

# THE CPR REPORT

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

VOLUME 11, ISSUE #4 APRIL, 2017

BOB JUDGE, GLS  
EDITOR



## SPECIAL POINTS OF INTEREST:

- 7a Prepays lower
- 7a League Tables
- 7a Default Rate Update

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## 7(a) Prepays Go Below 7%

In March, prepays fell by 6%, going below CPR 7% for the first time this year.

A decrease in voluntary prepayments (CRR) offset a slight increase in defaults (CDR), leading to an overall decrease in the CPR.

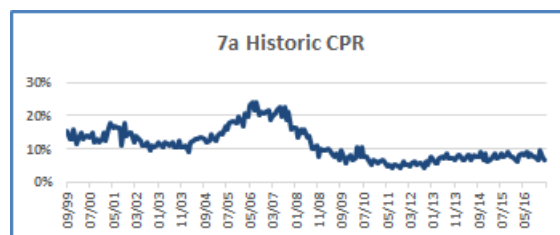
Specifically, voluntary prepayments fell by 7.5% to CRR 5.86% while defaults moved up by 1.43% to CDR 0.90% versus February results.

For the record, defaults have remained below CDR 2% for 43 months in a row.

In comparing YOY prepayment speeds for 2017 versus 2016, this year is running 5% (7.85% vs. 6.95%) above last year after three months.

As for the largest sector of the market, 20+ years to maturity, prepayment speeds fell by 3% to 6.80% from 7.02% previously.

Preliminary data for next month suggests that prepayments will rise above 9% for the second time this year.



Regarding our maturity buckets, prepayment speeds fell in four out of six categories.

Decreases were seen, by order of magnitude, in the 16-20 year sector (-66% to CPR 3.42%), <8 (-15% to CPR 12.71%), 10-13

*Continued on page 7. Charts begin on next page and continue on page 31*

## 7(a) Pooling League Tables

For YTD 2017, Signature Bank retook the lead in assembled pools of all maturities with \$569 million in deals through March.

They are followed by SunTrust Bank with \$418MM, Raymond James (\$238MM) and Coastal Securities, now FTN Financial, (\$198MM).

For all assemblers, a total of \$2.15 billion have been formed in the first three months of the year.

Turning to the second largest issuance maturity bucket, 10-13 year pools, Coastal/FTN is the leader with \$139MM, followed by Raymond James (\$119MM),

SunTrust (\$118MM) and Vining-Sparks (\$95MM). A total of \$754MM has been issued in this bucket through March.

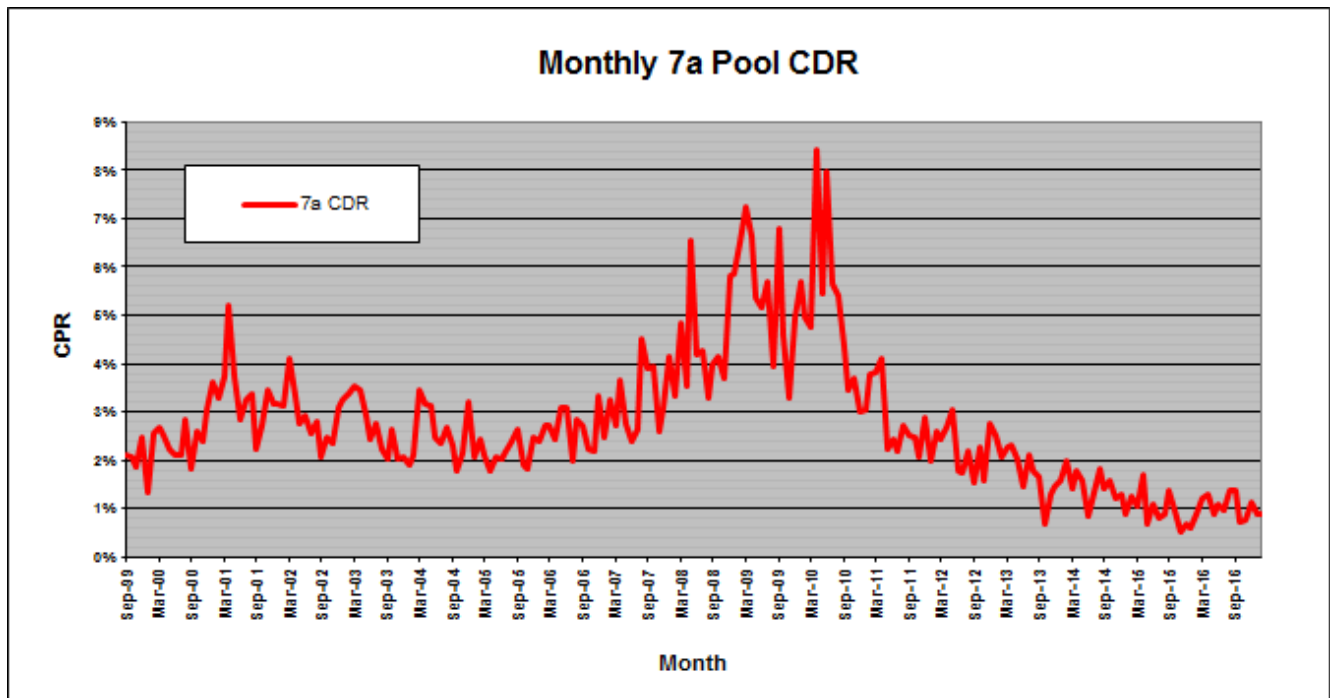
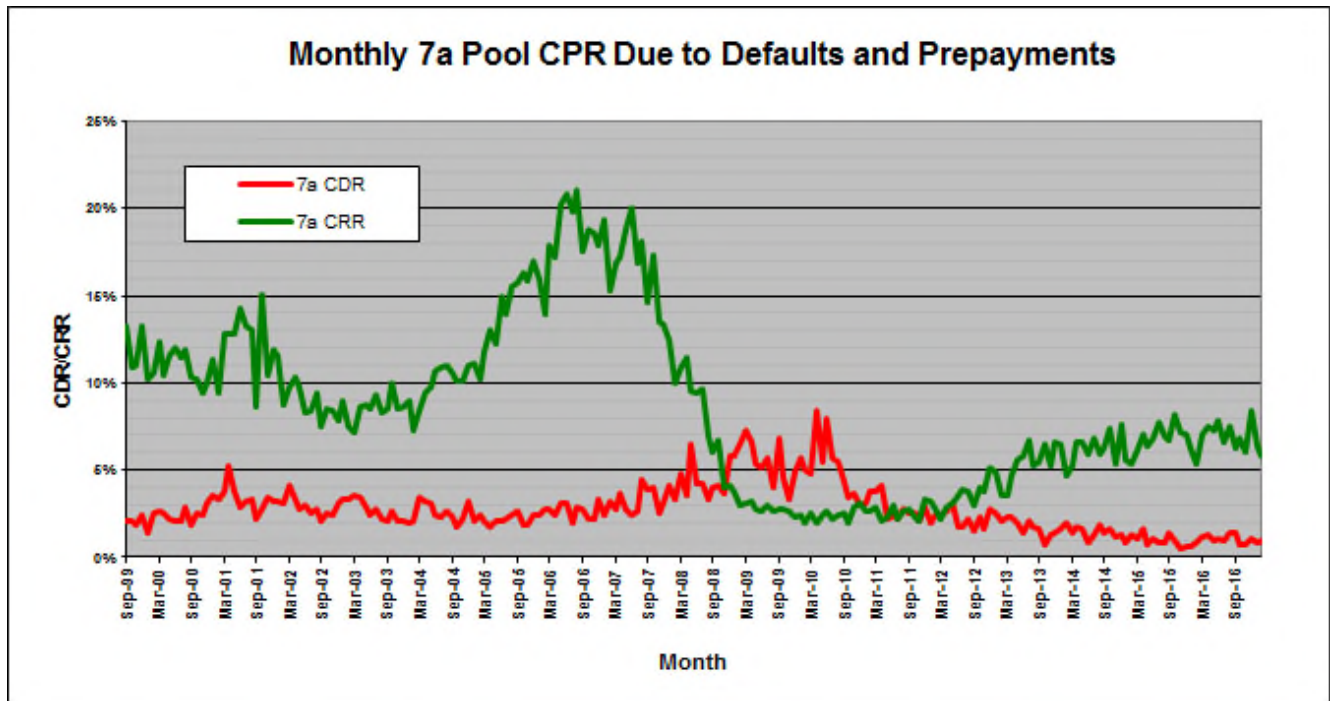
As for the largest issuance bucket, 20+ years to maturity, Signature continues to lead with

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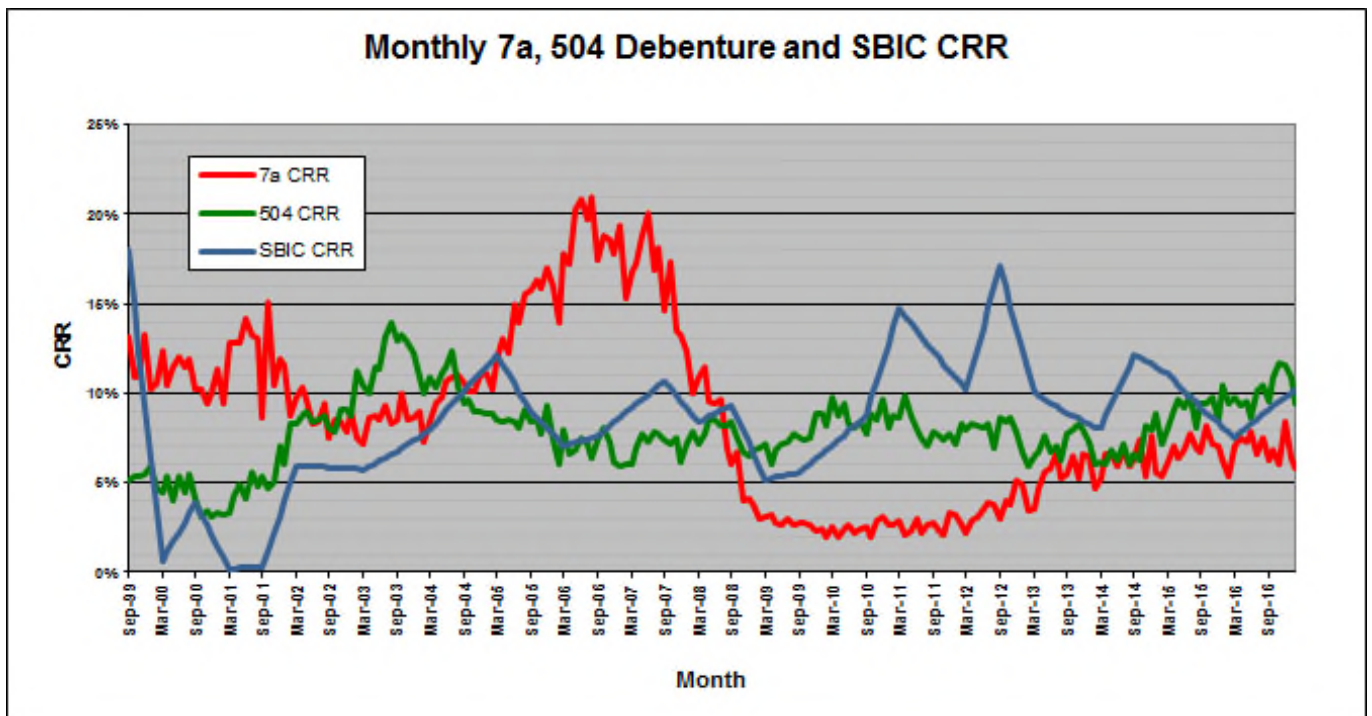
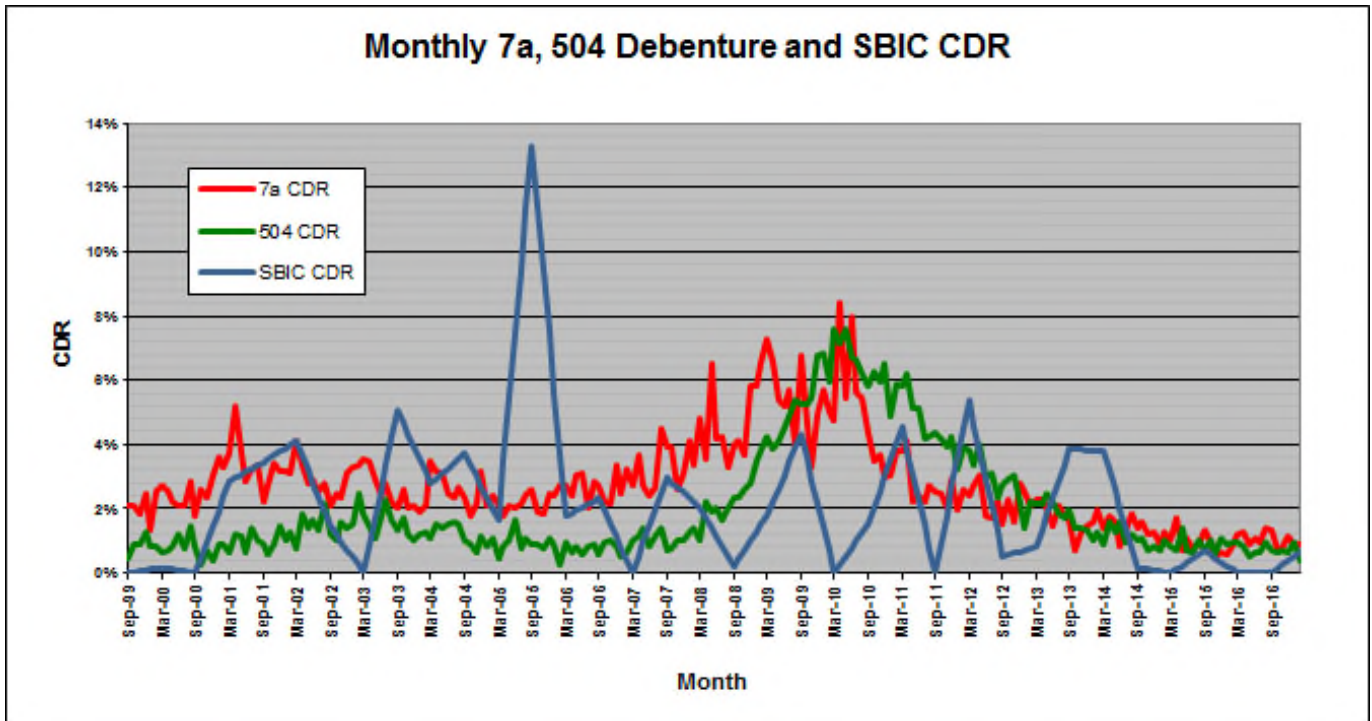
## SMALL BUSINESS FACT OF THE MONTH

Almost seven in 10 baby boomers plan to work past the age of 65. That means a lot of family businesses are dealing with parents who aren't ready to retire and their children who aren't sure when and if they will ever run it on their own. Source: WSJ

## 7(a) Prepayment Speeds...Continued



## 7(a) Prepayment Speeds...Continued



## ***SBA 7(a) Pool Buyers —***

### ***Do you want market yields but with more diversification?***

The Solomon Hess SBA Loan Fund, a \$400 million loan fund, is accepting equity from investors that like the SBA 7(a) asset but don't like the high premiums and choppy cash flows that come with owning 7(a) pools

### **Solomon Hess SBA Loan Fund Characteristics**

- Investment in a “Mega-pool”: Composed of roughly 800 SBA 7(a) loans located across the country and over 260 different types of businesses, the Solomon Hess SBA Loan Fund provides investors with significant geographical and economic diversification
- Transparent Income: The Preferred Return, which is now set at 2.10%, is established at the start of each quarter so an investor can know with a high degree of confidence what the investment will yield for that quarter. Since inception in 2004, the Solomon Hess SBA Loan Fund has always paid the stated Preferred Return
- Investor Friendly Structure: Investors' Preferred Return is paid before the manager earns its management fee
- Liquidity: Provided quarterly and investors are redeemed at 100% of their capital accounts — no brokerage fee or withdrawal charge

**Solomon Hess SBA Loan Fund:**  
**a better alternative to SBA 7(a) pool investing**

***For information contact Michelle Lai, Investor Relations  
at [Mgolai@SolomonHess.com](mailto:Mgolai@SolomonHess.com) or 703.466.0483***

The Preferred Return is subject to change. Past performance is not indicative of future results and future results are not guaranteed. Prospective investors should consult with their regulator and counsel prior to investing.





ncino Spreads

Income Statement Balance Sheet Cash Flow Statement UCA Cash Flow Ratios

Port City Coffee 2014 Months End of Period ☒ Common Sizing ☐ Show Operations

Configure Groups Global Analysis

	2012	CS %	2013	CS %	2014	CS %
	Tax Return		Tax Return		Projected	
Gross Profit						
Sales	743,000.00	100.0	943,000.00	100.0	1,124,000.00	100.0
(Returns & allowances)	(12,000.00)	1.6	(15,000.00)	1.6	(27,000.00)	2.4
(Cost of goods sold)	(350,987.00)	47.2	(450,989.00)	47.8	(569,523.00)	50.7
Gross Profit	\$380,013.00	51.1	\$477,011.00	50.6	\$527,477.00	46.9
Operating expense						
Sales, gen & admin expense	270,000.00	36.3	239,839.00	25.4	326,000.00	29.0
Admin. wages & salaries	75,000.00	10.1	85,000.00	9.0	152,000.00	13.5
Officers compensation	34,000.00	4.6	10,000.00	1.1	50,000.00	4.4
Rent	16,500.00	2.2	18,000.00	1.9	0.00	0.0
Bad debt	0.00	0.0	0.00	0.0	0.00	0.0
Insurance	2,800.00	0.4	3,000.00	0.3	6,000.00	0.5
Professional fees	450.00	0.1	700.00	0.1	1,500.00	0.1

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- » Consistent Underwriting Practices
- » Timely, Quality Credit Decisions

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- 1<sup>st</sup> TD loan amounts up to \$8 million
- All states considered!
- Referral fees available
- Business Loan Capital will fund the 1<sup>st</sup> TD & Interim Loans

### Multi-Use Property Types:

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- Office
- Industrial
- Medical
- Flex
- Auto Body
- Retail

### Special-Use Property Types:

- Hospitality
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- Restaurant
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- Bowling Alleys
- Urgent Care Centers
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- Car Dealerships
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## 7(a) Prepayment Speeds Commentary...Continued

(-7% to CPR 6.56%) and 20+  
(-3% to CPR 6.80%).

Increases were seen, also by  
order of magnitude, in 13-16  
(+102% to CPR 11.29%) and 8-  
10 (+7% to CPR 8.99%).

While this month came in low, a  
second +9% print coming next  
month could foreshadow higher  
prepayment speeds for the rest  
of 2017.

*For further information on the terminol-  
ogy and concepts used in this article,  
please refer to the "Glossary and Defini-  
tions" at the end of the report.*

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*Data continues on page 31*

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## 7(a) Pooling League Tables...Continued

\$478MM, followed by SunTrust  
(\$263MM), Zions Bank  
(\$104MM) and Raymond James  
(\$104MM). Through March,  
\$1.287MM has been issued in the  
long-end.

March saw the first fixed rate  
pool issuance of the year and  
J.V.B. Financial leads with  
\$15.7MM.

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*Data continues on next page*

## 7(a) Pool Assembler League Tables—Through 3/2017

<b>POOL ASSEMBLER</b>	<b>ALL POOLS</b>
SIGNATURE BANK	\$569,239,902
SUNTRUST BANK	\$417,906,213
RAYMOND JAMES BANK, N.A.	\$238,324,101
COASTAL SECURITIES	\$197,641,967
VINING-SPARKS IBG, L.P.	\$167,572,751
STIFEL NICOLAUS & COMPANY, INC.	\$156,040,621
ZB, NATIONAL ASSOCIATION	\$114,057,970
CANTOR FITZGERALD & CO.	\$95,300,818
KGS-ALPHA CAPITAL MARKETS, L.P.	\$78,147,509
STONEWALL INVESTMENTS INC. dba HANOVER SEC.	\$48,187,298
FTN FINANCIAL	\$33,372,798
J.V.B. FINANCIAL GROUP. LLC	\$33,125,153
<b>TOTAL</b>	<b>\$2,148,917,103</b>

## 7(a) Pool Assembler League Tables, 10-13 year maturity pools—Through 3/2017

<b>POOL ASSEMBLER</b>	<b>10-13 YRS.</b>
COASTAL SECURITIES	\$138,897,372
RAYMOND JAMES BANK, N.A.	\$119,376,449
SUNTRUST BANK	\$118,190,386
VINING-SPARKS IBG, L.P.	\$94,786,344
SIGNATURE BANK	\$91,520,807
STIFEL NICOLAUS & COMPANY, INC.	\$76,804,189
CANTOR FITZGERALD & CO.	\$57,916,593
FTN FINANCIAL	\$33,372,798
KGS-ALPHA CAPITAL MARKETS, L.P.	\$13,591,149
ZB, NATIONAL ASSOCIATION	\$9,932,313
<b>TOTAL</b>	<b>\$754,388,399</b>



## 7(a) Pool Assembler League Tables, 20+ year maturity pools—Through 3/2017

<b>POOL ASSEMBLER</b>	<b>20+ YRS.</b>
SIGNATURE BANK	\$477,719,096
SUNTRUST BANK	\$263,278,693
ZB, NATIONAL ASSOCIATION	\$104,125,657
RAYMOND JAMES BANK, N.A.	\$104,065,465
VINING-SPARKS IBG, L.P.	\$72,786,407
KGS-ALPHA CAPITAL MARKETS, L.P.	\$64,556,360
STIFEL NICOLAUS & COMPANY, INC.	\$51,008,935
STONEWALL INVESTMENTS INC. dba HANOVER SEC.	\$48,187,298
CANTOR FITZGERALD & CO.	\$36,135,221
J.V.B. FINANCIAL GROUP. LLC	\$33,125,153
COASTAL SECURITIES	\$32,208,281
<b>TOTAL</b>	<b>\$1,287,196,566</b>

## 7(a) Pool Assembler League Tables, Fixed Rate pools—Through 3/2017

<b>POOL ASSEMBLER</b>	<b>FIXED RATE</b>
J.V.B. FINANCIAL GROUP. LLC	\$15,745,883
<b>TOTAL</b>	<b>\$15,745,883</b>



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## SBA 7(a) Secondary Mkt. Presented by Bob Judge

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- Best loan structures & who makes market;
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- Best loan structures & financing uses;
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## 7(a) Fixed Rate Prepayment Speeds

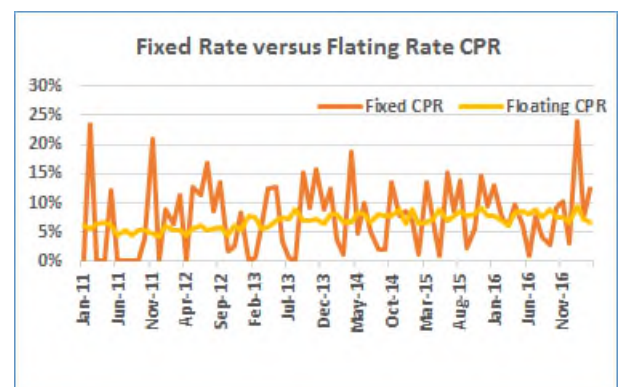
CPR/MO	Fixed Balance	Fixed CPR	Floating Balance	Floating CPR	Diff
Feb-15	\$171,432,354	1.12%	\$23,724,444,352	6.48%	-5.36%
Mar-15	\$168,769,006	13.57%	\$24,075,928,509	6.58%	6.99%
Apr-15	\$167,166,677	6.98%	\$24,203,932,892	7.18%	-0.20%
May-15	\$179,743,052	1.06%	\$24,394,038,956	8.78%	-7.72%
Jun-15	\$176,678,991	15.25%	\$24,508,300,893	7.06%	8.19%
Jul-15	\$174,747,030	8.68%	\$24,649,191,221	7.90%	0.78%
Aug-15	\$191,399,575	13.83%	\$24,662,117,205	8.52%	5.31%
Sep-15	\$190,363,888	2.40%	\$25,018,538,680	7.81%	-5.42%
Oct-15	\$188,533,689	5.74%	\$25,184,476,286	8.08%	-2.35%
Nov-15	\$185,393,600	14.81%	\$25,490,658,951	9.18%	5.64%
Dec-15	\$196,415,697	9.53%	\$25,547,137,931	7.69%	1.84%
Jan-16	\$200,735,181	12.97%	\$25,965,198,477	7.73%	5.23%
Feb-16	\$198,759,022	7.57%	\$26,454,322,427	6.92%	0.66%
Mar-16	\$201,757,358	6.23%	\$26,564,464,378	6.20%	0.03%
Apr-16	\$202,123,906	9.75%	\$26,863,110,971	8.25%	1.50%
May-16	\$209,651,936	6.17%	\$27,178,015,915	8.74%	-2.57%
Jun-16	\$230,501,873	0.85%	\$27,227,489,955	8.16%	-7.31%
Jul-16	\$228,018,684	7.88%	\$27,470,179,852	8.91%	-1.03%
Aug-16	\$234,137,415	4.32%	\$27,860,660,850	7.54%	-3.22%
Sep-16	\$252,157,613	2.81%	\$27,982,882,075	8.88%	-6.07%
Oct-16	\$267,946,391	9.12%	\$28,349,233,016	7.67%	1.45%
Nov-16	\$273,517,298	10.15%	\$28,901,107,966	7.54%	2.61%
Dec-16	\$271,926,661	3.13%	\$29,291,681,230	6.80%	-3.68%
Jan-17	\$277,620,282	24.05%	\$29,428,876,802	9.58%	14.47%
Feb-17	\$274,946,789	7.46%	\$29,834,570,602	7.23%	0.24%
Mar-17	\$271,023,412	12.51%	\$30,013,609,865	6.76%	5.74%

In March, fixed rate pools came in with a prepay speed of CPR 12.51%, which was CPR 5.74% higher than the floating rate speed of CPR 6.76%.

This represents the fifth month out of the past six where the fixed rate CPR was higher than the floating rate one.

March reporting (February formed pools) saw no new fixed rate pool issuance.

*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.*



# SBIC Debenture Prepayment Speeds

Historical SBIC Defaults and Voluntary Prepayments

MONTH	SBIC DEB CDR	SBIC DEB CRR	SBIC DEB CPR	SBIC DEB AMORT EQUIV CPR
9/1/2001	3.47%	0.28%	3.74%	-5.41%
3/1/2002	4.14%	6.03%	10.04%	0.13%
9/1/2002	1.47%	5.94%	7.37%	-3.09%
3/1/2003	0.00%	5.81%	5.81%	-3.70%
9/1/2003	5.13%	6.84%	11.79%	2.60%
3/1/2004	2.79%	8.11%	10.78%	0.24%
9/1/2004	3.74%	10.37%	13.92%	3.82%
3/1/2005	1.63%	12.43%	13.95%	3.83%
9/1/2005	13.67%	9.19%	22.19%	13.21%
3/1/2006	1.76%	7.18%	8.88%	-1.77%
9/1/2006	2.34%	7.75%	10.00%	0.13%
3/1/2007	0.00%	9.39%	9.39%	-0.40%
9/1/2007	2.99%	10.91%	13.73%	3.57%
3/1/2008	2.04%	8.57%	10.53%	0.52%
9/1/2008	0.19%	9.53%	9.71%	-1.12%
3/1/2009	1.79%	5.23%	6.97%	-3.65%
9/1/2009	4.36%	5.64%	9.87%	-1.02%
3/1/2010	0.00%	7.22%	7.22%	-4.32%
9/1/2010	1.50%	8.87%	10.30%	-1.09%
3/1/2011	4.51%	15.21%	19.36%	9.14%
9/1/2011	0.00%	12.66%	12.66%	2.32%
3/1/2012	5.45%	10.39%	15.55%	5.42%
9/1/2012	0.50%	17.80%	18.26%	8.37%
3/1/2013	0.84%	10.28%	11.08%	1.75%
9/1/2013	3.89%	9.07%	12.78%	2.70%
3/1/2014	3.82%	8.10%	11.76%	1.45%
9/1/2014	0.16%	12.17%	12.33%	1.76%
3/1/2015	0.00%	11.09%	11.09%	0.26%
9/1/2015	0.67%	9.17%	9.81%	-0.72%
3/1/2016	0.00%	7.55%	7.55%	-3.93%
9/1/2016	0.00%	9.08%	9.08%	-1.95%
3/1/2017	0.78%	10.45%	11.18%	-0.51%

Reprinted from March, 2017:

For March, we saw overall CPRs rise into the double-digits, recording a CPR 11.18%, which represents the highest print since 9/2014.

SBIC Defaults and Voluntary Prepayments by  
Debenture Age

SBIC DEB AGE	SBIC CDR	SBIC CRR	SBIC CPR	AMORT EQUIV CPR
0	0.00%	0.00%	0.00%	0.00%
6	0.32%	1.04%	1.36%	-7.49%
12	0.28%	1.60%	1.87%	-7.47%
18	0.28%	3.22%	3.49%	-6.29%
24	1.00%	4.06%	5.04%	-5.26%
30	1.79%	9.10%	10.81%	0.43%
36	1.32%	9.49%	10.75%	-0.47%
42	1.41%	12.69%	14.01%	2.27%
48	2.06%	12.55%	14.47%	1.67%
54	2.93%	14.47%	17.19%	3.58%
60	2.91%	20.16%	22.76%	8.69%
66	3.40%	28.96%	31.82%	17.84%
72	3.94%	29.01%	32.33%	16.50%
78	4.19%	23.45%	27.11%	7.26%
84	6.01%	22.49%	27.77%	4.45%
90	3.45%	19.50%	22.59%	-8.19%
96	11.46%	29.59%	39.15%	7.88%
102	8.40%	25.62%	32.84%	-15.11%
108	11.15%	42.87%	51.22%	-5.18%
114	18.05%	40.24%	53.99%	-73.75%
120	21.11%	0.00%	21.11%	0.00%

Once we correct for amortization using our Amortization Equivalent CPR (AECPR) calculation, we see that prepaes actually remained in negative territory for the fourth month in a row, coming in at AECPR -0.51%.

Turning to the components, defaults came in at 0.78% CDR, while the un-amortized CRR came in at 10.45%.

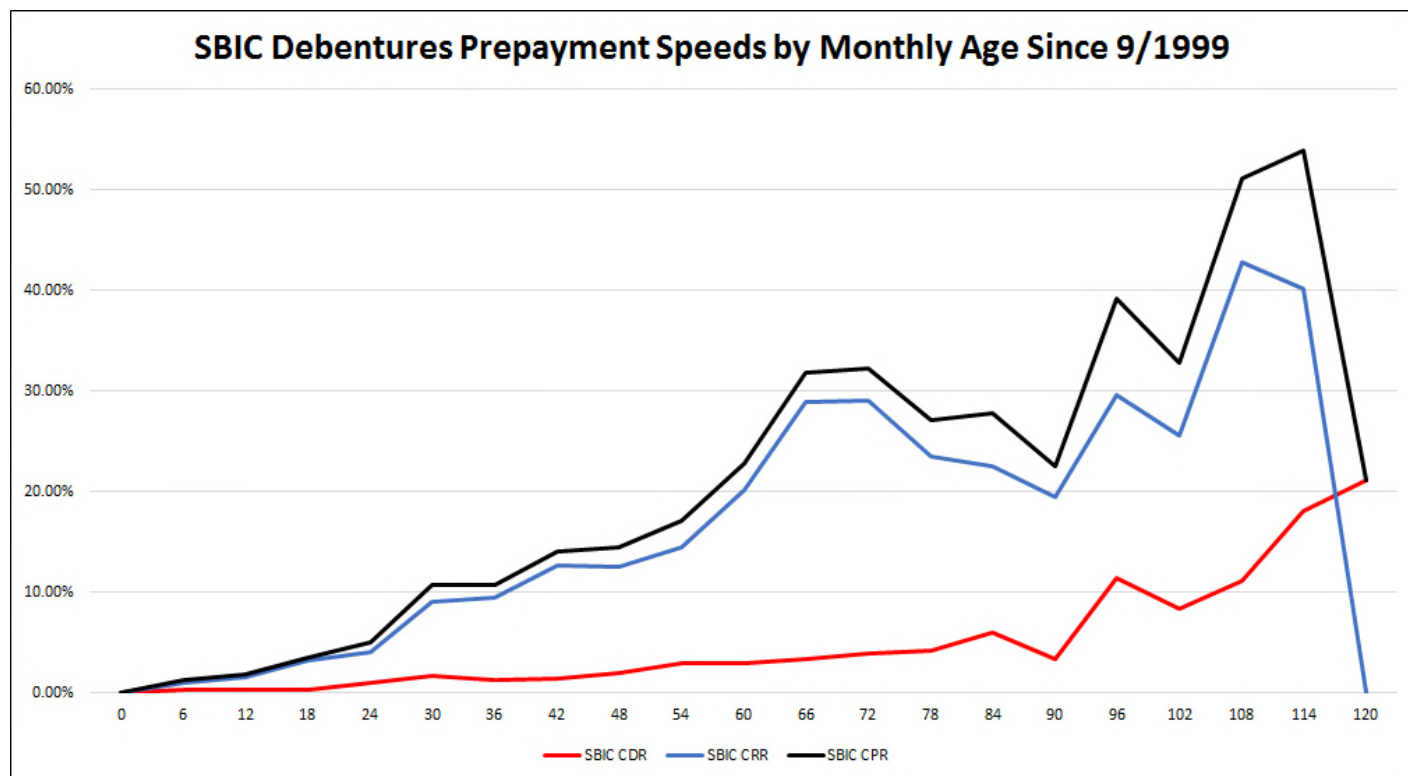
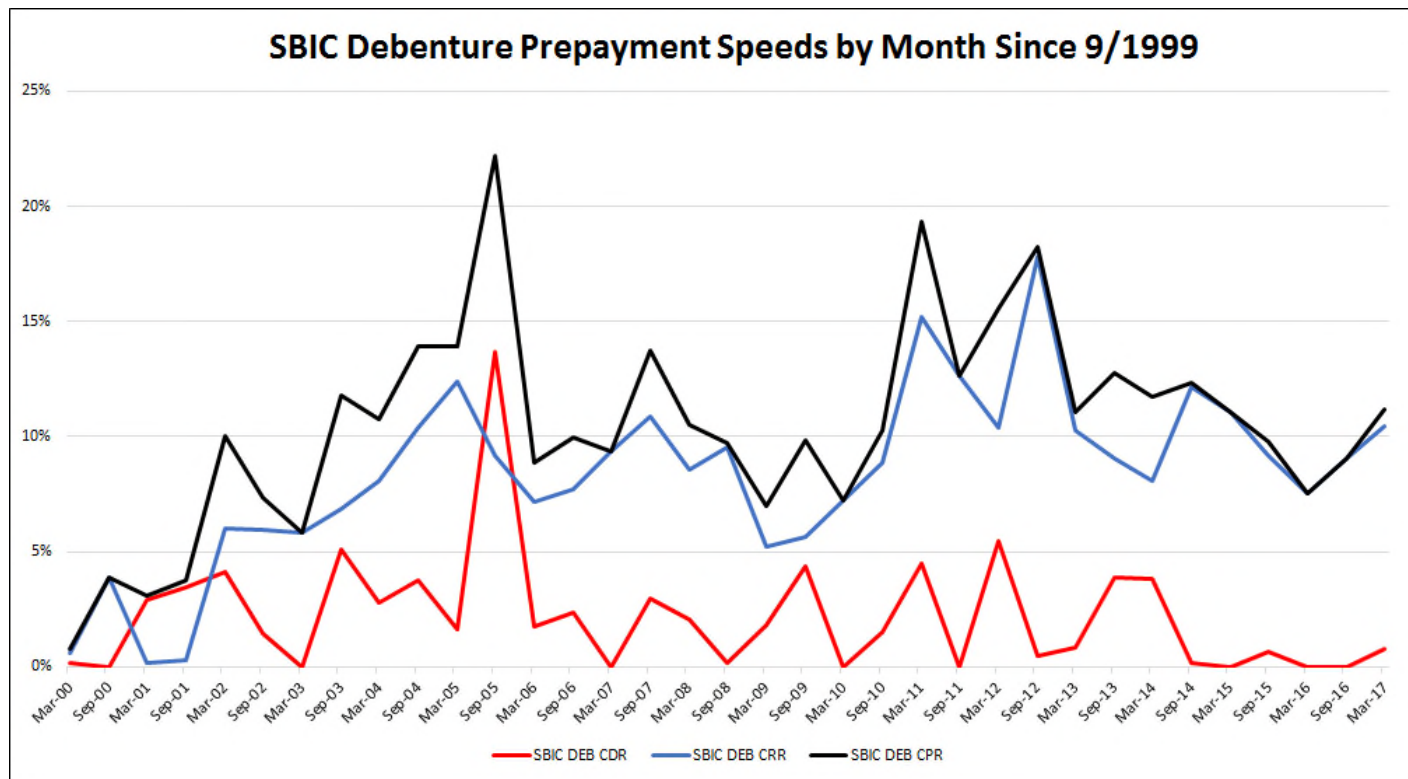
See you in September with another update.

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.

Graphs on next page



# SBIC Debenture Prepayment Speeds



# FMLP Lifetime Prepayment Speeds

MO / WAM BUCKET	<192 Mos.	192-263 Mos.	264-288 Mos.	289+ Mos.	Total by Month
Oct-12	0.00%	0.00%	0.00%	0.08%	0.03%
Nov-12	0.13%	0.65%	0.00%	0.02%	0.14%
Dec-12	0.00%	0.07%	0.00%	4.65%	1.69%
Jan-13	0.00%	6.04%	12.35%	13.68%	9.49%
Feb-13	2.36%	2.55%	2.43%	3.22%	2.72%
Mar-13	0.00%	0.00%	0.00%	0.94%	0.34%
Apr-13	15.25%	0.00%	0.52%	0.00%	3.33%
May-13	0.00%	0.00%	0.00%	0.36%	0.13%
Jun-13	0.00%	0.00%	0.02%	4.96%	1.79%
Jul-13	0.00%	0.00%	13.09%	0.00%	3.86%
Aug-13	15.17%	0.00%	0.73%	0.04%	3.37%
Sep-13	2.00%	0.00%	10.11%	5.15%	5.11%
Oct-13	0.00%	0.65%	1.64%	2.79%	1.56%
Nov-13	11.38%	0.00%	0.10%	0.00%	2.35%
Dec-13	0.00%	0.00%	0.00%	0.00%	0.00%
Jan-14	0.00%	0.00%	23.24%	0.32%	7.14%
Feb-14	0.00%	0.00%	0.00%	0.02%	0.01%
Mar-14	0.00%	0.00%	0.00%	0.81%	0.29%
Apr-14	3.62%	0.00%	0.00%	0.01%	0.74%
May-14	0.15%	0.01%	0.03%	0.01%	0.04%
Jun-14	0.00%	15.99%	0.00%	3.11%	4.11%
Jul-14	0.00%	43.13%	0.03%	13.78%	13.91%
Aug-14	0.00%	14.49%	-0.01%	0.00%	2.62%
Sep-14	9.58%	27.82%	11.40%	0.22%	10.33%
Oct-14	10.74%	40.03%	1.82%	0.00%	10.49%
Nov-14	0.00%	25.65%	40.96%	2.52%	18.38%
Dec-14	0.00%	0.00%	0.01%	3.08%	1.14%
Jan-15	52.31%	59.57%	21.46%	1.73%	30.25%
Feb-15	3.97%	28.86%	43.51%	5.55%	21.13%
Mar-15	0.00%	7.86%	0.01%	3.73%	2.65%
Apr-15	0.01%	5.93%	13.12%	-0.03%	4.58%
May-15	50.36%	0.00%	0.00%	34.13%	25.62%
Jun-15	0.00%	0.00%	29.19%	22.27%	17.26%
Jul-15	28.25%	0.00%	25.45%	14.08%	18.24%
Aug-15	55.92%	1.07%	22.54%	51.93%	39.39%
Sep-15	48.90%	32.20%	17.80%	17.79%	27.00%
Oct-15	46.23%	0.00%	37.60%	11.65%	25.01%
Nov-15	0.00%	50.42%	8.23%	7.97%	15.81%
Dec-15	0.00%	38.73%	9.11%	23.53%	18.63%
Jan-16	29.38%	3.68%	25.90%	11.08%	17.92%
Feb-16	33.14%	0.00%	12.75%	20.58%	18.08%
Mar-16	1.81%	55.70%	24.02%	0.34%	18.60%
Apr-16	0.00%	23.98%	13.26%	0.00%	7.65%
May-16	49.15%	0.00%	23.05%	21.57%	25.17%
Jun-16	33.50%	46.77%	0.00%	1.98%	15.80%
Jul-16	24.65%	21.12%	4.84%	9.69%	12.87%
Aug-16	0.00%	35.47%	3.27%	6.29%	9.29%
Sep-16	39.47%	0.36%	4.26%	16.16%	15.60%
Oct-16	39.47%	80.44%	6.50%	6.79%	29.53%
Nov-16	0.00%	0.00%	16.69%	5.80%	7.51%
Dec-16	42.29%	28.12%	0.00%	24.53%	22.07%
Jan-17	19.49%	54.03%	5.15%	30.13%	25.61%
Feb-17	3.55%	70.16%	23.13%	41.34%	36.10%
Mar-17	5.00%	0.00%	7.31%	13.26%	8.61%
Total	11.49%	13.94%	8.26%	7.96%	9.66%

RESET TYPE	FIXED RATE	FHLB VARIOUS	PRIME RATE	5 YR LIBOR SWAP	3 MO LIBOR	5 YR CMT	Total by Month
Oct-12	0.00%	0.00%	0.00%	0.08%	0.00%	0.00%	0.03%
Nov-12	0.00%	0.00%	0.00%	0.40%	0.00%	0.00%	0.14%
Dec-12	0.00%	0.00%	0.00%	4.66%	0.00%	0.00%	1.69%
Jan-13	0.00%	0.00%	10.37%	13.62%	0.00%	0.00%	9.49%
Feb-13	2.55%	2.61%	2.45%	3.24%	2.15%	2.12%	2.72%
Mar-13	0.00%	0.00%	0.00%	0.94%	0.00%	0.00%	0.34%
Apr-13	0.00%	0.00%	0.00%	0.41%	0.00%	59.89%	3.33%
May-13	0.00%	0.00%	0.00%	0.36%	0.00%	0.00%	0.13%
Jun-13	0.00%	0.00%	0.00%	4.96%	0.00%	0.00%	1.79%
Jul-13	0.00%	0.00%	8.67%	0.00%	0.00%	0.00%	3.86%
Aug-13	0.00%	0.00%	3.79%	0.61%	0.00%	36.39%	3.37%
Sep-13	0.13%	0.00%	3.90%	0.00%	2.71%	65.01%	5.11%
Oct-13	4.04%	0.00%	0.00%	3.11%	0.00%	0.00%	1.56%
Nov-13	0.00%	0.00%	3.90%	0.08%	0.00%	18.22%	2.35%
Dec-13	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Jan-14	1.04%	0.00%	15.41%	0.00%	0.00%	0.00%	7.14%
Feb-14	0.00%	0.00%	0.01%	0.02%	-0.09%	0.00%	0.01%
Mar-14	0.07%	0.00%	0.00%	0.79%	0.00%	0.00%	0.29%
Apr-14	0.03%	0.00%	-0.01%	0.00%	0.09%	21.56%	0.74%
May-14	0.00%	0.00%	0.06%	0.03%	0.00%	0.00%	0.04%
Jun-14	0.01%	0.00%	6.79%	3.13%	0.00%	0.00%	4.11%
Jul-14	-0.01%	0.47%	0.05%	34.36%	-0.09%	0.00%	13.91%
Aug-14	0.00%	0.00%	0.00%	7.18%	0.00%	0.00%	2.62%
Sep-14	0.00%	0.00%	18.58%	0.21%	0.00%	49.31%	10.33%
Oct-14	3.74%	0.00%	21.98%	0.21%	0.00%	0.00%	10.49%
Nov-14	52.60%	0.00%	23.54%	1.31%	0.00%	0.00%	18.38%
Dec-14	0.14%	0.00%	0.00%	0.01%	17.58%	0.00%	1.14%
Jan-15	3.33%	0.00%	43.92%	26.00%	8.45%	0.00%	30.25%
Feb-15	10.32%	0.00%	33.54%	14.00%	2.68%	0.00%	21.13%
Mar-15	0.07%	0.00%	2.09%	3.10%	10.30%	0.00%	2.65%
Apr-15	-0.01%	0.00%	9.92%	1.19%	0.00%	0.07%	4.58%
May-15	0.00%	0.00%	34.21%	22.64%	34.03%	20.06%	25.62%
Jun-15	29.17%	0.00%	12.42%	22.73%	0.02%	0.00%	17.26%
Jul-15	8.62%	92.73%	18.86%	10.34%	12.92%	38.15%	18.24%
Aug-15	35.88%	0.00%	33.74%	45.24%	62.41%	0.00%	39.39%
Sep-15	0.00%	0.00%	33.65%	25.50%	36.65%	35.26%	27.00%
Oct-15	29.06%	0.00%	28.59%	24.05%	0.00%	23.56%	25.01%
Nov-15	0.00%	0.00%	25.26%	14.04%	0.00%	0.00%	15.81%
Dec-15	0.08%	0.00%	31.95%	13.92%	0.00%	0.00%	18.63%
Jan-16	9.73%	92.10%	8.35%	19.07%	30.92%	27.01%	17.92%
Feb-16	0.00%	0.00%	24.69%	3.01%	74.27%	0.00%	18.08%
Mar-16	44.14%	0.00%	0.00%	28.62%	0.00%	9.05%	18.60%
Apr-16	0.00%	0.00%	9.73%	0.06%	51.00%	0.00%	7.65%
May-16	17.53%	0.00%	39.11%	3.40%	36.12%	63.71%	25.17%
Jun-16	0.01%	0.00%	34.87%	0.12%	13.23%	0.00%	15.80%
Jul-16	0.23%	0.00%	0.03%	20.54%	19.39%	68.63%	12.87%
Aug-16	6.76%	0.00%	14.97%	3.88%	18.80%	0.00%	9.29%
Sep-16	8.75%	0.00%	18.99%	13.14%	35.67%	0.00%	15.60%
Oct-16	13.31%	0.00%	51.05%	7.09%	49.98%	0.00%	29.53%
Nov-16	0.00%	0.00%	17.73%	1.66%	0.00%	0.00%	7.51%
Dec-16	0.00%	0.00%	27.46%	28.41%	0.00%	0.00%	22.07%
Jan-17	19.61%	0.00%	25.05%	21.91%	72.00%	0.00%	25.61%
Feb-17	23.56%	0.00%	42.95%	40.70%	0.00%	0.00%	36.10%
Mar-17	0.00%	0.00%	16.90%	5.84%	0.00%	0.00%	8.61%
Total	5.90%	6.72%	11.29%	8.73%	10.64%	12.18%	9.66%

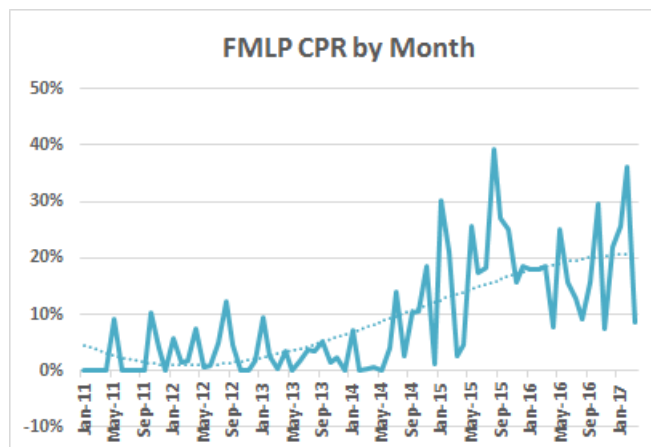
# FMLP Lifetime Prepayment Speed Commentary

**Please Note:** We had to re-calculate the prepayment speeds for the FMLP due to data discrepancies from the CSA. A number of payment entries duplicated full payoffs which we didn't catch, leading to an overstatement of the CPR. We have corrected for this in the past, as well as going forward. We apologize for the problem.

Now that the *mia culpa* is complete, on to the data.

In March, the FMLP saw prepayments fall by 76% after three consecutive months of +20% speeds. Turning to the details, prepayment speeds came in at CPR 8.61% after registering CPR 36.10% previously. Regarding the history of the FMLP, the overall CPR now stands at 9.66%.

As for fixed rate pools, we witnessed a CPR 0% this month that decreased the lifetime CPR to 5.90%. Fixed rate pools, even after the correction, continue to be the best performing reset category in the FMLP.



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.

*Chart on previous page*

## Small Business Indexes Commentary

**Please note:** We have added our "Hedge" indexes to the CPR Report (page 19), which are IO Strip indexes without sub-indexes for pricing and return of capital. They take all interest received and include it as income without dividing it into income and return of capital, which is how the tax accounting is done for most investors. Since pricing and the accounting method can vary across the industry, the hedge index only measures that which comes purely from the data, such as interest and prepayments. We leave it to the industry to utilize their own pricing and tax accounting methodologies.

### State of the Secondary Market

Beginning with the Rich/Cheap analysis on the following page, we see that by the end of March, short maturities remain in the lower end of the Fair Value Band (FVB). As for the long-end, it remains inside the FVB, showing continued strength for the third month in a row. This movement was reflective of the Secondary Market, with 10-year paper basically flat at 113.5 and long loans increasing to 116.95 from 116.68 by month-end.

### SBI Index Results

This month, we witnessed increases in 7a pools, SBAPs, SBICs and the Composite and a small decrease in IOs.

SBA 7a pools returned +0.15% for actual and +0.13% for equal

weighting this month versus +0.61% / +0.57% last month as the Secondary Market continues to perform well.

For IO Strips, we witnessed returns of -0.33% / -0.53%, which were down from returns of +9.50% / +7.49% last month. The short-end dragged down returns due to price erosion mid-month that was not fully recovered by month-end. As the most sensitive asset class to changes in 7a market conditions, movements in price and prepayment speeds can have an outsized impact on these indexes.

Turning to our SBAP and SBIC indexes, we saw the 504 debenture indexes increase by +0.07% / +0.05% and SBIC debenture indexes rise by +0.14% / +0.13%.

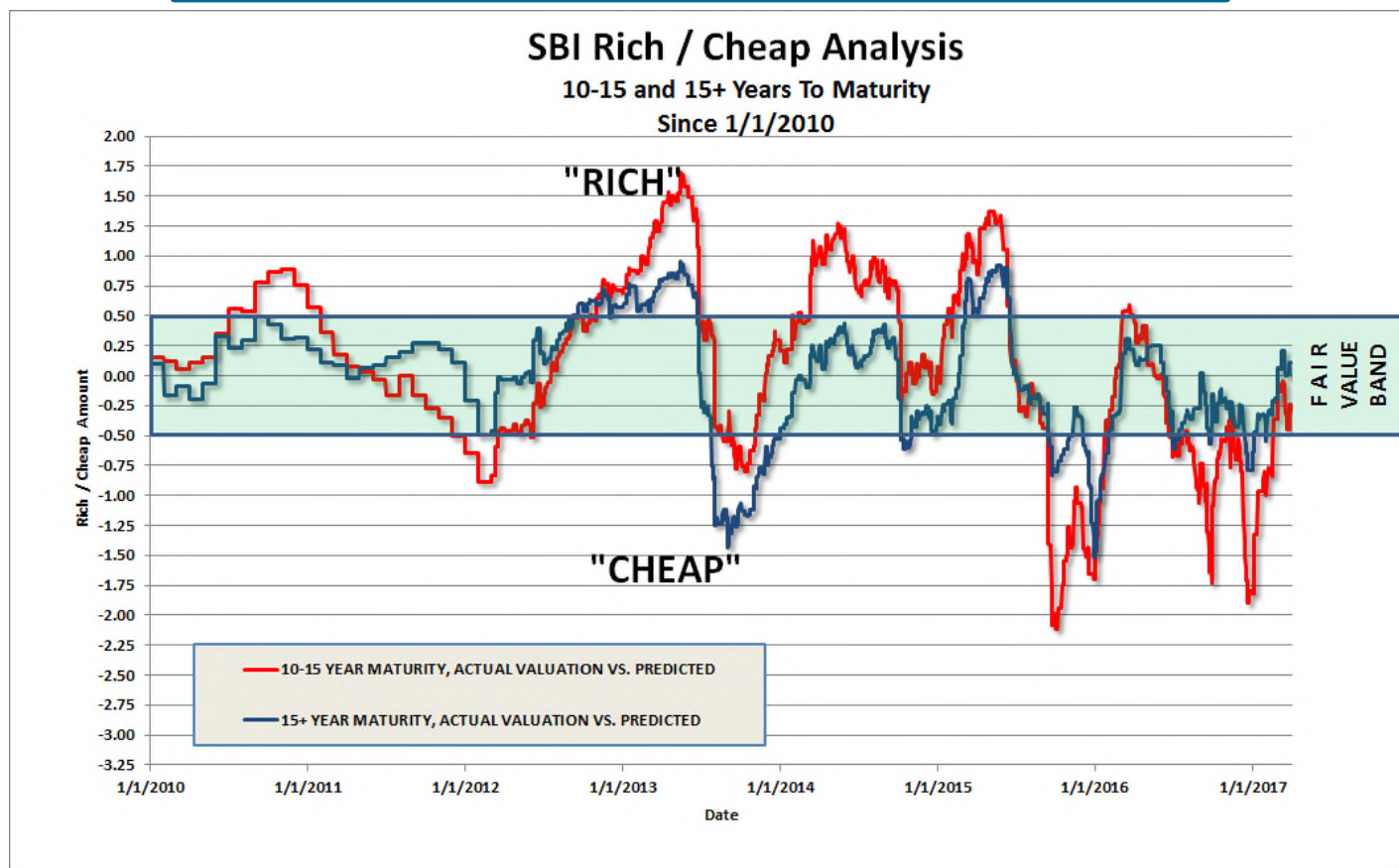
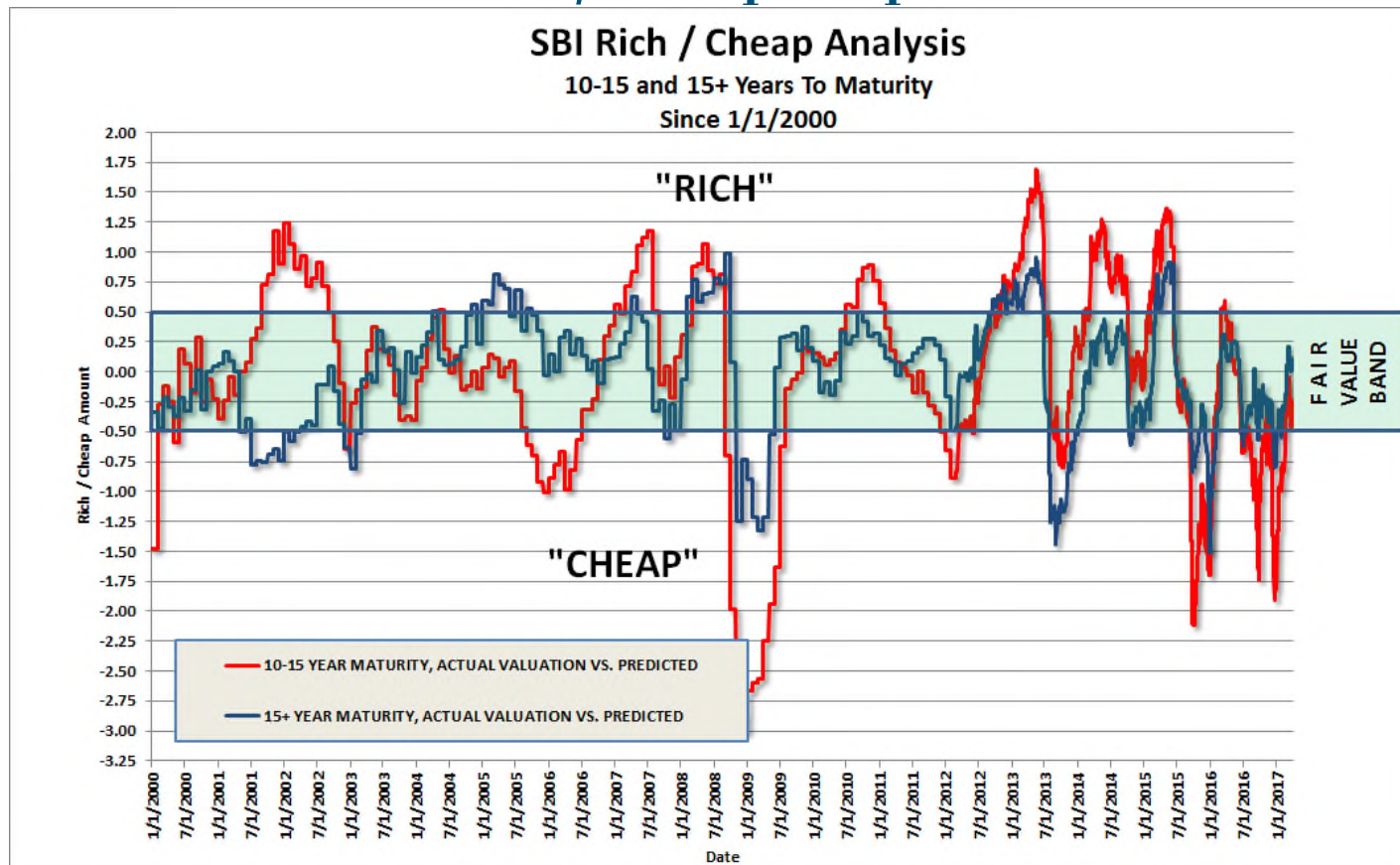
Overall, our Composite Index came in at +0.10% / +0.09%, as 7a, SBAP and SBIC returns overcame the decrease in IOs.

If you wish to further delve into the SBI Indexes, please visit our website at [www.sbindexes.com](http://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.

*Charts begin on next page*

# Rich / Cheap Graphs





# Small Business Indexes Results

END DATE: 03/31/2017	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	0.13%	1.27%	1.04%	1.17%	3.15%	7.26%	58.30%	126.97%
POOL, ALL ACTUAL INDEX	0.15%	1.32%	1.10%	1.21%	3.16%	7.49%	41.06%	100.88%
POOL, LONG EQUAL INDEX	0.21%	1.12%	0.89%	1.22%	3.14%	7.50%	69.01%	143.05%
POOL, LONG ACTUAL INDEX	0.20%	1.08%	0.86%	1.19%	3.07%	7.62%	46.72%	109.40%
POOL, SHORT EQUAL INDEX	(0.12%)	1.76%	1.54%	1.04%	3.14%	6.63%	34.91%	90.23%
POOL, SHORT ACTUAL INDEX	0.00%	2.00%	1.77%	1.23%	3.39%	7.13%	29.20%	81.66%
POOL, ALL EQUAL INCOME INDEX	0.25%	0.71%	1.40%	2.77%	8.09%	13.55%	72.29%	163.04%
POOL, ALL ACTUAL INCOME INDEX	0.25%	0.73%	1.42%	2.82%	8.23%	13.85%	53.58%	131.49%
POOL, LONG EQUAL INCOME INDEX	0.22%	0.65%	1.26%	2.49%	7.25%	12.11%	79.11%	173.32%
POOL, LONG ACTUAL INCOME INDEX	0.22%	0.65%	1.26%	2.50%	7.33%	12.35%	55.45%	133.95%
POOL, SHORT EQUAL INCOME INDEX	0.32%	0.93%	1.84%	3.68%	10.82%	18.06%	58.05%	143.72%
POOL, SHORT ACTUAL INCOME INDEX	0.33%	0.95%	1.88%	3.77%	11.12%	18.55%	51.30%	131.51%
POOL, ALL EQUAL PRICE INDEX	(0.04%)	0.77%	0.10%	(0.60%)	(1.55%)	(0.80%)	(0.82%)	(0.80%)
POOL, ALL ACTUAL PRICE INDEX	(0.03%)	0.81%	0.14%	(0.59%)	(1.57%)	(0.76%)	(0.82%)	(0.80%)
POOL, LONG EQUAL PRICE INDEX	0.05%	0.66%	0.02%	(0.43%)	(1.20%)	(0.12%)	0.18%	0.25%
POOL, LONG ACTUAL PRICE INDEX	0.03%	0.62%	0.00%	(0.44%)	(1.26%)	(0.15%)	0.12%	0.20%
POOL, SHORT EQUAL PRICE INDEX	(0.32%)	1.16%	0.37%	(1.13%)	(2.67%)	(2.83%)	(3.59%)	(4.17%)
POOL, SHORT ACTUAL PRICE INDEX	(0.20%)	1.37%	0.55%	(1.04%)	(2.60%)	(2.62%)	(3.38%)	(4.04%)
POOL, ALL EQUAL PREPAY INDEX	(0.04%)	(0.14%)	(0.29%)	(0.61%)	(1.98%)	(2.99%)	(4.74%)	(9.64%)
POOL, ALL ACTUAL PREPAY INDEX	(0.04%)	(0.14%)	(0.29%)	(0.63%)	(2.08%)	(3.08%)	(4.79%)	(9.20%)
POOL, LONG EQUAL PREPAY INDEX	(0.04%)	(0.13%)	(0.28%)	(0.58%)	(1.93%)	(2.81%)	(4.20%)	(9.08%)
POOL, LONG ACTUAL PREPAY INDEX	(0.04%)	(0.13%)	(0.29%)	(0.61%)	(2.02%)	(2.89%)	(4.17%)	(8.55%)
POOL, SHORT EQUAL PREPAY INDEX	(0.05%)	(0.15%)	(0.31%)	(0.71%)	(2.17%)	(3.51%)	(6.14%)	(11.27%)
POOL, SHORT ACTUAL PREPAY INDEX	(0.05%)	(0.15%)	(0.30%)	(0.69%)	(2.25%)	(3.63%)	(6.28%)	(11.01%)
POOL, ALL EQUAL DEFAULT INDEX	(0.01%)	(0.02%)	(0.04%)	(0.08%)	(0.30%)	(0.61%)	(1.26%)	(2.18%)
POOL, ALL ACTUAL DEFAULT INDEX	(0.01%)	(0.02%)	(0.04%)	(0.09%)	(0.32%)	(0.62%)	(1.26%)	(2.09%)
POOL, LONG EQUAL DEFAULT INDEX	(0.00%)	(0.02%)	(0.04%)	(0.08%)	(0.29%)	(0.55%)	(1.01%)	(1.91%)
POOL, LONG ACTUAL DEFAULT INDEX	(0.00%)	(0.02%)	(0.04%)	(0.08%)	(0.31%)	(0.56%)	(0.98%)	(1.80%)
POOL, SHORT EQUAL DEFAULT INDEX	(0.01%)	(0.02%)	(0.04%)	(0.10%)	(0.33%)	(0.76%)	(1.87%)	(2.87%)
POOL, SHORT ACTUAL DEFAULT INDEX	(0.01%)	(0.02%)	(0.04%)	(0.09%)	(0.35%)	(0.78%)	(1.91%)	(2.82%)
POOL, ALL EQUAL VOL PREPAY INDEX	(0.04%)	(0.12%)	(0.25%)	(0.53%)	(1.69%)	(2.40%)	(3.53%)	(7.63%)
POOL, ALL ACTUAL VOL PREPAY INDEX	(0.04%)	(0.12%)	(0.25%)	(0.54%)	(1.77%)	(2.47%)	(3.57%)	(7.26%)
POOL, LONG EQUAL VOL PREPAY INDEX	(0.04%)	(0.12%)	(0.24%)	(0.50%)	(1.64%)	(2.27%)	(3.22%)	(7.30%)
POOL, LONG ACTUAL VOL PREPAY INDEX	(0.03%)	(0.12%)	(0.25%)	(0.52%)	(1.72%)	(2.34%)	(3.22%)	(6.87%)
POOL, SHORT EQUAL VOL PREPAY INDEX	(0.05%)	(0.13%)	(0.27%)	(0.61%)	(1.85%)	(2.78%)	(4.35%)	(8.65%)
POOL, SHORT ACTUAL VOL PREPAY INDEX	(0.05%)	(0.13%)	(0.26%)	(0.60%)	(1.91%)	(2.87%)	(4.46%)	(8.42%)
POOL, ALL EQUAL SCHED PRIN INDEX	(0.03%)	(0.08%)	(0.17%)	(0.35%)	(1.11%)	(1.84%)	(2.74%)	(3.74%)
POOL, ALL ACTUAL SCHED PRIN INDEX	(0.03%)	(0.08%)	(0.17%)	(0.35%)	(1.10%)	(1.83%)	(2.73%)	(3.66%)
POOL, LONG EQUAL SCHED PRIN INDEX	(0.02%)	(0.05%)	(0.11%)	(0.23%)	(0.75%)	(1.23%)	(1.67%)	(2.44%)
POOL, LONG ACTUAL SCHED PRIN INDEX	(0.02%)	(0.05%)	(0.11%)	(0.22%)	(0.73%)	(1.21%)	(1.62%)	(2.31%)
POOL, SHORT EQUAL SCHED PRIN INDEX	(0.06%)	(0.18%)	(0.36%)	(0.73%)	(2.25%)	(3.65%)	(5.66%)	(8.19%)
POOL, SHORT ACTUAL SCHED PRIN INDEX	(0.06%)	(0.17%)	(0.35%)	(0.73%)	(2.27%)	(3.71%)	(5.68%)	(8.10%)
POOL, ALL EQUAL TOTAL PRIN INDEX	(0.07%)	(0.22%)	(0.45%)	(0.96%)	(3.07%)	(4.77%)	(7.35%)	(13.02%)
POOL, ALL ACTUAL TOTAL PRIN INDEX	(0.07%)	(0.22%)	(0.47%)	(0.98%)	(3.16%)	(4.85%)	(7.39%)	(12.52%)
POOL, LONG EQUAL TOTAL PRIN INDEX	(0.06%)	(0.19%)	(0.39%)	(0.81%)	(2.66%)	(4.00%)	(5.80%)	(11.30%)
POOL, LONG ACTUAL TOTAL PRIN INDEX	(0.06%)	(0.19%)	(0.40%)	(0.83%)	(2.74%)	(4.06%)	(5.72%)	(10.67%)
POOL, SHORT EQUAL TOTAL PRIN INDEX	(0.12%)	(0.33%)	(0.66%)	(1.43%)	(4.37%)	(7.04%)	(11.45%)	(18.54%)
POOL, SHORT ACTUAL TOTAL PRIN INDEX	(0.12%)	(0.32%)	(0.65%)	(1.42%)	(4.47%)	(7.20%)	(11.61%)	(18.22%)

# Small Business Indexes Results

END DATE: 03/31/2017	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	(0.33%)	13.76%	4.37%	(6.24%)	(24.86%)	(6.59%)	116.24%	303.83%
STRIP, ALL ACTUAL INDEX	(0.53%)	14.01%	6.69%	(3.59%)	(24.51%)	(3.19%)	76.38%	246.59%
STRIP, LONG EQUAL INDEX	0.83%	10.79%	1.98%	(4.58%)	(13.28%)	16.52%	278.12%	638.62%
STRIP, LONG ACTUAL INDEX	0.57%	9.86%	1.56%	(5.00%)	(14.91%)	16.39%	164.40%	434.59%
STRIP, SHORT EQUAL INDEX	(3.25%)	22.54%	11.36%	(10.63%)	(47.12%)	(43.04%)	(16.73%)	13.41%
STRIP, SHORT ACTUAL INDEX	(2.65%)	23.57%	19.25%	(1.00%)	(44.25%)	(36.99%)	(11.20%)	44.90%
STRIP, ALL EQUAL INCOME INDEX	0.92%	2.90%	5.70%	11.52%	37.52%	77.83%	537.39%	2,948.23%
STRIP, ALL ACTUAL INCOME INDEX	0.92%	2.88%	5.70%	11.43%	36.94%	76.74%	389.48%	2,201.06%
STRIP, LONG EQUAL INCOME INDEX	0.98%	3.01%	5.85%	11.85%	39.51%	87.58%	758.08%	4,124.46%
STRIP, LONG ACTUAL INCOME INDEX	0.95%	2.91%	5.69%	11.44%	38.11%	86.14%	492.01%	2,737.68%
STRIP, SHORT EQUAL INCOME INDEX	0.79%	2.60%	5.30%	10.63%	32.86%	60.33%	313.79%	1,599.46%
STRIP, SHORT ACTUAL INCOME INDEX	0.86%	2.84%	5.73%	11.41%	34.41%	60.47%	278.02%	1,479.40%
STRIP, ALL EQUAL PRICE INDEX	(0.23%)	14.19%	5.38%	(3.89%)	(17.53%)	1.48%	44.74%	111.21%
STRIP, ALL ACTUAL PRICE INDEX	(0.46%)	14.35%	7.60%	(1.36%)	(17.31%)	3.87%	51.25%	125.25%
STRIP, LONG EQUAL PRICE INDEX	0.73%	10.70%	2.14%	(3.97%)	(10.73%)	7.13%	49.57%	124.03%
STRIP, LONG ACTUAL PRICE INDEX	0.46%	9.83%	1.90%	(4.03%)	(11.55%)	6.39%	48.84%	128.74%
STRIP, SHORT EQUAL PRICE INDEX	(2.69%)	24.53%	14.99%	(3.65%)	(31.78%)	(12.75%)	27.04%	52.10%
STRIP, SHORT ACTUAL PRICE INDEX	(2.24%)	24.81%	21.66%	4.33%	(30.76%)	(6.84%)	43.17%	87.00%
STRIP, ALL EQUAL PREPAY INDEX	(0.60%)	(1.99%)	(3.99%)	(8.11%)	(22.85%)	(32.63%)	(60.28%)	(86.94%)
STRIP, ALL ACTUAL PREPAY INDEX	(0.57%)	(1.92%)	(3.96%)	(8.04%)	(22.95%)	(32.22%)	(60.12%)	(86.30%)
STRIP, LONG EQUAL PREPAY INDEX	(0.60%)	(2.02%)	(4.08%)	(8.13%)	(22.92%)	(31.45%)	(59.00%)	(87.22%)
STRIP, LONG ACTUAL PREPAY INDEX	(0.57%)	(2.02%)	(4.19%)	(8.31%)	(23.33%)	(31.16%)	(59.00%)	(86.84%)
STRIP, SHORT EQUAL PREPAY INDEX	(0.61%)	(1.90%)	(3.77%)	(8.06%)	(22.62%)	(34.54%)	(61.55%)	(83.77%)
STRIP, SHORT ACTUAL PREPAY INDEX	(0.57%)	(1.70%)	(3.42%)	(7.41%)	(21.98%)	(33.80%)	(61.44%)	(82.70%)
STRIP, ALL EQUAL DEFAULT INDEX	(0.07%)	(0.23%)	(0.53%)	(1.14%)	(3.77%)	(7.61%)	(24.15%)	(37.62%)
STRIP, ALL ACTUAL DEFAULT INDEX	(0.07%)	(0.23%)	(0.53%)	(1.13%)	(3.80%)	(7.42%)	(24.25%)	(37.35%)
STRIP, LONG EQUAL DEFAULT INDEX	(0.07%)	(0.24%)	(0.54%)	(1.14%)	(3.77%)	(7.01%)	(21.82%)	(36.19%)
STRIP, LONG ACTUAL DEFAULT INDEX	(0.07%)	(0.24%)	(0.56%)	(1.17%)	(3.85%)	(6.80%)	(21.76%)	(35.92%)
STRIP, SHORT EQUAL DEFAULT INDEX	(0.08%)	(0.22%)	(0.50%)	(1.13%)	(3.75%)	(8.62%)	(27.13%)	(37.63%)
STRIP, SHORT ACTUAL DEFAULT INDEX	(0.07%)	(0.20%)	(0.45%)	(1.03%)	(3.67%)	(8.45%)	(27.29%)	(37.16%)
STRIP, ALL EQUAL VOL PREPAY INDEX	(0.53%)	(1.75%)	(3.48%)	(7.05%)	(19.81%)	(27.05%)	(47.55%)	(78.98%)
STRIP, ALL ACTUAL VOL PREPAY INDEX	(0.50%)	(1.70%)	(3.45%)	(6.99%)	(19.89%)	(26.76%)	(47.27%)	(78.06%)
STRIP, LONG EQUAL VOL PREPAY INDEX	(0.52%)	(1.78%)	(3.55%)	(7.07%)	(19.88%)	(26.25%)	(47.47%)	(79.90%)
STRIP, LONG ACTUAL VOL PREPAY INDEX	(0.50%)	(1.78%)	(3.65%)	(7.22%)	(20.23%)	(26.11%)	(47.51%)	(79.38%)
STRIP, SHORT EQUAL VOL PREPAY INDEX	(0.54%)	(1.67%)	(3.28%)	(7.00%)	(19.59%)	(28.33%)	(47.16%)	(73.90%)
STRIP, SHORT ACTUAL VOL PREPAY INDEX	(0.50%)	(1.50%)	(2.98%)	(6.44%)	(18.99%)	(27.66%)	(46.88%)	(72.40%)
STRIP, ALL EQUAL SCHED PRIN INDEX	(0.41%)	(1.22%)	(2.41%)	(4.77%)	(13.91%)	(22.85%)	(40.35%)	(51.47%)
STRIP, ALL ACTUAL SCHED PRIN INDEX	(0.41%)	(1.19%)	(2.36%)	(4.62%)	(13.25%)	(21.91%)	(39.69%)	(50.74%)
STRIP, LONG EQUAL SCHED PRIN INDEX	(0.27%)	(0.83%)	(1.65%)	(3.28%)	(9.56%)	(15.25%)	(27.32%)	(38.25%)
STRIP, LONG ACTUAL SCHED PRIN INDEX	(0.26%)	(0.78%)	(1.56%)	(3.11%)	(9.04%)	(14.46%)	(26.01%)	(36.80%)
STRIP, SHORT EQUAL SCHED PRIN INDEX	(0.76%)	(2.27%)	(4.49%)	(8.76%)	(24.04%)	(37.14%)	(58.23%)	(72.51%)
STRIP, SHORT ACTUAL SCHED PRIN INDEX	(0.69%)	(2.07%)	(4.11%)	(8.07%)	(22.66%)	(35.72%)	(56.94%)	(71.25%)
STRIP, ALL EQUAL TOTAL PRIN INDEX	(1.01%)	(3.18%)	(6.33%)	(12.53%)	(33.65%)	(48.11%)	(76.40%)	(93.70%)
STRIP, ALL ACTUAL TOTAL PRIN INDEX	(0.98%)	(3.10%)	(6.24%)	(12.32%)	(33.23%)	(47.16%)	(76.03%)	(93.29%)
STRIP, LONG EQUAL TOTAL PRIN INDEX	(0.87%)	(2.83%)	(5.67%)	(11.17%)	(30.34%)	(41.96%)	(70.26%)	(92.15%)
STRIP, LONG ACTUAL TOTAL PRIN INDEX	(0.83%)	(2.79%)	(5.70%)	(11.18%)	(30.31%)	(41.17%)	(69.73%)	(91.72%)
STRIP, SHORT EQUAL TOTAL PRIN INDEX	(1.37%)	(4.13%)	(8.11%)	(16.16%)	(41.34%)	(58.99%)	(84.05%)	(95.59%)
STRIP, SHORT ACTUAL TOTAL PRIN INDEX	(1.26%)	(3.74%)	(7.41%)	(14.93%)	(39.77%)	(57.58%)	(83.50%)	(95.08%)

# Small Business Indexes Results

END DATE: 03/31/2017	SBI HEDGE STRIP INDEX TOTAL RETURN							
INDEX TYPE	1 MONTH	3 MONTH	6 MONTH	1 YEAR	3 YEAR	5 YEAR	10 YEAR	INCEPTION
HEDGE, ALL EQUAL INDEX	1.16%	3.15%	6.61%	13.82%	48.20%	98.47%	1,101.61%	2,474.36%
HEDGE, ALL ACTUAL INDEX	1.24%	3.29%	6.79%	14.11%	49.26%	101.64%	612.75%	1,436.18%
HEDGE, LONG EQUAL INDEX	1.10%	2.96%	6.28%	13.33%	46.67%	97.00%	1,364.97%	2,943.82%
HEDGE, LONG ACTUAL INDEX	1.17%	3.02%	6.27%	13.24%	46.95%	99.14%	699.23%	1,563.13%
HEDGE, SHORT EQUAL INDEX	1.41%	3.97%	8.07%	16.03%	55.17%	105.91%	544.38%	1,890.43%
HEDGE, SHORT ACTUAL INDEX	1.51%	4.33%	8.83%	17.69%	59.47%	113.26%	419.79%	1,558.71%
HEDGE, ALL EQUAL INCOME INDEX	2.21%	6.55%	13.70%	29.35%	116.75%	264.25%	4,491.81%	37,137.45%
HEDGE, ALL ACTUAL INCOME INDEX	2.23%	6.60%	13.79%	29.52%	116.86%	263.99%	2,578.96%	21,142.89%
HEDGE, LONG EQUAL INCOME INDEX	2.08%	6.16%	12.86%	27.46%	107.23%	236.70%	4,774.97%	38,294.31%
HEDGE, LONG ACTUAL INCOME INDEX	2.08%	6.16%	12.86%	27.46%	107.23%	236.70%	2,520.59%	20,108.77%
HEDGE, SHORT EQUAL INCOME INDEX	2.78%	8.27%	17.44%	38.05%	163.35%	401.93%	3,926.49%	45,381.12%
HEDGE, SHORT ACTUAL INCOME INDEX	2.78%	8.27%	17.44%	38.05%	163.35%	401.93%	3,037.04%	34,389.03%
HEDGE, ALL EQUAL PREPAY INDEX	(0.64%)	(2.02%)	(3.94%)	(7.63%)	(20.71%)	(30.00%)	(57.88%)	(86.29%)
HEDGE, ALL ACTUAL PREPAY INDEX	(0.59%)	(1.98%)	(3.96%)	(7.75%)	(20.94%)	(29.85%)	(57.84%)	(85.92%)
HEDGE, LONG EQUAL PREPAY INDEX	(0.65%)	(2.08%)	(4.00%)	(7.58%)	(20.42%)	(29.00%)	(56.83%)	(86.30%)
HEDGE, LONG ACTUAL PREPAY INDEX	(0.60%)	(2.07%)	(4.11%)	(7.87%)	(20.85%)	(29.03%)	(56.89%)	(86.04%)
HEDGE, SHORT EQUAL PREPAY INDEX	(0.58%)	(1.76%)	(3.67%)	(7.86%)	(21.95%)	(33.67%)	(60.77%)	(83.39%)
HEDGE, SHORT ACTUAL PREPAY INDEX	(0.55%)	(1.62%)	(3.37%)	(7.27%)	(21.40%)	(32.96%)	(60.62%)	(82.47%)
HEDGE, ALL EQUAL DEFAULT INDEX	(0.08%)	(0.24%)	(0.52%)	(1.06%)	(3.38%)	(6.94%)	(23.06%)	(36.91%)
HEDGE, ALL ACTUAL DEFAULT INDEX	(0.07%)	(0.23%)	(0.53%)	(1.08%)	(3.42%)	(6.83%)	(23.24%)	(36.91%)
HEDGE, LONG EQUAL DEFAULT INDEX	(0.08%)	(0.25%)	(0.53%)	(1.06%)	(3.33%)	(6.54%)	(21.76%)	(36.07%)
HEDGE, LONG ACTUAL DEFAULT INDEX	(0.07%)	(0.25%)	(0.55%)	(1.10%)	(3.40%)	(6.46%)	(21.90%)	(36.09%)
HEDGE, SHORT EQUAL DEFAULT INDEX	(0.07%)	(0.21%)	(0.49%)	(1.10%)	(3.61%)	(8.40%)	(27.02%)	(37.57%)
HEDGE, SHORT ACTUAL DEFAULT INDEX	(0.07%)	(0.19%)	(0.45%)	(1.01%)	(3.55%)	(8.21%)	(27.20%)	(37.25%)
HEDGE, ALL EQUAL VOL PREPAY INDEX	(0.56%)	(1.78%)	(3.43%)	(6.63%)	(17.93%)	(24.75%)	(45.18%)	(78.19%)
HEDGE, ALL ACTUAL VOL PREPAY INDEX	(0.52%)	(1.75%)	(3.45%)	(6.73%)	(18.12%)	(24.68%)	(45.00%)	(77.61%)
HEDGE, LONG EQUAL VOL PREPAY INDEX	(0.57%)	(1.83%)	(3.48%)	(6.59%)	(17.67%)	(24.01%)	(44.75%)	(78.50%)
HEDGE, LONG ACTUAL VOL PREPAY INDEX	(0.53%)	(1.83%)	(3.58%)	(6.84%)	(18.05%)	(24.10%)	(44.73%)	(78.08%)
HEDGE, SHORT EQUAL VOL PREPAY INDEX	(0.51%)	(1.55%)	(3.19%)	(6.83%)	(19.01%)	(27.55%)	(46.17%)	(73.31%)
HEDGE, SHORT ACTUAL VOL PREPAY INDEX	(0.48%)	(1.43%)	(2.93%)	(6.31%)	(18.49%)	(26.93%)	(45.83%)	(71.98%)
HEDGE, ALL EQUAL SCHED PRIN INDEX	(0.39%)	(1.19%)	(2.38%)	(4.71%)	(13.68%)	(22.04%)	(37.71%)	(49.32%)
HEDGE, ALL ACTUAL SCHED PRIN INDEX	(0.38%)	(1.14%)	(2.26%)	(4.47%)	(12.86%)	(20.93%)	(36.72%)	(48.37%)
HEDGE, LONG EQUAL SCHED PRIN INDEX	(0.31%)	(0.95%)	(1.90%)	(3.77%)	(10.99%)	(17.50%)	(30.27%)	(41.89%)
HEDGE, LONG ACTUAL SCHED PRIN INDEX	(0.29%)	(0.90%)	(1.79%)	(3.55%)	(10.35%)	(16.58%)	(29.11%)	(40.81%)
HEDGE, SHORT EQUAL SCHED PRIN INDEX	(0.75%)	(2.24%)	(4.45%)	(8.73%)	(24.36%)	(37.95%)	(58.94%)	(73.37%)
HEDGE, SHORT ACTUAL SCHED PRIN INDEX	(0.68%)	(2.05%)	(4.08%)	(8.02%)	(22.83%)	(36.43%)	(57.65%)	(72.29%)
HEDGE, ALL EQUAL TOTAL PRIN INDEX	(1.03%)	(3.19%)	(6.24%)	(12.01%)	(31.63%)	(45.51%)	(73.84%)	(93.09%)
HEDGE, ALL ACTUAL TOTAL PRIN INDEX	(0.97%)	(3.10%)	(6.15%)	(11.89%)	(31.17%)	(44.60%)	(73.40%)	(92.77%)
HEDGE, LONG EQUAL TOTAL PRIN INDEX	(0.96%)	(3.01%)	(5.83%)	(11.09%)	(29.22%)	(41.49%)	(69.96%)	(92.08%)
HEDGE, LONG ACTUAL TOTAL PRIN INDEX	(0.90%)	(2.96%)	(5.84%)	(11.16%)	(29.09%)	(40.85%)	(69.51%)	(91.77%)
HEDGE, SHORT EQUAL TOTAL PRIN INDEX	(1.33%)	(3.97%)	(7.98%)	(15.95%)	(41.08%)	(58.98%)	(84.00%)	(95.62%)
HEDGE, SHORT ACTUAL TOTAL PRIN INDEX	(1.23%)	(3.64%)	(7.33%)	(14.75%)	(39.45%)	(57.51%)	(83.43%)	(95.19%)

# Small Business Indexes Results

END DATE: 03/31/2017	SBI SBAP INDEX TOTAL RETURN							
INDEX TYPE	1 MONTH	3 MONTH	6 MONTH	1 YEAR	3 YEAR	5 YEAR	10 YEAR	INCEPTION
SBAP, ALL EQUAL INDEX	0.05%	0.14%	(3.32%)	(3.81%)	(2.93%)	(0.85%)	34.39%	105.07%
SBAP, ALL ACTUAL INDEX	0.07%	0.10%	(3.95%)	(4.53%)	(3.65%)	(1.42%)	36.02%	111.49%
SBAP, LONG EQUAL INDEX	0.06%	0.12%	(4.01%)	(4.60%)	(4.38%)	(2.13%)	35.22%	109.94%
SBAP, LONG ACTUAL INDEX	0.07%	0.10%	(4.04%)	(4.64%)	(3.87%)	(1.62%)	35.96%	111.77%
SBAP, SHORT EQUAL INDEX	0.16%	0.38%	(1.00%)	(0.41%)	5.15%	7.64%	38.52%	100.85%
SBAP, SHORT ACTUAL INDEX	0.15%	0.35%	(0.83%)	(0.22%)	5.95%	7.97%	39.17%	100.07%
SBAP, ALL EQUAL INCOME INDEX	0.26%	0.76%	1.53%	3.11%	10.31%	19.00%	52.50%	138.49%
SBAP, ALL ACTUAL INCOME INDEX	0.28%	0.83%	1.68%	3.39%	11.14%	20.28%	54.67%	140.79%
SBAP, LONG EQUAL INCOME INDEX	0.29%	0.84%	1.71%	3.46%	11.48%	21.00%	56.72%	148.73%
SBAP, LONG ACTUAL INCOME INDEX	0.29%	0.84%	1.70%	3.43%	11.27%	20.52%	55.10%	141.69%
SBAP, SHORT EQUAL INCOME INDEX	0.16%	0.48%	0.97%	1.96%	6.50%	12.51%	39.36%	107.13%
SBAP, SHORT ACTUAL INCOME INDEX	0.15%	0.45%	0.92%	1.84%	5.90%	11.06%	37.42%	104.45%
SBAP, ALL EQUAL PRICE INDEX	(0.04%)	(0.12%)	(3.53%)	(3.24%)	(1.91%)	(5.09%)	3.01%	4.72%
SBAP, ALL ACTUAL PRICE INDEX	(0.04%)	(0.11%)	(3.93%)	(3.49%)	(2.06%)	(5.51%)	3.55%	6.61%
SBAP, LONG EQUAL PRICE INDEX	(0.05%)	(0.10%)	(3.96%)	(3.51%)	(2.27%)	(5.70%)	3.24%	5.71%
SBAP, LONG ACTUAL PRICE INDEX	(0.04%)	(0.11%)	(3.97%)	(3.52%)	(2.11%)	(5.60%)	3.53%	6.70%
SBAP, SHORT EQUAL PRICE INDEX	(0.00%)	(0.21%)	(2.14%)	(2.33%)	(0.70%)	(3.02%)	1.99%	0.72%
SBAP, SHORT ACTUAL PRICE INDEX	(0.00%)	(0.22%)	(2.01%)	(2.21%)	(0.07%)	(2.28%)	3.09%	0.98%
SBAP, ALL EQUAL PREPAY INDEX	(0.14%)	(0.41%)	(1.00%)	(2.59%)	(7.34%)	(8.68%)	(10.17%)	(12.93%)
SBAP, ALL ACTUAL PREPAY INDEX	(0.14%)	(0.50%)	(1.29%)	(3.17%)	(8.40%)	(9.69%)	(11.01%)	(13.10%)
SBAP, LONG EQUAL PREPAY INDEX	(0.14%)	(0.49%)	(1.30%)	(3.18%)	(8.79%)	(10.24%)	(11.79%)	(14.87%)
SBAP, LONG ACTUAL PREPAY INDEX	(0.14%)	(0.51%)	(1.33%)	(3.25%)	(8.59%)	(9.89%)	(11.21%)	(13.32%)
SBAP, SHORT EQUAL PREPAY INDEX	0.00%	0.03%	0.06%	(0.02%)	(0.30%)	(0.67%)	(1.26%)	(1.96%)
SBAP, SHORT ACTUAL PREPAY INDEX	0.00%	0.03%	0.10%	0.05%	(0.04%)	(0.35%)	(0.97%)	(1.75%)
SBAP, ALL EQUAL DEFAULT INDEX	(0.01%)	(0.02%)	(0.05%)	(0.16%)	(0.61%)	(0.97%)	(1.78%)	(2.08%)
SBAP, ALL ACTUAL DEFAULT INDEX	(0.01%)	(0.02%)	(0.07%)	(0.20%)	(0.74%)	(1.17%)	(2.13%)	(2.39%)
SBAP, LONG EQUAL DEFAULT INDEX	(0.01%)	(0.02%)	(0.07%)	(0.20%)	(0.75%)	(1.15%)	(1.97%)	(2.25%)
SBAP, LONG ACTUAL DEFAULT INDEX	(0.01%)	(0.02%)	(0.07%)	(0.20%)	(0.76%)	(1.19%)	(2.16%)	(2.41%)
SBAP, SHORT EQUAL DEFAULT INDEX	0.00%	0.00%	0.01%	0.01%	(0.00%)	(0.08%)	(0.49%)	(0.72%)
SBAP, SHORT ACTUAL DEFAULT INDEX	0.00%	0.00%	0.02%	0.01%	0.03%	(0.05%)	(0.48%)	(0.73%)
SBAP, ALL EQUAL VOL PREPAY INDEX	(0.13%)	(0.40%)	(0.95%)	(2.43%)	(6.78%)	(7.79%)	(8.54%)	(11.07%)
SBAP, ALL ACTUAL VOL PREPAY INDEX	(0.13%)	(0.48%)	(1.23%)	(2.98%)	(7.72%)	(8.62%)	(9.06%)	(10.98%)
SBAP, LONG EQUAL VOL PREPAY INDEX	(0.13%)	(0.47%)	(1.23%)	(2.99%)	(8.10%)	(9.20%)	(10.02%)	(12.91%)
SBAP, LONG ACTUAL VOL PREPAY INDEX	(0.13%)	(0.49%)	(1.26%)	(3.05%)	(7.89%)	(8.80%)	(9.25%)	(11.18%)
SBAP, SHORT EQUAL VOL PREPAY INDEX	0.00%	0.02%	0.05%	(0.02%)	(0.30%)	(0.58%)	(0.77%)	(1.25%)
SBAP, SHORT ACTUAL VOL PREPAY INDEX	0.00%	0.03%	0.09%	0.03%	(0.07%)	(0.30%)	(0.50%)	(1.03%)
SBAP, ALL EQUAL SCHED PRIN INDEX	(0.04%)	(0.08%)	(0.30%)	(1.03%)	(3.16%)	(3.86%)	(4.75%)	(5.68%)
SBAP, ALL ACTUAL SCHED PRIN INDEX	(0.03%)	(0.11%)	(0.39%)	(1.18%)	(3.35%)	(3.93%)	(4.56%)	(5.17%)
SBAP, LONG EQUAL SCHED PRIN INDEX	(0.04%)	(0.13%)	(0.44%)	(1.29%)	(3.76%)	(4.43%)	(5.23%)	(6.19%)
SBAP, LONG ACTUAL SCHED PRIN INDEX	(0.03%)	(0.12%)	(0.41%)	(1.22%)	(3.44%)	(4.02%)	(4.64%)	(5.24%)
SBAP, SHORT EQUAL SCHED PRIN INDEX	0.00%	0.08%	0.13%	0.03%	(0.27%)	(0.69%)	(1.31%)	(1.81%)
SBAP, SHORT ACTUAL SCHED PRIN INDEX	0.00%	0.10%	0.18%	0.13%	0.16%	(0.17%)	(0.80%)	(1.37%)
SBAP, ALL EQUAL TOTAL PRIN INDEX	(0.18%)	(0.49%)	(1.29%)	(3.59%)	(10.28%)	(12.21%)	(14.44%)	(17.88%)
SBAP, ALL ACTUAL TOTAL PRIN INDEX	(0.17%)	(0.61%)	(1.68%)	(4.32%)	(11.48%)	(13.25%)	(15.07%)	(17.61%)
SBAP, LONG EQUAL TOTAL PRIN INDEX	(0.18%)	(0.63%)	(1.73%)	(4.43%)	(12.23%)	(14.23%)	(16.42%)	(20.15%)
SBAP, LONG ACTUAL TOTAL PRIN INDEX	(0.17%)	(0.63%)	(1.74%)	(4.43%)	(11.74%)	(13.52%)	(15.34%)	(17.87%)
SBAP, SHORT EQUAL TOTAL PRIN INDEX	0.00%	0.11%	0.19%	0.01%	(0.57%)	(1.35%)	(2.55%)	(3.73%)
SBAP, SHORT ACTUAL TOTAL PRIN INDEX	0.00%	0.13%	0.28%	0.18%	0.11%	(0.52%)	(1.76%)	(3.10%)



# Small Business Indexes Results

END DATE: 03/31/2017	SBI SBIC INDEX TOTAL RETURN							
INDEX TYPE	1 MONTH	3 MONTH	6 MONTH	1 YEAR	3 YEAR	5 YEAR	10 YEAR	INCEPTION
SBIC, ALL EQUAL INDEX	0.13%	0.56%	(3.86%)	(0.46%)	5.52%	10.86%	49.57%	127.01%
SBIC, ALL ACTUAL INDEX	0.14%	0.60%	(4.26%)	(0.42%)	5.85%	11.70%	53.33%	136.77%
SBIC, ALL EQUAL INCOME INDEX	0.25%	0.71%	1.43%	2.90%	9.61%	18.00%	49.63%	133.23%
SBIC, ALL ACTUAL INCOME INDEX	0.24%	0.68%	1.37%	2.76%	8.98%	16.48%	47.15%	125.45%
SBIC, ALL EQUAL PRICE INDEX	(0.12%)	(0.16%)	(4.98%)	(2.81%)	(2.08%)	(2.53%)	5.48%	5.97%
SBIC, ALL ACTUAL PRICE INDEX	(0.09%)	(0.08%)	(5.37%)	(2.78%)	(1.90%)	(1.93%)	7.99%	11.29%
SBIC, ALL EQUAL PREPAY INDEX	0.00%	0.00%	(0.25%)	(0.47%)	(1.69%)	(3.62%)	(5.24%)	(8.16%)
SBIC, ALL ACTUAL PREPAY INDEX	0.00%	0.00%	(0.20%)	(0.33%)	(1.00%)	(2.22%)	(3.52%)	(5.64%)
SBIC, ALL EQUAL DEFAULT INDEX	0.00%	0.00%	0.00%	0.00%	(0.15%)	(0.40%)	(0.64%)	(1.38%)
SBIC, ALL ACTUAL DEFAULT INDEX	0.00%	0.00%	0.00%	0.00%	(0.09%)	(0.27%)	(0.45%)	(1.07%)
SBIC, ALL EQUAL VOL PREPAY INDEX	0.00%	0.00%	(0.25%)	(0.47%)	(1.54%)	(3.23%)	(4.63%)	(6.87%)
SBIC, ALL ACTUAL VOL PREPAY INDEX	0.00%	0.00%	(0.20%)	(0.33%)	(0.92%)	(1.96%)	(3.08%)	(4.62%)
SBIC, ALL EQUAL SCHED PRIN INDEX	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SBIC, ALL ACTUAL SCHED PRIN INDEX	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SBIC, ALL EQUAL TOTAL PRIN INDEX	0.00%	0.00%	(0.25%)	(0.47%)	(1.69%)	(3.62%)	(5.24%)	(8.16%)
SBIC, ALL ACTUAL TOTAL PRIN INDEX	0.00%	0.00%	(0.20%)	(0.33%)	(1.00%)	(2.22%)	(3.52%)	(5.64%)



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.

# Small Business Indexes Results

END DATE: 03/31/2017	SBI COMPOSITE INDEX TOTAL RETURN							
INDEX TYPE	1 MONTH	3 MONTH	6 MONTH	1 YEAR	3 YEAR	5 YEAR	10 YEAR	INCEPTION
COMP, ALL EQUAL INDEX	0.09%	1.09%	(1.42%)	(1.37%)	0.00%	3.68%	45.22%	117.67%
COMP, ALL ACTUAL INDEX	0.10%	1.13%	(1.66%)	(1.57%)	(0.22%)	3.80%	42.73%	116.17%
COMP, LONG EQUAL INDEX	0.16%	0.88%	(1.82%)	(2.24%)	(1.56%)	2.05%	46.96%	123.34%
COMP, LONG ACTUAL INDEX	0.15%	0.82%	(1.87%)	(2.28%)	(1.32%)	2.43%	42.80%	117.06%
COMP, SHORT EQUAL INDEX	(0.08%)	1.67%	(1.29%)	(0.04%)	2.80%	7.45%	41.56%	107.24%
COMP, SHORT ACTUAL INDEX	(0.01%)	1.93%	(1.13%)	0.45%	3.27%	8.51%	41.26%	109.10%
COMP, ALL EQUAL INCOME INDEX	0.27%	0.80%	1.59%	3.20%	10.21%	18.54%	60.73%	153.84%
COMP, ALL ACTUAL INCOME INDEX	0.28%	0.83%	1.66%	3.32%	10.56%	19.12%	56.61%	145.07%
COMP, LONG EQUAL INCOME INDEX	0.28%	0.83%	1.66%	3.33%	10.74%	19.57%	64.17%	161.49%
COMP, LONG ACTUAL INCOME INDEX	0.28%	0.82%	1.64%	3.30%	10.61%	19.35%	57.65%	146.78%
COMP, SHORT EQUAL INCOME INDEX	0.29%	0.85%	1.69%	3.37%	10.58%	18.97%	57.21%	147.67%
COMP, SHORT ACTUAL INCOME INDEX	0.29%	0.85%	1.69%	3.36%	10.37%	18.32%	52.51%	137.65%
COMP, ALL EQUAL PRICE INDEX	(0.05%)	0.69%	(2.03%)	(2.08%)	(1.99%)	(2.95%)	3.84%	5.96%
COMP, ALL ACTUAL PRICE INDEX	(0.05%)	0.74%	(2.16%)	(2.08%)	(1.98%)	(2.93%)	4.82%	7.96%
COMP, LONG EQUAL PRICE INDEX	0.02%	0.57%	(2.14%)	(2.22%)	(1.80%)	(3.36%)	4.51%	7.32%
COMP, LONG ACTUAL PRICE INDEX	0.01%	0.51%	(2.16%)	(2.23%)	(1.75%)	(3.30%)	4.80%	8.10%
COMP, SHORT EQUAL PRICE INDEX	(0.27%)	1.07%	(2.30%)	(2.01%)	(2.92%)	(2.22%)	2.93%	3.52%
COMP, SHORT ACTUAL PRICE INDEX	(0.21%)	1.32%	(2.18%)	(1.62%)	(2.66%)	(1.32%)	5.10%	7.07%
COMP, ALL EQUAL PREPAY INDEX	(0.10%)	(0.29%)	(0.70%)	(1.68%)	(5.18%)	(6.82%)	(8.96%)	(14.20%)
COMP, ALL ACTUAL PREPAY INDEX	(0.09%)	(0.32%)	(0.82%)	(1.92%)	(5.63%)	(7.17%)	(9.18%)	(13.71%)
COMP, LONG EQUAL PREPAY INDEX	(0.11%)	(0.39%)	(0.97%)	(2.32%)	(6.81%)	(8.36%)	(10.31%)	(15.63%)
COMP, LONG ACTUAL PREPAY INDEX	(0.11%)	(0.40%)	(1.00%)	(2.38%)	(6.73%)	(8.16%)	(9.90%)	(14.38%)
COMP, SHORT EQUAL PREPAY INDEX	(0.04%)	(0.12%)	(0.38%)	(0.78%)	(2.57%)	(4.75%)	(7.96%)	(13.24%)
COMP, SHORT ACTUAL PREPAY INDEX	(0.04%)	(0.12%)	(0.34%)	(0.69%)	(2.22%)	(4.11%)	(7.23%)	(11.83%)
COMP, ALL EQUAL DEFAULT INDEX	(0.01%)	(0.02%)	(0.05%)	(0.14%)	(0.54%)	(0.98%)	(1.93%)	(2.84%)
COMP, ALL ACTUAL DEFAULT INDEX	(0.01%)	(0.02%)	(0.06%)	(0.15%)	(0.60%)	(1.07%)	(2.12%)	(2.94%)
COMP, LONG EQUAL DEFAULT INDEX	(0.01%)	(0.03%)	(0.07%)	(0.18%)	(0.68%)	(1.12%)	(2.02%)	(2.88%)
COMP, LONG ACTUAL DEFAULT INDEX	(0.01%)	(0.02%)	(0.07%)	(0.19%)	(0.70%)	(1.16%)	(2.16%)	(2.95%)
COMP, SHORT EQUAL DEFAULT INDEX	(0.01%)	(0.01%)	(0.03%)	(0.07%)	(0.33%)	(0.84%)	(2.03%)	(3.15%)
COMP, SHORT ACTUAL DEFAULT INDEX	(0.01%)	(0.01%)	(0.03%)	(0.07%)	(0.30%)	(0.80%)	(1.98%)	(2.99%)
COMP, ALL EQUAL VOL PREPAY INDEX	(0.09%)	(0.27%)	(0.64%)	(1.55%)	(4.66%)	(5.90%)	(7.17%)	(11.69%)
COMP, ALL ACTUAL VOL PREPAY INDEX	(0.09%)	(0.30%)	(0.76%)	(1.77%)	(5.06%)	(6.17%)	(7.21%)	(11.09%)
COMP, LONG EQUAL VOL PREPAY INDEX	(0.11%)	(0.37%)	(0.90%)	(2.15%)	(6.17%)	(7.32%)	(8.46%)	(13.13%)
COMP, LONG ACTUAL VOL PREPAY INDEX	(0.10%)	(0.38%)	(0.93%)	(2.19%)	(6.07%)	(7.09%)	(7.91%)	(11.78%)
COMP, SHORT EQUAL VOL PREPAY INDEX	(0.04%)	(0.10%)	(0.35%)	(0.71%)	(2.25%)	(3.94%)	(6.05%)	(10.41%)
COMP, SHORT ACTUAL VOL PREPAY INDEX	(0.04%)	(0.10%)	(0.31%)	(0.62%)	(1.93%)	(3.33%)	(5.35%)	(9.11%)
COMP, ALL EQUAL SCHED PRIN INDEX	(0.04%)	(0.11%)	(0.27%)	(0.73%)	(2.35%)	(3.28%)	(4.42%)	(5.67%)
COMP, ALL ACTUAL SCHED PRIN INDEX	(0.04%)	(0.12%)	(0.31%)	(0.80%)	(2.42%)	(3.29%)	(4.27%)	(5.31%)
COMP, LONG EQUAL SCHED PRIN INDEX	(0.04%)	(0.12%)	(0.35%)	(0.94%)	(2.86%)	(3.62%)	(4.50%)	(5.66%)
COMP, LONG ACTUAL SCHED PRIN INDEX	(0.03%)	(0.11%)	(0.32%)	(0.89%)	(2.64%)	(3.34%)	(4.06%)	(4.96%)
COMP, SHORT EQUAL SCHED PRIN INDEX	(0.05%)	(0.14%)	(0.27%)	(0.54%)	(1.70%)	(3.03%)	(4.96%)	(6.83%)
COMP, SHORT ACTUAL SCHED PRIN INDEX	(0.05%)	(0.14%)	(0.27%)	(0.53%)	(1.69%)	(3.08%)	(5.00%)	(6.80%)
COMP, ALL EQUAL TOTAL PRIN INDEX	(0.14%)	(0.39%)	(0.96%)	(2.40%)	(7.41%)	(9.88%)	(12.99%)	(19.07%)
COMP, ALL ACTUAL TOTAL PRIN INDEX	(0.13%)	(0.44%)	(1.12%)	(2.71%)	(7.92%)	(10.23%)	(13.06%)	(18.29%)
COMP, LONG EQUAL TOTAL PRIN INDEX	(0.15%)	(0.51%)	(1.32%)	(3.24%)	(9.48%)	(11.69%)	(14.35%)	(20.41%)
COMP, LONG ACTUAL TOTAL PRIN INDEX	(0.14%)	(0.51%)	(1.32%)	(3.25%)	(9.20%)	(11.24%)	(13.56%)	(18.63%)
COMP, SHORT EQUAL TOTAL PRIN INDEX	(0.09%)	(0.25%)	(0.64%)	(1.31%)	(4.23%)	(7.64%)	(12.52%)	(19.17%)
COMP, SHORT ACTUAL TOTAL PRIN INDEX	(0.09%)	(0.25%)	(0.61%)	(1.22%)	(3.88%)	(7.07%)	(11.87%)	(17.83%)

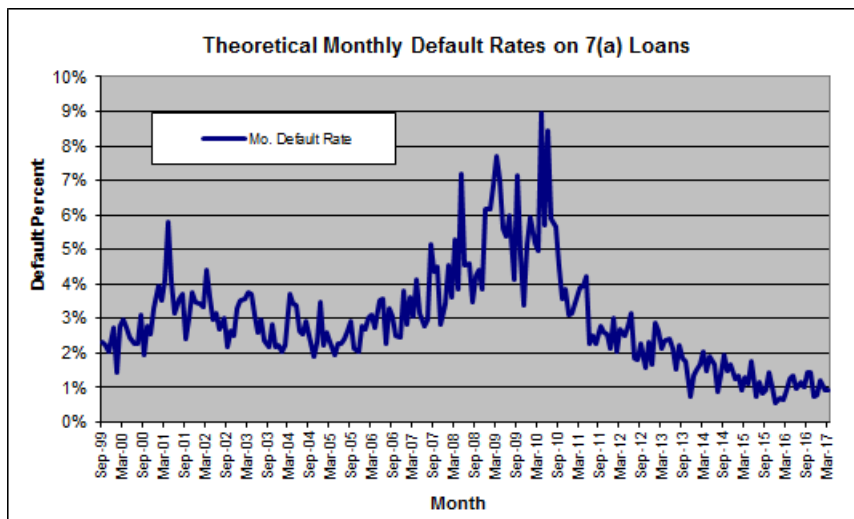
## 7(a) Default Rate Update

In March, the theoretical default rate increased by 1% to 0.93% from 0.92%, previously.

This level represents the 14th lowest reading in our database and is the 36th sub-2% print in a row.

Yet another data point showing that we are in a low default period for small business lending.

*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.*



## 504 Debenture Prepayment Speed Commentary

This month, 20 year debenture prepayment speeds rose by 2% to CPR 10.01%, going slightly above CPR 10% after a one-month respite. As for 10-year paper, this is an off-month, so we will have to wait until next month for an update.

Returning to 20s, the reason for the increase in the CPR was a rise in both defaults (CDR) and voluntary prepayments (CRR). Defaults rose by 34% to CDR 0.51% from CDR 0.38% while voluntary prepayments increased by 1% to CRR 9.52% from CRR 9.45%.

Defaults continue to remain low while voluntary prepayments hover around CRR 10%.

*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.*



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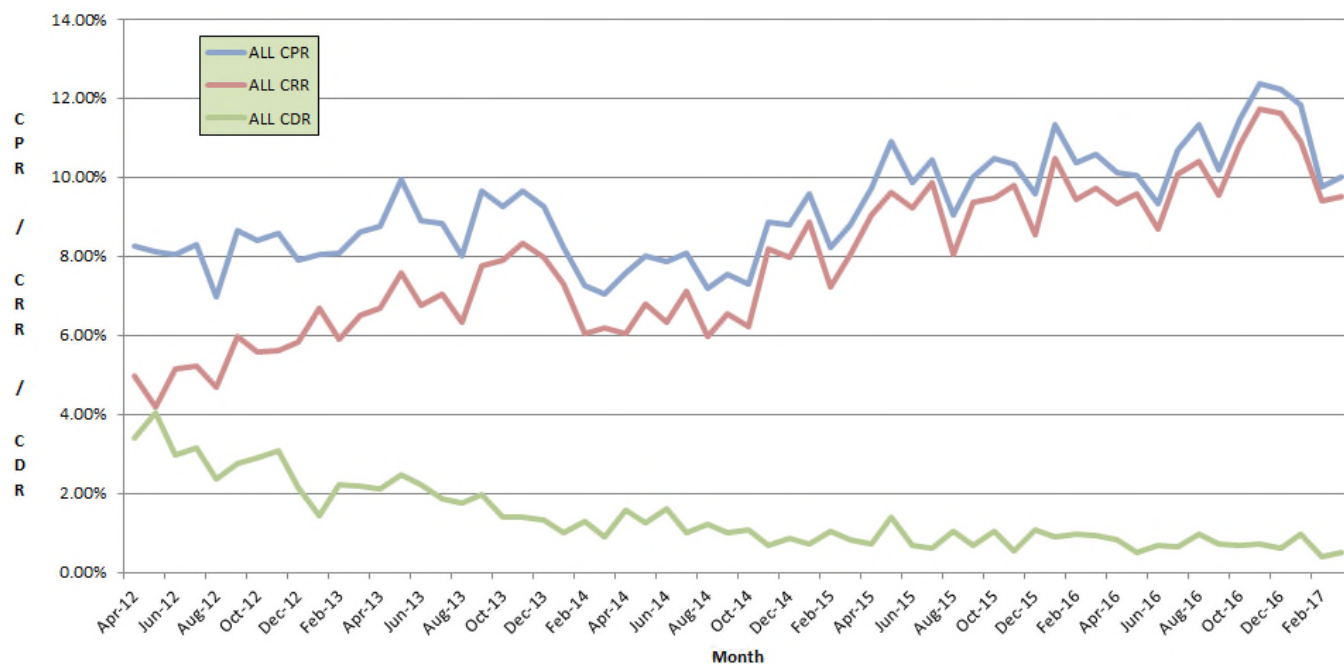
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# 504 Debenture Prepayment Speed Results

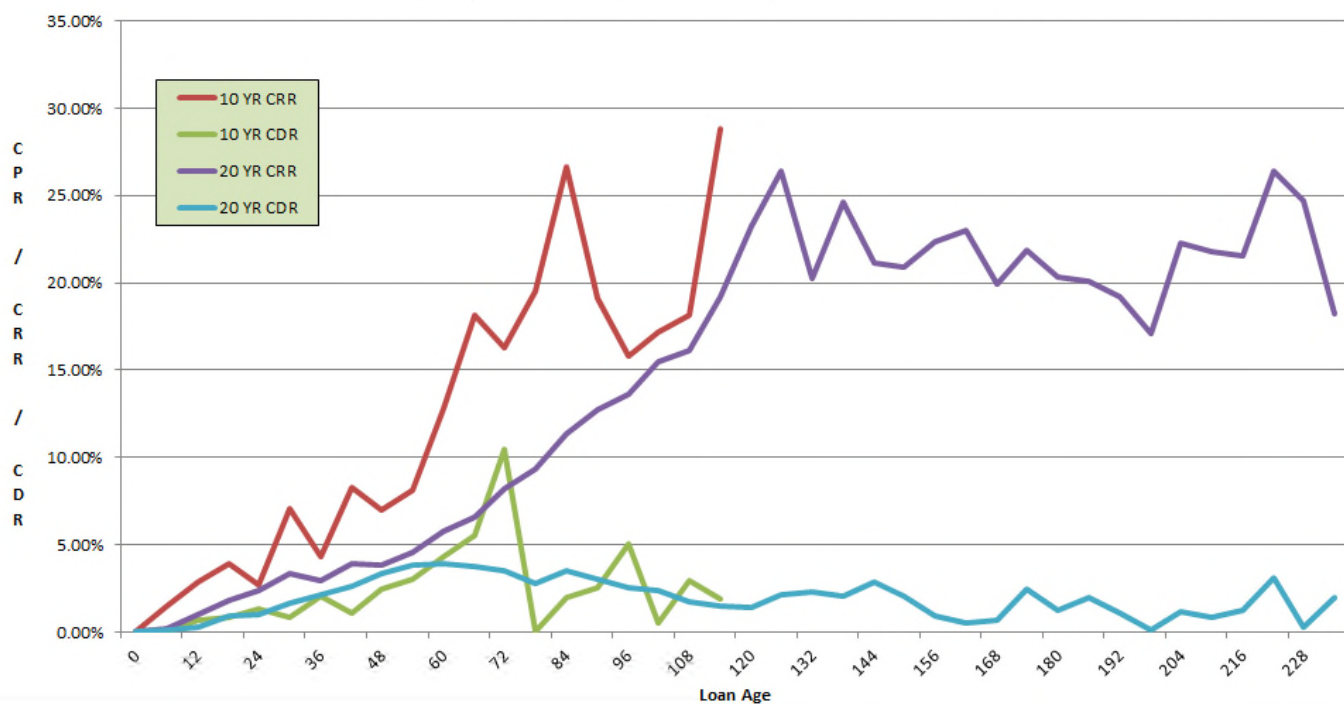
FACTOR MONTH	20 YR. CPR	20 YR. CRR	20 YR. CDR	10 YR. CPR	10 YR. CRR	10 YR. CDR	ALL CPR	ALL CRR	ALL CDR	WAVG AGE ALL	WAVG AGE 20 YR.	WAVG AGE 10 YR.
Apr-12	8.42%	5.00%	3.50%	4.98%	4.06%	0.94%	8.27%	4.96%	3.40%	46.31	47.29	25.70
May-12	8.13%	4.16%	4.05%	NA	NA	NA	8.13%	4.16%	4.05%	47.76	47.76	NA
Jun-12	7.76%	4.87%	2.97%	14.16%	11.42%	2.91%	8.03%	5.14%	2.97%	46.40	47.37	25.46
Jul-12	8.31%	5.24%	3.15%	NA	NA	NA	8.31%	5.24%	3.15%	44.76	44.76	NA
Aug-12	6.94%	4.65%	2.35%	7.36%	5.23%	2.18%	6.96%	4.68%	2.34%	45.25	46.38	23.33
Sep-12	8.64%	5.97%	2.76%	NA	NA	NA	8.64%	5.97%	2.76%	46.46	46.46	NA
Oct-12	8.44%	5.56%	2.97%	7.83%	6.30%	1.59%	8.42%	5.59%	2.91%	45.63	46.87	22.91
Nov-12	8.58%	5.59%	3.08%	NA	NA	NA	8.58%	5.59%	3.08%	46.90	46.90	NA
Dec-12	7.81%	5.68%	2.19%	9.97%	8.88%	1.13%	7.90%	5.82%	2.14%	44.98	45.98	24.24
Jan-13	8.05%	6.68%	1.42%	NA	NA	NA	8.05%	6.68%	1.42%	44.76	44.76	NA
Feb-13	8.17%	5.96%	2.28%	5.94%	4.90%	1.07%	8.07%	5.91%	2.23%	44.72	45.96	22.47
Mar-13	8.62%	6.51%	2.18%	NA	NA	NA	8.62%	6.51%	2.18%	46.20	46.20	NA
Apr-13	8.92%	6.85%	2.14%	5.61%	3.80%	1.84%	8.75%	6.70%	2.13%	45.24	46.50	23.10
May-13	9.94%	7.58%	2.46%	NA	NA	NA	9.94%	7.58%	2.46%	47.29	47.29	NA
Jun-13	9.07%	6.89%	2.26%	5.08%	3.84%	1.26%	8.90%	6.75%	2.22%	44.52	45.56	24.24
Jul-13	8.83%	7.03%	1.87%	NA	NA	NA	8.83%	7.03%	1.87%	45.44	45.44	NA
Aug-13	7.94%	6.27%	1.72%	9.05%	7.11%	2.01%	8.00%	6.31%	1.74%	45.84	46.94	25.33
Sep-13	9.66%	7.75%	1.98%	NA	NA	NA	9.66%	7.75%	1.98%	46.18	46.18	NA
Oct-13	9.37%	7.98%	1.44%	7.28%	6.48%	0.83%	9.26%	7.90%	1.41%	46.06	47.29	24.57
Nov-13	9.64%	8.32%	1.38%	NA	NA	NA	9.64%	8.32%	1.38%	48.13	48.13	NA
Dec-13	9.54%	8.24%	1.36%	3.36%	2.59%	0.78%	9.26%	7.98%	1.34%	45.39	46.33	26.88
Jan-14	8.24%	7.28%	0.99%	NA	NA	NA	8.24%	7.28%	0.99%	47.16	47.16	NA
Feb-14	7.24%	6.00%	1.28%	7.88%	6.73%	1.19%	7.27%	6.04%	1.28%	46.46	47.47	27.34
Mar-14	7.06%	6.20%	0.89%	NA	NA	NA	7.06%	6.20%	0.89%	46.58	46.58	NA
Apr-14	7.59%	6.20%	1.44%	7.01%	3.31%	3.77%	7.56%	6.05%	1.56%	47.17	48.44	25.72
May-14	8.00%	6.80%	1.25%	NA	NA	NA	8.00%	6.80%	1.25%	50.01	50.01	NA
Jun-14	7.74%	6.19%	1.60%	10.43%	8.94%	1.55%	7.86%	6.32%	1.59%	46.32	47.23	27.97
Jul-14	8.06%	7.11%	0.99%	NA	NA	NA	8.06%	7.11%	0.99%	48.70	48.70	NA
Aug-14	7.29%	6.08%	1.25%	4.81%	4.14%	0.69%	7.17%	5.99%	1.22%	47.22	48.16	29.10
Sep-14	7.54%	6.56%	1.01%	NA	NA	NA	7.54%	6.56%	1.01%	48.54	48.54	NA
Oct-14	7.43%	6.38%	1.08%	4.84%	3.61%	1.25%	7.29%	6.24%	1.09%	48.94	50.23	27.55
Nov-14	8.85%	8.20%	0.68%	NA	NA	NA	8.85%	8.20%	0.68%	50.41	50.41	NA
Dec-14	8.90%	8.08%	0.86%	6.37%	5.65%	0.74%	8.79%	7.97%	0.85%	47.98	48.85	30.15
Jan-15	9.56%	8.88%	0.71%	NA	NA	NA	9.56%	8.88%	0.71%	50.24	50.24	NA
Feb-15	8.27%	7.25%	1.05%	7.23%	6.60%	0.65%	8.22%	7.22%	1.03%	48.85	49.72	31.56
Mar-15	8.80%	8.03%	0.81%	NA	NA	NA	8.80%	8.03%	0.81%	49.05	49.05	NA
Apr-15	9.65%	8.99%	0.69%	10.87%	9.95%	0.97%	9.72%	9.04%	0.70%	49.63	50.76	29.98
May-15	10.92%	9.60%	1.38%	NA	NA	NA	10.92%	9.60%	1.38%	51.04	51.04	NA
Jun-15	10.11%	9.45%	0.70%	4.62%	4.23%	0.40%	9.87%	9.21%	0.68%	49.15	49.98	32.22
Jul-15	10.45%	9.87%	0.62%	NA	NA	NA	10.45%	9.87%	0.62%	50.94	50.94	NA
Aug-15	9.09%	8.06%	1.07%	8.31%	7.92%	0.41%	9.05%	8.05%	1.04%	49.98	50.74	34.07
Sep-15	10.02%	9.38%	0.68%	NA	NA	NA	10.02%	9.38%	0.68%	49.79	49.79	NA
Oct-15	10.48%	9.59%	0.93%	10.10%	7.36%	2.85%	10.46%	9.48%	1.03%	50.62	51.69	31.61
Nov-15	10.33%	9.81%	0.55%	NA	NA	NA	10.33%	9.81%	0.55%	51.93	51.93	NA
Dec-15	9.60%	8.64%	1.01%	9.09%	6.63%	2.55%	9.58%	8.55%	1.08%	50.80	51.69	32.95
Jan-16	11.32%	10.49%	0.88%	NA	NA	NA	11.32%	10.49%	0.88%	50.96	50.96	NA
Feb-16	10.47%	9.64%	0.88%	8.04%	4.91%	3.21%	10.36%	9.43%	0.98%	51.01	51.76	35.24
Mar-16	10.59%	9.71%	0.93%	NA	NA	NA	10.59%	9.71%	0.93%	50.66	50.66	NA
Apr-16	10.15%	9.49%	0.69%	9.22%	6.21%	3.10%	10.11%	9.33%	0.82%	51.72	52.65	34.48
May-16	10.05%	9.59%	0.48%	NA	NA	NA	10.05%	9.59%	0.48%	51.65	51.65	NA
Jun-16	9.36%	8.77%	0.63%	8.48%	7.02%	1.51%	9.32%	8.69%	0.67%	51.66	52.52	34.27
Jul-16	10.67%	10.07%	0.64%	NA	NA	NA	10.67%	10.07%	0.64%	51.26	51.26	NA
Aug-16	11.31%	10.41%	0.95%	11.74%	10.14%	1.69%	11.33%	10.40%	0.98%	51.55	52.22	36.87
Sep-16	10.20%	9.53%	0.70%	NA	NA	NA	10.20%	9.53%	0.70%	51.04	51.04	NA
Oct-16	11.60%	11.00%	0.63%	9.02%	7.80%	1.27%	11.47%	10.85%	0.66%	51.54	52.22	37.77
Nov-16	12.37%	11.71%	0.70%	NA	NA	NA	12.37%	11.71%	0.70%	51.78	51.78	NA
Dec-16	12.46%	11.88%	0.63%	6.75%	6.27%	0.49%	12.21%	11.63%	0.62%	51.97	52.66	37.34
Jan-17	11.82%	10.91%	0.96%	NA	NA	NA	11.82%	10.91%	0.96%	50.66	50.66	NA
Feb-17	9.81%	9.45%	0.38%	8.85%	8.41%	0.46%	9.77%	9.41%	0.39%	51.89	52.46	38.80
Mar-17	10.01%	9.52%	0.51%	NA	NA	NA	10.01%	9.52%	0.51%	51.37	51.37	NA

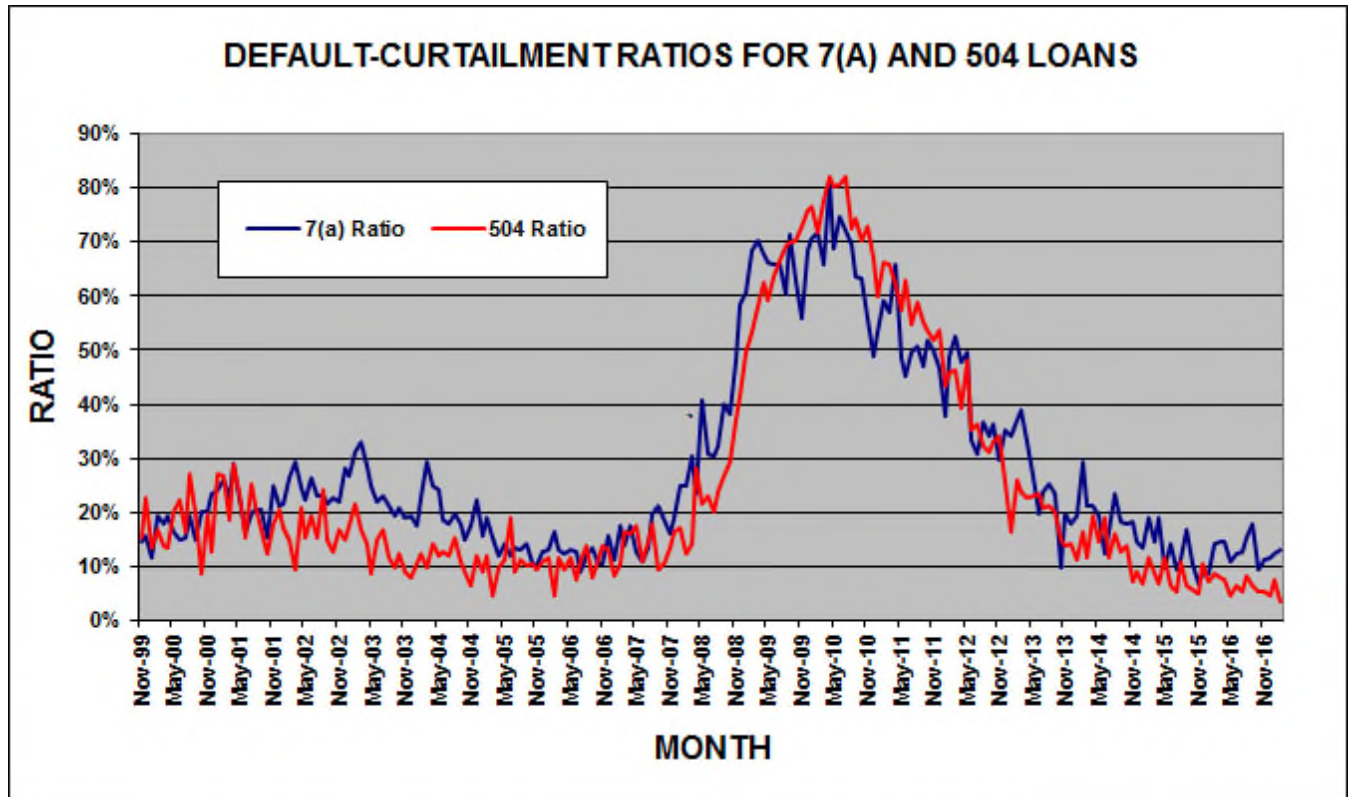


### 504 DCPC Prepayment Speeds by Month - Last 5 Years



### 504 DCPC Prepayment Speeds by Loan Age - Last 5 Years





## Default—Curtailment Ratios

In our Default-Curtailment Ratios (DCR) we witnessed an increase in the 7a and a decrease in the 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 registered an 8% increase to 13.30% from 12.28% the previous month. This reading represents the 30th consecutive reading below 20%.

The cause of this increase was the fact that defaults rose while voluntary prepayments decreased.

Turning to actual dollar amounts, defaults rose by 3% to \$49 million from \$48 million. As for voluntary prepayments, they decreased by 6% to \$322 million from \$344 million, previously.

### SBA 504 Default Ratios

This month, the 504 DCR fell by 51% to 3.70% from 7.54%, previously. With both defaults and voluntary prepayments falling, the ratio decreased.

Specifically, the dollar amount of defaults decreased by \$11 million to \$9 million (-53%). As for voluntary prepayments, they fell by \$1 million to \$241 million (-0.33%).

### Summary

Both indexes continue to verify a low default period for small business lending.

*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.*

# GLS Value Indices Update

Last month, the GLS Value Indices fell in four out of six sub-indices as the Secondary Market moved up for longer paper.

The Base Rate / Libor spread fell by 11 basis points to +260, while prepayment speeds fell in four out of six maturity buckets last month.

By the end of the March, the secondary market was approximately .125% to .75% higher, depending on maturity. 10 year paper came in at 113.50, up slightly from 113.37. For long maturities, fully priced

loans came in at 116.95, up from 116.68.

Turning to the specifics, the largest decrease was seen in the GLS VI-3, which fell by 20% to 43 basis points. The other decreases, by order of magnitude, were seen in VI-4 (-16% to 124), VI-6 (-6% to 128) and VI-5 (-5% to 109).

Increases were seen, also by order of magnitude, in VI-1 (+62% to 68) and VI-2 (+54% to 57).

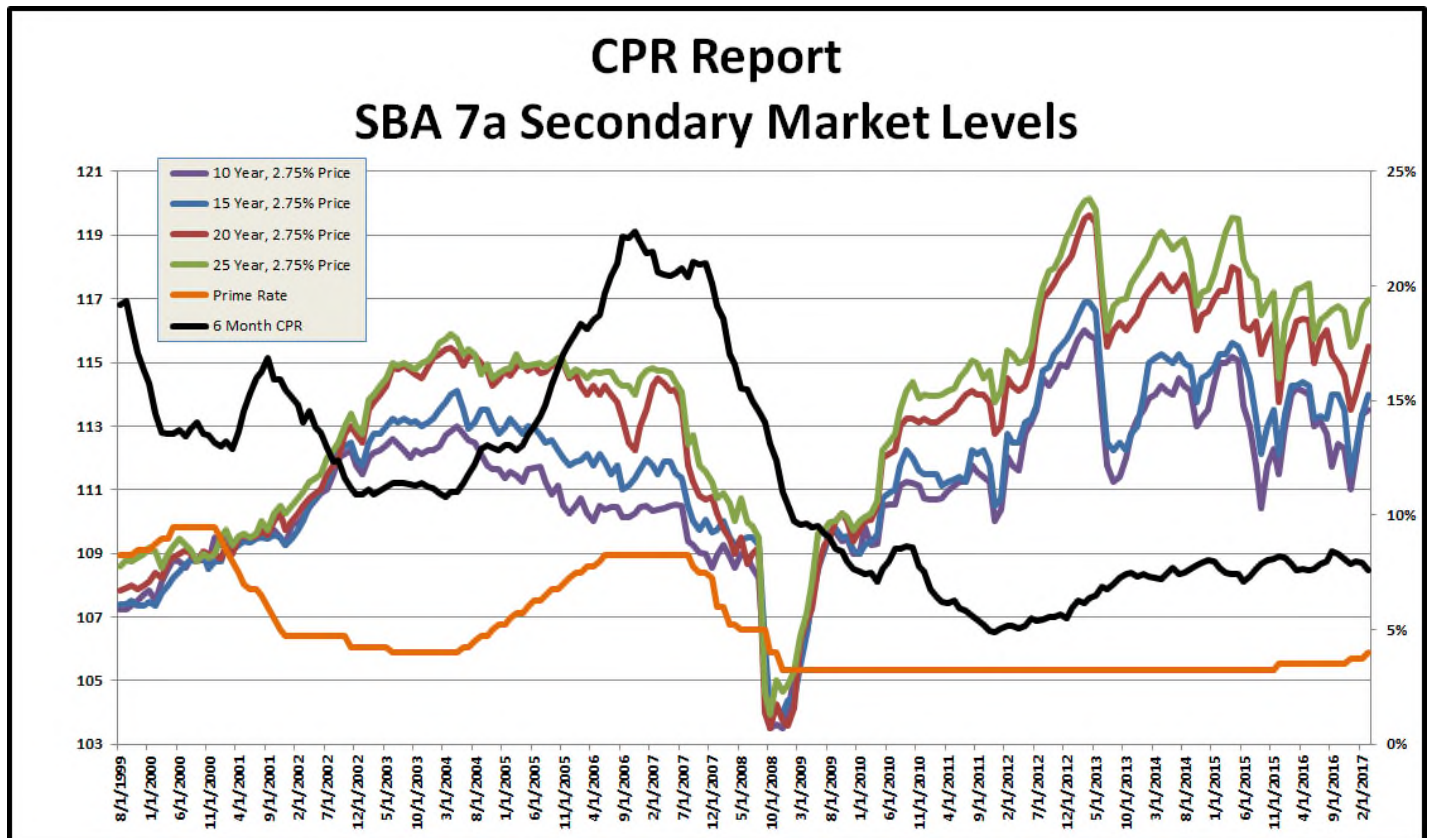
While the market still has some upside, expect it to flatten out as the summer looms.

*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.*

*Graphs continue on next page*

## 7(a) Secondary Market Pricing Grid: March 2017

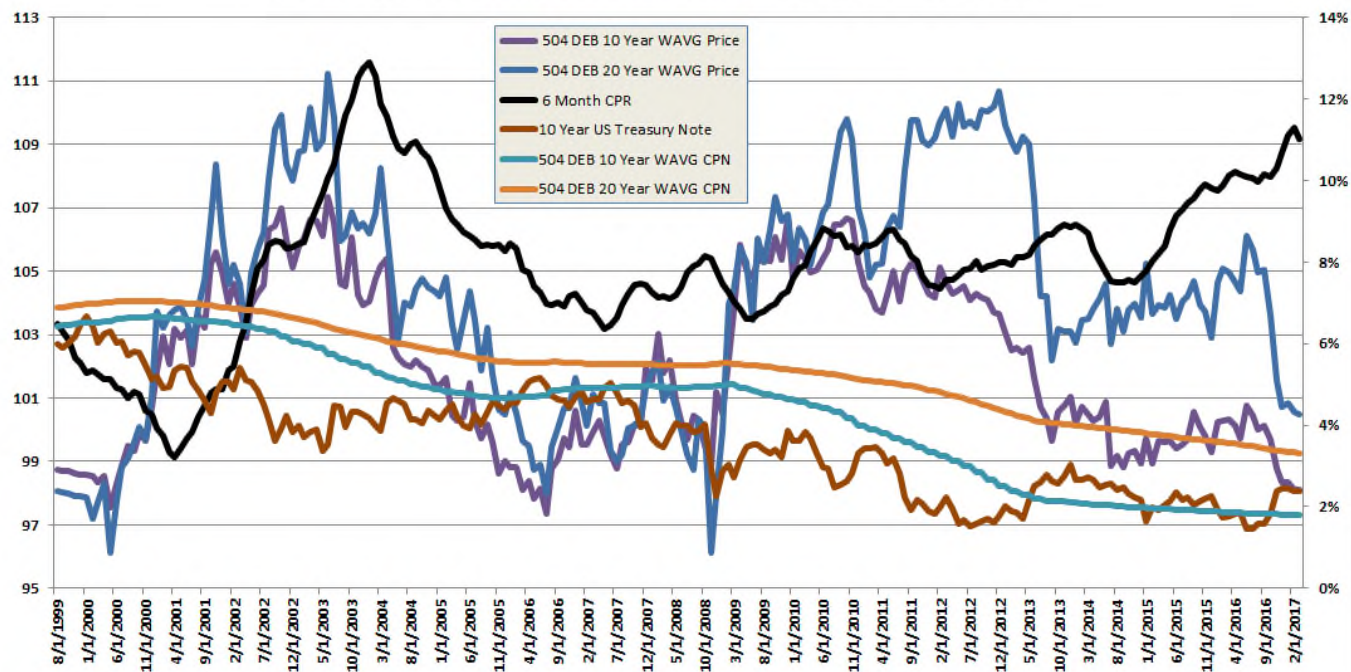
Maturity	Gross Margin	Net Margin	Servicing	This Month Price	Last Month Price	3-Mos. Ago Price	6-Mos. Ago Price	1-Yr. Ago Price
10 yrs.	2.75%	1.079%	1.00%	113.500	113.370	111.000	111.710	114.200
15 yrs.	2.75%	1.079%	1.00%	114.000	113.370	111.500	114.000	114.250
20 yrs.	2.75%	1.079%	1.00%	115.500	114.750	113.500	115.250	116.300
25 yrs.	2.75%	1.079%	1.00%	116.950	116.680	115.500	116.670	117.300



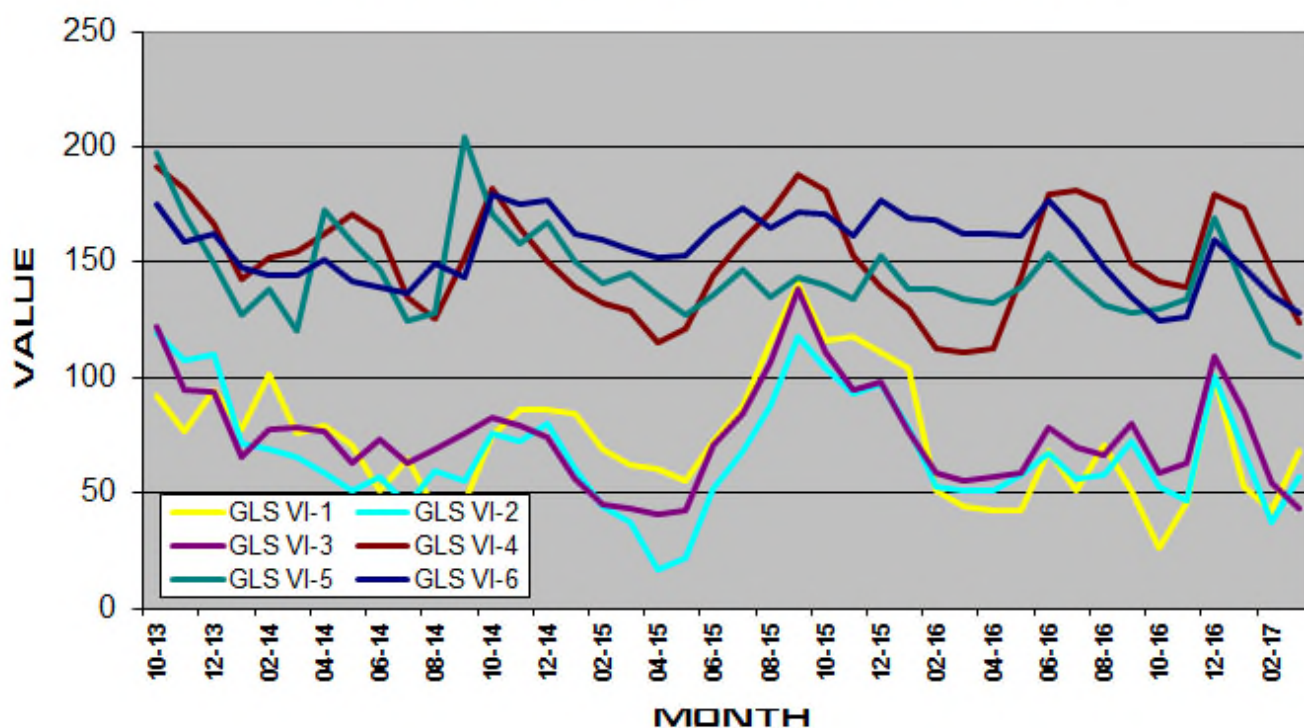


# GLS Value Indices Update

## CPR Report SBA 504 Debenture Market Levels



## GLS VALUE INDICES



# GLS Value Indices Supporting Data

MONTH	BUCKET 1 CPR	BUCKET 2 CPR	BUCKET 3 CPR	BUCKET 4 CPR	BUCKET 5 CPR	BUCKET 6 CPR
Oct-13	11.43%	9.26%	9.19%	6.49%	8.53%	6.58%
Nov-13	11.70%	8.32%	8.70%	6.10%	8.35%	6.91%
Dec-13	10.83%	7.39%	8.48%	5.75%	8.88%	6.75%
Jan-14	9.77%	8.30%	8.51%	5.62%	8.64%	6.98%
Feb-14	10.84%	8.57%	8.24%	5.10%	7.64%	6.96%
Mar-14	10.19%	8.05%	8.28%	4.93%	6.69%	6.98%
Apr-14	10.81%	8.22%	8.09%	5.16%	6.23%	6.93%
May-14	11.52%	9.21%	8.40%	5.02%	6.34%	7.06%
Jun-14	12.95%	10.45%	8.36%	5.03%	6.26%	7.41%
Jul-14	13.85%	9.91%	8.15%	6.30%	5.80%	7.12%
Aug-14	12.76%	9.40%	8.22%	6.19%	5.52%	7.19%
Sep-14	13.97%	9.08%	8.22%	5.90%	6.12%	7.42%
Oct-14	14.15%	9.41%	8.52%	4.76%	6.44%	7.57%
Nov-14	13.67%	9.52%	8.62%	5.62%	7.22%	7.62%
Dec-14	13.88%	8.24%	8.44%	6.79%	6.08%	7.36%
Jan-15	12.62%	8.53%	8.31%	7.41%	6.86%	7.88%
Feb-15	13.48%	8.66%	8.01%	7.39%	7.25%	7.51%
Mar-15	12.41%	8.96%	8.08%	7.35%	6.58%	7.23%
Apr-15	12.52%	10.28%	7.85%	8.24%	6.83%	7.07%
May-15	12.75%	10.04%	7.97%	7.88%	7.06%	7.01%
Jun-15	11.90%	10.18%	8.09%	6.30%	7.44%	7.12%
Jul-15	11.63%	10.20%	8.09%	5.60%	7.39%	6.92%
Aug-15	10.38%	10.91%	8.20%	5.95%	7.74%	7.35%
Sep-15	10.53%	11.19%	7.99%	5.99%	8.23%	7.68%
Oct-15	9.81%	9.64%	8.27%	5.90%	8.21%	7.89%
Nov-15	10.43%	9.66%	8.20%	7.53%	8.04%	7.98%
Dec-15	10.73%	9.39%	8.03%	9.60%	8.55%	8.11%
Jan-16	11.06%	9.07%	8.17%	9.70%	8.71%	8.01%
Feb-16	14.66%	9.40%	7.85%	9.79%	8.09%	7.68%
Mar-16	14.76%	9.03%	7.56%	9.83%	7.51%	7.43%
Apr-16	15.59%	9.41%	7.65%	9.51%	7.62%	7.43%
May-16	16.15%	9.05%	7.69%	6.97%	7.06%	7.43%
Jun-16	15.05%	10.24%	7.69%	4.59%	7.31%	7.57%
Jul-16	16.26%	10.65%	7.87%	3.92%	7.28%	7.80%
Aug-16	13.72%	10.56%	7.99%	3.28%	6.96%	7.97%
Sep-16	14.59%	11.12%	8.40%	4.50%	7.68%	8.38%
Oct-16	15.61%	10.93%	7.96%	4.24%	7.06%	8.44%
Nov-16	13.80%	11.98%	7.55%	5.06%	6.81%	8.28%
Dec-16	13.85%	11.32%	7.47%	5.89%	6.73%	7.97%
Jan-17	11.79%	11.64%	7.07%	4.73%	8.02%	8.28%
Feb-17	11.41%	11.05%	7.09%	5.43%	9.00%	8.14%
Mar-17	11.55%	10.72%	6.82%	5.75%	8.24%	7.76%



# GLS Value Indices Supporting Data

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
Oct-13	0.23%	3.25%	3.02%	92	119	122	191	197	175
Nov-13	0.23%	3.25%	3.02%	77	107	94	182	171	159
Dec-13	0.23%	3.25%	3.02%	95	110	94	166	149	162
Jan-14	0.23%	3.25%	3.02%	78	72	66	142	127	147
Feb-14	0.23%	3.25%	3.02%	102	69	77	152	138	145
Mar-14	0.22%	3.25%	3.03%	76	66	78	154	120	144
Apr-14	0.22%	3.25%	3.03%	79	59	76	162	172	152
May-14	0.22%	3.25%	3.03%	71	51	63	171	159	142
Jun-14	0.22%	3.25%	3.03%	51	57	73	163	147	139
Jul-14	0.23%	3.25%	3.02%	64	45	63	135	125	137
Aug-14	0.23%	3.25%	3.02%	44	60	69	125	128	149
Sep-14	0.22%	3.25%	3.03%	46	55	76	152	204	143
Oct-14	0.23%	3.25%	3.02%	75	76	83	182	171	179
Nov-14	0.23%	3.25%	3.02%	86	72	79	165	158	175
Dec-14	0.24%	3.25%	3.01%	86	80	74	150	167	177
Jan-15	0.25%	3.25%	3.00%	84	60	56	139	150	162
Feb-15	0.26%	3.25%	2.99%	69	44	45	132	141	160
Mar-15	0.27%	3.25%	2.98%	62	37	43	129	145	155
Apr-15	0.27%	3.25%	2.98%	60	17	41	115	136	152
May-15	0.28%	3.25%	2.97%	55	22	42	121	127	153
Jun-15	0.28%	3.25%	2.97%	72	52	71	144	136	165
Jul-15	0.29%	3.25%	2.96%	88	68	84	160	147	173
Aug-15	0.32%	3.25%	2.93%	115	88	107	172	135	165
Sep-15	0.33%	3.25%	2.92%	141	118	138	188	143	172
Oct-15	0.32%	3.25%	2.93%	116	104	111	181	140	171
Nov-15	0.36%	3.25%	2.89%	118	93	95	153	134	161
Dec-15	0.53%	3.25%	2.72%	111	97	98	139	153	177
Jan-16	0.62%	3.50%	2.88%	104	78	77	130	138	169
Feb-16	0.62%	3.50%	2.88%	51	53	59	113	138	168
Mar-16	0.64%	3.50%	2.86%	44	51	55	111	134	162
Apr-16	0.63%	3.50%	2.87%	42	51	57	113	132	162
May-16	0.63%	3.50%	2.87%	42	58	59	143	139	161
Jun-16	0.66%	3.50%	2.84%	68	67	78	179	154	177
Jul-16	0.69%	3.50%	2.81%	51	56	70	181	142	164
Aug-16	0.80%	3.50%	2.70%	71	58	66	176	131	148
Sep-16	0.86%	3.50%	2.64%	51	72	80	149	128	135
Oct-16	0.88%	3.50%	2.62%	26	53	59	142	130	125
Nov-16	0.91%	3.50%	2.59%	46	47	63	139	134	126
Dec-16	0.97%	3.75%	2.78%	101	101	109	179	169	160
Jan-17	1.02%	3.75%	2.73%	53	68	85	173	139	148
Feb-17	1.04%	3.75%	2.71%	42	37	54	147	115	136
Mar-17	1.15%	3.75%	2.60%	68	57	43	124	109	128

INDICES LEGEND	
	HIGHEST READING
	LOWEST READING

## 7(a) YTD Prepayment Speeds

CPR/MO.	<8	8 - 10	10 - 13	13 - 16	16 - 20	20+	ALL
Jan-17	8.78%	12.70%	7.15%	1.41%	16.48%	10.18%	9.58%
Feb-17	14.90%	8.44%	7.06%	5.59%	10.08%	7.02%	7.23%
Mar-17	12.71%	8.99%	6.56%	11.29%	3.42%	6.80%	6.76%
Grand Total	12.15%	10.08%	6.92%	6.17%	10.17%	8.00%	7.85%

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POOL AGE	<8	8 - 10	10 - 13	13 - 16	16 - 20	20+	ALL
Jan-17	29 Mos.	34 Mos.	30 Mos.	46 Mos.	54 Mos.	48 Mos.	43 Mos.
Feb-17	29 Mos.	34 Mos.	29 Mos.	46 Mos.	54 Mos.	48 Mos.	43 Mos.
Mar-17	30 Mos.	34 Mos.	29 Mos.	46 Mos.	54 Mos.	49 Mos.	43 Mos.

## 7(a) YTD Prepayment Speeds

<b>&lt; 8 BY AGE</b>	<b>0-12 Mos.</b>	<b>13-24 Mos.</b>	<b>25-36 Mos.</b>	<b>37-48 Mos.</b>	<b>48+ Mos.</b>
<b>Jan-17</b>	5.49%	11.86%	17.03%	10.92%	3.01%
<b>Feb-17</b>	10.54%	3.55%	37.46%	13.65%	11.26%
<b>Mar-17</b>	11.86%	8.42%	24.64%	2.59%	17.40%
<b>Grand Total</b>	<b>9.25%</b>	<b>7.82%</b>	<b>27.08%</b>	<b>8.77%</b>	<b>10.69%</b>

<b>10-13 BY AGE</b>	<b>0-12 Mos.</b>	<b>13-24 Mos.</b>	<b>25-36 Mos.</b>	<b>37-48 Mos.</b>	<b>48+ Mos.</b>
<b>Jan-17</b>	3.01%	9.61%	7.41%	10.50%	9.28%
<b>Feb-17</b>	4.85%	7.86%	7.46%	9.57%	8.52%
<b>Mar-17</b>	1.72%	10.61%	10.15%	5.96%	7.21%
<b>Grand Total</b>	<b>3.20%</b>	<b>9.37%</b>	<b>8.38%</b>	<b>8.66%</b>	<b>8.34%</b>

<b>16-20 BY AGE</b>	<b>0-12 Mos.</b>	<b>13-24 Mos.</b>	<b>25-36 Mos.</b>	<b>37-48 Mos.</b>	<b>48+ Mos.</b>
<b>Jan-17</b>	29.49%	17.26%	27.74%	5.77%	7.54%
<b>Feb-17</b>	0.00%	0.00%	33.03%	0.00%	8.39%
<b>Mar-17</b>	3.50%	0.00%	0.30%	0.00%	5.89%
<b>Grand Total</b>	<b>13.42%</b>	<b>6.22%</b>	<b>20.92%</b>	<b>2.17%</b>	<b>7.26%</b>

## 7(a) YTD Prepayment Speeds

8-10 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-17	4.52%	12.73%	24.88%	4.79%	12.10%
Feb-17	9.25%	9.99%	6.91%	0.03%	10.97%
Mar-17	3.83%	8.38%	18.87%	11.47%	4.65%
Grand Total	5.96%	10.34%	17.42%	5.71%	9.34%

13-16 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-17	0.00%	0.00%	0.00%	0.00%	3.68%
Feb-17	4.58%	0.00%	8.90%	11.07%	6.01%
Mar-17	0.26%	43.97%	0.00%	23.47%	2.50%
Grand Total	1.60%	17.23%	2.99%	11.14%	4.09%

20+ BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-17	3.38%	15.35%	17.28%	12.75%	8.20%
Feb-17	1.35%	6.69%	11.32%	10.55%	7.74%
Mar-17	1.14%	8.68%	10.42%	12.57%	6.17%
Grand Total	1.97%	10.27%	12.98%	11.97%	7.37%



## 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:

$$\text{Defaults} / (\text{Defaults} + \text{Prepayments})$$

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:

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:

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.

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:

$$\text{Pool Prepay Percentage} = \text{Pool Prepayments} / \text{Secondary Loan Prepayments}$$

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:

$$((\text{Secondary Loan Defaults} * \text{Pool Prepay Percentage}) / \text{Pool Opening Balance}) * 12$$

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:

$$\text{Total Pool CPR} = \text{VCPR} + \text{DCPR}$$

### 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 final end date of the program was September, 2012.

#### **The SBA began issuing 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.

### 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.

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.

Continued on the following page.

## GLOSSARY AND DEFINITIONS: PAGE 4

### SBI Pool and IO Strip Indexes (continued)

#### 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.

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## GLOSSARY AND DEFINITIONS: PAGE 5

### SBI Pool and IO Strip Indexes (continued)

This equates to a total of (6 ) Pool sub-indexes. 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.

#### **Prepaid Principal Component**

- Daily return is calculated for the contribution of prepaid 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 Prepaid 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:

$$\text{Total Daily Return} = \text{Income Return} + \text{MTM Return} + \text{Principal Return}$$

The Principal Return is generated using the following formula:

$$\text{Principal Return} = \text{Prepaid Principal Return} + \text{Scheduled Principal Return}$$

Continued on the following page.



## GLOSSARY AND DEFINITIONS: PAGE 6

### SBI Pool and IO Strip Indexes (continued)

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. For the Hedge Indexes, there is no pricing component.
- 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. This lowers the income portion return since a portion of each pool’s interest payment is considered return of principal. However, for our Hedge Indices, all interest is considered earnings with no return of capital.
- 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.

Continued on the following page.

## GLOSSARY AND DEFINITIONS: PAGE 7

### SBI Pool and IO Strip Indexes (continued)

#### **SBA 504 Debenture and SBIC Debenture Indexes**

While the above calculations for both the SBA 504 Debenture (SBAP) and SBIC Debenture Indexes are the same, there are differences in structure and reporting between all three SBA Programs. Here are the differences:

- SBAP's have monthly factor updates for 20 year (deemed "Long") but bi-monthly updates for 10-year paper ("Short").
- SBAP's have one new 20-year maturity each month and one 10-year every other month.
- SBICs only have 10 year debentures and they update factors only twice a year, in March and September.
- SBICs have a new debenture issued in the same months as above.
- SBICs do not amortize, whereas both SBAPs and 7a Pools do. For this reason, there is no Scheduled Principal Sub-Index.
- While 7a pools are all floating rate securities in the indexes, SBAP and SBICs debentures are all fixed rate, thus having longer durations and greater sensitivity to interest rate movements.

#### **SBA Composite Indexes**

The SBI Composite Indexes combine the four primary indexes (7a Pools, 7a IO Strips, SBAPs and SBICs) into one suite of indexes. While the actual weighted indexes use the four primary actual indexes weighted by actual size, the equal weighted indexes use the four primary equal weighted indexes also weighted by actual size. Due to the fact that the three SBA programs have grown, and continue to grow, at different rates since 1999, a static equal weighting methodology would create balancing issues over time. Therefore, we thought it best to weight the equal indexes by the actual program sizes.

The Composite indexes have all of the same sub-indexes as the four primary indexes.

### 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, then 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.

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## GLOSSARY AND DEFINITIONS: PAGE 8

### SBI Rich / Cheap Analysis (continued)

#### **Structural Inputs:**

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

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.

### SBIC Debenture Program

A Small Business Investment Company (SBIC) is a privately owned and operated company that makes long-term investments in American small businesses and is licensed by the United States Small Business Administration (SBA).

A principal reason for a company to become licensed as an SBIC is access to financing (Leverage) provided by SBA. In addition, banks and Federal savings associations (as well as their holding companies) have the ability to own or to invest in SBICs and thereby to own indirectly more than 5 percent of the voting stock of a small business,<sup>1</sup> and can receive Community Reinvestment Act credit for SBIC investments. Banks and their holding companies also receive exemptions from certain capital charge regulations and lending "affiliation" rules under the Gramm-Leach-Bliley Act. A business seeking a U.S. Government contract that is a set aside for small businesses does not lose its status as a small business by reason of a control investment by an SBIC. Many Business Development Companies (BDCs) also have formed SBIC "subsidiaries" as part of their business strategies.

The SBIC Program has undergone significant changes since its creation in 1958. The original Program permitted only Debenture Leverage. The Small Business Equity Enhancement Act of 1992 drastically changed the SBIC program. It created a new form of SBA Leverage known as "Participating Securities" (essentially preferred limited partnership interests); increased the amount of Leverage available to an SBIC to \$90 million (which subsequently was indexed to reflect changes in the cost of living since March 31, 1993 and then modified in 2009 to be \$150 million); required minimum private capital of \$10 million for SBICs using Participating Securities and \$5 million for SBICs using Debentures; provided for stricter SBA licensing standards; and enacted other changes to make the program more consistent with the private venture capital industry. Unlike the Debenture program which requires periodic interest payments, the Participating Securities program required an SBIC to pay SBA a prioritized payment (preferred return) and a profit share when the SBIC realized profits. As a consequence, the Participating Securities program was designed to permit investing in equity securities whether or not those securities had a current pay component.

## GLOSSARY AND DEFINITIONS: PAGE 9

### **SBIC Debenture Program (continued)**

This new program resulted in a large expansion of the number of SBIC licenses granted. Following the burst of the “technology bubble” in 2002, the Administration decided there was no longer a need for an equity SBIC program and determined that the existing participating securities program would result in significant losses to SBA. Accordingly, SBA terminated the program, and that beginning on October 1, 2004, stopped issuing commitments to use participating securities leverage and licensing new participating securities SBICs.

SBA currently provides financing (called “Leverage”) to SBICs in the form of “Debentures.” Debentures are unsecured ten-year loans issued by the SBIC that have interest-only payable semi-annually. Most Debentures bear a temporary interest rate based on LIBOR. The interest rate on these Debentures is fixed when the SBA pools Debentures from various SBICs and sells them to the public, with the pooled Debentures having a 10-year maturity from the sale date.

It is these debentures that are analyzed in the CPR Report.

Since SBIC Debentures do not have an amortization component, I have added a different CPR calculation inside the CPR Report.

I call it the “Amortization Equivalent CPR” (AECPR). Since the principal balance does not amortize for SBIC debentures, it makes it difficult to compare them, from a pre-payment perspective, to amortizing assets, such as SBA 7a and 504 debenture pools.

The AECPR assumes the asset amortizes and looks at the beginning and ending balance to calculate the CPR. The calculation uses the exact MBA (Mortgage Banker’s Association) standard formula for CPR.

Because of the amortization assumption, the AECPR is always lower than the normal CPR calculation for SBIC pools, and can go below zero if the principal reduction does not fully offset the assumed amortization amount.

### **SBA 7a League Tables**

League tables track volumes of SBA 7a pools by pool assembler, maturity bucket and fixed rate structure during a given calendar year. For the Report, we show the two largest maturity buckets, 10-13 year and 20+ year pools, as well as all formed pools and fixed rate ones. As for how we credit originations for pools with multiple assemblers, we divide the pool amount equally between the pool assemblers involved in the origination.



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