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Government Loan Solutions' CPR REPORT

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

Volume 4, Issue #8

August, 2010

Bob Judge, Government Loan Solutions, Editor

Bob Judge is a partner at Government Loan Solutions.

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

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

INSIDE THIS ISSUE:

Special points of interest:

- Prepayments Revisit 10%
- SMA Update
- Default Rate Above 8%
- Value Indices Lower

July CPR: Prepayment Speeds Revisit 10%

Prepayments in July revisited the 10% mark, hitting a 2010-high of 10.65%.

As we saw in May, the culprit was elevated defaults, which exceeded $200 million for the second time this year. As a result, this increase in defaults added approximately CPR 2.53% to the reading from June.

Unfortunately, June proved to be a short-term respite from elevated defaults, which once again neared the 8% level.

The good news is that preliminary data from Colson suggests that much like June, defaults will fall back toward 6%, continuing the seesaw action we have seen for the past few months.

Turning to the specifics, the prepayment speed for July came in at CPR 10.65%, 35% higher than the June reading of CPR 7.91%.

Continued on page 2

SMA Update: Legislative and Program Update

By Jordan Blanchard

*Editor's note: Please take the time to visit our website: **www.SMA504.com**. It has a wealth of information relating to the new 504 pooling program.*

Legislative Update

As most readers probably know, there are a host of SBA provisions included in HR 5297. One of those provisions will extend the First Mortgage Pool (FMP) program for two years from the date of first pool issuance which is expected to occur in August or September.

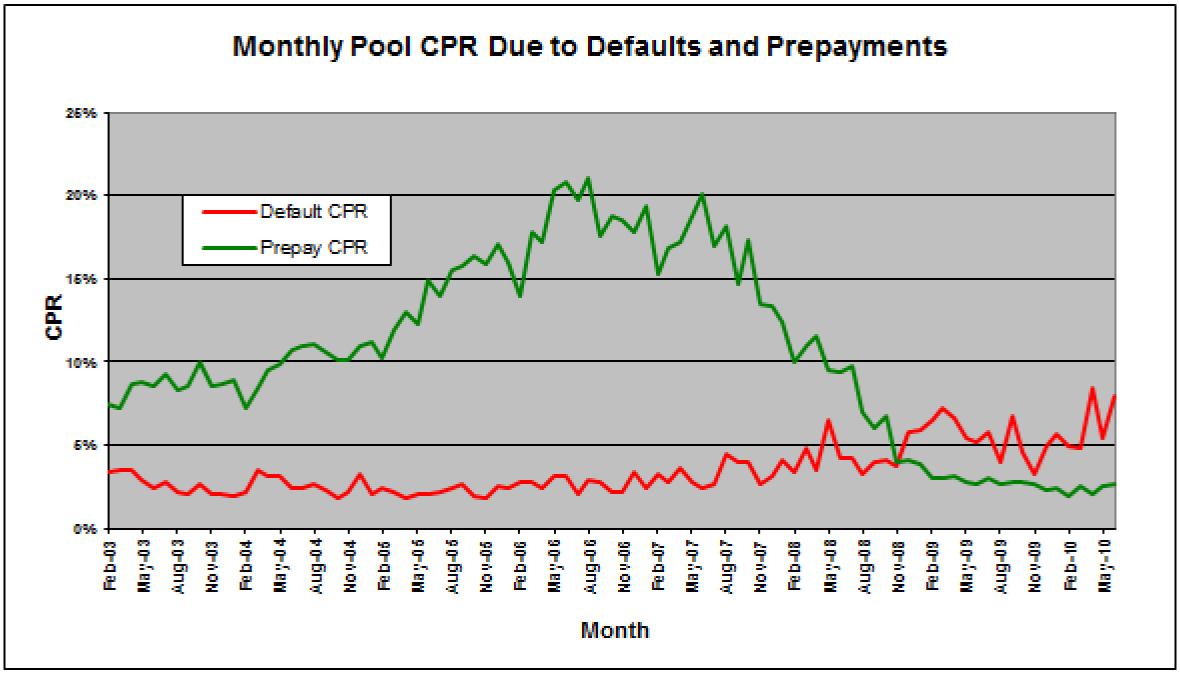
The Senate will reconvene on Monday, September 13. A series of cloture votes on amendments dealing with HR 5297 are scheduled for the following day, September 14. If all 59 Democrats vote as expected, only one Republican is required to vote for the cloture motion for the overall bill to be put in a position to pass. Senator Voinovich of Ohio has agreed to be the swing vote as detailed in the following excerpt published in an August 11, 2010, article by the National Association for the Self Employed:

Continued on page 4

SMA

www.sma504.com

PREPAYMENT SPEEDS...CONTINUED



YTD for 2010 rose 32 basis points to CPR 8.31%, which still compares favorably to the CPR 9.31% recorded in the first seven months of 2009.

Turning to the default/ voluntary prepayment breakdown, the **Voluntary Prepay CPR** (green line) rose from 2.47% in June to 2.68% in July. This result continues a 14-month trend of sub-3% VCPR readings.

While the VCPR continued to remain below 3%, the **Default CPR** (red line) returned to the 8% area, hitting 7.96%, a 46% increase from June's reading of 5.43%. While we did stay below the all-time high of 8.44% recorded in May, this result is still the second highest on record. For comparison purposes, the rolling 12-month DCPR average is 5.55%.

Specifically, prepayment speeds rose in only two out of the six maturity categories. The largest increase was seen in the 20+ maturity bucket, which rose by an astounding 89% to CPR 12.01%. This large increase in the largest sector was easily enough to push the overall average above CPR 10%. The other increase was seen in the 10-13 maturity bucket, which rose 8.30% to CPR 10.59%.

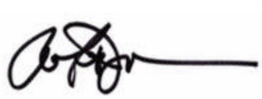
As for the decreases, the 8-10 category fell by 48% to CPR 6.71%, the <8 decreased 32% to CPR 7.44%, the 16-20 fell by -22% to CPR 7.28% and the 13-16 moved down 18% to CPR 5.79%.

While this was a tough month for defaults, next month should look more like June than July.

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

Data on pages 16-18

"While this was a tough month for defaults, next month should look more like June than July."



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

2010 SBA Secondary Market Forum

We first met in New York City in 2008. Our timing was infamous as the secondary market crashed that day. Two years later we are gathering in Washington, DC to discuss: what have we learned?

With the economy still in recession, this conference will cover the current changing work of the SBA Secondary Market as it relates to current and new programs. Especially, how the 504-pooling program will affect 7(a) pools and how lenders can pros-

per and succeed during these difficult times.

The purpose of the forum is to bring together lenders, pool assemblers, investors, and regulators to address SBA Secondary Market, investing in SBA pools, and the Treasury Direct Purchase Program of SBA securities. The conference is an avenue for a free-flow exchange of ideas on where we are today and what we would like to see from the secondary market and governmental programs that support SBA lending.

Who should attend:

- SBA Bank and Non-Bank Lenders
- CDC Officials
- Broker-Dealers
- Governmental Agencies
- Investors

What you will learn:

- 7(a) prepayment trends
- Current 7(a) pricing trends — where are they headed?
- Status and future of the new 504-pooling program
- New FASB accounting rules
- The USDA B&I Secondary Market

AGENDA

Monday, September 20th: 6:00 p.m. to 7:30 p.m.
Reception

Tuesday, September 21st: 8:30 a.m. to 9:00 a.m.
Registration and continental breakfast

Status of 7(a) Secondary Market: 9:00 a.m. to 10:00 a.m.
Chris LaPorte, Bob Judge

Status of 504 Secondary Market: 10:15 a.m. to 11:15 a.m.
Jon Winick, Bob Judge, Jordan Blanchard, Matthew Hunt

Status of USDA B&I Secondary Market: 11:15 a.m. to 11:45 a.m.
Mike Thomas

Luncheon: 12:00 p.m. to 1:30 p.m.
Keynote Speaker - TBA

FAS 166 and True Sale Accounting: 1:30 p.m. to 2:00 p.m.
Bill McGaughey

Open Discussion Session: 2:00 p.m. to 3:30 p.m.

CONFERENCE DETAILS

Tuesday, September 21, 2010
Washington, DC

Reception, Monday, September 20th
Bingham McCutchen, LLP
2020 K Street, NW (11th floor)
Washington, DC 20006

The forum will take place at Bingham McCutchen, LLP, a law firm in Washington, DC.
They are located at:
2020 K Street, NW
Washington, DC 20006 on the 11th floor

1st Attendee: $995. Discounts available for multiple attendees.

Five easy ways to order:

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SECONDARY MARKET ACCESS...CONTINUED

> Due to a short window of opportunity and partisan wrangling, the Small Business Jobs Act has been put on the back burner until the Senate returns next month. Senate Majority Leader Harry Reid, D-Nev., set the stage for mid-September votes on Democratic and Republican proposals to repeal increased 1099 reporting passed under the health care law. Sen. George V. Voinovich, R-Ohio, has agreed to be a swing vote (giving Democrats the coveted 60) as long as the Republican-offered option is voted upon first.

At odds are Sens. Mike Johanns, R-Neb., and Bill Nelson, D-Fla., both of which wish to have an amendment attached to H.R. 5297 targeting the 1099 provision.

Johanns' amendment would do away with the provision completely while borrowing money from a preventative care fund and lowering the standard required for the individual mandate to purchase health coverage. Currently, the 1099 proposal is expected to net the federal government an additional $19.2 billion and, thus, required an offset to comply with pay-as-you-go rules in Congress. Nelson's amendment would exempt from the law businesses with fewer than 25 employees and purchases made by credit card. It would raise the reporting threshold from $600 to $5,000.

http://www.nase.org/advocacy/washingtonwatch/washingtonwatchlatest/10-08-11/Washington_Watch_-_August_11_2010.aspx

The Democrats' Senate calendar indeed has the Johanns amendment being voted on prior to the Nelson amendment:

At 11:00am, on Tuesday, September 14, the Senate will proceed to a cloture vote on Johanns amendment #4596 (1099 reporting). If cloture is not invoked, the Senate would proceed to a cloture vote on the Nelson (FL) amendment #4595 (1099 reporting). If cloture is invoked, there would be up to 30 hours for debate. If cloture is not invoked, the Senate would proceed to a cloture vote on the substitute amendment #4594 to HR5297, Small Business Jobs.

http://democrats.senate.gov/calendar/2010-09.html

If the Senate ultimately passes HR 5297, the bill would go back to the House. The House would either vote to adopt the Senate version of the bill or require reconciliation. Certain SBA provisions may or may not survive reconciliation, but the extension to the FMP program is likely to pass given its zero subsidy cost and the fact that the FMP program was originally sponsored by the House.

First Pool Update

There is at least one loan pool working its way through Colson and SBA this month. It's 50/50 on whether the pool will settle in August or get pushed to September. As expected, the first pool of a brand new government guaranteed loan program will be the most difficult, but it will lay the groundwork for a smoother process for all future pools.

One item that Sellers (and Pool Originators) may not know is that if a 504 first mortgage has an associated Debenture that was approved by the CDC under the PCLP designation, that first mortgage must be reviewed by the Sacramento Pool Processing Center (SPLC) before inclusion into a FMP pool. CDC Direct Capital helped develop the checklist and eligibility worksheet for review by the SPLC. It is relatively quick and easy, with only a few documents required. Please contact Jordan Blanchard (jblanchard@cdcloans.com or 866-938-4232) if you would like more information on what is required.

Greater Access to Credit

The primary purpose for the First Mortgage Pool program was to provide greater access to owner occupied real estate financing for those small businesses that seek to expand their businesses or stabilize their occupancy cost through the purchase of commercial real estate. Even though the first pool has yet to settle, that purpose appears to be well on the way to being realized. Since the financial crisis occurred in late 2008, growing businesses or those businesses whom happen to have a disfavored property type have been, by and large, shut out of SBA 504 financing due to a lack of first mortgage funding options. The critical benefit of the FMP program is that a first mortgage lender can sell 85% of each loan, thus reducing capital and liquidity requirements and reducing overall risk to the first mortgage lender. This has caused a widening of the credit box by existing lenders and new lenders to enter the market. Transactions that were formerly being declined are now finding willing lenders. Affected industries, property types, and borrower profiles include:

- Hospitality
- Gas station
- Restaurant
- Excess land
- Larger loans
- Projected income based on future growth
- Declining trends now on the upswing
- Start ups
- A relaxing of credit score requirements from the overreaction of the past 18 months
-

A number of lenders willing to consider these transaction features have approached Government Loan Solutions for referrals. If you are unable to fund a request, contact Bob Judge of GLS. Bob will seek to place the loan with a non-

Continued on next page

SECONDARY MARKET ACCESS...CONTINUED

competing institution in order to preserve the business relationship for the referring lender.

If your institution is interested in funding any type of 504 first mortgage loan utilizing the FMP program, please contact Bob Judge or Jordan Blanchard for more information or assistance.

Secondary Market Access

Secondary Market Access (SMA) is a network of CDC's and financial companies whose main goal is to provide secondary market solutions for 504 first mortgage lenders. Our website can be found at **www.SMA504.com**.

Our Role

SMA has a solution for every lender need related to the new program, including:

- Sale of the 85% participation interest for premium and servicing income (as described above).
- Sale of the 80% participation interest for those banks who desire to be the Seller and the Pool Originator.
- Sale of the whole loan in situations where the lender is unable to retain any long term portion.
- Sale of the 15% Seller Loan Interest for those lenders that wish to sell 85% of each loan to the Pool Originator and then subsequently sell the remaining 15% to an unaffiliated third party.
- SMA is working on, but has yet to formalize, a solution for excess servicing. Please stay tuned.

SMA is currently looking for eligible funded loans in order to build efficiently-sized loan pools that result in the maximum price paid to the selling lender. If you have loans where the debenture funded on or after February of 2009 (includes first liens funded in 2008), please contact either Bob Judge of Government Loan Solutions or Jordan Blanchard of CDC Small Business Finance Corp. The interested Seller will be sent a loan tape to complete and return. The SMA member will then issue loan bids and coordinate sale for all interested sellers.

Who we Are

CDC Small Business Finance is the nation's leading SBA 504 Lender and is involved in various other community lending programs. CDC's 504 loan portfolio is comprised of over 3,800 loans totaling $2B. CDC is a leading innovator in providing solutions to its banking partners and small business borrowers. Jordan Blanchard can be reached at jblanchard@cdcloans.com, or 951-552-4157.

GLS is a consulting, outsourcing and financial asset valuation company to the small business lending community. GLS is a nationwide leader in the valuation of small business loans, servicing rights and securities. For more information about our services, please contact us at (216) 456-2480, or at info@glsolutions.us.

SECONDARY MARKET ACCESS

504 FMLP Rate Guidance - 85% Loan Interest Sale

Applies To New Loans Only. Existing Loans Custom Quoted

NEW LOANS ONLY	90 Day Adjustable (LIBOR) PAR RATE = 3 Mo LIBOR + spread calculated below			Quarterly Adjustable (Prime) PAR RATE = WSJ Prime + spread calculated below			5 Yr Fixed PAR RATE = 5-yr Swap + Spread Resets: Q at 3-Mo. Libor + Spread		
Credit	Multi	Hosp	Other SP	Multi	Hosp	Other SP	Multi	Hosp	Other SP
Base	+ 3.25%	+ 4.00%	+ 4.00%	+ 0.50%	+ 1.25%	+ 1.25%	+ 3.25%	+ 3.75%	+ 3.75%
LTV > 55%	+ 0.25%	+ 0.50%	+ 0.75%	+ 0.25%	+ 0.50%	+ 0.75%	+ 0.25%	+ 0.50%	+ 0.75%
DCR < 1.2	+ 0.25%	+ 0.50%	+ 0.75%	+ 0.25%	+ 0.50%	+ 0.75%	+ 0.25%	+ 0.50%	+ 0.75%
DCR < 1.0	+ 0.50%	+ 0.75%	+ 1.00%	+ 0.50%	+ 0.75%	+ 1.00%	+ 0.50%	+ 0.75%	+ 1.00%
FICO < 680	+ 0.25%	+ 0.50%	+ 0.75%	+ 0.25%	+ 0.50%	+ 0.75%	+ 0.25%	+ 0.50%	+ 0.75%
FICO < 620	+ 0.75%	+ 1.00%	+ 1.25%	+ 0.75%	+ 1.00%	+ 1.25%	+ 0.75%	+ 1.00%	+ 1.25%
Biz < 1 Yr	+ 0.25%	+ 0.50%	+ 0.75%	+ 0.25%	+ 0.50%	+ 0.75%	+ 0.25%	+ 0.50%	+ 0.75%
Rate Floor	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	6.25%	6.25%	6.25%
Reset Mgn	n/a	n/a	n/a	n/a	n/a	n/a	initial	initial	initial

NEW LOANS ONLY	7 Year Fixed PAR RATE = 5-yr Swap + Spread Resets: Q at 3-Mo. Libor + Spread			10 Year Fixed PAR RATE = 10-yr Swap + Spread Resets: Q at 3-Mo. Libor + Spread		
Credit	Multi	Hosp	Other SP	Multi	Hosp	Other SP
Base	+ 3.50%	+ 4.00%	+ 4.00%	+ 3.75%	+ 4.25%	+ 4.25%
LTV > 55%	+ 0.25%	+ 0.50%	+ 0.75%	+ 0.25%	+ 0.50%	+ 0.75%
DCR < 1.2	+ 0.25%	+ 0.50%	+ 0.75%	+ 0.25%	+ 0.50%	+ 0.75%
DCR < 1.0	+ 0.50%	+ 0.75%	+ 1.00%	+ 0.50%	+ 0.75%	+ 1.00%
FICO < 680	+ 0.25%	+ 0.50%	+ 0.75%	+ 0.25%	+ 0.50%	+ 0.75%
FICO < 620	+ 0.75%	+ 1.00%	+ 1.25%	+ 0.75%	+ 1.00%	+ 1.25%
Biz < 1 Yr	+ 0.25%	+ 0.50%	+ 0.75%	+ 0.25%	+ 0.50%	+ 0.75%
Rate Floor	+ 6.50%	+ 6.50%	+ 6.50%	+ 7.00%	+ 7.00%	+ 7.00%
Reset Mgn	initial	initial	initial	initial	initial	initial

Each +0.25% added to Note Rate provides 1.00% in YSP. Max 5% premium.

Prepay Penalty Premium Calc

Adjustable	
No Prepay Penalty	-1.00%
5,4,3,2,1	+ 0.00%
5,5,5,5,5	+ 1.00%
7,6,5,4,3,2,1	+ 1.50%
10,9,8,7,6,5,4,3,2,1	+ 2.00%
5-yr Fixed	
No Prepay Penalty	-1.00%
5,4,3,2,1	+ 0.00%
5,5,5,5,5	+ 1.00%
7,6,5,4,3,2,1	+ 1.50%
10,9,8,7,6,5,4,3,2,1	+ 2.00%
7-yr Fixed	
No Prepay Penalty	-1.50%
5,4,3,2,1	+ 0.00%
5,5,5,5,5	+ 1.00%
7,6,5,4,3,2,1	+ 1.50%
10,9,8,7,6,5,4,3,2,1	+ 2.00%
10-yr Fixed	
No Prepay Penalty	-2.00%
5,4,3,2,1	-+ 1.00%
5,5,5,5,5	+ 0.00%
7,6,5,4,3,2,1	+ 1.00%
10,9,8,7,6,5,4,3,2,1	+ 2.00%

Maximum Loan Balance ($MM)

Credit	Multi	Hosp	Other SP
LTV > 55%	$5 MM	$4 MM	$3 MM
DCR < 1.2	-$1 MM	-$1 MM	-$1 MM
DCR < 1.0	-$2 MM	-$2 MM	-$2 MM
FICO < 680	-$1 MM	-$1 MM	-$1 MM
FICO < 620	-$2 MM	-$2 MM	-$2 MM
Biz < 1 Yr	-$1 MM	$0 MM	$0 MM

Other Pricing Notes

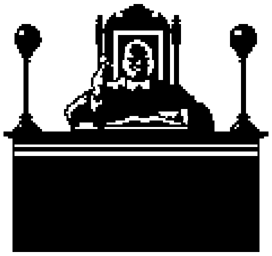
Pricing assumes 365/360.

Servicing assumed at 50 bps.

Excess servicing possible on 85%.

Note: This pricing is for 85% portions of 504 FMLP and is for indicative purposes only. For more info, please call SMA.

Up to 20% of principal paid per year without penalty is subject to a .50% reduction in premium.



The Legal Beat

Best Practices: Title Insurance—How Much is Enough?

By Ethan W. Smith

When closing SBA loans, lenders often wonder how much title insurance to obtain on real estate collateral. This is especially true in 7a lending, where loan amounts routinely exceed the value of the collateral being insured. How should lenders strike the balance between obtaining title insurance in an amount high enough to sufficiently protect their interests, while not over-insuring and causing their borrowers to incur unnecessary closing costs? In performing this analysis, it is helpful to keep a few basic principles in mind:

First, it is important to understand the limits of title insurance coverage. All American Land Title Association ("ALTA") policies limit the title underwriter's liability to the lesser of: (i) the face amount of the policy; (ii) the fair market value of the property insured; or (iii) the actual loss sustained by the insured claimant.

Second, SBA regulations generally require lenders to file all liens in the full loan amount. The only exception to this rule is for liens on secondary collateral in states where there are adverse tax consequences associated with the recording of lender's lien; in such cases the lien may be limited to 150% of the equity in the property. SOP 50-10 5 (B), p.181.

Third, SBA regulations only require lenders to take liens on personal residences to meet the requirement of "fully secured" when the property has equity that is equal to or greater than 25% of the fair market value of the property.

The SOP does not contain specific requirements regarding the amount of title insurance that lenders must require. Although the Loan Authorization Boilerplate contains optional language for the amount of title insurance coverage that may be required, there is no express guidance from the SBA as to when to require title insurance, and how much coverage is enough. In the absence of express direction from SBA, lenders must look to the catchall "prudent lending" standard that governs all SBA loans.

Therefore, when the loan amount exceeds the value of the property, it does not add significant value to the lender or the SBA to require title insurance in the amount of the loan. Instead, it is more appropriate to require insurance in an amount equal to the value of the real property being insured. An even more conservative approach would be to take title insurance in an amount equal to 150% of the equity in the property. This will provide protection to the lender in the event the borrower's equity in the property increases or if the property appreciates in value post-closing. Regardless of the decision lenders make as to the amount of title insurance to obtain, the decision should be well documented in the lender's file and the interests of providing adequate protection to the lender and avoiding unnecessary costs to the borrower must be balanced.

For more information on title insurance and other closing issues, contact Ethan Smith at: 215-542-7070 or esmith@starfieldsmith.com.

GLS 7(a) Sale & Settlement Tip of the Month

Settlement & Sales Strategies Tip #25 – Timing is everything…

Selling loans is just like hosting a dinner party… you want to ensure your audience shows up and is hungry when they do. Plan your sales for those times when it's most likely that buyers will be around and most aggressive. This usually means selling early. Early in the month, early in the week, and early in the day is the best mantra to ensure the best participation in your loan sales.

Scott Evans is a partner at GLS. Mr. Evans has over 18 years of trading experience and has been involved in the SBA secondary markets for the last eight of those years. Mr. Evans has bought, sold, settled, and securitized nearly 20,000 SBA loans and now brings some of that expertise to the **CPR Report** *in a recurring article called* **Sale and Settlement Tip of the Month**. *The article will focus on pragmatic tips aimed at helping lenders develop a more consistent sale and settlement process and ultimately deliver them the best execution possible.*

GLS Value Indices Decline Again

For June, The GLS Value Indices once again declined in all six maturity categories versus May readings.

Another decrease in the Base Rate / Libor spread, which fell by 11 basis points to 2.73%, compressed the Libor spread on secondary market transactions, negatively impacting all six of the indices.

With loan prices increasing by as much as a 1/4 of a point in June, the indices continued their return to 2008 levels that began in January of this year.

The competition for loans amongst pool assemblers continued throughout June as interest in SBA pools continues to be strong. With interest rates at all-time lows, floating-rate, US government guaranteed fixed income assets, such as SBA pools, have found investors seeking safety and securities whose coupon payments will rise when interest rates begin rising at some point in the future.

Turning to the specifics, the largest decrease was seen in the GLS VI-3, which fell by 23% to 90.1 basis points. The other decreases were, by order of magnitude, VI-1 (-20% to 85.9), VI-4 (-20% to 147.5), VI-2 (-19% to 90.9), VI-5 (-10% to 168.7) and VI-6 (-8% to 200.4).

With secondary market prices in July continuing at near-term highs, we expect the indices to remain near these levels in next month's 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.

Data on pages 13-14, Graph on page 15

7(a) Secondary Market Pricing Grid: June 2010

Maturity	Gross Margin	Net Margin	Servicing	This Month Price	Last Month Price	3-Mos. Ago Price	6-Mos. Ago Price	1-Yr. Ago Price
10 yrs.	2.75%	1.075%	**1.00%**	**110.55**	**110.50**	**109.25**	**109.00**	**108.675**
15 yrs.	2.75%	1.075%	**1.00%**	**110.875**	**110.75**	**109.40**	**109.125**	**108.80**
20 yrs.	2.75%	1.075%	**1.00%**	**112.125**	**112.00**	**110.05**	**109.375**	**109.125**
25 yrs.	2.75%	1.075%	**1.00%**	**112.50**	**112.25**	**110.25**	**109.75**	**109.25**

DEFAULT RATE GOES BACK ABOVE 8%

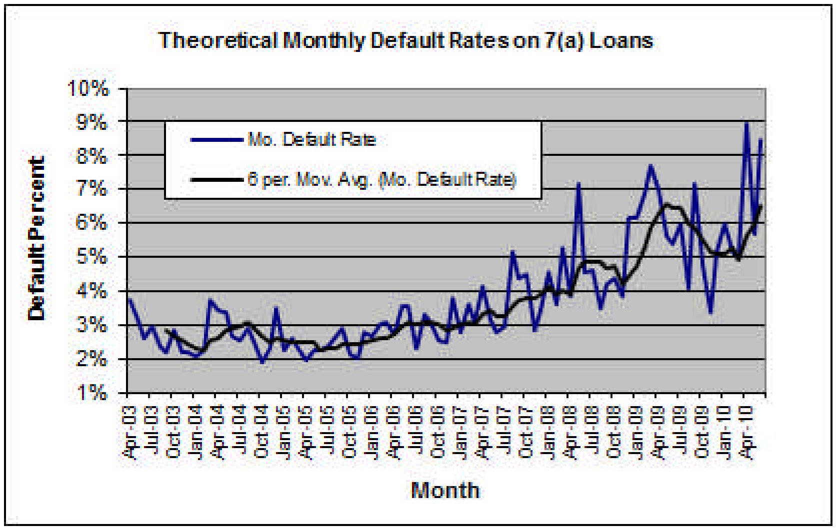
After one month below 6%, the theoretical default rate moved back above 8%, reaching 8.46% in June. This reading is just shy of the all-time record of 8.95% seen in April of this year.

Based on preliminary data from Colson, we believe that the defaults will fall back below 6% next month, continuing the large up and down movements we have seen the past four months.

On a three-month rolling basis, the default rate hit 7.69%, the highest 3-month default rate on record. For 2010, the average default rate came in at 6.53% versus 6.45% for the first six months of 2009.

While we are witnessing extreme volatility in default numbers on a monthly basis, the YTD average for 2010 compares favorably to 2009.

The peaks and valleys we are seeing can be unnerving, but on an aggregate basis, 2010 has looked similar to last year. In other words, while defaults remain elevated compared to earlier this decade, at least we are not seeing further deterioration.



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

DEFAULT-CURTAILMENT RATIOS

In our Default-Curtailment Ratios (DCR) both the 7a and 504 loan types showed increases for June. While both increased to varying degrees last month, they remain off the highs seen in April.

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.

As has been the case for the past two years, both ratios continued the trend of recession-level readings of 30%+ for 7(a) and 20%+ for 504 loans.

SBA 7(a) Default Ratios

For the 26th month in a row, the 7(a) DCR exceeded 30%, coming in at 74.80%, an increase of 9% from May's reading of 68.73%.

As we have mentioned in past reports, the 7a DCR remains elevated due to a voluntary prepayment percentage that continues to be below 3%. This fact, in combination with elevated defaults, led to the increase for this month.

Turning to actual dollar amounts, defaults rose by 36% to $213 million, the second highest amount on record. As for voluntary prepayments, they were effectively flat at $71.6 million.

SBA 504 Default Ratios

Also for the 26th month in a row, the 504 DCR came in above 20%, rising 1% to 80.59%, the third month in a row of +80%. Both voluntary prepayments and defaults fell slightly, having little impact on the 504 DCR.

Specifically, the dollar amount of defaults fell by $3 million to $156 million (-3%). As for voluntary prepayments, they decreased by $2 million to $38 million (-6%).

Summary

In summary, low voluntary prepayments continue to keep both DCRs well inside recessionary levels. While the overall economy has been growing at a slow pace, the small business sector is still deeply mired in recession.

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

Graph on page 20

GLS Value Indices: Supporting Data

Table 1:

MONTH	BUCKET 1 CPR	BUCKET 2 CPR	BUCKET 3 CPR	BUCKET 4 CPR	BUCKET 5 CPR	BUCKET 6 CPR
Jan-07	16.44%	17.36%	13.95%	18.23%	20.89%	24.14%
Feb-07	17.47%	17.00%	13.86%	17.95%	21.81%	24.21%
Mar-07	16.07%	16.65%	13.54%	17.22%	20.95%	23.23%
Apr-07	16.21%	16.49%	13.55%	17.99%	19.52%	23.13%
May-07	18.09%	17.35%	13.47%	18.38%	19.68%	22.95%
Jun-07	18.39%	17.03%	13.89%	18.96%	20.60%	22.97%
Jul-07	18.52%	17.35%	14.00%	19.55%	20.25%	23.25%
Aug-07	17.72%	17.15%	13.56%	19.48%	18.01%	23.10%
Sep-07	19.18%	17.10%	14.19%	19.85%	18.61%	23.98%
Oct-07	18.14%	17.04%	14.59%	19.16%	18.57%	23.85%
Nov-07	17.68%	16.02%	14.82%	18.87%	18.32%	24.16%
Dec-07	17.14%	15.38%	14.42%	17.22%	17.99%	23.23%
Jan-08	15.70%	14.68%	13.96%	16.44%	17.45%	22.00%
Feb-08	15.91%	13.98%	14.19%	16.20%	17.53%	21.19%
Mar-08	15.58%	13.42%	13.27%	15.08%	15.41%	19.34%
Apr-08	16.16%	13.40%	13.05%	14.59%	15.19%	18.74%
May-08	15.49%	12.93%	12.65%	13.77%	14.33%	17.33%
Jun-08	15.29%	13.36%	12.96%	14.75%	13.62%	17.14%
Jul-08	15.70%	13.03%	12.78%	14.40%	12.49%	16.59%
Aug-08	15.45%	13.28%	12.87%	13.73%	12.24%	15.89%
Sep-08	14.03%	12.49%	12.77%	13.28%	12.36%	15.20%
Oct-08	12.98%	11.67%	12.16%	12.13%	11.97%	14.06%
Nov-08	12.08%	12.36%	11.45%	11.49%	11.49%	13.22%
Dec-08	12.37%	11.81%	10.46%	9.79%	11.08%	11.41%
Jan-09	12.86%	11.55%	10.45%	9.29%	10.61%	10.40%
Feb-09	12.30%	11.30%	10.36%	8.39%	9.99%	9.30%
Mar-09	12.96%	11.97%	10.58%	8.57%	10.47%	8.79%
Apr-09	13.23%	12.34%	11.23%	8.75%	9.81%	8.55%
May-09	13.12%	11.89%	11.80%	8.68%	9.92%	7.98%
Jun-09	13.18%	11.85%	12.36%	8.57%	8.73%	8.02%
Jul-09	12.40%	12.00%	12.51%	8.56%	8.23%	7.36%
Aug-09	13.38%	12.49%	12.36%	8.01%	7.34%	7.21%
Sep-09	12.79%	11.01%	11.83%	7.48%	6.70%	6.89%
Oct-09	12.50%	11.03%	11.35%	7.25%	7.85%	6.79%
Nov-09	12.16%	10.89%	11.05%	6.96%	7.13%	6.32%
Dec-09	11.38%	11.20%	10.59%	7.09%	7.80%	5.75%
Jan-10	11.20%	10.69%	10.34%	6.99%	8.00%	5.75%
Feb-10	10.06%	9.97%	10.05%	7.33%	8.84%	5.71%
Mar-10	9.92%	10.73%	10.11%	7.12%	8.75%	5.75%
Apr-10	9.97%	10.45%	9.73%	7.34%	8.12%	5.32%
May-10	10.58%	11.09%	10.29%	7.88%	8.53%	5.86%
Jun-10	10.95%	11.18%	10.42%	7.83%	8.53%	6.38%

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

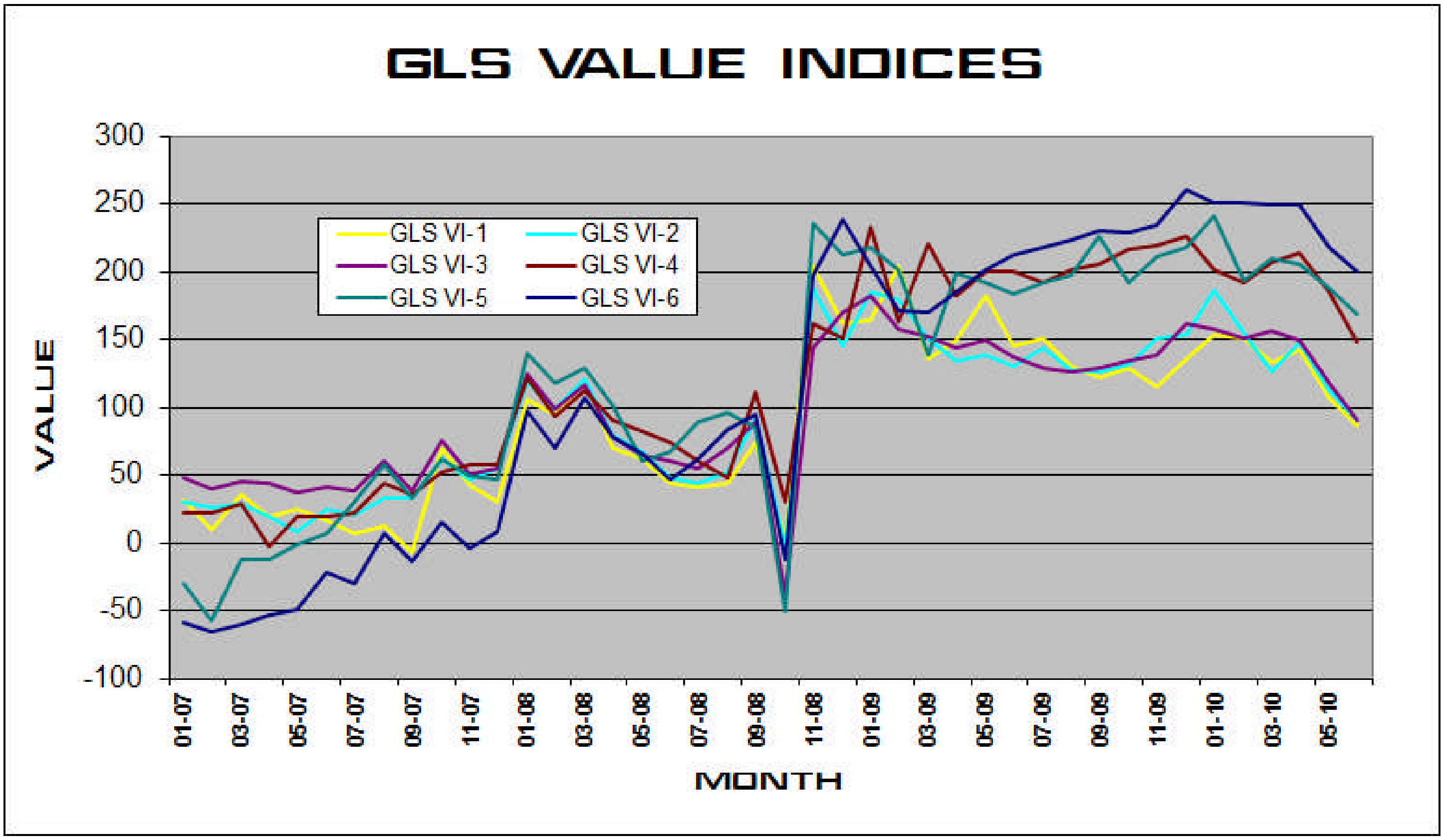
GLS VALUE INDICES: HISTORICAL VALUES

Table 2:

MONTH	WAVG LIBOR	WAVG BASE	BASE LIBOR SPD	GLS VI-1	GLS VI-2	GLS VI-3	GLS VI-4	GLS VI-5	GLS VI-6
Jan-07	5.35%	8.25%	2.90%	31.0	29.8	48.6	21.3	-30.1	-59.4
Feb-07	5.36%	8.25%	2.89%	9.2	25.4	39.4	21.3	**-57.0**	**-65.7**
Mar-07	5.34%	8.25%	2.91%	35.9	28.9	45.0	28.5	-12.7	-60.9
Apr-07	5.35%	8.25%	2.90%	18.8	19.4	43.4	**-2.9**	-12.5	-53.0
May-07	5.35%	8.25%	2.90%	24.5	8.5	37.6	18.9	-1.4	-50.0
Jun-07	5.36%	8.25%	2.89%	16.3	25.2	40.6	18.6	7.0	-22.1
Jul-07	5.35%	8.25%	2.90%	6.8	20.9	38.1	22.2	30.1	-29.9
Aug-07	5.48%	8.25%	2.77%	12.9	33.5	59.8	43.6	57.8	7.0
Sep-07	5.70%	8.21%	2.51%	**-7.3**	32.2	38.1	36.3	33.3	-14.1
Oct-07	5.05%	7.74%	2.69%	70.2	61.9	75.6	52.2	61.9	14.6
Nov-07	4.96%	7.50%	2.54%	42.6	46.7	50.5	57.8	48.7	-4.3
Dec-07	5.02%	7.35%	2.33%	30.4	55.2	54.4	57.0	46.7	7.9
Jan-08	3.77%	6.86%	**3.09%**	105.1	118.6	124.7	121.4	140.1	96.8
Feb-08	3.10%	6.00%	2.90%	94.4	98.7	98.6	93.3	118.0	69.9
Mar-08	2.90%	5.95%	3.05%	118.1	120.5	116.2	112.0	128.8	107.4
Apr-08	2.81%	5.25%	2.44%	69.9	79.5	77.4	90.6	100.8	77.4
May-08	2.78%	5.15%	2.37%	61.2	66.7	64.1	82.9	60.5	65.1
Jun-08	2.67%	5.00%	2.33%	44.1	47.4	59.8	74.6	66.9	47.2
Jul-08	2.75%	5.00%	2.25%	41.7	43.4	55.3	60.8	89.1	61.6
Aug-08	2.74%	5.02%	2.27%	44.0	52.5	70.1	47.4	95.8	83.1
Sep-08	3.00%	5.00%	2.00%	73.3	91.2	88.5	111.3	85.2	94.2
Oct-08	4.43%	4.56%	**0.12%**	2.3	**-3.1**	**-38.6**	30.5	-51.0	-12.9
Nov-08	2.06%	4.00%	1.94%	**203.9**	**187.0**	143.2	161.1	236.0	196.6
Dec-08	1.64%	3.89%	2.25%	162.2	144.9	170.3	151.0	212.5	238.6
Jan-09	1.11%	3.25%	2.14%	164.8	185.5	**181.7**	**233.2**	218.3	204.4
Feb-09	1.15%	3.25%	2.10%	203.6	179.5	157.4	162.9	201.5	171.3
Mar-09	1.06%	3.25%	2.19%	135.3	150.3	151.6	220.4	138.0	169.7
Apr-09	0.96%	3.28%	2.32%	149.4	134.8	144.3	182.0	198.3	184.5
May-09	0.70%	3.26%	2.57%	182.1	138.7	149.6	200.3	192.4	200.8
Jun-09	0.55%	3.25%	2.70%	144.8	130.3	137.3	200.2	183.8	212.8
Jul-09	0.48%	3.25%	2.77%	150.9	143.8	129.1	191.9	192.4	217.4
Aug-09	0.39%	3.25%	2.86%	129.7	127.4	125.7	201.7	197.3	222.8
Sep-09	0.29%	3.25%	2.96%	122.0	126.5	128.3	205.5	225.3	229.6
Oct-09	0.26%	3.25%	2.99%	128.2	131.3	133.9	216.0	191.2	228.8
Nov-09	0.26%	3.25%	2.99%	115.3	150.9	138.0	219.2	210.8	234.2
Dec-09	0.25%	3.25%	3.00%	136.1	153.4	162.0	226.3	218.0	**259.6**
Jan-10	0.25%	3.24%	2.99%	153.9	186.5	157.2	201.0	**240.6**	250.7
Feb-10	0.25%	3.23%	2.99%	150.8	155.1	150.4	192.3	193.0	250.7
Mar-10	0.26%	3.25%	2.99%	133.1	126.0	155.8	206.4	209.5	249.2
Apr-10	0.29%	3.25%	2.96%	142.1	147.5	149.3	213.6	205.1	250.0
May-10	0.41%	3.25%	2.84%	107.5	112.1	117.5	184.4	187.2	218.1
Jun-10	0.52%	3.25%	2.73%	85.9	90.9	90.1	147.5	168.7	200.4

INDICES LEGEND	
(green)	HIGHEST READING
(red)	LOWEST READING

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


GLS VALUE INDICES
VALUE
MONTH
300
250
200
150
100
50
0
-50
-100
GLS VI-1
GLS VI-2
GLS VI-3
GLS VI-4
GLS VI-5
GLS VI-6
01-07
03-07
05-07
07-07
09-07
11-07
01-08
03-08
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11-08
01-09
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11-09
01-10
03-10
05-10

YTD PREPAYMENT SPEEDS

Table 3:

CPR/MO.	<8	8 - 10	10 - 13	13 - 16	16 - 20	20+	ALL
Jan-10	11.09%	7.10%	9.64%	10.02%	6.92%	5.69%	**7.22%**
Feb-10	9.89%	10.00%	10.52%	5.73%	8.62%	6.88%	**8.06%**
Mar-10	10.13%	10.05%	8.43%	5.37%	8.69%	5.75%	**6.93%**
Apr-10	10.37%	11.13%	9.06%	8.81%	9.44%	5.50%	**7.26%**
May-10	13.03%	15.79%	14.85%	9.97%	8.15%	8.07%	**10.45%**
Jun-10	10.99%	12.88%	9.78%	7.02%	9.37%	6.36%	**7.91%**
Jul-10	7.44%	6.71%	10.59%	5.79%	7.28%	12.01%	**10.65%**
Grand Total	**10.43%**	**10.58%**	**10.44%**	**7.55%**	**8.35%**	**7.23%**	**8.38%**

2010 monthly prepayment speeds broken out by maturity sector. Source: Colson Services

Table 4:

POOL AGE	<8	8 - 10	10 - 13	13 - 16	16 - 20	20+	ALL
Jan-10	23 Mos.	27 Mos.	29 Mos.	64 Mos.	46 Mos.	49 Mos.	**43 Mos.**
Feb-10	23 Mos.	27 Mos.	30 Mos.	63 Mos.	46 Mos.	49 Mos.	**43 Mos.**
Mar-10	23 Mos.	27 Mos.	30 Mos.	63 Mos.	46 Mos.	49 Mos.	**43 Mos.**
Apr-10	22 Mos.	27 Mos.	30 Mos.	63 Mos.	47 Mos.	49 Mos.	**43 Mos.**
May-10	21 Mos.	28 Mos.	30 Mos.	64 Mos.	47 Mos.	49 Mos.	**43 Mos.**
Jun-10	21 Mos.	28 Mos.	31 Mos.	65 Mos.	47 Mos.	49 Mos.	**44 Mos.**
Jul-10	22 Mos.	29 Mos.	31 Mos.	65 Mos.	47 Mos.	49 Mos.	**44 Mos.**

2010 pool age broken out by maturity sector. Source: Colson Services

YEAR-TO-DATE CPR DATA

Table 5:

< 8 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-10	7.89%	14.51%	11.18%	11.74%	11.13%
Feb-10	11.68%	10.80%	12.71%	3.42%	3.84%
Mar-10	5.02%	13.90%	11.15%	16.45%	4.27%
Apr-10	6.20%	14.99%	10.87%	10.88%	13.92%
May-10	12.39%	17.01%	15.16%	6.56%	11.57%
Jun-10	8.07%	20.25%	14.24%	4.13%	8.02%
Jul-10	6.57%	10.42%	2.10%	16.79%	4.29%
Grand Total	**8.32%**	**14.56%**	**10.96%**	**10.16%**	**8.15%**

10-13 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-10	7.65%	13.02%	10.39%	6.83%	7.40%
Feb-10	6.43%	13.46%	15.61%	4.65%	6.75%
Mar-10	4.40%	13.33%	9.29%	8.42%	4.18%
Apr-10	4.32%	13.93%	10.20%	6.87%	9.22%
May-10	6.04%	21.50%	19.99%	11.41%	13.25%
Jun-10	5.48%	15.92%	12.96%	5.45%	8.44%
Jul-10	6.53%	14.92%	14.70%	10.05%	5.72%
Grand Total	**5.83%**	**15.03%**	**13.33%**	**7.74%**	**7.94%**

16-20 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-10	0.00%	22.97%	4.97%	4.83%	2.78%
Feb-10	2.63%	10.96%	11.70%	15.55%	5.80%
Mar-10	6.12%	11.16%	12.46%	14.22%	4.07%
Apr-10	3.64%	0.00%	17.22%	12.88%	8.66%
May-10	16.91%	19.75%	0.00%	3.31%	5.92%
Jun-10	15.77%	0.00%	7.93%	11.00%	9.90%
Jul-10	1.84%	2.95%	12.37%	9.54%	6.56%
Grand Total	**6.95%**	**10.99%**	**9.70%**	**10.35%**	**6.29%**

2010 YTD CPR by maturity and age bucket. Source: Colson Services

YEAR-TO-DATE CPR DATA

Table 5:

8-10 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-10	7.02%	8.82%	4.18%	2.36%	9.14%
Feb-10	8.69%	11.77%	17.07%	9.41%	4.48%
Mar-10	13.38%	12.23%	8.03%	4.54%	5.46%
Apr-10	7.54%	19.56%	7.19%	8.07%	10.84%
May-10	19.15%	19.00%	17.83%	7.57%	8.01%
Jun-10	12.96%	18.84%	14.20%	9.65%	6.20%
Jul-10	1.05%	5.13%	9.14%	9.25%	11.84%
Grand Total	**10.45%**	**13.41%**	**11.55%**	**7.31%**	**8.01%**

13-16 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-10	0.00%	8.61%	17.67%	0.00%	10.39%
Feb-10	0.00%	7.81%	0.00%	9.61%	6.50%
Mar-10	3.99%	0.00%	7.18%	8.23%	5.52%
Apr-10	9.54%	34.85%	20.78%	0.00%	7.32%
May-10	0.00%	0.00%	40.85%	5.72%	10.51%
Jun-10	7.14%	7.33%	6.17%	0.00%	7.38%
Jul-10	0.00%	0.00%	1.17%	25.56%	5.79%
Grand Total	**3.22%**	**9.75%**	**12.46%**	**8.88%**	**7.67%**

20+ BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-10	0.35%	6.75%	10.22%	4.75%	6.16%
Feb-10	4.11%	11.32%	10.98%	4.80%	6.19%
Mar-10	1.63%	5.84%	10.60%	6.58%	5.43%
Apr-10	5.04%	6.76%	7.02%	5.07%	4.93%
May-10	3.85%	15.27%	15.36%	6.79%	5.67%
Jun-10	1.91%	15.28%	8.95%	4.68%	5.71%
Jul-10	2.15%	9.98%	9.96%	7.54%	18.68%
Grand Total	**2.74%**	**10.15%**	**10.48%**	**5.70%**	**7.75%**

2010 YTD CPR by maturity and age bucket. Source: Colson Services

GLOSSARY AND DEFINITIONS: PART 1

Default-Curtailment Ratio

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

The default ratio is calculated using the following formula:

Defaults / (Defaults + Prepayments)

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

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

Theoretical Default Rate

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

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

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

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

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

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

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

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

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

The Process

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

Pool Prepay Percentage = Pool Prepayments / Secondary Loan Prepayments

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

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

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

GLS Long Value Indices

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

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

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

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

GLOSSARY AND DEFINITIONS: PART 2

Prepayment Calculations

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

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

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

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

Total Pool CPR = VCPR + DCPR

SBA Libor Base Rate

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

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

Risk Types

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

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

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

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

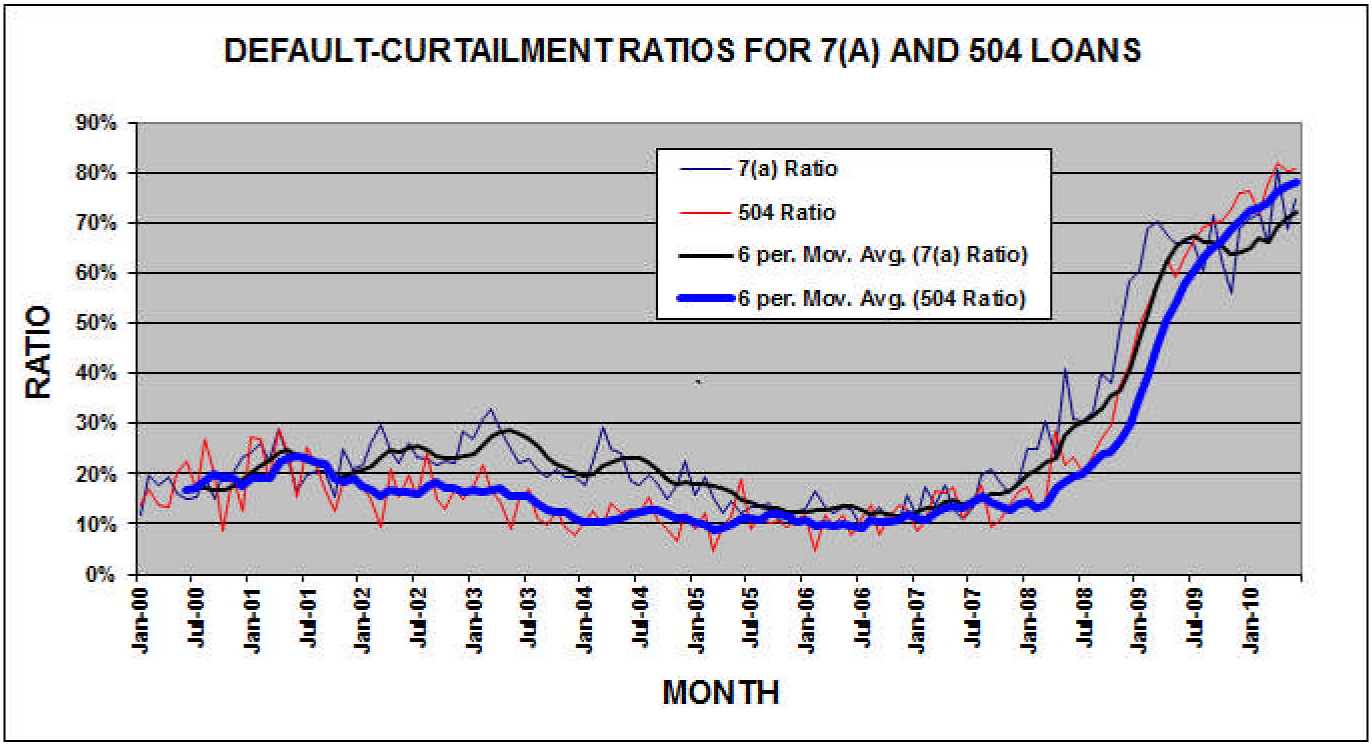
Credit Risk: Losses experienced due to the default of collateral underlying a security. Since SBA loans and pools are guaranteed by the US government, this risk is very small.

Secondary Market First Lien Position 504 Loan Pool Guarantee Program

As part of the American Recovery and Reinvestment Act (AKA the Stimulus Bill), Congress authorized the SBA to create a temporary program that provides a guarantee on an eligible pool of SBA 504 first liens. The program was authorized for a period of two years from the date of bill passage – February, 2009. The eligibility of each loan is dependent on the date of the SBA Debenture funding. To be eligible, the Debenture must have been funded on or after **February 17, 2009**, and prior to **February 16, 2011**. The total guarantee allocation is $3 Billion.

The SBA announced that they will begin issuing the first pool guarantees in July, 2010 for early August 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 .167%.


DEFAULT-CURTAILMENT RATIOS FOR 7(A) AND 504 LOANS
RATIO
MONTH
7(a) Ratio
504 Ratio
6 per. Mov. Avg. (7(a) Ratio)
6 per. Mov. Avg. (504 Ratio)
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
Jan-00
Jul-00
Jan-01
Jul-01
Jan-02
Jul-02
Jan-03
Jul-03
Jan-04
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Jan-10

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Government Loan Solutions, Inc. (GLS) *was founded by three former Bond Traders in Cleveland, OH. Scott Evans, Rob Herrick and Bob Judge possess a combined 70 years experience in the institutional fixed income markets, 40 of which are in the loan securitization business. GLS formally began operations in January, 2007. Our mission is as follows:*

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

Services available include:

Lenders:

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

Loan Securitizers:

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

Institutional Investors:

- *Loan, Pool, and IO Mark-To-Market*
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