOTAL PRIN INDEX	(1.25%)	(4.53%)	(8.49%)	(15.60%)	(38.68%)	(58.82%)	(84.65%)	(90.35%)

SB Indexes, LLC.

Through the joint venture of Ryan ALM, Inc. and GLS, both companies have brought their unique capabilities together to create the first Total Return Indexes for SBA 7(a) Pools and SBA 7(a) Interest-Only Strips, with a history going back to January 1st, 2000.

Using the "Ryan Rules" for index creation, the SBI indexes represent best practices in both structure and transparency.

Principals:

Ronald J. Ryan, CFA, Founder and CEO of Ryan ALM, Inc. Ron has a long history of designing bond indexes, starting at Lehman Brothers, where he designed most of the popular Lehman bond indexes. Over his distinguished career, Ron and his team have designed hundreds of bond indexes and ETFs.

Bob Judge, Partner, GLS. Bob, a recognized expert in the valuation of SBA-related assets as well as the SBA Secondary Market and is the editor of The CPR Report, a widely-read monthly publication that tracks SBA loan defaults, prepayment and secondary market activity.

For more information, please visit our website: www.SBIndexes.com

Give Your Bank A True Competitive Advantage

nCino's nCommercial software solution was created by bankers to drive increased profitability, productivity, and regulatory compliance. Sitting alongside a bank's core, it provides the security of a SAS 70 Type II cloud architecture, the most advanced data security platform in the world. And the real-time portfolio management tools, reports, and dashboards provide complete operating transparency and features 1502 reporting.

See how these banks are already experiencing the benefits at **http://ncino.com**

Debenture Speeds: 20s Rise on Higher Voluntaries

In April, 20 year debenture prepayment speeds rose 5.37% to CPR 8.59% from CPR 8.16% in March. While defaults fell this month, voluntary prepayments rose 9% to CRR 6.42% from CRR 5.88%.

As for defaults, they decreased by 4.50% to CDR 2.17% from CDR 2.27%.

This is an off-month for 10 year debentures, so we have no update for that maturity category.

April's 20 year CPR reading is the highest this year and the sixth reading above 8% our of the past seven months. While defaults have fallen into the CDR 2-3% range, voluntary prepayments have risen from the CRR 4-5% range into the 5-6% one.

The higher voluntary prepayments have offset the lower defaults, keeping overall CPRs in the 7-8% range.

I would expect this default / voluntary prepayment breakdown to continue well into 2013.

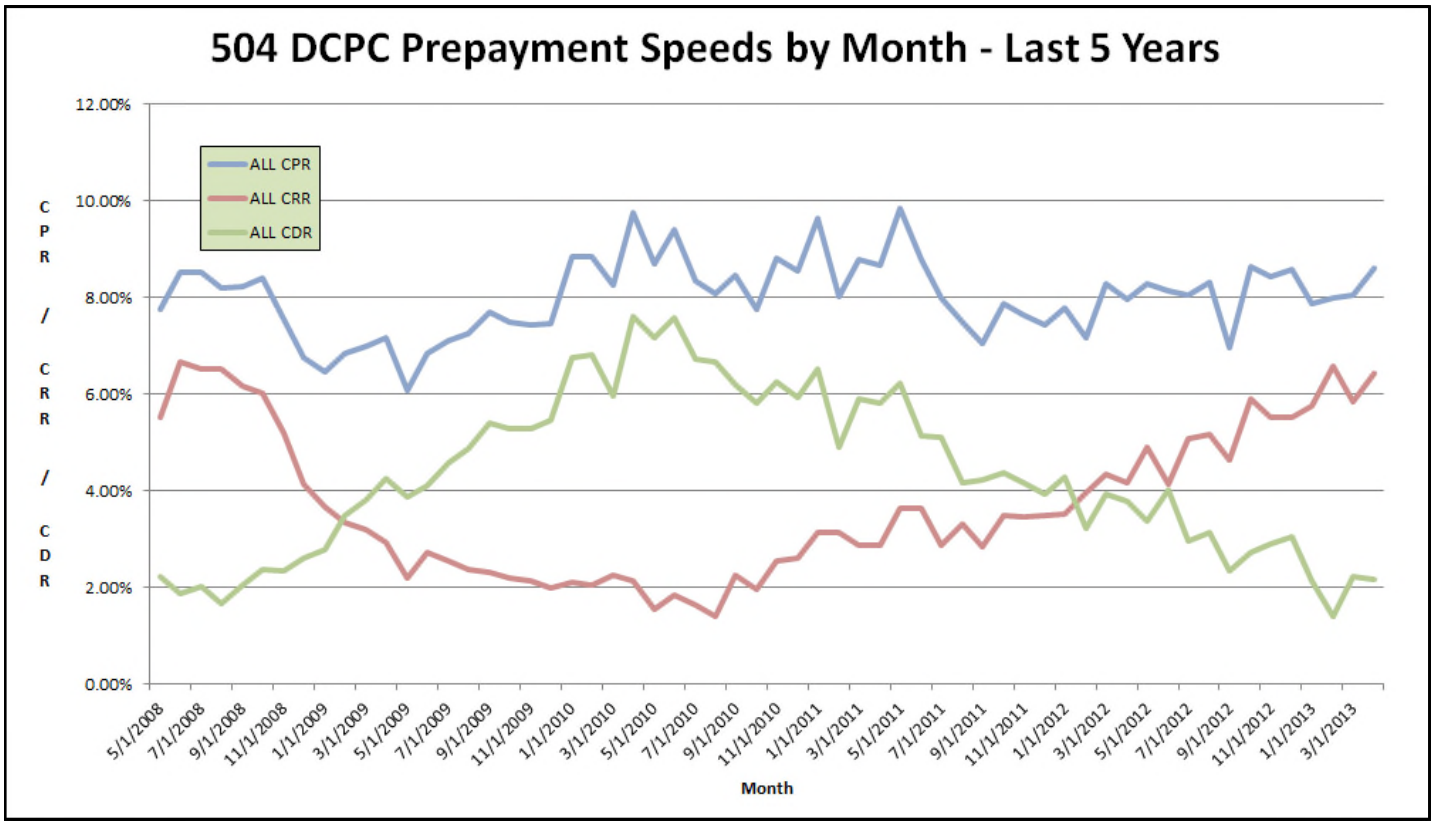
For further information on the terminology and concepts used in this article, please refer to the "Glossary and Definitions" at the end of the report.

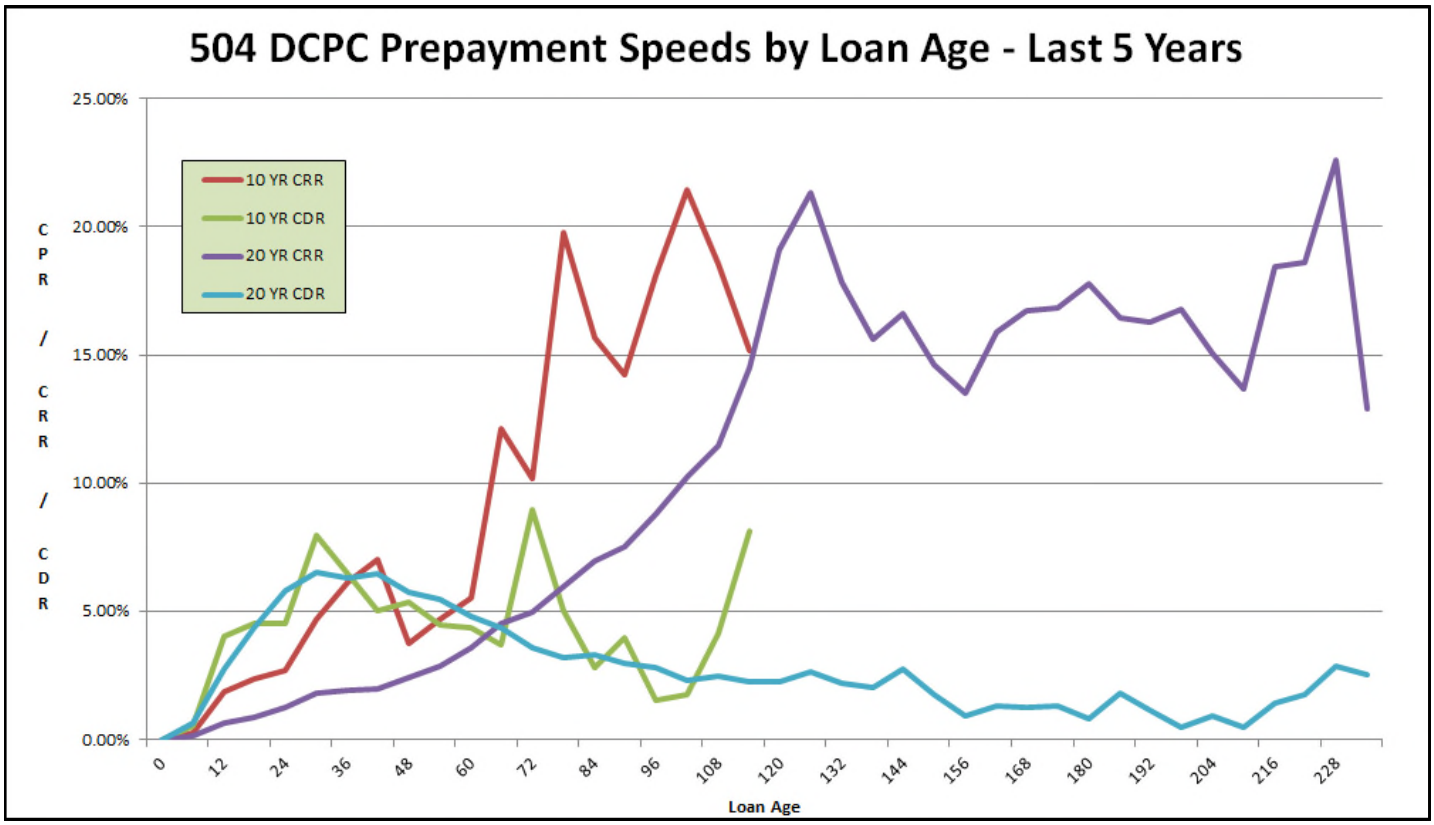
Data and Charts on the following pages

504 DCPC Prepay Speeds - Last 5 Years

DATE	20 YR. CPR	20 YR. CRR	20 YR. CDR	10 YR. CPR	10 YR. CRR	10 YR. CDR	ALL CPR	ALL CRR	ALL CDR
5/1/2008	7.66%	5.51%	2.15%	10.57%	6.20%	4.37%	7.75%	5.53%	2.22%
6/1/2008	8.53%	6.65%	1.87%	NA	NA	NA	8.53%	6.65%	1.87%
7/1/2008	8.48%	6.52%	1.96%	9.55%	6.20%	3.35%	8.52%	6.50%	2.01%
8/1/2008	8.20%	6.52%	1.68%	NA	NA	NA	8.20%	6.52%	1.68%
9/1/2008	8.32%	6.23%	2.08%	5.43%	4.11%	1.32%	8.21%	6.16%	2.06%
10/1/2008	8.39%	6.03%	2.37%	NA	NA	NA	8.39%	6.03%	2.37%
11/1/2008	7.58%	5.26%	2.32%	6.31%	3.51%	2.80%	7.54%	5.20%	2.33%
12/1/2008	6.76%	4.15%	2.61%	NA	NA	NA	6.76%	4.15%	2.61%
1/1/2009	6.41%	3.72%	2.69%	8.08%	2.57%	5.50%	6.47%	3.68%	2.79%
2/1/2009	6.84%	3.35%	3.49%	NA	NA	NA	6.84%	3.35%	3.49%
3/1/2009	6.96%	3.15%	3.81%	7.80%	4.12%	3.68%	6.99%	3.18%	3.81%
4/1/2009	7.18%	2.93%	4.25%	NA	NA	NA	7.18%	2.93%	4.25%
5/1/2009	6.12%	2.24%	3.87%	5.07%	1.34%	3.73%	6.08%	2.21%	3.87%
6/1/2009	6.83%	2.73%	4.11%	NA	NA	NA	6.83%	2.73%	4.11%
7/1/2009	7.09%	2.62%	4.47%	7.71%	0.45%	7.26%	7.11%	2.54%	4.57%
8/1/2009	7.24%	2.37%	4.87%	NA	NA	NA	7.24%	2.37%	4.87%
9/1/2009	7.59%	2.34%	5.25%	10.52%	1.46%	9.07%	7.70%	2.31%	5.40%
10/1/2009	7.48%	2.21%	5.28%	NA	NA	NA	7.48%	2.21%	5.28%
11/1/2009	7.49%	2.16%	5.33%	5.41%	1.74%	3.67%	7.42%	2.15%	5.27%
12/1/2009	7.46%	1.99%	5.47%	NA	NA	NA	7.46%	1.99%	5.47%
1/1/2010	8.72%	2.09%	6.63%	12.44%	2.37%	10.07%	8.85%	2.10%	6.76%
2/1/2010	8.86%	2.05%	6.81%	NA	NA	NA	8.86%	2.05%	6.81%
3/1/2010	8.28%	2.24%	6.03%	7.24%	2.90%	4.35%	8.24%	2.27%	5.97%
4/1/2010	9.76%	2.15%	7.61%	NA	NA	NA	9.76%	2.15%	7.61%
5/1/2010	8.83%	1.56%	7.26%	4.98%	0.85%	4.12%	8.69%	1.54%	7.15%
6/1/2010	9.41%	1.84%	7.57%	NA	NA	NA	9.41%	1.84%	7.57%
7/1/2010	8.30%	1.58%	6.71%	9.73%	2.86%	6.87%	8.35%	1.63%	6.72%
8/1/2010	8.08%	1.42%	6.66%	NA	NA	NA	8.08%	1.42%	6.66%
9/1/2010	8.38%	2.22%	6.16%	10.61%	3.38%	7.23%	8.46%	2.27%	6.20%
10/1/2010	7.76%	1.95%	5.81%	NA	NA	NA	7.76%	1.95%	5.81%
11/1/2010	8.65%	2.43%	6.22%	13.45%	6.11%	7.34%	8.82%	2.56%	6.26%
12/1/2010	8.54%	2.61%	5.93%	NA	NA	NA	8.54%	2.61%	5.93%
1/1/2011	9.68%	3.10%	6.58%	8.76%	3.75%	5.02%	9.65%	3.12%	6.52%
2/1/2011	8.03%	3.14%	4.89%	NA	NA	NA	8.03%	3.14%	4.89%
3/1/2011	8.71%	2.77%	5.94%	10.61%	5.49%	5.13%	8.79%	2.88%	5.91%
4/1/2011	8.67%	2.87%	5.80%	NA	NA	NA	8.67%	2.87%	5.80%
5/1/2011	9.53%	3.37%	6.16%	17.64%	10.06%	7.58%	9.84%	3.63%	6.21%
6/1/2011	8.78%	3.65%	5.13%	NA	NA	NA	8.78%	3.65%	5.13%
7/1/2011	7.92%	2.87%	5.05%	9.69%	3.01%	6.68%	7.99%	2.87%	5.12%
8/1/2011	7.49%	3.31%	4.18%	NA	NA	NA	7.49%	3.31%	4.18%
9/1/2011	6.83%	2.76%	4.07%	12.27%	4.53%	7.74%	7.06%	2.83%	4.23%
10/1/2011	7.87%	3.50%	4.36%	NA	NA	NA	7.87%	3.50%	4.36%
11/1/2011	7.81%	3.52%	4.29%	3.07%	1.88%	1.19%	7.62%	3.46%	4.17%
12/1/2011	7.43%	3.50%	3.94%	NA	NA	NA	7.43%	3.50%	3.94%
1/1/2012	7.76%	3.48%	4.27%	8.39%	4.13%	4.25%	7.78%	3.51%	4.27%
2/1/2012	7.17%	3.95%	3.22%	NA	NA	NA	7.17%	3.95%	3.22%
3/1/2012	8.17%	4.23%	3.94%	10.74%	7.05%	3.69%	8.28%	4.35%	3.93%
4/1/2012	7.96%	4.17%	3.79%	NA	NA	NA	7.96%	4.17%	3.79%
5/1/2012	8.43%	4.95%	3.48%	4.96%	4.02%	0.94%	8.29%	4.91%	3.37%
6/1/2012	8.15%	4.13%	4.02%	NA	NA	NA	8.15%	4.13%	4.02%
7/1/2012	7.77%	4.82%	2.95%	14.04%	11.15%	2.89%	8.04%	5.09%	2.95%
8/1/2012	8.31%	5.18%	3.13%	NA	NA	NA	8.31%	5.18%	3.13%
9/1/2012	6.94%	4.61%	2.34%	7.35%	5.18%	2.17%	6.96%	4.63%	2.33%
10/1/2012	8.63%	5.89%	2.74%	NA	NA	NA	8.63%	5.89%	2.74%
11/1/2012	8.45%	5.49%	2.95%	7.80%	6.22%	1.58%	8.42%	5.53%	2.89%
12/1/2012	8.59%	5.53%	3.06%	NA	NA	NA	8.59%	5.53%	3.06%
1/1/2013	7.79%	5.61%	2.18%	9.85%	8.72%	1.13%	7.88%	5.75%	2.14%
2/1/2013	8.00%	6.59%	1.42%	NA	NA	NA	8.00%	6.59%	1.42%
3/1/2013	8.16%	5.88%	2.27%	5.92%	4.85%	1.07%	8.05%	5.83%	2.22%
4/1/2013	8.59%	6.42%	2.17%	NA	NA	NA	8.59%	6.42%	2.17%

504 DCPC Prepayment Speeds by 10 year, 20 year and All. Source: BONY


504 DCPC Prepayment Speeds by Month - Last 5 Years
ALL CPR
ALL CRR
ALL CDR
CPR / CRR / CDR
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
5/1/2008
7/1/2008
9/1/2008
11/1/2008
1/1/2009
3/1/2009
5/1/2009
7/1/2009
9/1/2009
11/1/2009
1/1/2010
3/1/2010
5/1/2010
7/1/2010
9/1/2010
11/1/2010
1/1/2011
3/1/2011
5/1/2011
7/1/2011
9/1/2011
11/1/2011
1/1/2012
3/1/2012
5/1/2012
7/1/2012
9/1/2012
11/1/2012
1/1/2013
3/1/2013
Month


504 DCPC Prepayment Speeds by Loan Age - Last 5 Years
10 YR CRR
10 YR CDR
20 YR CRR
20 YR CDR
CPR / CRR / CDR
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
0
12
24
36
48
60
72
84
96
108
120
132
144
156
168
180
192
204
216
228
Loan Age

GLS 7(a) Settlement & Sales Strategies Tip #53 – "Dry as dry toast"…

In looking at the economics of any transaction, do not forget that half of any premium received that is over $110 gets split 50/50 with the SBA. For bank lenders, this is something to be aware of, particularly when looking at alternative loan structures. For example, now that we are seeing better price activity in the fixed rate area, you might find that the differentials (post SBA split) aren't as wide as they have historically been. This month's tip is also relevant to the non-bank lender. This is particularly true for those that lend under the Community Advantage program as best execution on those loans often means selling at $110 and retaining excess servicing.

Scott Evans is a partner at GLS. Mr. Evans has over 20 years of trading experience and has been involved in the SBA secondary markets for the last eight of those years. Mr. Evans has bought, sold, settled, and securitized nearly 20,000 SBA loans and now brings some of that expertise to the ***CPR Report*** *in a recurring article called* ***Sale and Settlement Tip of the Month****. The article will focus on pragmatic tips aimed at helping lenders develop a more consistent sale and settlement process and ultimately deliver them the best execution possible.*

Default Rate Moves Lower

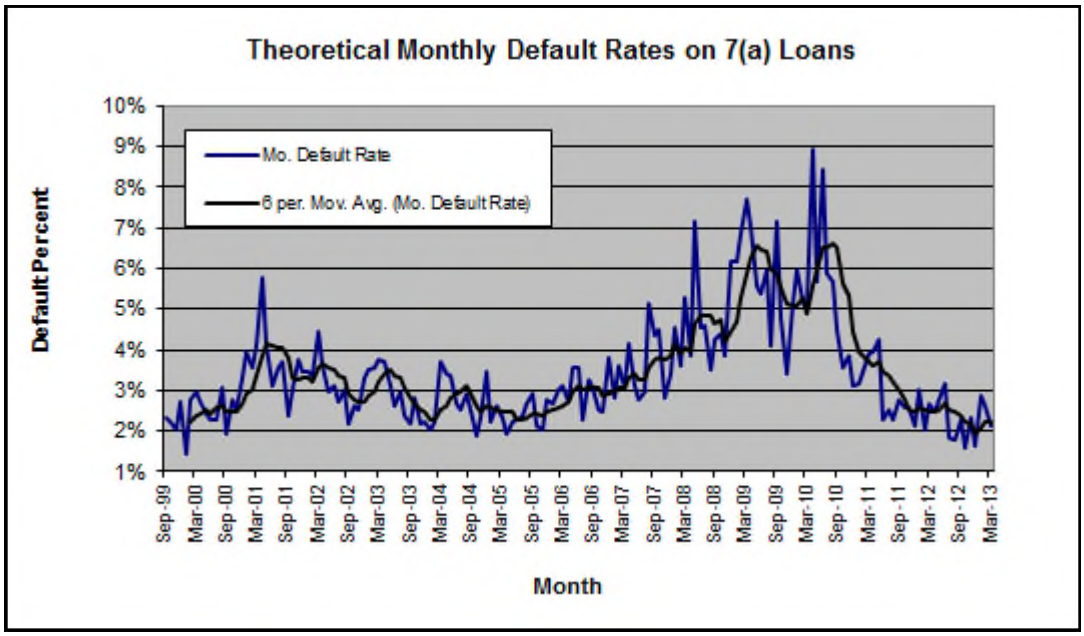
In March, the theoretical default rate fell another 18.77% to 2.14% from 2.63% in February. This decrease follows a 9% reduction between January and February.

This reading continues a string of nine consecutive months of sub-3% readings going back to last year.

Since May of 2011, we have been in a 2-3% band of default readings, which is on the lower end of historical levels, as seen in the chart at the right.

With no reason to believe that defaults are going to rise in the future, expect defaults to remain at historical lows well into the future.

For further information on the terminology and concepts used in this article, please refer to the "Glossary and Definitions" at the end of the report.



Default-Curtailment Ratios

In our Default-Curtailment Ratios (DCR) we witnessed increases in both the 7a and 504 ratios last month.

Please note that an increase in the DCR does not necessarily mean that the default rate is rising, only that the percentage of early curtailments attributable to defaults has increased.

SBA 7(a) Default Ratios

Last month, the 7(a) DCR remained above 30% for the third month in a row, rising 10% to 37.25% from 34.02%.

This month, voluntary prepayments fell by a greater percentage than defaults, causing the overall ratio to increase.

Turning to actual dollar amounts, defaults decreased by 17% to $73 million from $88 million. As for voluntary prepayments, they fell by 28% to $122 million versus $171 million.

SBA 504 Default Ratios

The 504 DCR rose for the first time in three months, increasing 57% to 26.14% from 16.63% the previous month. With defaults rising and voluntaries falling, the ratio increased.

Specifically, the dollar amount of defaults increased by $23 million to $53 million (+75%). As for voluntary prepayments, they fell by $2 million to $150 million (-2%).

Summary

While the 7a ratio still sits in the 30% range, the 504 ratio jumped back above 20% after a one month visit in the teens.

After significant decreases last year, expect both ratios to sit in these ranges for the immediate future.

For further information on the terminology and concepts used in this article, please refer to the "Glossary and Definitions" at the end of the report.

Graph on page 21

GLS Value Indices Continue Decline

In February, the GLS Value Indices continued their decline to lower Libor spreads, with four out of six sub-indices decreasing.

The Base Rate / Libor spread moved higher by 1 basis point to +2.98%. As for the prepayment element, CPRs were slightly higher in three out of six sub-indices.

By the end of February, the secondary market was on the verge of going above 120 for fully-priced, long loans. All told, the market moved about 1/2 higher by month's end.

Turning to the specifics, the largest decrease was seen in the GLS VI-2, which fell by 34% to 37 basis points. The other decreases, by order of magnitude, were: VI-3 (-26% to 34), VI-1 (-20% to 32) and VI-6 (-1% to 152).

Increases were seen, also by order of magnitude, in VI-4 (+25% to 163) and VI-5 (+.001% to 133.1).

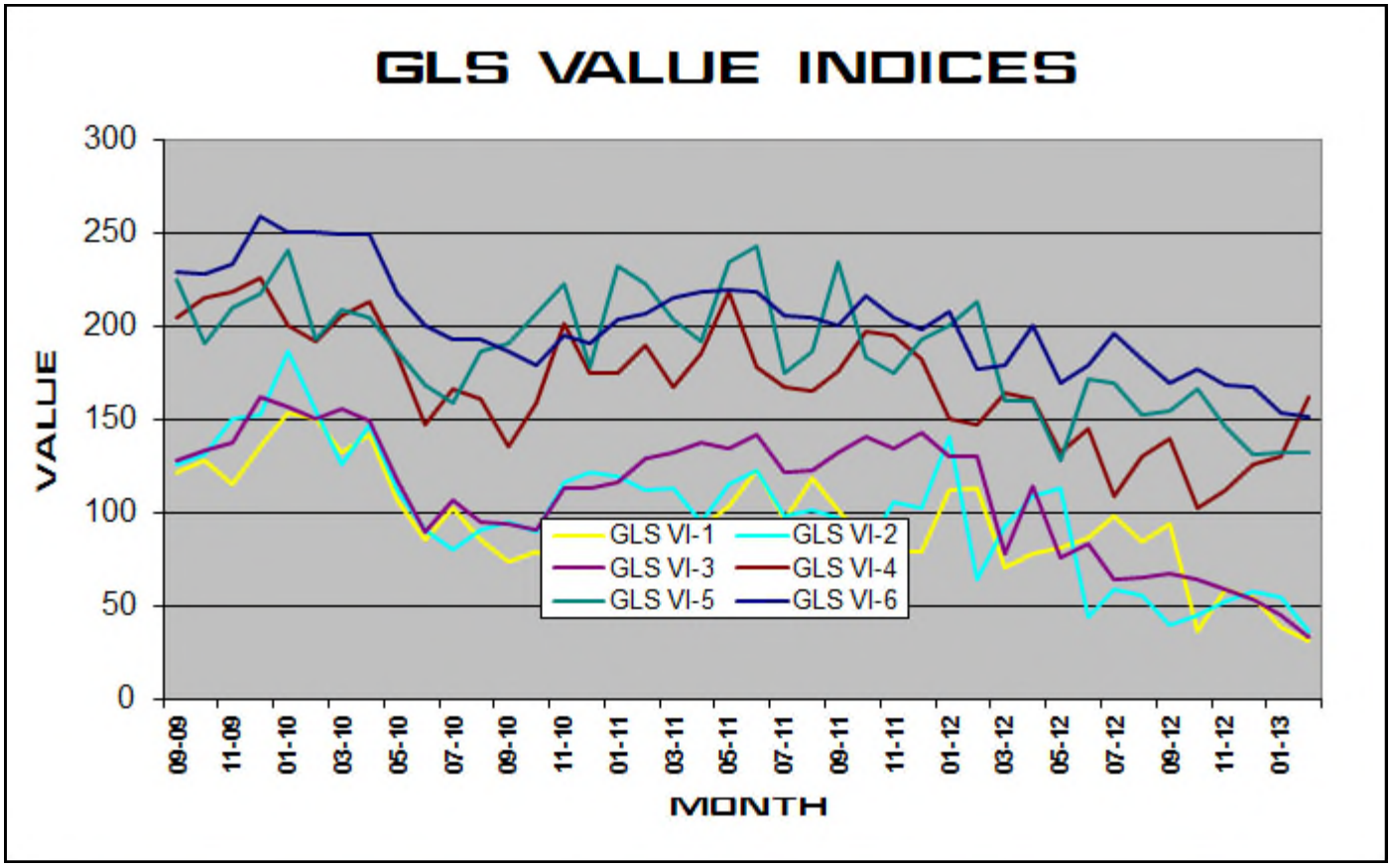
With the market on the verge of cresting 120, expect a pause at these levels as we digest the significant gains over the past 6 months.

For further information on the terminology and concepts used in this article, please refer to the "Glossary and Definitions" at the end of the report.

Data on pages 17-18, Graph below

7(a) Secondary Market Pricing Grid: February 2013

Maturity	Gross Margin	Net Margin	Servicing	This Month Price	Last Month Price	3-Mos. Ago Price	6-Mos. Ago Price	1-Yr. Ago Price
10 yrs.	2.75%	1.075%	1.00%	115.75	115.25	114.95	114.50	112.0625
15 yrs.	2.75%	1.075%	1.00%	116.50	116.00	115.50	114.75	112.75
20 yrs.	2.75%	1.075%	1.00%	119.00	118.375	117.875	117.00	114.50
25 yrs.	2.75%	1.075%	1.00%	119.75	119.25	118.35	117.375	115.375



GLS VALUE INDICES: SUPPORTING DATA

Table 1:

MONTH	BUCKET 1 CPR	BUCKET 2 CPR	BUCKET 3 CPR	BUCKET 4 CPR	BUCKET 5 CPR	BUCKET 6 CPR
Sep-09	12.74%	11.01%	11.83%	7.48%	6.70%	6.89%
Oct-09	12.45%	11.03%	11.31%	7.25%	7.85%	6.79%
Nov-09	12.11%	10.89%	11.01%	6.96%	7.13%	6.32%
Dec-09	11.33%	11.20%	10.55%	7.09%	7.80%	5.75%
Jan-10	11.16%	10.69%	10.30%	6.99%	8.00%	5.75%
Feb-10	10.05%	9.97%	10.00%	7.33%	8.84%	5.71%
Mar-10	9.90%	10.73%	10.07%	7.12%	8.75%	5.75%
Apr-10	9.96%	10.45%	9.72%	7.34%	8.12%	5.32%
May-10	10.56%	11.09%	10.28%	7.88%	8.53%	5.86%
Jun-10	10.94%	11.18%	10.41%	7.83%	8.53%	6.38%
Jul-10	10.32%	11.15%	10.57%	7.13%	8.59%	7.48%
Aug-10	10.45%	11.02%	10.16%	7.38%	8.25%	7.60%
Sep-10	11.29%	10.76%	10.54%	7.48%	8.01%	7.70%
Oct-10	11.35%	10.06%	10.28%	7.27%	7.29%	7.84%
Nov-10	10.55%	9.24%	8.82%	7.05%	6.45%	7.21%
Dec-10	10.89%	8.48%	8.45%	7.30%	5.61%	7.11%
Jan-11	11.99%	8.87%	7.84%	7.49%	5.03%	5.96%
Feb-11	11.22%	9.01%	7.57%	7.22%	4.91%	5.53%
Mar-11	10.43%	8.86%	7.07%	7.20%	5.13%	5.37%
Apr-11	10.60%	9.69%	7.38%	6.90%	4.95%	5.17%
May-11	10.82%	9.75%	7.26%	6.11%	5.51%	5.45%
Jun-11	10.25%	9.69%	6.81%	5.39%	5.70%	5.12%
Jul-11	10.02%	9.51%	6.38%	4.94%	6.11%	5.12%
Aug-11	10.25%	8.86%	6.16%	5.14%	6.04%	4.88%
Sep-11	10.23%	9.18%	6.13%	5.00%	5.15%	4.69%
Oct-11	10.29%	8.59%	5.53%	4.77%	5.77%	4.57%
Nov-11	9.94%	8.22%	5.59%	4.85%	5.75%	4.20%
Dec-11	9.74%	7.83%	5.62%	4.78%	5.59%	4.12%
Jan-12	9.00%	8.29%	6.20%	5.23%	5.04%	4.15%
Feb-12	9.17%	9.19%	6.18%	5.11%	4.64%	4.35%
Mar-12	8.53%	8.57%	6.34%	5.16%	5.14%	4.30%
Apr-12	8.52%	8.55%	6.18%	5.46%	4.65%	4.20%
May-12	10.19%	8.24%	6.31%	6.03%	4.86%	4.28%
Jun-12	10.42%	9.19%	6.72%	6.54%	4.93%	4.58%
Jul-12	10.78%	8.90%	6.50%	6.63%	5.55%	4.40%
Aug-12	11.30%	8.23%	6.67%	7.18%	5.97%	4.40%
Sep-12	12.35%	8.72%	6.85%	6.90%	6.46%	4.44%
Oct-12	11.44%	8.16%	7.16%	6.52%	6.34%	4.40%
Nov-12	11.31%	8.21%	7.15%	6.16%	6.19%	4.62%
Dec-12	10.87%	7.49%	7.26%	5.99%	5.74%	4.49%
Jan-13	10.83%	7.82%	7.82%	5.83%	6.36%	4.90%
Feb-13	10.54%	7.81%	8.55%	5.20%	6.47%	5.17%

Rolling six-month CPR speeds for all maturity buckets. Source: Colson Services

GLS VALUE INDICES: HISTORICAL VALUES

Table 2:

MONTH	WAVG LIBOR	WAVG BASE	BASE LIBOR SPD	GLS VI-1	GLS VI-2	GLS VI-3	GLS VI-4	GLS VI-5	GLS VI-6
Sep-09	0.29%	3.25%	2.96%	122.0	126.5	128.3	205.5	225.3	229.6
Oct-09	0.26%	3.25%	2.99%	128.2	131.3	133.9	216.0	191.2	228.8
Nov-09	0.26%	3.25%	2.99%	115.3	150.9	138.0	219.2	210.8	234.2
Dec-09	0.25%	3.25%	3.00%	136.1	153.4	**162.0**	**226.3**	218.0	**259.6**
Jan-10	0.25%	3.24%	2.99%	**153.9**	**186.5**	157.2	201.0	240.6	250.7
Feb-10	0.25%	3.23%	2.99%	150.8	155.1	150.4	192.3	193.0	250.7
Mar-10	0.26%	3.25%	2.99%	133.1	126.0	155.8	206.4	209.5	249.2
Apr-10	0.29%	3.25%	2.96%	142.1	147.5	149.3	213.6	205.1	250.0
May-10	0.41%	3.25%	2.84%	107.5	112.1	117.5	184.4	187.2	218.1
Jun-10	0.52%	3.25%	**2.73%**	85.9	90.9	90.1	147.5	168.7	200.4
Jul-10	0.46%	3.26%	2.80%	102.7	81.0	106.7	167.0	159.5	193.5
Aug-10	0.33%	3.26%	2.93%	85.6	91.6	95.4	161.6	186.6	193.2
Sep-10	0.28%	3.25%	2.97%	74.1	95.3	94.0	135.6	190.8	187.2
Oct-10	0.28%	3.25%	2.97%	79.8	89.7	91.3	159.8	207.2	179.5
Nov-10	0.27%	3.25%	2.98%	70.5	117.2	113.5	202.0	223.5	195.4
Dec-10	0.29%	3.25%	2.96%	79.7	121.8	113.3	175.5	178.1	191.3
Jan-11	0.29%	3.25%	2.96%	77.0	119.8	117.3	175.2	232.3	203.7
Feb-11	0.29%	3.25%	2.96%	88.9	112.9	129.8	190.4	222.9	207.6
Mar-11	0.30%	3.25%	2.95%	96.8	113.5	132.3	167.8	203.4	216.0
Apr-11	0.27%	3.25%	2.98%	92.5	95.9	137.6	186.2	192.5	218.8
May-11	0.24%	3.25%	3.01%	104.3	116.1	134.3	219.2	235.1	220.2
Jun-11	0.23%	3.24%	**3.01%**	123.1	123.0	141.8	178.1	**243.7**	218.4
Jul-11	0.24%	3.25%	3.01%	96.8	98.4	121.7	167.9	175.4	206.5
Aug-11	0.27%	3.24%	2.97%	118.6	101.5	122.8	165.8	186.4	205.3
Sep-11	0.32%	3.25%	2.93%	101.6	98.0	132.7	176.2	234.9	200.5
Oct-11	0.34%	3.24%	2.90%	85.5	80.8	141.1	197.4	183.4	216.3
Nov-11	0.41%	3.25%	2.84%	79.1	106.3	134.9	195.8	175.2	204.9
Dec-11	0.50%	3.25%	2.75%	79.6	103.0	143.8	182.6	193.6	198.5
Jan-12	0.44%	3.25%	2.81%	112.1	141.1	130.7	151.0	201.1	208.5
Feb-12	0.41%	3.25%	2.84%	113.5	65.0	130.5	148.1	214.0	177.6
Mar-12	0.44%	3.25%	2.81%	71.5	93.3	78.5	164.3	160.2	179.3
Apr-12	0.42%	3.25%	2.83%	78.7	109.6	114.6	161.0	160.2	200.8
May-12	0.43%	3.24%	2.81%	81.3	113.4	76.4	132.5	**128.0**	169.8
Jun-12	0.41%	3.23%	2.83%	87.1	44.0	83.7	145.5	172.0	179.8
Jul-12	0.39%	3.25%	2.86%	98.4	59.0	65.0	109.0	169.6	196.7
Aug-12	0.36%	3.25%	2.89%	85.4	56.2	65.8	130.4	152.5	182.2
Sep-12	0.33%	3.25%	2.91%	93.9	40.0	68.1	140.7	155.1	169.7
Oct-12	0.30%	3.25%	2.95%	37.4	46.0	64.8	**102.8**	166.5	177.2
Nov-12	0.29%	3.25%	2.95%	59.8	53.4	59.1	112.8	146.0	168.4
Dec-12	0.29%	3.25%	2.96%	55.0	58.2	54.5	126.4	131.2	167.6
Jan-13	0.28%	3.25%	2.97%	39.6	55.4	45.9	130.4	133.1	154.3
Feb-13	0.26%	3.24%	2.98%	**31.5**	**36.6**	**34.1**	162.7	133.1	**152.2**

INDICES LEGEND	
	HIGHEST READING
	LOWEST READING

GLS VI values for all maturity buckets for last 42 months.

YTD Prepayment Speeds

Table 3:

CPR/MO.	<8	8 - 10	10 - 13	13 - 16	16 - 20	20+	ALL
Jan-13	10.53%	11.19%	9.82%	6.56%	10.45%	6.64%	**7.84%**
Feb-13	9.77%	7.31%	10.53%	5.92%	6.33%	6.37%	**7.43%**
Mar-13	7.76%	6.29%	6.01%	6.78%	9.09%	4.92%	**5.57%**
Grand Total	**9.36%**	**8.30%**	**8.80%**	**6.42%**	**8.64%**	**5.97%**	**6.94%**

2013 monthly prepayment speeds broken out by maturity sector. Source: Colson Services

Table 4:

POOL AGE	<8	8 - 10	10 - 13	13 - 16	16 - 20	20+	ALL
Jan-13	27 Mos.	37 Mos.	36 Mos.	70 Mos.	51 Mos.	48 Mos.	**46 Mos.**
Feb-13	27 Mos.	37 Mos.	36 Mos.	67 Mos.	51 Mos.	48 Mos.	**46 Mos.**
Mar-13	27 Mos.	38 Mos.	36 Mos.	68 Mos.	49 Mos.	48 Mos.	**45 Mos.**

2013 pool age broken out by maturity sector. Source: Colson Services

YEAR-TO-DATE CPR DATA

Table 5:

< 8 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-13	4.23%	10.46%	21.01%	5.03%	7.88%
Feb-13	5.13%	14.47%	10.00%	8.51%	12.07%
Mar-13	2.30%	13.48%	4.27%	11.71%	11.20%
Grand Total	**3.88%**	**12.80%**	**12.20%**	**8.61%**	**10.39%**

10-13 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-13	5.19%	12.57%	19.73%	12.31%	6.09%
Feb-13	8.78%	10.25%	15.47%	12.80%	8.92%
Mar-13	3.44%	10.36%	7.47%	4.15%	4.91%
Grand Total	**5.74%**	**11.04%**	**14.37%**	**9.69%**	**6.66%**

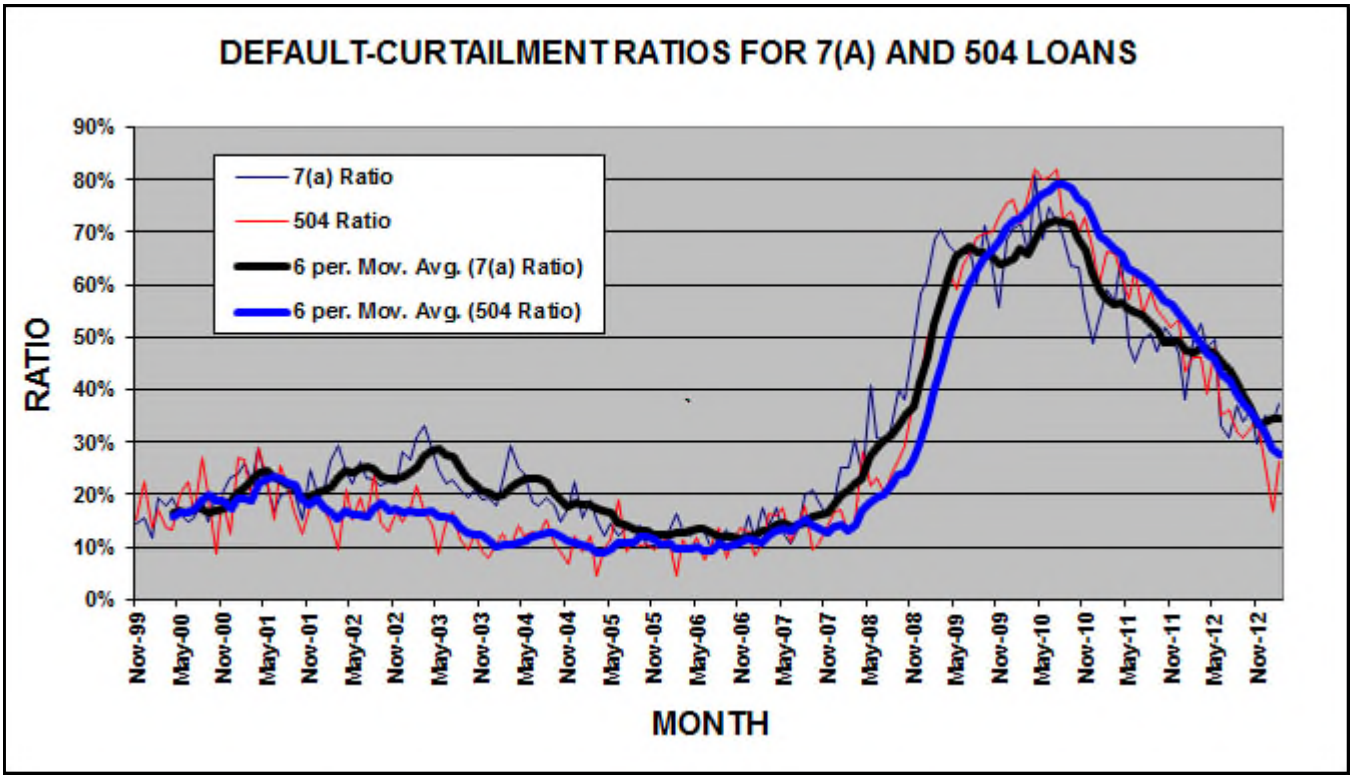
16-20 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-13	0.00%	28.18%	23.26%	8.62%	2.87%
Feb-13	0.00%	1.11%	11.33%	2.94%	10.08%
Mar-13	0.00%	17.98%	11.11%	10.10%	8.05%
Grand Total	**0.00%**	**16.27%**	**15.61%**	**7.17%**	**7.03%**

8-10 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-13	12.95%	16.91%	20.38%	3.82%	7.33%
Feb-13	1.59%	8.12%	6.14%	7.78%	10.91%
Mar-13	10.17%	6.99%	4.61%	3.05%	6.45%
Grand Total	**8.33%**	**11.31%**	**10.75%**	**4.92%**	**8.25%**

13-16 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-13	0.00%	4.32%	1.34%	2.31%	8.68%
Feb-13	0.00%	0.00%	19.17%	4.12%	6.13%
Mar-13	0.00%	9.49%	19.94%	11.28%	4.68%
Grand Total	**0.00%**	**4.58%**	**13.84%**	**6.60%**	**6.55%**

20+ BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-13	0.79%	8.14%	11.73%	8.28%	7.05%
Feb-13	1.23%	6.19%	11.91%	11.04%	6.38%
Mar-13	3.28%	4.60%	5.73%	6.27%	5.39%
Grand Total	**1.78%**	**6.30%**	**9.81%**	**8.57%**	**6.27%**

2013 YTD CPR by maturity and age bucket. Source: Colson Services



GLOSSARY AND DEFINITIONS: PAGE 1

Default-Curtailment Ratio

The Default-Curtailment Ratio (DCR), or the percentage of secondary loan curtailments that are attributable to defaults, can be considered a measurement of the health of small business in the U.S. GLS, with default and borrower prepayment data supplied by Colson Services, has calculated DCRs for both SBA 7(a) and 504 loans since January, 2000.

The default ratio is calculated using the following formula:

Defaults / (Defaults + Prepayments)

By definition, when the DCR is increasing, defaults are increasing faster than borrower prepayments, suggesting a difficult business environment for small business, perhaps even recessionary conditions. On the flip side, when the DCR is decreasing, either defaults are falling or borrower prepayments are outpacing defaults, each suggesting improving business conditions for small business.

Our research suggests that a reading of 20% or greater on 7(a) DCRs and 15% or greater on 504 DCRs suggest economic weakness in these small business borrower groups.

Theoretical Default Rate

Due to a lack of up-to-date default data, we attempt to estimate the current default rate utilizing two datasets that we track:

1. Total prepayment data on all SBA pools going back to 2003. This is the basis for our monthly prepayment information.

Total prepayment data on all secondary market 7(a) loans going back to 1999, broken down by defaults and voluntary prepayments. This is the basis for our monthly default ratio analysis.

With these two datasets, it is possible to derive a theoretical default rate on SBA 7(a) loans. We say "theoretical" because the reader has to accept the following assumptions as true:

1. The ratio of defaults to total prepayments is approximately the same for SBA 7(a) pools and secondary market 7(a) loans.

   Fact: 60% to 70% of all secondary market 7(a) loans are inside SBA pools.

2. The default rate for secondary market 7(a) loans closely approximates the default rate for all outstanding 7(a) loans.

   Fact: 25% to 35% of all outstanding 7(a) loans have been sold into the secondary market.

While the above assumptions seem valid, there exists some unknown margin for error in the resulting analysis. However, that does not invalidate the potential value of the information to the SBA lender community.

The Process

To begin, we calculated total SBA pool prepayments, as a percentage of total secondary loan prepayments, using the following formula:

Pool Prepay Percentage = Pool Prepayments / Secondary Loan Prepayments

This tells us the percentage of prepayments that are coming from loans that have been pooled. Next, we calculated the theoretical default rate using the following equation:

((Secondary Loan Defaults * Pool Prepay Percentage) / Pool Opening Balance) * 12

This provides us with the theoretical default rate for SBA 7(a) loans, expressed as an annualized percentage.

GLS Long Value Indices

Utilizing the same maturity buckets as in our CPR analysis, we calculate 6 separate indexes, denoted as GLS VI-1 to VI-6. The numbers equate to our maturity buckets in increasing order, with VI-1 as <8 years, VI-2 as 8-10 years, VI-3 as 10-13 years, VI-4 as 13-16 years, VI-5 as 16-20 years and ending with VI-6 as 20+ years.

The new Indices are basically weighted-average spreads to Libor, using the rolling six-month CPR for pools in the same maturity bucket, at the time of the transaction. While lifetime prepayment speeds would likely be lower for new loans entering the secondary market, utilizing six-month rolling pool speeds allowed us to make relative value judgments across different time periods.

We compare the bond-equivalent yields to the relevant Libor rate at the time of the transaction. We then break the transactions into the six different maturity buckets and calculate the average Libor spread, weighting them by the loan size.

For these indices, the value can be viewed as the average spread to Libor, with a higher number equating to greater value in the trading levels of SBA 7(a) loans.

GLOSSARY AND DEFINITIONS: PAGE 2

Prepayment Calculations

SBA Pool prepayment speeds are calculated using the industry convention of Conditional Prepayment Rate, or CPR. CPR is the annualized percentage of the outstanding balance of a pool that is expected to prepay in a given period. For example, a 10% CPR suggests that 10% of the current balance of a pool will prepay each year.

When reporting prepayment data, we break it into seven different original maturity categories: <8 years, 8-10 years, 10-13 years, 13-16 years, 16-20 years and 20+ years. Within these categories we provide monthly CPR and YTD values.

In order to get a sense as to timing of prepayments during a pool's life, we provide CPR for maturity categories broken down by five different age categories: 0-12 months, 13-24 months, 25-36 months, 37-48 months and 48+ months.

As to the causes of prepayments, we provide a graph which shows prepayment speeds broken down by voluntary borrower prepayment speeds, denoted VCPR and default prepayment speeds, denoted as DCPR. The formula for Total CPR is as follows:

Total Pool CPR = VCPR + DCPR

SBA Libor Base Rate

The SBA Libor Base Rate is set on the first business day of the month utilizing one-month LIBOR, as published in a national financial newspaper or website, plus 3% (300 basis points). The rate will be rounded to two digits with .004 being rounded down and .005 being rounded up.

Please note that the SBA's maximum 7(a) interest rates continue to apply to SBA base rates: Lenders may charge up to 2.25% above the base rate for maturities under seven years and up to 2.75% above the base rate for maturities of seven years or more, with rates 2% higher for loans of $25,000 or less and 1% higher for loans between $25,000 and $50,000. (Allowable interest rates are slightly higher for SBAExpress loans.)

Risk Types

The various risk types that impact SBA pools are the following:

Basis Risk: The risk of unexpected movements between two indices. The impact of this type of risk was shown in the decrease in the Prime/Libor spread experienced in 2007 and 2008.

Prepayment Risk: The risk of principal prepayments due to borrower voluntary curtailments and defaults. Overall prepayments are expressed in CPR, or Conditional Prepayment Rate.

Interest Rate Risk: The risk of changes in the value of an interest-bearing asset due to movements in interest rates. For pools with monthly or quarterly adjustments, this risk is low.

Credit Risk: Losses experienced due to the default of collateral underlying a security. Since SBA loans and pools are guaranteed by the US government, this risk is very small.

Secondary Market First Lien Position 504 Loan Pool Guarantee Program

As part of the American Recovery and Reinvestment Act (AKA the Stimulus Bill), Congress authorized the SBA to create a temporary program that provides a guarantee on an eligible pool of SBA 504 first liens. The program was authorized for a period of two years from the date of bill passage – February, 2009. The eligibility of each loan is dependent on the date of the SBA Debenture funding. To be eligible, the Debenture must have been funded on or after **February 17, 2009**. The total guarantee allocation is $3 Billion. HR 5297 provides for a two-year extension from the first pooling month, so that the end date of the program is now **September, 2012**.

The SBA announced that they will begin issuing the first pool guarantees in September, 2010 for early October settlement.

For the purposes of the program, a pool is defined as 2 or more loans. A pool must be either fixed (for life) or adjustable (any period adjustment including 5 or 10 years). If the pool is comprised of adjustable rate loans, all loans must have the same base rate (e.g. Prime, LIBOR, LIBOR Swaps, FHLB, etc.). Finally, each loan must be current for the lesser of 6 months or from the time of loan funding. Congress mandated that this be a **zero subsidy program to the SBA** (and the US taxpayer). The SBA has determined the program cost (management and expected losses) can be covered by an ongoing subsidy fee of .744% for fiscal year 2012.

GLOSSARY AND DEFINITIONS: PAGE 3

SBA 504 Program and Debenture Funding

To support small businesses and to strengthen the economy Congress created the U.S. Small Business Administration (SBA) in 1953 to provide a range of services to small businesses including financing. In 1958 Congress passed the Small Business Investment Act which established what is known today as the SBA 504 loan program.

The 504 loan program provides financing for major fixed assets, such as owner-occupied real estate and long-term machinery and equipment. A 504 project is funded by a loan from a bank secured with a first lien typically covering 50% of the project's cost, a loan from a CDC secured with a second lien (backed by a 100% SBA-guaranteed debenture) covering a maximum of 40% of the cost, and a contribution of at least 10% of the project cost from the small business being financed. The SBA promotes the 504 program as an economic development tool because it is a small-business financing product that generates jobs.

Each debenture is packaged with other CDC debentures into a national pool and is sold on a monthly basis to underwriters. Investors purchase interests in debenture pools and receive certificates representing ownership of all or part of a debenture pool. SBA uses various agents to facilitate the sale and service of the certificates and the orderly flow of funds among the parties involved. The debenture sales are broken into monthly sales of 20 year debentures and bi-monthly sales of 10 year debentures.

It is the performance of these debenture pools that we track in the CPR Report on a monthly basis.

Cloud Computing and the Banking Industry

What is Cloud Computing?

For many people and organizations, the term "cloud computing" is new and unfamiliar. However, it is a technology that has been used consistently since the 1950s. Many of us use cloud computing every day without even realizing it. Whenever we login to Facebook, send an email from a Gmail account, or use an enterprise planning systems, such as Oracle and Salesforce.com, we are accessing the cloud.
In simple terms, cloud computing means using hardware and software resources delivered as a service over a network. Most frequently, the network used is the Internet. Cloud-based applications are accessed through a web browser such as Microsoft's Internet Explorer and Google's Chrome, while data is stored on secure servers in custom designed data centers located throughout the United States and around the world. Businesses that use cloud computing enjoy many advantages, including an ability to get services and employees up and running faster because there is no software that needs to be downloaded and installed. Maintenance of cloud computing applications is easier, because the software does not need to be installed on each user's computer and can be accessed from multiple computers and devices. Proper cloud deployment can also provide the benefits of cost savings, better IT services, less maintenance, and higher levels of reliability.

Cloud Banking

As the banking industry evolves and adapts to changes in the competitive environment, banks will find it advantageous to move their data into the cloud. In fact, many banks are already in the cloud and just don't realize it, with data stored on Jack Henry and FIS systems.
The combination of the cloud's low cost and high scalability will help improve customer service, day-to-day operations, regulatory compliance, and the speed at which banks can operate, while reducing technology equipment and management costs.
Quite simply, cloud banking allows financial institutions to provide a more affordable and customized dialogue with their customers, regulators, employees and business partners.

SBI Pool and IO Strip Indexes

Through a joint venture called Small Business Indexes, Inc. or SBI, GLS and Ryan ALM introduced a group of total return indexes for SBA 7a pools and I/O strips with history going back to 1/1/2000.

Why did we do this?

Indexes have been around since 1896 when the Dow Jones Industrial Average was introduced. They have grown in importance to the financial markets, whereby today $6 trillion are invested in Index Funds throughout the world.

Continued on the following pages.

GLOSSARY AND DEFINITIONS: PAGE 4

SBI Pool and IO Strip Indexes...Continued

The reasons for having investment indexes are fivefold:

1. **Asset Allocation Models:** Asset Allocation usually accounts for over 90% of a client's total return and becomes the most critical asset decision. Such models use 100% index data to calculate their asset allocations. Bond index funds are the best representation of the intended risk/reward of fixed income asset classes.
2. **Transparency:** Most bond index benchmarks publish daily returns unlike active managers who publish monthly or even quarterly returns usually with a few days of delinquency. Such transparency should provide clients with more information on the risk/reward behavior of their assets so there are no surprises at quarterly asset management review meetings.
3. **Performance Measurement:** Creates a benchmark for professional money managers to track their relative performance.
4. **Dictates Risk/Reward Behavior:** By analyzing historical returns of an index, an investor can better understand how an asset class will perform over long periods of time, as well as during certain economic cycles.
5. **Hedging:** An investment index can provide a means for hedging the risk of a portfolio that is comprised of assets tracked by the index. An example would be hedging a 7a servicing portfolio using the SBI I/O Strip Index.

By creating investment indexes for SBA 7a pool and IO strips, these investments can become a recognized asset class by pension funds and other large investors who won't consider any asset class in their asset allocation models that does not have a benchmark index.

An additional use for the I/O index could be to allow 7a lenders to hedge servicing portfolios that are getting large due to production and the low prepayment environment. This increase in exposure to 7a IO Strips would be welcome by IO investors who are constrained by the amount of loans that are stripped prior to being pooled.

How are the indexes calculated?

The rules for choosing which outstanding pools are eligible for both the pool and IO indexes are the following:

Pool Size:

- $5 million minimum through 1/1/2005.
- $10 million minimum after 1/1/2005.

Pool Structure:

- Minimum of 5 loans inside the pool.
- Minimum average loan size of $250,000.

Pool Maturity:

- Minimum of 10 years of original maturity.
- Sub indices for 10-15 years and 15-25 year maturities.

The rules for remaining in the indices are the following:

Pool Size:

- Minimum pool factor of .25
- Factor Updates in the Indices are on the first of the month, based on the Colson Factor Report that is released in the middle of the previous month.

Pool Structure:

- Minimum of 5 loans inside the pool.

We have produced two weightings for each pool in the various indexes, "Actual" and "Equal":

"Actual" weighted Indices:

- The actual original balance of each pool is used to weight the pool in the index.
- An index for all eligible pools, as well as one for 10-15 years and one for 15-25 years of original maturity.
- A total of 3 actual weighted sub-indices.

"Equal" weighted Indices:

- An original balance of $10 million is assigned to each pool, regardless of its true size.
- An index for all eligible pools, as well as one for 10-15 years and one for 15-25 years of original maturity
- A total of 3 equal weighted sub-indices.

GLOSSARY AND DEFINITIONS: PAGE 5

SBI Pool and IO Strip Indexes...Continued

This equates to a total of (6) Pool sub-indices. We will refer to them on a go-forward basis as the following:

Actual Weighting:

- All 10-25 year in original maturity pools "All Actual"
- 10-15 year in original maturity pools "Short Actual"
- 15-25 year in original maturity pools "Long Actual"

Equal Weighting:

- All 10-25 year in original maturity pools "All Equal"
- 10-15 year in original maturity pools "Short Equal"
- 15-25 year in original maturity pools "Long Equal"

Return Calculations

Each index is tracked by its value on a daily basis, as well as the components of return.

Income Component

- Daily return is calculated for the contribution of interest earned.

Mark-to-Market Component

- Daily return is calculated for the contribution of Mark-To-Market changes.

Scheduled Principal Component

- Daily return is calculated for the contribution of normal principal payments. Only impacts the first of the month.

Prepayed Principal Component

- Daily return is calculated for the contribution of prepayed principal payments. Only impacts the first of the month.
- We have also added a Default Principal Component and a Voluntary Principal Component that, together, equate to the Prepayed Principal Component. This also only impacts the first of the month.

Total Principal Component

- Daily return is calculated for the contribution of all principal payments. Only impacts the first of the month.

The formula for Total Daily Return is as follows:

Total Daily Return = Income Return + MTM Return + Principal Return

The Principal Return is generated using the following formula:

Principal Return = Prepayed Principal Return + Scheduled Principal Return

The I/O Strip Indexes are a bit more involved, since we have to calculate the pricing multiple, as well as the breakdown between income earned and return of capital from interest accruals and payments. Here are the specific rules for the I/O Strip Indexes:

- The I/O Strip Indices utilize the same pools as the Pool Indices.
- Each pool is synthetically "stripped" upon entering the I/O Indices.
- For the equal and actual weighted indices and the maturity sub-indices (10-15 and 15-25), the pools are split into two even buckets utilizing the pool reset margins. The bucket with the higher margins we refer to as the "Upper Bucket" and the lower margin pools are in the "Lower Bucket".
- The weighted average reset margin and pool MTM is calculated for each bucket. The MTM is the same one utilized in the pool indices.
- The weighted average price of the Lower Bucket is subtracted from the Upper Bucket. The same thing is done for the weighted average reset margin.
- The MTM difference is divided by the reset margin difference, giving us the pricing multiple by maturity and weighting.
- The end result is a pricing multiple for equal and actual weighting for 10-15 year pools and 15-25 year pools, totaling (4) distinct multiples.
- Not all interest received is considered earned income, therefore interest received by the stripped pools is divided into earnings and return of capital, utilizing OID accounting rules.

GLOSSARY AND DEFINITIONS: PAGE 6

SBI Pool and IO Strip Indexes...Continued

- The OID accounting rule create a straight-line return of capital upon entry into the index and the difference between the return of capital and interest received is earned income.
- Fundamentally, high prepayments can push more received interest into return of capital, thus limiting earned income. Excellent prepayment performance can generate large amounts of earned income over time.

Once the return percentages are determined for each day, it is then applied to the previous day's index level, in order to calculate the index levels for that day.

Supporting Calculations

To aid in the analysis of the indexes, we track (22) distinct calculations for each of the (6) sub-indices:

Size

- Pool count and total outstanding balance

Structure

- Weighted average issue date, maturity date, reset date, maturity months, remaining months, age, coupon, reset margin, strip percent (strip indexes only).

Price and Yield

- Weighted average pool price, bond-equivalent yield, strip discount rate, multiple and strip pricing (strip indexes only)

Other Calculations

- CPR assumption, weighted average life, modified duration, index duration, strip duration and strip return of capital average life.

SBI Rich / Cheap Analysis

The SBI Rich /Cheap Analysis is an attempt to create a "fair value" pricing model, based on 13 years of historical index pricing. We then compare the fair value price to current market levels, as represented by the GLS pricing models. We do this for 10 to 15 year maturity index-eligible pools and for 15+ maturity ones, effectively creating two separate calculations.

The first step was to create a fair value pricing algorithm for each maturity bucket, which is based on the following historical inputs:

Fundamental Inputs:

- The rolling 12-month historical CPR for all pools, including non-eligible ones, inside each maturity bucket.
- The previous month's 1 month CPR for the same population and maturity bucket.
- We used all pools, since the GLS pricing models do not differentiate between eligible and non-eligible pools.
- Weighted average pool coupon.

We chose the prepayment inputs in order to provide a directional element for pool prepayments. For instance, when the 1 month CPR is lower than the 12 month one, than the trend for prepayments is lower and when it is higher, the trend is toward higher prepayments.

We added the coupon input to add market level interest rates to the analysis. Since we are only using floating-rate SBA 7a pools that reset monthly or quarterly, this input is a proxy for the base rate on the pricing date.

Structural Inputs:

- Weighted average pool net margin to the base rate.
- Weighted average remaining months to maturity.
- Weighted average pool age.

GLOSSARY AND DEFINITIONS: PAGE 7

SBI Rich / Cheap Analysis...Continued

The structural inputs put the weighted average index price into context, based on the amount and number of interest payments into the future.

The algorithm will be re-calibrated on an annual basis with the addition of the previous year's pricing data and then applied to the next year's pricing data to calculate the fair value price.

Methodology

We used multiple regression for the analysis and achieved an r-squared of .80 for the 10-15 year maturity bucket and .95 for the 15+ maturity bucket. We then subtracted the fair value price from the index pricing level to find the difference between these two pricing elements. Basically, when the index pricing level is higher than the fair value price, the index price is, to varying degrees, "rich" and when it is below the fair value price, it is "cheap".

Additionally, we determined that a "Fair Value Band" was necessary for the analysis. We decided that when the two pricing components are within +.50 and –.50 of each other (green portion of the accompanying graph), the index pricing level was fairly valued as per the model.
When the index price rose above the fair value band, the market for SBA pools is considered "Rich", or expensive compared to historical pricing and when it is below the band, it is "Cheap" or inexpensive as compared to our fair value price.

POWERED BY:

Phone: (216) 456-2480
Fax: (216) 456-2481
Web Site: www.glsolutions.us
E-mail: info@glsolutions.us

Government Loan Solutions

812 Huron Road
Cleveland, OH 44115

Government Loan Solutions' CPR Report is a monthly electronic newsletter published by Coleman Publishing.

Government Loan Solutions' CPR Report is distributed in pdf format via e-mail.

The subscription to the Government Loan Solutions' "CPR Report" is free to all members of the SBA Community.

To subscribe, please contact Tim Turrittin at (216) 456-2480 ext. 144 or via email at: tnt@glsolutions.us

Government Loan Solutions, Inc. (GLS) *was founded by three former Bond Traders in Cleveland, OH. Our current partners possess a combined 50 years experience in the institutional fixed income markets, 30 of which are in the loan securitization business. GLS formally began operations in January, 2007. Our mission is as follows:*

"The purpose of Government Loan Solutions is to bring greater efficiency, productivity and transparency to the financial markets. Through the use of proprietary technology, we intend to aid lenders in all aspects of their small business lending, help loan securitizers be more productive in their operational procedures and provide quality research to the investor community ."

Services available include:

Lenders:

- *Manage loan sales to the secondary market*
- *Process loan settlements via our electronic platform, E-Settle*
- *Third-Party servicing and non-guaranteed asset valuation*
- *Model Validation*
- *Specialized research projects*
- *Mortgage Servicing Valuation*

Loan Securitizers:

- *Manage loan settlements and pool formation*
- *Loan and IO accounting*
- *Loan, Pool and IO Mark-To-Market*
- *Specialized research projects*

Institutional Investors:

- *Loan, Pool, and IO Mark-To-Market*
- *Specialized research projects*
- *Portfolio consulting*

For additional information regarding our products and capabilities, please contact us at:
Phone: (216)456-2480 E-mail at: info@glsolutions.us web: www.glsolutions.us