

THE CPR REPORT

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

BOB JUDGE, GLS
EDITOR



SPECIAL POINTS OF INTEREST:

- **Prepays down,**
stay above 8%
- **SBI Update**
- **Default Rate**
Falls

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VOLUME 10, ISSUE #7 JULY, 2016

7(a) Prepays Down, But Stay Above 8%

In June, prepays fell by 7%, but stayed above CPR 8% for the third month in a row.

A fall in both defaults (CDR) and voluntary prepayments (CRR) was the cause of the decrease.

Specifically, defaults fell by 29% while voluntary prepayments moved down by 3%.

For the record, defaults have remained below CDR 2% for 34 months in a row.

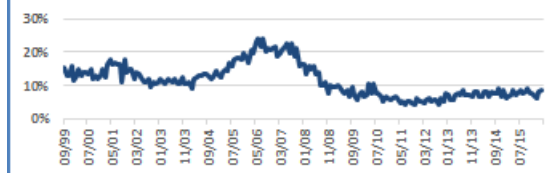
Turning to the details, overall prepayments fell by 7% to 8.16% from 8.74% the previous month.

In comparing YOY prepayment speeds for 2016 versus 2015, the YTD is currently 2.54% higher than last year, CPR 7.68% versus CPR 7.49%.

As for the largest sector of the market, 20+ years to maturity, prepayment speeds fell by 2% to 8.55% from 8.70%.

Regarding the CPR breakdown, the CDR decreased to 0.91% from 1.29% while the CRR fell to

7a Historic CPR



7.26% from 7.45%.

Preliminary data for next month suggests that prepayments will stay above 8% for a fourth month in a row.

Regarding our maturity buckets,

Continued on page 6. Charts begin on next page and page 27

Small Business Indexes Commentary

State of the Secondary Market

Beginning with the Rich/Cheap analysis on the following page, we see that both short and long maturities have begun a return to the Fair Value Band, after

falling into "Cheap" territory in June.

In the Secondary Market, pricing recovered in both short and long maturities, with 10 year paper rising by .25% and 25 year loans by 0.50% by the end of July.

SBI Index Results

This month, we witnessed increases in 7a Pools and IO Strips and decreases in SBAPs, SBICs and the Composite.

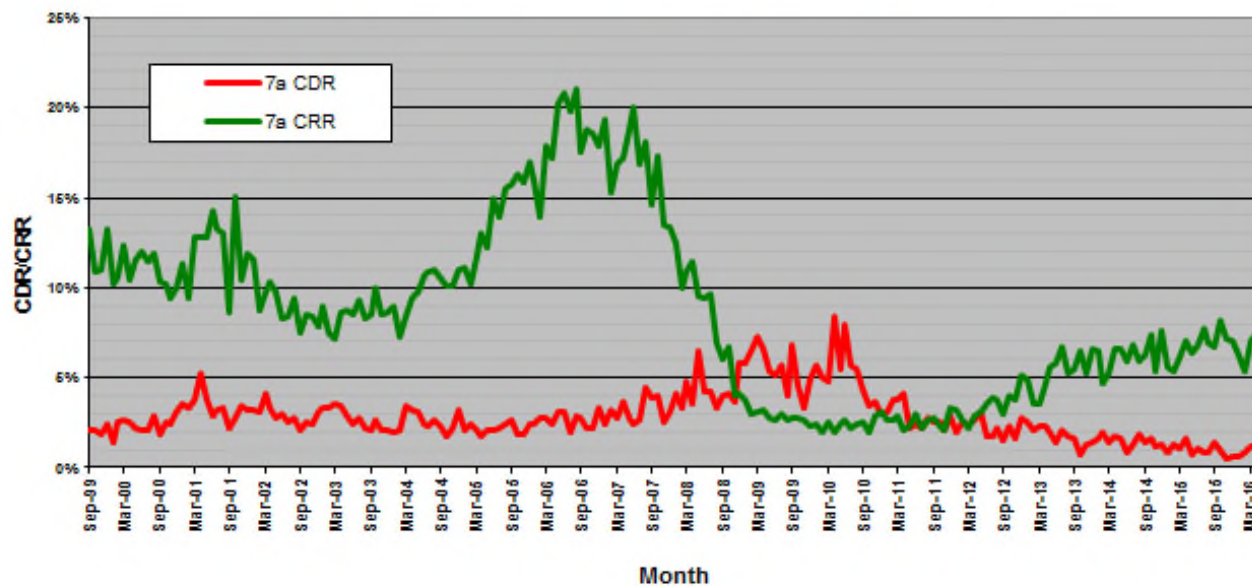
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SMALL BUSINESS FACT OF THE MONTH

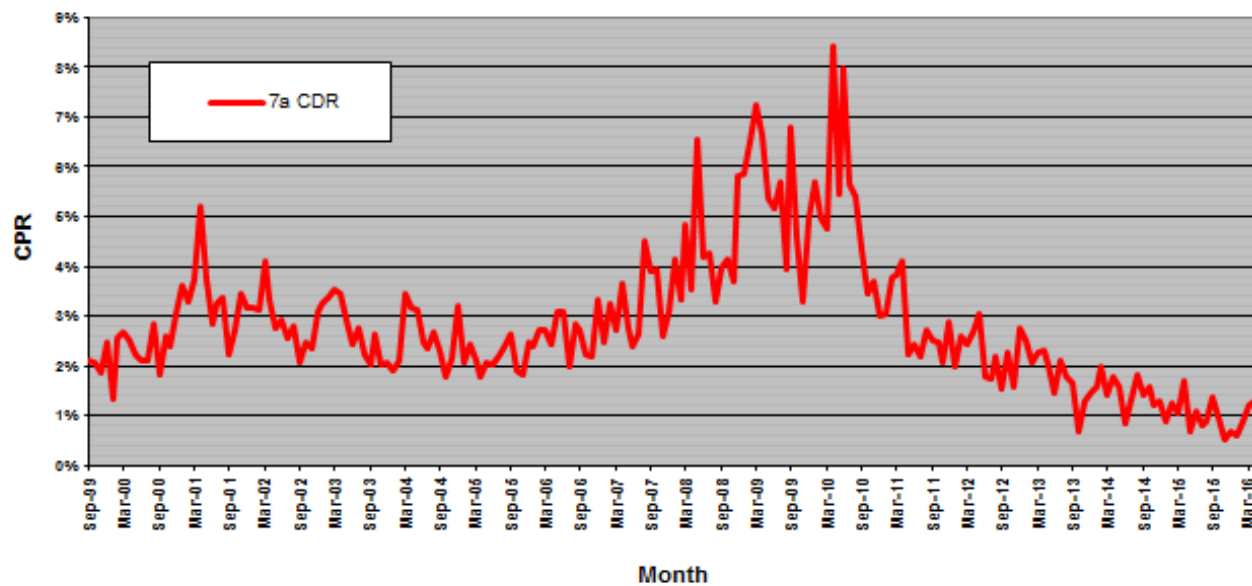
Fifty percent of U.S. small businesses plan to hire new employees in 2016, up from 38 percent in 2015. Unfortunately, 85 percent of them say they can't find enough qualified applicants.

7(a) Prepayment Speeds...Continued

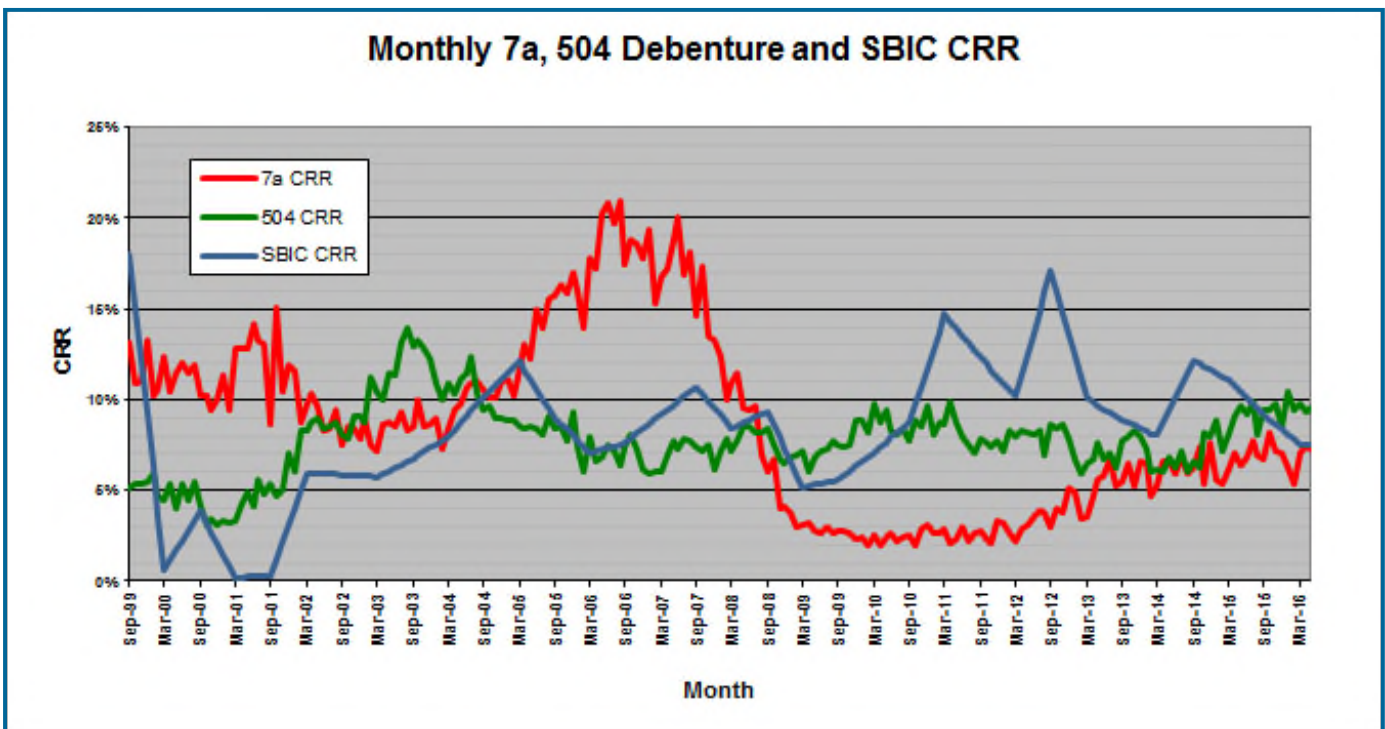
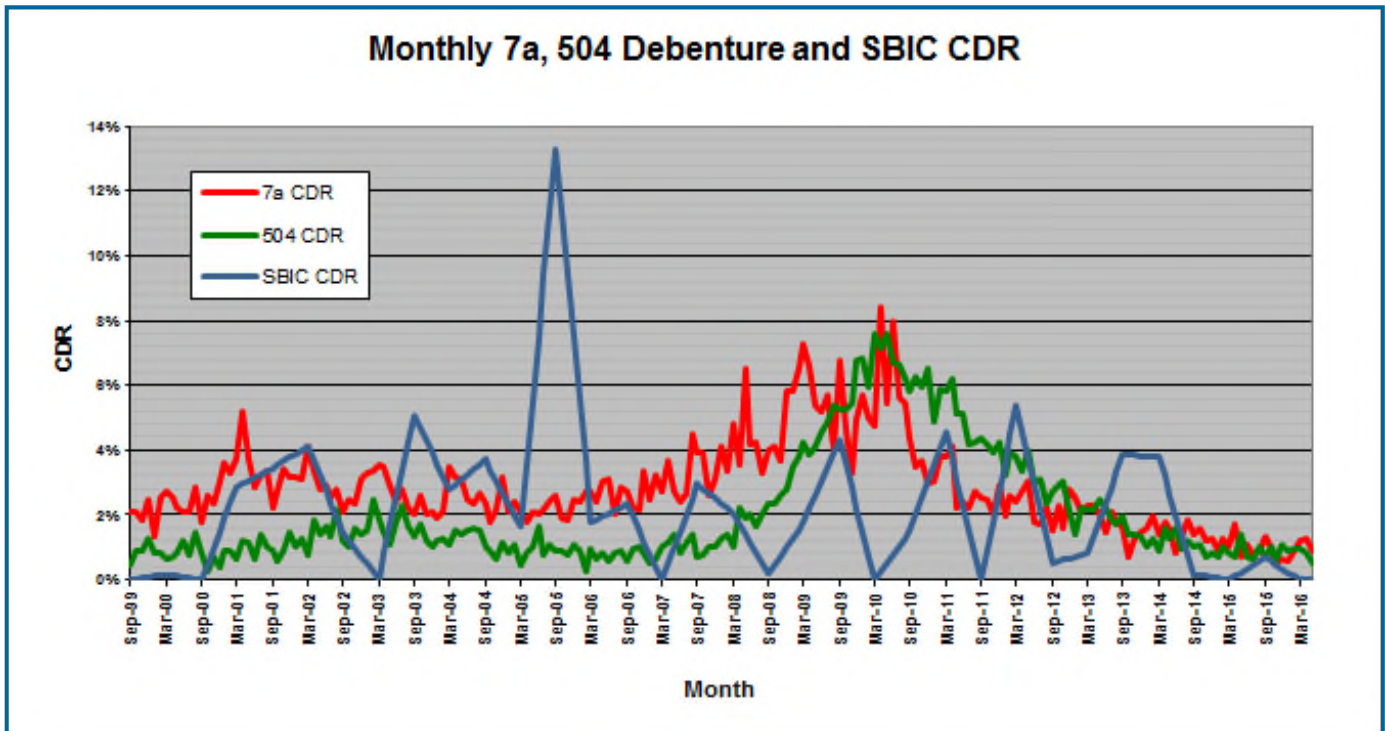
Monthly 7a Pool CPR Due to Defaults and Prepayments



Monthly 7a Pool CDR



7(a) Prepayment Speeds...Continued





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		2013		2014	
	Tax Return	CS %	Tax Return	CS %	Projected	CS %
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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- All states considered!
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Multi-Use Property Types:

- Warehouse
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- Medical
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- Auto Body
- Retail

Special-Use Property Types:

- Hospitality
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- Bed & Breakfast
- Restaurant
- Funeral Homes
- Bowling Alleys
- Urgent Care Centers
- Surgery Centers
- Auto Repair
- Car Dealerships
- Executive Suites
- Wineries

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7(a) Prepayment Speeds Commentary...Continued

prepayment speeds fell in three out of six categories.

Decreases were seen in the <8 year sector (-69% to CPR 5.71%), 10-13 (-26% to CPR 6.82%) and 20+ (-2% to CPR 8.55%).

Increases were seen, by order of magnitude, in the 13-16 year sector (+108% to CPR 1.93%), 16-20 (+44% to CPR 9.91%) and 8-10 (+39% to CPR 13.10%).

This month offers continued evidence that prepayments have reached the 8% to 9% range.

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 continues on page 27

"This month offers continued evidence that prepayments have reached the 8% to 9% range."



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In these times of market uncertainty, let GLS help you in determining the value of your SBA and USDA related-assets.

For further information, please contact Bob Judge at (216) 456-2480 ext. 133 or at bob.judge@glsolutions.us



Does Your Bank Realize Sufficient Earnings from SBA Secondary Market?

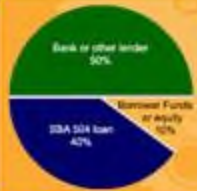
SBFI offers SBA lender training that can improve your SBA secondary market loan sales & strategy.



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

More info, click <https://www.sbfi.org/sba-7a-secondary-market/>

- Learn basics of market & how to attract loan bids;
- Best loan structures & who makes market;
- How to settle loan sales & required accounting;
- Calculating gain on sale & valuing portfolios.



504 1st Mtg. Secondary Mkt. Presented by Jordan Blanchard

More info, click <https://www.sbfi.org/sba-504-secondary-market/>

- Learn basics of 504 & how grow loan volume;
- Best loan structures & financing uses;
- Secondary market options to grow loan volume;
- Different sale options and buyer types.



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AVANA Capital is a nationwide commercial real estate lender for businesses in a wide variety of industries. Our philosophy is to lend to small and medium-sized companies with the goal of promoting job growth and retention.

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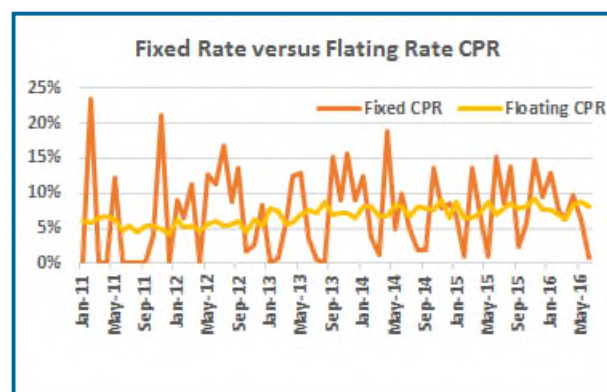
7(a) Fixed Rate Prepayment Speeds

CPR/MO	Fixed Balance	Fixed CPR	Floating Balance	Floating CPR	Diff
May-14	\$170,784,401	4.81%	\$21,718,091,815	8.38%	-3.56%
Jun-14	\$168,722,262	9.95%	\$21,940,929,504	8.19%	1.76%
Jul-14	\$176,381,998	4.95%	\$22,167,851,490	6.72%	-1.76%
Aug-14	\$175,501,952	1.92%	\$22,329,187,134	8.14%	-6.22%
Sep-14	\$174,605,525	2.03%	\$22,331,731,520	7.79%	-5.76%
Oct-14	\$171,898,957	13.61%	\$22,696,773,809	7.69%	5.92%
Nov-14	\$170,143,254	7.83%	\$23,025,776,709	8.96%	-1.13%
Dec-14	\$168,298,998	8.54%	\$23,131,042,503	6.56%	1.98%
Jan-15	\$172,191,567	6.94%	\$23,312,668,517	8.85%	-1.91%
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%

In June, fixed rate pools came in with a prepay speed of CPR 0.85%, which was CPR 7.31% lower than the floating rate speed of CPR 8.16%. This reading is the second month in a row where fixed rate speeds have been lower than floating rate ones.

June also saw new fixed rate pool issuance as the overall balance rose from the previous month. This is now the fourth month with new fixed rate 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, 2000 to Present

MONTH	SBIC DEB CDR	SBIC DEB CRR	SBIC DEB CPR	SBIC DEB AMORT EQUIV CPR
9/1/2000	0.00%	3.89%	3.89%	-6.40%
3/1/2001	2.89%	0.20%	3.08%	-7.56%
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%

Re-Print from March:

For March, we saw overall CPRs fall below CPR 8% for the first time since March of 2010, dropping to CPR 7.55%. Once we correct for amortization using our Amortization Equivalent CPR (AECPR) calculation, we see that prepa...

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	0.37%	1.17%	1.54%	-7.21%
12	0.33%	1.45%	1.78%	-7.49%
18	0.34%	3.44%	3.77%	-5.88%
24	1.20%	3.51%	4.69%	-5.54%
30	2.14%	8.76%	10.80%	0.50%
36	1.52%	7.65%	9.12%	-2.25%
42	1.45%	12.00%	13.36%	1.66%
48	2.02%	13.71%	15.58%	3.17%
54	3.53%	14.94%	18.19%	4.93%
60	3.32%	21.23%	24.17%	10.52%
66	4.31%	32.44%	35.97%	22.98%
72	4.65%	30.02%	33.90%	18.64%
78	5.09%	26.55%	30.90%	12.26%
84	6.62%	22.84%	28.64%	5.67%
90	3.89%	18.72%	22.23%	-8.59%
96	11.82%	31.52%	41.24%	11.11%
102	8.92%	26.46%	34.08%	-12.93%
108	11.99%	37.41%	46.82%	-14.53%
114	18.74%	35.30%	50.19%	-87.89%
120	22.78%	0.00%	22.78%	0.00%

tion, we see that prepa...

Turning to the components, defaults came in at 0% CDR from CDR 0.67% in September. As for the un-amortized CRR, we saw it decrease to CRR 7.55% from CRR 9.17%.

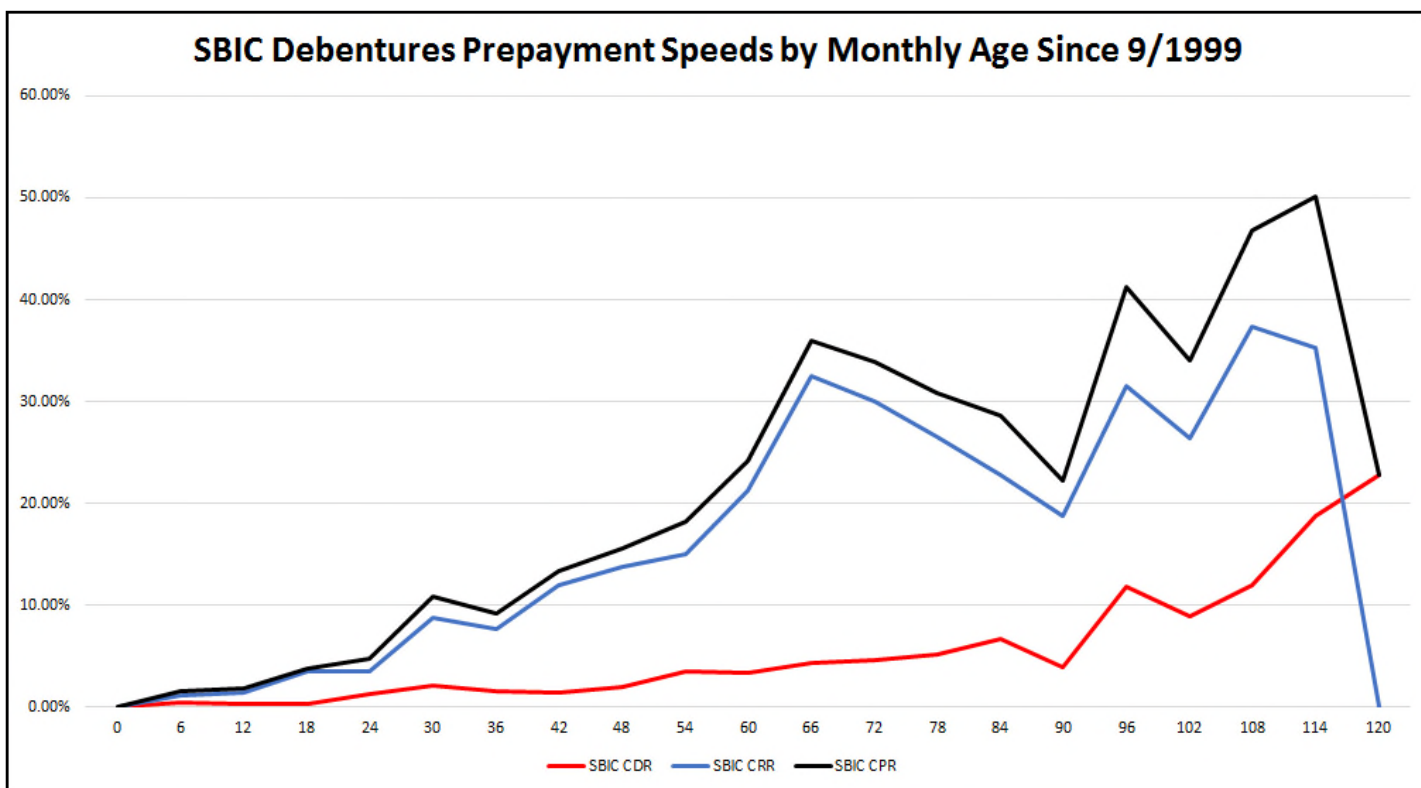
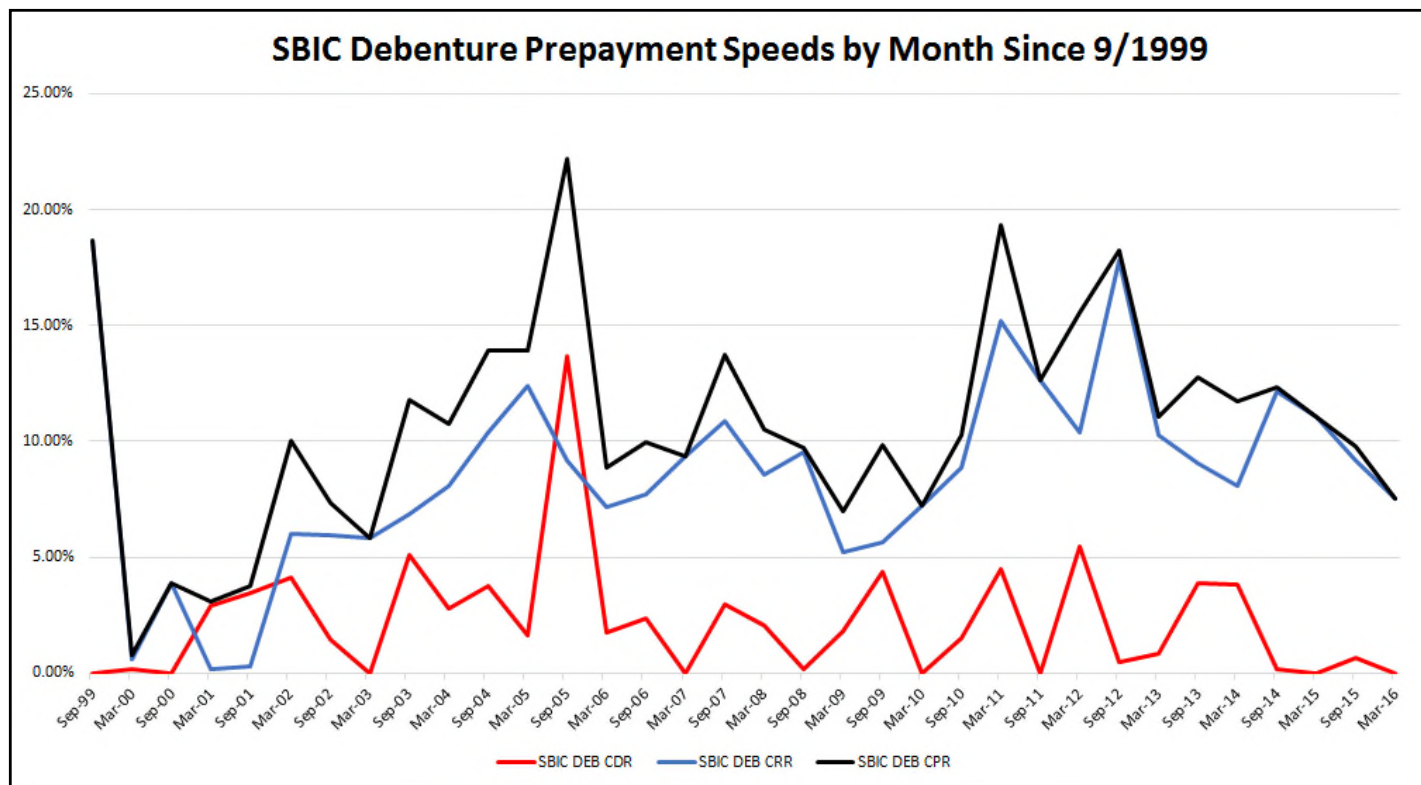
Much like the other two SBA programs, defaults continue to remain very low in the SBIC program.

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
Feb-12	0.00%	0.00%	0.04%	0.00%	0.02%
Mar-12	0.00%	0.00%	0.04%	0.01%	0.02%
Apr-12	0.00%	0.00%	0.00%	2.11%	0.74%
May-12	0.00%	9.99%	0.00%	2.48%	2.46%
Jun-12	0.00%	0.00%	0.01%	0.00%	0.00%
Jul-12	0.00%	24.60%	0.00%	0.00%	3.21%
Aug-12	0.00%	0.00%	0.17%	0.00%	0.04%
Sep-12	0.00%	0.05%	0.00%	11.52%	4.68%
Oct-12	0.00%	0.00%	0.00%	0.08%	0.03%
Nov-12	0.13%	0.71%	0.00%	1.86%	0.81%
Dec-12	0.00%	0.00%	0.04%	4.05%	1.47%
Jan-13	0.00%	6.04%	12.31%	12.61%	9.08%
Feb-13	0.00%	0.00%	0.00%	0.94%	0.33%
Mar-13	0.00%	0.00%	0.00%	0.94%	0.34%
Apr-13	15.27%	0.00%	0.00%	0.36%	3.32%
May-13	0.00%	0.00%	0.00%	0.01%	0.00%
Jun-13	0.00%	0.00%	0.02%	4.98%	1.81%
Jul-13	0.00%	0.00%	13.73%	0.00%	4.06%
Aug-13	15.17%	0.00%	0.00%	0.04%	3.17%
Sep-13	2.00%	0.00%	10.18%	5.13%	5.11%
Oct-13	0.00%	0.00%	1.73%	2.79%	1.48%
Nov-13	11.38%	0.65%	0.03%	0.00%	2.45%
Dec-13	0.00%	0.00%	0.00%	0.00%	0.00%
Jan-14	0.00%	0.00%	23.25%	0.34%	7.15%
Feb-14	0.00%	0.00%	0.00%	11.79%	4.37%
Mar-14	0.00%	0.00%	0.00%	0.02%	0.01%
Apr-14	26.98%	0.00%	0.00%	0.01%	5.85%
May-14	0.00%	0.00%	0.00%	0.00%	0.00%
Jun-14	0.00%	16.22%	0.00%	3.11%	4.13%
Jul-14	0.00%	43.09%	0.01%	14.12%	14.01%
Aug-14	13.51%	14.49%	16.95%	32.33%	21.85%
Sep-14	22.37%	34.17%	21.61%	19.37%	23.23%
Oct-14	20.24%	40.03%	1.57%	0.95%	12.70%
Nov-14	0.00%	25.65%	40.96%	1.62%	18.11%
Dec-14	0.00%	0.00%	0.01%	3.03%	1.12%
Jan-15	54.68%	59.57%	37.47%	1.73%	35.18%
Feb-15	7.78%	50.12%	50.09%	5.58%	28.40%
Mar-15	0.01%	5.74%	0.01%	5.32%	2.93%
Apr-15	0.00%	11.14%	13.11%	0.00%	5.41%
May-15	52.05%	0.00%	0.00%	38.53%	28.06%
Jun-15	0.00%	0.00%	38.85%	39.94%	27.95%
Jul-15	33.52%	0.00%	42.36%	15.56%	25.42%
Aug-15	68.24%	1.86%	36.06%	54.50%	47.21%
Sep-15	52.59%	34.37%	25.55%	17.83%	30.36%
Oct-15	70.19%	0.00%	37.60%	14.78%	33.61%
Nov-15	9.86%	50.42%	18.59%	8.00%	20.00%
Dec-15	0.00%	64.16%	9.16%	23.55%	25.32%
Jan-16	40.05%	3.68%	35.32%	13.68%	24.19%
Feb-16	33.23%	11.69%	12.80%	22.52%	20.43%
Mar-16	1.81%	55.70%	24.02%	0.03%	18.50%
Apr-16	0.00%	24.02%	24.64%	13.22%	16.03%
May-16	49.21%	0.00%	39.49%	30.67%	33.34%
Jun-16	33.50%	70.78%	0.00%	1.90%	23.16%
Jul-16	42.84%	21.13%	4.84%	9.74%	17.00%
Total	13.92%	13.44%	10.99%	8.82%	11.16%

RESET TYPE	FIXED RATE	FHLB VARIOUS	PRIME RATE	5 YR LIBOR SWAP	3 MO LIBOR	5 YR CMT	Total by Month
Feb-12	0.00%	0.42%	0.00%	0.00%	0.03%	0.00%	0.02%
Mar-12	0.00%	0.42%	0.01%	0.00%	0.03%	0.00%	0.02%
Apr-12	0.00%	0.00%	0.00%	2.21%	0.02%	0.00%	0.74%
May-12	0.00%	0.00%	0.00%	7.33%	0.00%	0.00%	2.46%
Jun-12	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Jul-12	0.00%	0.00%	0.00%	9.02%	0.00%	0.00%	3.21%
Aug-12	0.43%	0.00%	0.00%	0.00%	0.00%	0.00%	0.04%
Sep-12	0.01%	0.00%	0.00%	11.95%	0.00%	0.00%	4.68%
Oct-12	0.00%	0.00%	0.00%	0.08%	0.00%	0.00%	0.03%
Nov-12	0.00%	0.00%	0.00%	2.24%	0.00%	0.00%	0.81%
Dec-12	0.00%	0.00%	0.02%	4.03%	0.00%	0.00%	1.47%
Jan-13	0.00%	0.00%	10.35%	12.55%	0.00%	0.00%	9.08%
Feb-13	0.00%	0.00%	0.00%	0.94%	0.00%	0.00%	0.33%
Mar-13	0.00%	0.00%	0.00%	0.94%	0.00%	0.00%	0.34%
Apr-13	0.00%	0.00%	0.00%	0.36%	0.00%	59.93%	3.32%
May-13	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%
Jun-13	0.00%	0.00%	0.00%	4.96%	0.08%	0.00%	1.81%
Jul-13	0.00%	0.00%	8.67%	0.57%	0.00%	0.00%	4.06%
Aug-13	0.00%	0.00%	3.79%	0.04%	0.00%	36.39%	3.17%
Sep-13	0.06%	0.00%	3.90%	0.00%	2.63%	65.01%	5.11%
Oct-13	4.04%	0.00%	0.01%	2.86%	0.00%	0.00%	1.48%
Nov-13	0.00%	0.00%	3.90%	0.33%	0.00%	18.22%	2.45%
Dec-13	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Jan-14	1.04%	0.00%	15.42%	0.02%	0.00%	0.00%	7.15%
Feb-14	0.00%	0.00%	0.00%	11.70%	0.00%	0.00%	4.37%
Mar-14	0.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
Apr-14	0.03%	0.00%	11.39%	0.00%	0.00%	21.57%	5.85%
May-14	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Jun-14	0.00%	0.00%	6.90%	3.13%	0.00%	0.00%	4.13%
Jul-14	0.00%	0.00%	0.00%	34.33%	0.00%	0.00%	14.01%
Aug-14	0.00%	0.00%	32.70%	12.40%	0.00%	60.52%	21.85%
Sep-14	0.00%	0.00%	29.00%	19.73%	0.13%	73.35%	23.23%
Oct-14	3.74%	0.00%	25.93%	0.96%	0.00%	0.00%	12.70%
Nov-14	52.67%	0.00%	23.54%	0.35%	0.00%	0.00%	18.11%
Dec-14	0.00%	0.00%	0.00%	0.00%	17.58%	0.00%	1.12%
Jan-15	3.32%	0.00%	51.58%	28.24%	8.45%	0.00%	35.18%
Feb-15	10.32%	0.00%	46.86%	14.88%	2.67%	0.00%	28.40%
Mar-15	0.07%	0.00%	2.15%	2.10%	19.26%	0.07%	2.93%
Apr-15	0.00%	0.00%	10.86%	2.36%	0.00%	0.00%	5.41%
May-15	0.00%	0.00%	34.21%	27.99%	34.04%	35.84%	28.06%
Jun-15	49.34%	0.00%	12.42%	40.66%	0.01%	0.00%	27.95%
Jul-15	16.44%	92.73%	25.50%	17.79%	12.92%	61.03%	25.42%
Aug-15	58.30%	0.00%	44.87%	47.00%	62.41%	0.00%	47.21%
Sep-15	0.00%	0.00%	33.65%	31.83%	37.19%	57.45%	30.36%
Oct-15	29.06%	0.00%	36.28%	36.71%	0.00%	41.23%	33.61%
Nov-15	0.08%	0.00%	25.26%	25.15%	0.00%	0.00%	20.00%
Dec-15	0.00%	0.00%	45.23%	13.94%	0.00%	0.00%	25.32%
Jan-16	9.73%	99.03%	8.35%	27.54%	30.92%	27.01%	24.19%
Feb-16	0.00%	0.00%	28.41%	5.06%	78.41%	0.00%	20.43%
Mar-16	44.14%	0.00%	0.00%	28.39%	0.00%	9.05%	18.50%
Apr-16	0.00%	0.00%	9.75%	14.02%	75.01%	0.00%	16.03%
May-16	17.53%	0.00%	48.59%	7.19%	36.12%	85.74%	33.34%
Jun-16	0.01%	0.00%	48.56%	0.05%	13.23%	0.00%	23.16%
Jul-16	0.23%	0.00%	0.07%	20.56%	34.76%	89.10%	17.00%
Total	6.56%	9.41%	12.78%	10.17%	10.00%	19.94%	11.16%

FMLP Lifetime Prepayment Speed Commentary

In July, we saw prepayments go below CPR 20% for the first time since April.

This month, prepayment speeds came in at CPR 17.00%, a 27% decrease from June's print of CPR 23.16%.

As for the history of the FMLP, the overall CPR is now 11.16%.

As for fixed rate pools, we saw a 0.23% CPR this month that lowered the lifetime CPR to 6.56%. Fixed rate pools continue to be the best performing prepayment 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.

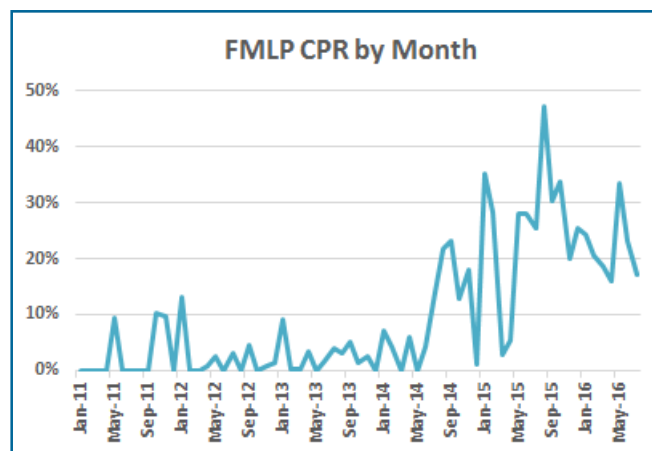


Chart on previous page

Small Business Indexes Commentary

SBA 7a pools returned +0.36% for actual and +0.34% for equal weighting this month versus -0.51% / -0.48% last month as overall pricing rose in July.

For IO Strips, we witnessed returns of +2.55% / +1.81%, which were up from returns of -8.23% / -8.01% last month. 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 decrease by -0.57% / -0.58% and the SBIC debenture indexes move by +0.00% / -0.02% as interest rate increases mostly lowered prices for these fixed rate securities.

Overall, our Composite Index came in at -0.03% / -0.07%.

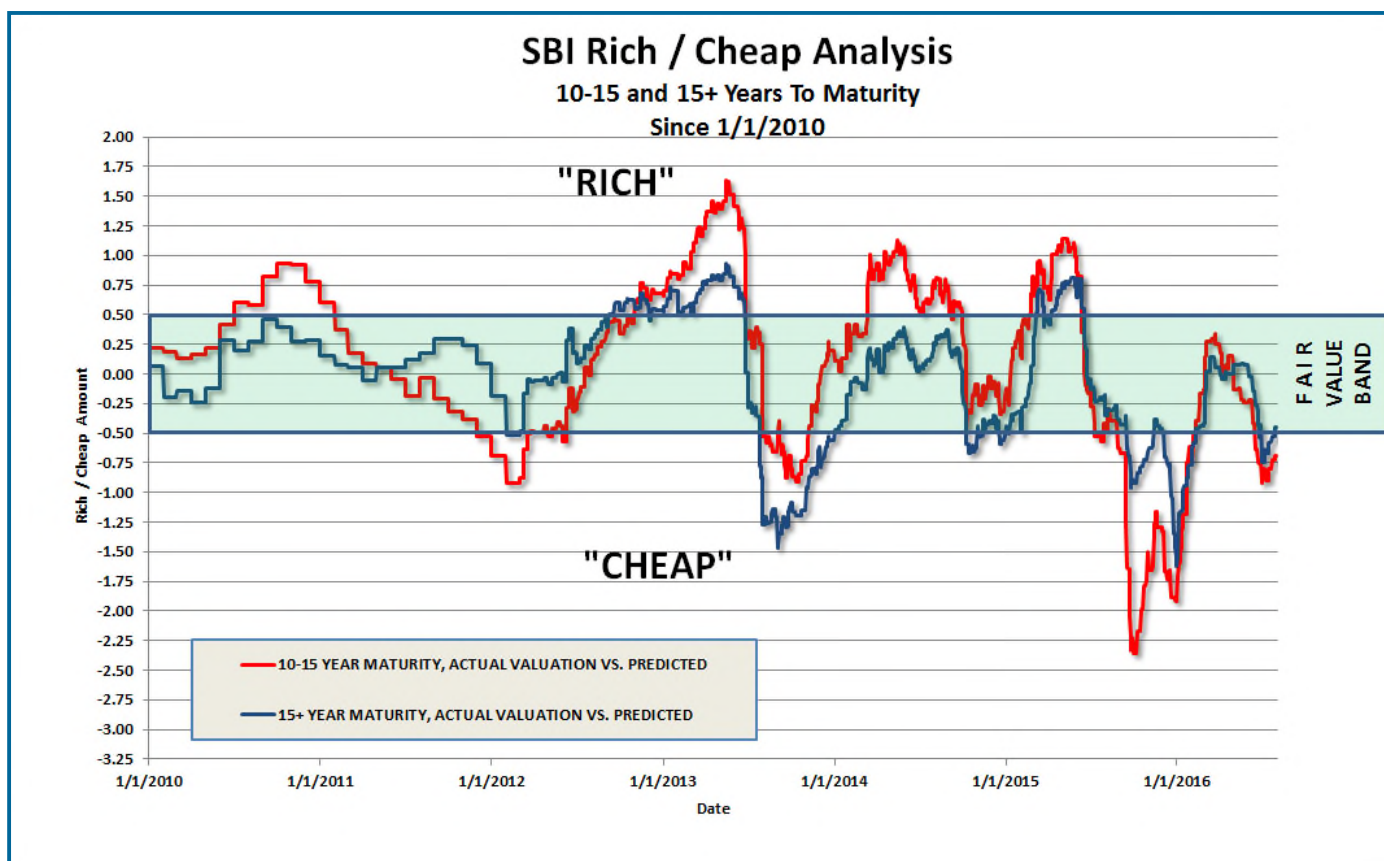
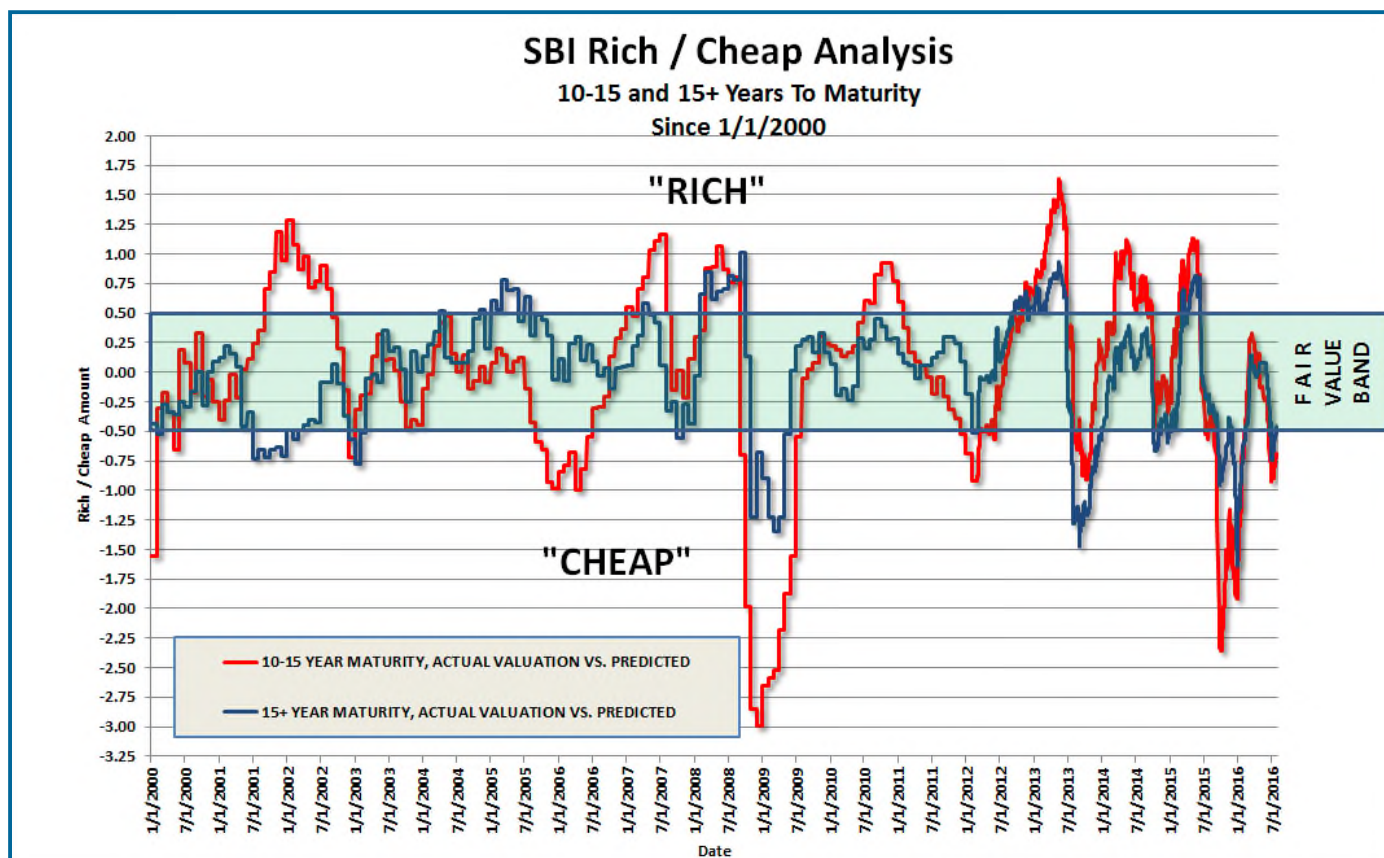
If you wish to further delve into the SBI Indexes, please visit our website at www.sbindexes.com. Registration is currently free and it contains a host of information relating to these indexes, as well as

indexing in general.

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

Charts begin on next page

Rich / Cheap Graphs



Small Business Indexes Results

END DATE: 07/31/2016	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	0.34%	(0.05%)	0.80%	1.06%	3.71%	10.41%	63.92%	124.45%
POOL, ALL ACTUAL INDEX	0.36%	(0.06%)	0.82%	1.06%	3.81%	9.17%	45.53%	98.58%
POOL, LONG EQUAL INDEX	0.38%	0.01%	0.84%	1.00%	3.89%	11.36%	75.15%	140.48%
POOL, LONG ACTUAL INDEX	0.39%	0.01%	0.85%	0.98%	3.98%	9.72%	51.55%	107.23%
POOL, SHORT EQUAL INDEX	0.23%	(0.25%)	0.66%	1.23%	3.18%	7.97%	39.32%	87.83%
POOL, SHORT ACTUAL INDEX	0.26%	(0.26%)	0.74%	1.29%	3.32%	7.72%	32.86%	79.02%
POOL, ALL EQUAL INCOME INDEX	0.23%	0.68%	1.35%	2.65%	7.92%	16.30%	79.56%	158.26%
POOL, ALL ACTUAL INCOME INDEX	0.23%	0.69%	1.37%	2.69%	8.08%	15.04%	59.33%	127.21%
POOL, LONG EQUAL INCOME INDEX	0.20%	0.61%	1.21%	2.38%	7.11%	15.56%	87.13%	168.83%
POOL, LONG ACTUAL INCOME INDEX	0.21%	0.61%	1.21%	2.39%	7.25%	13.94%	61.67%	130.11%
POOL, SHORT EQUAL INCOME INDEX	0.30%	0.90%	1.79%	3.55%	10.52%	18.81%	63.26%	137.88%
POOL, SHORT ACTUAL INCOME INDEX	0.31%	0.92%	1.83%	3.64%	10.83%	18.63%	55.81%	125.84%
POOL, ALL EQUAL PRICE INDEX	0.20%	(0.46%)	(0.04%)	(0.52%)	(0.81%)	(0.52%)	(1.12%)	(0.70%)
POOL, ALL ACTUAL PRICE INDEX	0.21%	(0.47%)	(0.02%)	(0.54%)	(0.78%)	(0.50%)	(1.13%)	(0.72%)
POOL, LONG EQUAL PRICE INDEX	0.24%	(0.38%)	0.06%	(0.45%)	(0.31%)	0.12%	(0.22%)	0.31%
POOL, LONG ACTUAL PRICE INDEX	0.26%	(0.37%)	0.07%	(0.46%)	(0.28%)	0.10%	(0.27%)	0.27%
POOL, SHORT EQUAL PRICE INDEX	0.04%	(0.73%)	(0.36%)	(0.79%)	(2.35%)	(2.43%)	(3.47%)	(3.95%)
POOL, SHORT ACTUAL PRICE INDEX	0.06%	(0.77%)	(0.30%)	(0.79%)	(2.34%)	(2.31%)	(3.41%)	(3.93%)
POOL, ALL EQUAL PREPAY INDEX	(0.05%)	(0.18%)	(0.32%)	(0.68%)	(2.01%)	(2.80%)	(5.20%)	(9.28%)
POOL, ALL ACTUAL PREPAY INDEX	(0.05%)	(0.18%)	(0.33%)	(0.70%)	(2.10%)	(2.87%)	(5.15%)	(8.83%)
POOL, LONG EQUAL PREPAY INDEX	(0.05%)	(0.16%)	(0.31%)	(0.66%)	(1.95%)	(2.59%)	(4.68%)	(8.73%)
POOL, LONG ACTUAL PREPAY INDEX	(0.05%)	(0.17%)	(0.32%)	(0.68%)	(2.04%)	(2.64%)	(4.55%)	(8.19%)
POOL, SHORT EQUAL PREPAY INDEX	(0.06%)	(0.22%)	(0.37%)	(0.74%)	(2.20%)	(3.37%)	(6.49%)	(10.87%)
POOL, SHORT ACTUAL PREPAY INDEX	(0.05%)	(0.22%)	(0.38%)	(0.76%)	(2.32%)	(3.51%)	(6.60%)	(10.63%)
POOL, ALL EQUAL DEFAULT INDEX	(0.01%)	(0.03%)	(0.04%)	(0.08%)	(0.33%)	(0.65%)	(1.31%)	(2.13%)
POOL, ALL ACTUAL DEFAULT INDEX	(0.01%)	(0.03%)	(0.04%)	(0.08%)	(0.35%)	(0.66%)	(1.30%)	(2.04%)
POOL, LONG EQUAL DEFAULT INDEX	(0.01%)	(0.02%)	(0.04%)	(0.08%)	(0.32%)	(0.58%)	(1.07%)	(1.87%)
POOL, LONG ACTUAL DEFAULT INDEX	(0.01%)	(0.02%)	(0.04%)	(0.08%)	(0.34%)	(0.58%)	(1.03%)	(1.75%)
POOL, SHORT EQUAL DEFAULT INDEX	(0.01%)	(0.03%)	(0.05%)	(0.09%)	(0.37%)	(0.84%)	(1.91%)	(2.81%)
POOL, SHORT ACTUAL DEFAULT INDEX	(0.01%)	(0.03%)	(0.05%)	(0.09%)	(0.39%)	(0.87%)	(1.94%)	(2.77%)
POOL, ALL EQUAL VOL PREPAY INDEX	(0.05%)	(0.15%)	(0.28%)	(0.60%)	(1.68%)	(2.16%)	(3.94%)	(7.31%)
POOL, ALL ACTUAL VOL PREPAY INDEX	(0.04%)	(0.15%)	(0.29%)	(0.62%)	(1.76%)	(2.23%)	(3.90%)	(6.93%)
POOL, LONG EQUAL VOL PREPAY INDEX	(0.04%)	(0.14%)	(0.27%)	(0.58%)	(1.63%)	(2.02%)	(3.65%)	(6.99%)
POOL, LONG ACTUAL VOL PREPAY INDEX	(0.05%)	(0.14%)	(0.28%)	(0.60%)	(1.70%)	(2.08%)	(3.56%)	(6.55%)
POOL, SHORT EQUAL VOL PREPAY INDEX	(0.05%)	(0.19%)	(0.32%)	(0.65%)	(1.84%)	(2.56%)	(4.67%)	(8.30%)
POOL, SHORT ACTUAL VOL PREPAY INDEX	(0.04%)	(0.19%)	(0.33%)	(0.66%)	(1.93%)	(2.66%)	(4.75%)	(8.08%)
POOL, ALL EQUAL SCHED PRIN INDEX	(0.03%)	(0.09%)	(0.18%)	(0.36%)	(1.12%)	(1.82%)	(2.61%)	(3.52%)
POOL, ALL ACTUAL SCHED PRIN INDEX	(0.03%)	(0.09%)	(0.18%)	(0.36%)	(1.11%)	(1.81%)	(2.60%)	(3.43%)
POOL, LONG EQUAL SCHED PRIN INDEX	(0.02%)	(0.06%)	(0.12%)	(0.24%)	(0.76%)	(1.20%)	(1.58%)	(2.30%)
POOL, LONG ACTUAL SCHED PRIN INDEX	(0.02%)	(0.06%)	(0.12%)	(0.23%)	(0.75%)	(1.19%)	(1.53%)	(2.17%)
POOL, SHORT EQUAL SCHED PRIN INDEX	(0.06%)	(0.19%)	(0.38%)	(0.73%)	(2.23%)	(3.60%)	(5.45%)	(7.75%)
POOL, SHORT ACTUAL SCHED PRIN INDEX	(0.06%)	(0.19%)	(0.38%)	(0.74%)	(2.27%)	(3.66%)	(5.47%)	(7.66%)
POOL, ALL EQUAL TOTAL PRIN INDEX	(0.08%)	(0.27%)	(0.50%)	(1.04%)	(3.11%)	(4.56%)	(7.67%)	(12.47%)
POOL, ALL ACTUAL TOTAL PRIN INDEX	(0.08%)	(0.27%)	(0.51%)	(1.06%)	(3.19%)	(4.63%)	(7.62%)	(11.96%)
POOL, LONG EQUAL TOTAL PRIN INDEX	(0.07%)	(0.22%)	(0.42%)	(0.90%)	(2.70%)	(3.75%)	(6.19%)	(10.83%)
POOL, LONG ACTUAL TOTAL PRIN INDEX	(0.07%)	(0.22%)	(0.43%)	(0.92%)	(2.77%)	(3.80%)	(6.01%)	(10.18%)
POOL, SHORT EQUAL TOTAL PRIN INDEX	(0.12%)	(0.41%)	(0.75%)	(1.47%)	(4.39%)	(6.85%)	(11.59%)	(17.79%)
POOL, SHORT ACTUAL TOTAL PRIN INDEX	(0.11%)	(0.41%)	(0.77%)	(1.49%)	(4.54%)	(7.04%)	(11.71%)	(17.48%)

Small Business Indexes Results

END DATE: 07/31/2016	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	1.81%	(7.21%)	(2.17%)	(11.35%)	(19.40%)	9.05%	76.04%	297.81%
STRIP, ALL ACTUAL INDEX	2.55%	(5.25%)	(0.09%)	(9.48%)	(20.08%)	10.12%	40.03%	235.63%
STRIP, LONG EQUAL INDEX	3.81%	(5.24%)	0.29%	(7.29%)	(1.18%)	40.44%	204.19%	633.88%
STRIP, LONG ACTUAL INDEX	3.95%	(5.23%)	0.14%	(7.70%)	(2.19%)	38.00%	112.46%	433.21%
STRIP, SHORT EQUAL INDEX	(3.48%)	(12.41%)	(8.56%)	(21.67%)	(49.80%)	(37.69%)	(29.72%)	9.19%
STRIP, SHORT ACTUAL INDEX	(0.74%)	(5.28%)	(0.58%)	(14.56%)	(50.06%)	(34.12%)	(31.11%)	31.77%
STRIP, ALL EQUAL INCOME INDEX	0.93%	2.74%	5.65%	11.53%	38.16%	92.08%	548.79%	2,732.87%
STRIP, ALL ACTUAL INCOME INDEX	0.91%	2.64%	5.56%	11.35%	37.48%	87.36%	395.48%	2,038.32%
STRIP, LONG EQUAL INCOME INDEX	0.95%	2.82%	5.80%	11.72%	41.29%	106.53%	773.31%	3,818.18%
STRIP, LONG ACTUAL INCOME INDEX	0.89%	2.66%	5.56%	11.22%	40.21%	100.49%	498.40%	2,536.69%
STRIP, SHORT EQUAL INCOME INDEX	0.89%	2.51%	5.26%	11.04%	31.49%	67.80%	321.46%	1,488.00%
STRIP, SHORT ACTUAL INCOME INDEX	0.93%	2.60%	5.56%	11.77%	31.86%	65.60%	283.74%	1,367.97%
STRIP, ALL EQUAL PRICE INDEX	2.07%	(6.38%)	(0.93%)	(8.40%)	(11.64%)	7.32%	30.82%	104.98%
STRIP, ALL ACTUAL PRICE INDEX	2.77%	(4.42%)	1.11%	(6.66%)	(12.73%)	9.08%	32.34%	115.30%
STRIP, LONG EQUAL PRICE INDEX	3.94%	(4.91%)	0.65%	(5.76%)	0.09%	13.49%	37.11%	121.86%
STRIP, LONG ACTUAL PRICE INDEX	4.12%	(4.77%)	0.68%	(5.87%)	(0.64%)	13.03%	35.81%	127.02%
STRIP, SHORT EQUAL PRICE INDEX	(2.89%)	(10.33%)	(5.15%)	(15.36%)	(33.90%)	(9.94%)	10.72%	39.69%
STRIP, SHORT ACTUAL PRICE INDEX	(0.40%)	(3.60%)	2.23%	(9.29%)	(35.66%)	(5.89%)	14.88%	64.79%
STRIP, ALL EQUAL PREPAY INDEX	(0.75%)	(2.31%)	(4.18%)	(8.75%)	(22.79%)	(30.87%)	(65.20%)	(86.19%)
STRIP, ALL ACTUAL PREPAY INDEX	(0.71%)	(2.28%)	(4.17%)	(8.71%)	(22.78%)	(30.44%)	(64.56%)	(85.53%)
STRIP, LONG EQUAL PREPAY INDEX	(0.79%)	(2.26%)	(4.22%)	(8.88%)	(22.63%)	(29.20%)	(64.88%)	(86.49%)
STRIP, LONG ACTUAL PREPAY INDEX	(0.78%)	(2.29%)	(4.26%)	(8.94%)	(22.72%)	(28.71%)	(64.50%)	(86.06%)
STRIP, SHORT EQUAL PREPAY INDEX	(0.66%)	(2.45%)	(4.07%)	(8.44%)	(23.07%)	(33.63%)	(64.15%)	(82.87%)
STRIP, SHORT ACTUAL PREPAY INDEX	(0.55%)	(2.25%)	(3.95%)	(8.12%)	(22.75%)	(33.22%)	(63.88%)	(81.83%)
STRIP, ALL EQUAL DEFAULT INDEX	(0.11%)	(0.34%)	(0.54%)	(1.09%)	(4.14%)	(8.26%)	(25.28%)	(37.16%)
STRIP, ALL ACTUAL DEFAULT INDEX	(0.10%)	(0.34%)	(0.54%)	(1.09%)	(4.12%)	(8.04%)	(25.25%)	(36.90%)
STRIP, LONG EQUAL DEFAULT INDEX	(0.12%)	(0.33%)	(0.54%)	(1.10%)	(4.08%)	(7.39%)	(23.20%)	(35.73%)
STRIP, LONG ACTUAL DEFAULT INDEX	(0.11%)	(0.34%)	(0.55%)	(1.11%)	(4.08%)	(7.09%)	(23.03%)	(35.44%)
STRIP, SHORT EQUAL DEFAULT INDEX	(0.10%)	(0.36%)	(0.53%)	(1.07%)	(4.25%)	(9.72%)	(27.67%)	(37.19%)
STRIP, SHORT ACTUAL DEFAULT INDEX	(0.08%)	(0.33%)	(0.51%)	(1.03%)	(4.20%)	(9.62%)	(27.81%)	(36.76%)
STRIP, ALL EQUAL VOL PREPAY INDEX	(0.64%)	(1.98%)	(3.66%)	(7.74%)	(19.44%)	(24.62%)	(53.33%)	(77.94%)
STRIP, ALL ACTUAL VOL PREPAY INDEX	(0.60%)	(1.94%)	(3.65%)	(7.71%)	(19.44%)	(24.34%)	(52.50%)	(76.99%)
STRIP, LONG EQUAL VOL PREPAY INDEX	(0.67%)	(1.93%)	(3.70%)	(7.86%)	(19.32%)	(23.53%)	(54.17%)	(78.89%)
STRIP, LONG ACTUAL VOL PREPAY INDEX	(0.66%)	(1.96%)	(3.73%)	(7.91%)	(19.41%)	(23.24%)	(53.78%)	(78.33%)
STRIP, SHORT EQUAL VOL PREPAY INDEX	(0.57%)	(2.09%)	(3.55%)	(7.44%)	(19.63%)	(26.45%)	(50.35%)	(72.64%)
STRIP, SHORT ACTUAL VOL PREPAY INDEX	(0.47%)	(1.92%)	(3.45%)	(7.16%)	(19.34%)	(26.08%)	(49.87%)	(71.20%)
STRIP, ALL EQUAL SCHED PRIN INDEX	(0.41%)	(1.22%)	(2.44%)	(4.81%)	(14.15%)	(23.15%)	(39.61%)	(49.87%)
STRIP, ALL ACTUAL SCHED PRIN INDEX	(0.39%)	(1.17%)	(2.32%)	(4.53%)	(13.41%)	(22.24%)	(38.99%)	(49.16%)
STRIP, LONG EQUAL SCHED PRIN INDEX	(0.28%)	(0.83%)	(1.66%)	(3.31%)	(9.52%)	(15.20%)	(26.66%)	(36.86%)
STRIP, LONG ACTUAL SCHED PRIN INDEX	(0.26%)	(0.79%)	(1.57%)	(3.14%)	(8.99%)	(14.41%)	(25.36%)	(35.46%)
STRIP, SHORT EQUAL SCHED PRIN INDEX	(0.76%)	(2.26%)	(4.45%)	(8.72%)	(24.12%)	(37.20%)	(57.32%)	(70.77%)
STRIP, SHORT ACTUAL SCHED PRIN INDEX	(0.70%)	(2.08%)	(4.13%)	(8.14%)	(22.99%)	(36.08%)	(56.09%)	(69.59%)
STRIP, ALL EQUAL TOTAL PRIN INDEX	(1.16%)	(3.52%)	(6.53%)	(13.18%)	(33.79%)	(46.96%)	(79.07%)	(93.12%)
STRIP, ALL ACTUAL TOTAL PRIN INDEX	(1.10%)	(3.43%)	(6.41%)	(12.88%)	(33.20%)	(45.99%)	(78.46%)	(92.69%)
STRIP, LONG EQUAL TOTAL PRIN INDEX	(1.06%)	(3.08%)	(5.82%)	(11.92%)	(30.05%)	(40.02%)	(74.30%)	(91.50%)
STRIP, LONG ACTUAL TOTAL PRIN INDEX	(1.04%)	(3.06%)	(5.78%)	(11.82%)	(29.72%)	(39.04%)	(73.56%)	(91.04%)
STRIP, SHORT EQUAL TOTAL PRIN INDEX	(1.42%)	(4.67%)	(8.37%)	(16.48%)	(41.74%)	(58.46%)	(84.80%)	(95.05%)
STRIP, SHORT ACTUAL TOTAL PRIN INDEX	(1.25%)	(4.30%)	(7.94%)	(15.65%)	(40.62%)	(57.44%)	(84.24%)	(94.53%)

Small Business Indexes Results

END DATE: 07/31/2016	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	(0.58%)	0.51%	0.24%	0.66%	2.79%	8.92%	48.53%	113.69%
SBAP, ALL ACTUAL INDEX	(0.57%)	0.65%	0.26%	0.58%	3.00%	10.23%	52.05%	122.09%
SBAP, LONG EQUAL INDEX	(0.56%)	0.64%	0.22%	0.43%	2.29%	9.31%	51.22%	120.58%
SBAP, LONG ACTUAL INDEX	(0.57%)	0.65%	0.25%	0.54%	2.90%	10.21%	52.19%	122.62%
SBAP, SHORT EQUAL INDEX	(0.14%)	0.80%	1.03%	2.75%	7.59%	11.97%	46.70%	103.07%
SBAP, SHORT ACTUAL INDEX	(0.15%)	0.79%	1.02%	2.78%	8.10%	12.26%	47.03%	101.91%
SBAP, ALL EQUAL INCOME INDEX	0.26%	0.78%	1.56%	3.24%	10.77%	19.95%	55.05%	133.70%
SBAP, ALL ACTUAL INCOME INDEX	0.28%	0.85%	1.70%	3.51%	11.54%	21.14%	56.91%	135.52%
SBAP, LONG EQUAL INCOME INDEX	0.29%	0.86%	1.74%	3.60%	11.96%	21.89%	59.24%	143.18%
SBAP, LONG ACTUAL INCOME INDEX	0.28%	0.85%	1.72%	3.56%	11.69%	21.38%	57.33%	136.34%
SBAP, SHORT EQUAL INCOME INDEX	0.16%	0.49%	0.98%	2.03%	6.88%	13.63%	42.00%	104.47%
SBAP, SHORT ACTUAL INCOME INDEX	0.15%	0.46%	0.92%	1.88%	6.08%	12.09%	40.15%	101.98%
SBAP, ALL EQUAL PRICE INDEX	(0.32%)	0.97%	1.05%	1.97%	1.76%	1.98%	9.59%	9.01%
SBAP, ALL ACTUAL PRICE INDEX	(0.32%)	1.16%	1.29%	2.24%	2.06%	2.82%	11.10%	11.47%
SBAP, LONG EQUAL PRICE INDEX	(0.32%)	1.17%	1.31%	2.26%	1.87%	2.49%	10.63%	10.56%
SBAP, LONG ACTUAL PRICE INDEX	(0.32%)	1.18%	1.32%	2.27%	2.06%	2.84%	11.17%	11.63%
SBAP, SHORT EQUAL PRICE INDEX	(0.30%)	0.30%	0.20%	1.01%	1.47%	0.30%	5.95%	3.24%
SBAP, SHORT ACTUAL PRICE INDEX	(0.30%)	0.29%	0.18%	0.99%	2.08%	1.18%	6.86%	3.36%
SBAP, ALL EQUAL PREPAY INDEX	(0.36%)	(0.85%)	(1.62%)	(3.09%)	(6.22%)	(7.64%)	(8.77%)	(11.56%)
SBAP, ALL ACTUAL PREPAY INDEX	(0.37%)	(0.96%)	(1.91%)	(3.60%)	(6.91%)	(8.28%)	(9.23%)	(11.38%)
SBAP, LONG EQUAL PREPAY INDEX	(0.36%)	(0.96%)	(1.94%)	(3.72%)	(7.36%)	(8.89%)	(10.07%)	(13.18%)
SBAP, LONG ACTUAL PREPAY INDEX	(0.37%)	(0.97%)	(1.94%)	(3.68%)	(7.06%)	(8.44%)	(9.39%)	(11.56%)
SBAP, SHORT EQUAL PREPAY INDEX	0.00%	0.00%	(0.05%)	(0.10%)	(0.39%)	(0.83%)	(1.23%)	(1.97%)
SBAP, SHORT ACTUAL PREPAY INDEX	0.00%	0.01%	(0.04%)	(0.03%)	(0.16%)	(0.55%)	(1.01%)	(1.82%)
SBAP, ALL EQUAL DEFAULT INDEX	(0.02%)	(0.05%)	(0.12%)	(0.22%)	(0.58%)	(1.08%)	(1.69%)	(2.00%)
SBAP, ALL ACTUAL DEFAULT INDEX	(0.02%)	(0.06%)	(0.14%)	(0.27%)	(0.69%)	(1.29%)	(2.02%)	(2.28%)
SBAP, LONG EQUAL DEFAULT INDEX	(0.02%)	(0.06%)	(0.14%)	(0.27%)	(0.71%)	(1.25%)	(1.86%)	(2.14%)
SBAP, LONG ACTUAL DEFAULT INDEX	(0.02%)	(0.06%)	(0.15%)	(0.28%)	(0.71%)	(1.32%)	(2.04%)	(2.30%)
SBAP, SHORT EQUAL DEFAULT INDEX	0.00%	0.01%	(0.01%)	(0.00%)	(0.02%)	(0.18%)	(0.48%)	(0.73%)
SBAP, SHORT ACTUAL DEFAULT INDEX	0.00%	0.01%	(0.00%)	0.01%	0.01%	(0.14%)	(0.47%)	(0.74%)
SBAP, ALL EQUAL VOL PREPAY INDEX	(0.34%)	(0.80%)	(1.50%)	(2.88%)	(5.68%)	(6.64%)	(7.20%)	(9.75%)
SBAP, ALL ACTUAL VOL PREPAY INDEX	(0.35%)	(0.90%)	(1.76%)	(3.34%)	(6.26%)	(7.08%)	(7.36%)	(9.31%)
SBAP, LONG EQUAL VOL PREPAY INDEX	(0.34%)	(0.90%)	(1.79%)	(3.45%)	(6.70%)	(7.73%)	(8.37%)	(11.27%)
SBAP, LONG ACTUAL VOL PREPAY INDEX	(0.35%)	(0.91%)	(1.80%)	(3.41%)	(6.39%)	(7.22%)	(7.50%)	(9.47%)
SBAP, SHORT EQUAL VOL PREPAY INDEX	0.00%	(0.01%)	(0.04%)	(0.10%)	(0.37%)	(0.65%)	(0.76%)	(1.25%)
SBAP, SHORT ACTUAL VOL PREPAY INDEX	0.00%	(0.00%)	(0.03%)	(0.04%)	(0.17%)	(0.41%)	(0.54%)	(1.09%)
SBAP, ALL EQUAL SCHED PRIN INDEX	(0.17%)	(0.37%)	(0.72%)	(1.33%)	(2.76%)	(3.58%)	(4.18%)	(5.15%)
SBAP, ALL ACTUAL SCHED PRIN INDEX	(0.16%)	(0.39%)	(0.78%)	(1.41%)	(2.80%)	(3.50%)	(3.90%)	(4.53%)
SBAP, LONG EQUAL SCHED PRIN INDEX	(0.17%)	(0.41%)	(0.84%)	(1.54%)	(3.18%)	(3.95%)	(4.53%)	(5.50%)
SBAP, LONG ACTUAL SCHED PRIN INDEX	(0.16%)	(0.40%)	(0.79%)	(1.44%)	(2.86%)	(3.56%)	(3.95%)	(4.58%)
SBAP, SHORT EQUAL SCHED PRIN INDEX	0.00%	0.01%	(0.10%)	(0.20%)	(0.41%)	(0.94%)	(1.28%)	(1.87%)
SBAP, SHORT ACTUAL SCHED PRIN INDEX	0.00%	0.02%	(0.04%)	(0.07%)	(0.01%)	(0.48%)	(0.84%)	(1.49%)
SBAP, ALL EQUAL TOTAL PRIN INDEX	(0.52%)	(1.22%)	(2.34%)	(4.38%)	(8.81%)	(10.96%)	(12.59%)	(16.12%)
SBAP, ALL ACTUAL TOTAL PRIN INDEX	(0.53%)	(1.35%)	(2.67%)	(4.96%)	(9.52%)	(11.50%)	(12.78%)	(15.41%)
SBAP, LONG EQUAL TOTAL PRIN INDEX	(0.52%)	(1.37%)	(2.76%)	(5.20%)	(10.31%)	(12.50%)	(14.16%)	(17.96%)
SBAP, LONG ACTUAL TOTAL PRIN INDEX	(0.53%)	(1.37%)	(2.73%)	(5.07%)	(9.73%)	(11.71%)	(12.98%)	(15.61%)
SBAP, SHORT EQUAL TOTAL PRIN INDEX	0.00%	0.01%	(0.15%)	(0.31%)	(0.79%)	(1.76%)	(2.50%)	(3.81%)
SBAP, SHORT ACTUAL TOTAL PRIN INDEX	0.00%	0.03%	(0.07%)	(0.11%)	(0.17%)	(1.02%)	(1.84%)	(3.29%)

Small Business Indexes Results

END DATE: 07/31/2016	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	(0.02%)	2.16%	3.58%	4.03%	11.99%	18.43%	62.87%	135.49%
SBIC, ALL ACTUAL INDEX	0.00%	2.41%	4.06%	4.69%	12.95%	20.69%	67.81%	146.62%
SBIC, ALL EQUAL INCOME INDEX	0.24%	0.73%	1.46%	3.04%	10.07%	19.11%	52.11%	128.84%
SBIC, ALL ACTUAL INCOME INDEX	0.23%	0.69%	1.38%	2.86%	9.27%	17.47%	49.49%	121.40%
SBIC, ALL EQUAL PRICE INDEX	(0.26%)	1.43%	2.31%	1.38%	3.64%	3.40%	12.67%	11.75%
SBIC, ALL ACTUAL PRICE INDEX	(0.23%)	1.72%	2.78%	2.02%	4.42%	5.21%	16.10%	17.80%
SBIC, ALL EQUAL PREPAY INDEX	0.00%	0.00%	(0.22%)	(0.42%)	(1.84%)	(3.84%)	(4.97%)	(7.92%)
SBIC, ALL ACTUAL PREPAY INDEX	0.00%	0.00%	(0.13%)	(0.24%)	(1.02%)	(2.35%)	(3.32%)	(5.45%)
SBIC, ALL EQUAL DEFAULT INDEX	0.00%	0.00%	0.00%	(0.01%)	(0.21%)	(0.40%)	(0.62%)	(1.38%)
SBIC, ALL ACTUAL DEFAULT INDEX	0.00%	0.00%	0.00%	(0.01%)	(0.13%)	(0.27%)	(0.44%)	(1.07%)
SBIC, ALL EQUAL VOL PREPAY INDEX	0.00%	0.00%	(0.22%)	(0.41%)	(1.63%)	(3.45%)	(4.38%)	(6.64%)
SBIC, ALL ACTUAL VOL PREPAY INDEX	0.00%	0.00%	(0.13%)	(0.24%)	(0.89%)	(2.09%)	(2.89%)	(4.42%)
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%	(0.22%)	(0.42%)	(1.84%)	(3.84%)	(4.97%)	(7.92%)
SBIC, ALL ACTUAL TOTAL PRIN INDEX	0.00%	0.00%	(0.13%)	(0.24%)	(1.02%)	(2.35%)	(3.32%)	(5.45%)



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: 07/31/2016	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	(0.07%)	0.31%	0.90%	1.02%	3.79%	10.90%	55.34%	121.53%
COMP, ALL ACTUAL INDEX	(0.03%)	0.47%	1.06%	1.15%	4.06%	11.70%	53.31%	120.68%
COMP, LONG EQUAL INDEX	(0.06%)	0.21%	0.48%	0.45%	2.92%	10.88%	58.64%	128.54%
COMP, LONG ACTUAL INDEX	(0.06%)	0.22%	0.50%	0.50%	3.30%	11.08%	54.12%	122.22%
COMP, SHORT EQUAL INDEX	(0.03%)	0.81%	2.12%	2.30%	6.16%	12.46%	49.69%	110.18%
COMP, SHORT ACTUAL INDEX	0.07%	1.16%	2.68%	3.01%	6.63%	13.70%	49.00%	111.83%
COMP, ALL EQUAL INCOME INDEX	0.26%	0.79%	1.59%	3.24%	10.49%	20.19%	64.63%	148.56%
COMP, ALL ACTUAL INCOME INDEX	0.27%	0.82%	1.65%	3.35%	10.83%	20.25%	60.00%	139.79%
COMP, LONG EQUAL INCOME INDEX	0.28%	0.83%	1.66%	3.39%	11.10%	21.37%	68.15%	155.85%
COMP, LONG ACTUAL INCOME INDEX	0.27%	0.82%	1.65%	3.35%	10.96%	20.59%	61.04%	141.50%
COMP, SHORT EQUAL INCOME INDEX	0.28%	0.83%	1.67%	3.40%	10.72%	20.11%	61.05%	142.23%
COMP, SHORT ACTUAL INCOME INDEX	0.28%	0.82%	1.65%	3.35%	10.38%	19.08%	55.96%	132.43%
COMP, ALL EQUAL PRICE INDEX	(0.04%)	0.27%	0.80%	0.73%	0.79%	1.64%	7.56%	8.53%
COMP, ALL ACTUAL PRICE INDEX	(0.01%)	0.46%	1.05%	1.02%	1.05%	2.46%	9.01%	10.77%
COMP, LONG EQUAL PRICE INDEX	0.03%	0.38%	0.83%	1.03%	1.07%	2.09%	8.65%	10.01%
COMP, LONG ACTUAL PRICE INDEX	0.04%	0.40%	0.84%	1.03%	1.18%	2.35%	9.09%	10.85%
COMP, SHORT EQUAL PRICE INDEX	(0.23%)	0.27%	1.11%	0.23%	0.33%	1.44%	6.38%	6.46%
COMP, SHORT ACTUAL PRICE INDEX	(0.13%)	0.62%	1.63%	0.85%	0.71%	2.80%	8.51%	10.04%
COMP, ALL EQUAL PREPAY INDEX	(0.20%)	(0.51%)	(1.00%)	(2.00%)	(4.72%)	(6.26%)	(8.57%)	(13.31%)
COMP, ALL ACTUAL PREPAY INDEX	(0.20%)	(0.56%)	(1.13%)	(2.22%)	(5.00%)	(6.44%)	(8.57%)	(12.67%)
COMP, LONG EQUAL PREPAY INDEX	(0.25%)	(0.69%)	(1.39%)	(2.75%)	(5.97%)	(7.42%)	(9.53%)	(14.40%)
COMP, LONG ACTUAL PREPAY INDEX	(0.26%)	(0.70%)	(1.40%)	(2.74%)	(5.82%)	(7.16%)	(9.01%)	(13.10%)
COMP, SHORT EQUAL PREPAY INDEX	(0.04%)	(0.15%)	(0.39%)	(0.76%)	(2.72%)	(4.79%)	(8.19%)	(12.83%)
COMP, SHORT ACTUAL PREPAY INDEX	(0.03%)	(0.15%)	(0.34%)	(0.66%)	(2.35%)	(4.11%)	(7.46%)	(11.45%)
COMP, ALL EQUAL DEFAULT INDEX	(0.01%)	(0.04%)	(0.09%)	(0.17%)	(0.55%)	(1.07%)	(1.91%)	(2.76%)
COMP, ALL ACTUAL DEFAULT INDEX	(0.02%)	(0.05%)	(0.10%)	(0.19%)	(0.61%)	(1.18%)	(2.09%)	(2.86%)
COMP, LONG EQUAL DEFAULT INDEX	(0.02%)	(0.06%)	(0.12%)	(0.23%)	(0.67%)	(1.21%)	(1.98%)	(2.77%)
COMP, LONG ACTUAL DEFAULT INDEX	(0.02%)	(0.06%)	(0.12%)	(0.23%)	(0.69%)	(1.26%)	(2.11%)	(2.84%)
COMP, SHORT EQUAL DEFAULT INDEX	(0.01%)	(0.02%)	(0.03%)	(0.07%)	(0.40%)	(0.93%)	(2.06%)	(3.11%)
COMP, SHORT ACTUAL DEFAULT INDEX	(0.00%)	(0.02%)	(0.03%)	(0.07%)	(0.37%)	(0.89%)	(2.02%)	(2.95%)
COMP, ALL EQUAL VOL PREPAY INDEX	(0.18%)	(0.47%)	(0.92%)	(1.84%)	(4.19%)	(5.24%)	(6.78%)	(10.85%)
COMP, ALL ACTUAL VOL PREPAY INDEX	(0.19%)	(0.51%)	(1.03%)	(2.03%)	(4.41%)	(5.32%)	(6.62%)	(10.10%)
COMP, LONG EQUAL VOL PREPAY INDEX	(0.24%)	(0.64%)	(1.27%)	(2.53%)	(5.33%)	(6.29%)	(7.70%)	(11.96%)
COMP, LONG ACTUAL VOL PREPAY INDEX	(0.24%)	(0.65%)	(1.28%)	(2.51%)	(5.17%)	(5.97%)	(7.05%)	(10.56%)
COMP, SHORT EQUAL VOL PREPAY INDEX	(0.03%)	(0.13%)	(0.35%)	(0.69%)	(2.33%)	(3.90%)	(6.25%)	(10.03%)
COMP, SHORT ACTUAL VOL PREPAY INDEX	(0.03%)	(0.13%)	(0.30%)	(0.59%)	(1.98%)	(3.26%)	(5.55%)	(8.75%)
COMP, ALL EQUAL SCHED PRIN INDEX	(0.10%)	(0.23%)	(0.47%)	(0.89%)	(2.19%)	(3.15%)	(4.05%)	(5.26%)
COMP, ALL ACTUAL SCHED PRIN INDEX	(0.09%)	(0.24%)	(0.49%)	(0.92%)	(2.19%)	(3.09%)	(3.86%)	(4.85%)
COMP, LONG EQUAL SCHED PRIN INDEX	(0.11%)	(0.29%)	(0.59%)	(1.11%)	(2.52%)	(3.33%)	(4.01%)	(5.14%)
COMP, LONG ACTUAL SCHED PRIN INDEX	(0.11%)	(0.28%)	(0.56%)	(1.04%)	(2.30%)	(3.06%)	(3.58%)	(4.46%)
COMP, SHORT EQUAL SCHED PRIN INDEX	(0.04%)	(0.13%)	(0.28%)	(0.53%)	(1.76%)	(3.06%)	(4.84%)	(6.50%)
COMP, SHORT ACTUAL SCHED PRIN INDEX	(0.04%)	(0.13%)	(0.27%)	(0.51%)	(1.77%)	(3.12%)	(4.87%)	(6.47%)
COMP, ALL EQUAL TOTAL PRIN INDEX	(0.29%)	(0.74%)	(1.47%)	(2.87%)	(6.80%)	(9.22%)	(12.27%)	(17.88%)
COMP, ALL ACTUAL TOTAL PRIN INDEX	(0.30%)	(0.80%)	(1.61%)	(3.12%)	(7.08%)	(9.33%)	(12.10%)	(16.92%)
COMP, LONG EQUAL TOTAL PRIN INDEX	(0.37%)	(0.98%)	(1.97%)	(3.84%)	(8.34%)	(10.51%)	(13.16%)	(18.81%)
COMP, LONG ACTUAL TOTAL PRIN INDEX	(0.37%)	(0.98%)	(1.95%)	(3.76%)	(7.99%)	(10.00%)	(12.27%)	(16.98%)
COMP, SHORT EQUAL TOTAL PRIN INDEX	(0.08%)	(0.29%)	(0.66%)	(1.29%)	(4.43%)	(7.70%)	(12.63%)	(18.50%)
COMP, SHORT ACTUAL TOTAL PRIN INDEX	(0.08%)	(0.28%)	(0.61%)	(1.17%)	(4.08%)	(7.11%)	(11.96%)	(17.18%)

504 Debenture Prepayment Speed Commentary

This month, 20 year debenture prepayment speeds fell by 7%, coming in CPR 9.36%. As for 10 year paper, we witnessed an 8% decline to CPR 8.48%.

Returning to 20s, the reason for the decrease in the CPR was a fall in voluntary prepayments (CRR) that more than offset an increase in defaults (CDR). For July, voluntary prepayments decreased by 8.60% to CRR 8.77% from CRR 9.59% while defaults rose by 29.28% to CDR 0.63% from CDR 0.48%.

For 10s, the opposite was true with a decrease in defaults by 51% (CDR 1.51% from CDR 3.10%) overcoming a 13% increase in voluntary prepayments (CRR 7.02% from CRR 6.21%).

Over the past year, a rare single-digit prepay month for both 20s and 10s.

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.

Charts begin on next page



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GLS 7a Sales and Settlement Tip of the Month:

Early bird, worm, all that stuff...

Old topic, new quarter end... I know that I've touched on this topic a few times over the years but as we approach another quarter end, it's always good to remind everyone that the best way to ensure the fastest turnaround time for a quarter end servicing valuation is to not wait until the last minute to send data. Inevitably, there is a bottleneck that occurs in the days immediately following a quarter end.

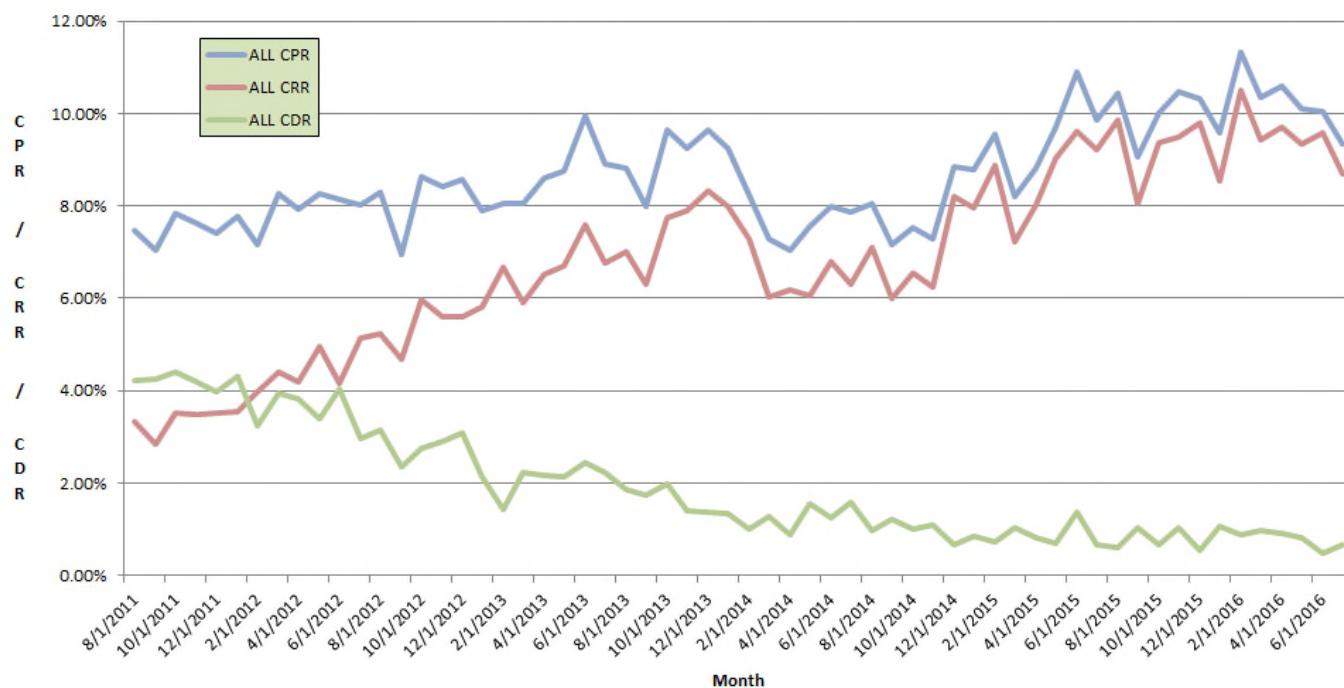
As the valuation is sensitive to remaining cash flow, not the day of the month the valuation is run, sending an updated portfolio can happen as soon as balances are current for the month. Typically, this means a 24hr turnaround as opposed to 2-3 days.

Scott Evans is a partner at GLS. Mr. Evans has over 30 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.

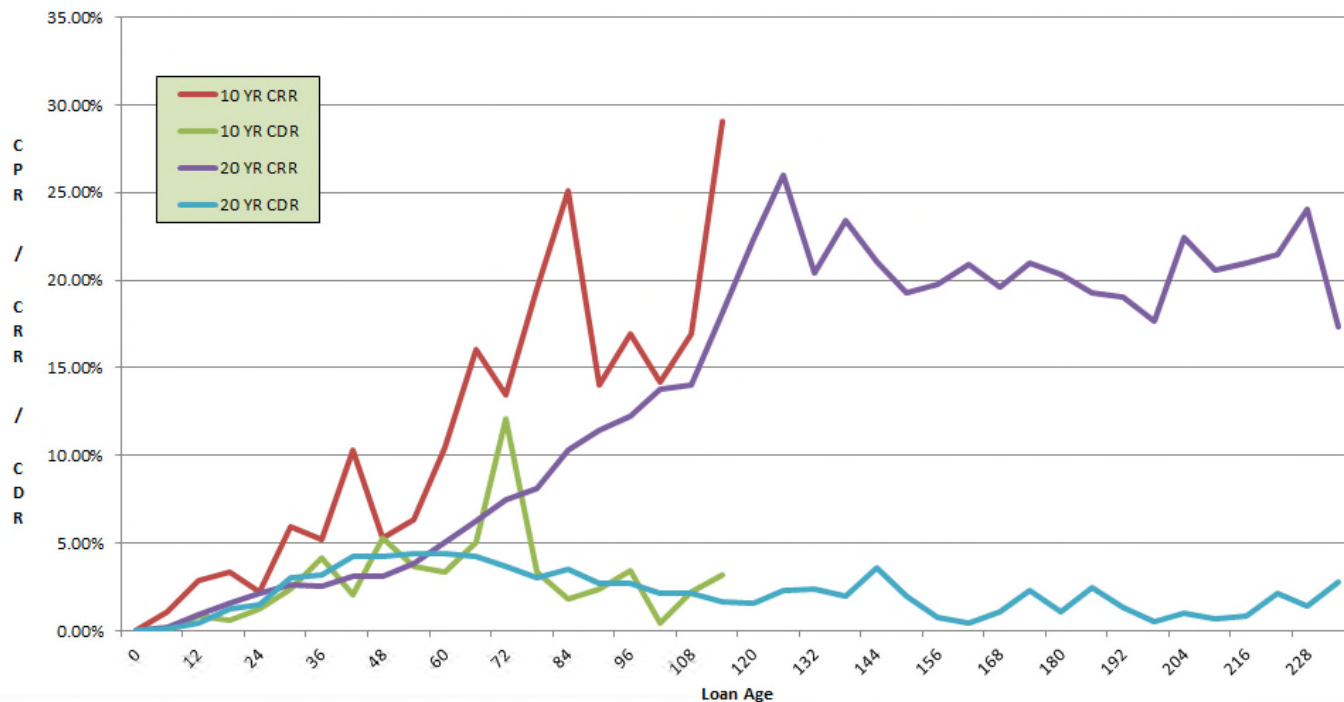
504 Debenture Prepayment Speed Results

DATE	20 YR. CPR	20 YR. CRR	20 YR. CDR	10 YR. CPR	10 YR. CRR	10 YR. CDR	ALL CPR	ALL CRR	ALL CDR	WAVG AGE ALL	WAVG AGE 20 YR.	WAVG AGE 10 YR.
8/1/2011	7.48%	3.33%	4.22%	NA	NA	NA	7.48%	3.33%	4.22%	46.26	46.26	NA
9/1/2011	6.82%	2.78%	4.11%	12.26%	4.57%	7.87%	7.05%	2.85%	4.26%	46.00	46.90	26.13
10/1/2011	7.85%	3.53%	4.40%	NA	NA	NA	7.85%	3.53%	4.40%	47.61	47.61	NA
11/1/2011	7.80%	3.55%	4.33%	3.07%	1.89%	1.19%	7.61%	3.48%	4.21%	46.75	47.70	25.96
12/1/2011	7.42%	3.52%	3.97%	NA	NA	NA	7.42%	3.52%	3.97%	46.99	46.99	NA
1/1/2012	7.74%	3.51%	4.31%	8.37%	4.17%	4.29%	7.77%	3.54%	4.31%	47.13	47.99	27.99
2/1/2012	7.16%	3.98%	3.24%	NA	NA	NA	7.16%	3.98%	3.24%	46.31	46.31	NA
3/1/2012	8.15%	4.27%	3.97%	10.74%	7.16%	3.72%	8.26%	4.39%	3.96%	46.42	47.39	25.73
4/1/2012	7.94%	4.21%	3.82%	NA	NA	NA	7.94%	4.21%	3.82%	47.85	47.85	NA
5/1/2012	8.42%	5.00%	3.50%	4.98%	4.06%	0.94%	8.27%	4.96%	3.40%	46.31	47.29	25.70
6/1/2012	8.13%	4.16%	4.05%	NA	NA	NA	8.13%	4.16%	4.05%	47.76	47.76	NA
7/1/2012	7.76%	4.87%	2.97%	14.16%	11.42%	2.91%	8.03%	5.14%	2.97%	46.40	47.37	25.46
8/1/2012	8.31%	5.24%	3.15%	NA	NA	NA	8.31%	5.24%	3.15%	44.76	44.76	NA
9/1/2012	6.94%	4.65%	2.35%	7.36%	5.23%	2.18%	6.96%	4.68%	2.34%	45.25	46.38	23.33
10/1/2012	8.64%	5.97%	2.76%	NA	NA	NA	8.64%	5.97%	2.76%	46.46	46.46	NA
11/1/2012	8.44%	5.56%	2.97%	7.83%	6.30%	1.59%	8.42%	5.59%	2.91%	45.63	46.87	22.91
12/1/2012	8.58%	5.59%	3.08%	NA	NA	NA	8.58%	5.59%	3.08%	46.90	46.90	NA
1/1/2013	7.81%	5.68%	2.19%	9.97%	8.88%	1.13%	7.90%	5.82%	2.14%	44.98	45.98	24.24
2/1/2013	8.05%	6.68%	1.42%	NA	NA	NA	8.05%	6.68%	1.42%	44.76	44.76	NA
3/1/2013	8.17%	5.96%	2.28%	5.94%	4.90%	1.07%	8.07%	5.91%	2.23%	44.72	45.96	22.47
4/1/2013	8.62%	6.51%	2.18%	NA	NA	NA	8.62%	6.51%	2.18%	46.20	46.20	NA
5/1/2013	8.92%	6.85%	2.14%	5.61%	3.80%	1.84%	8.75%	6.70%	2.13%	45.24	46.50	23.10
6/1/2013	9.94%	7.58%	2.46%	NA	NA	NA	9.94%	7.58%	2.46%	47.29	47.29	NA
7/1/2013	9.07%	6.89%	2.26%	5.08%	3.84%	1.26%	8.90%	6.75%	2.22%	44.52	45.56	24.24
8/1/2013	8.83%	7.03%	1.87%	NA	NA	NA	8.83%	7.03%	1.87%	45.44	45.44	NA
9/1/2013	7.94%	6.27%	1.72%	9.05%	7.11%	2.01%	8.00%	6.31%	1.74%	45.84	46.94	25.33
10/1/2013	9.66%	7.75%	1.98%	NA	NA	NA	9.66%	7.75%	1.98%	46.18	46.18	NA
11/1/2013	9.37%	7.98%	1.44%	7.28%	6.48%	0.83%	9.26%	7.90%	1.41%	46.06	47.29	24.57
12/1/2013	9.64%	8.32%	1.38%	NA	NA	NA	9.64%	8.32%	1.38%	48.13	48.13	NA
1/1/2014	9.54%	8.24%	1.36%	3.36%	2.59%	0.78%	9.26%	7.98%	1.34%	45.39	46.33	26.88
2/1/2014	8.24%	7.28%	0.99%	NA	NA	NA	8.24%	7.28%	0.99%	47.16	47.16	NA
3/1/2014	7.24%	6.00%	1.28%	7.88%	6.73%	1.19%	7.27%	6.04%	1.28%	46.46	47.47	27.34
4/1/2014	7.06%	6.20%	0.89%	NA	NA	NA	7.06%	6.20%	0.89%	46.58	46.58	NA
5/1/2014	7.59%	6.20%	1.44%	7.01%	3.31%	3.77%	7.56%	6.05%	1.56%	47.17	48.44	25.72
6/1/2014	8.00%	6.80%	1.25%	NA	NA	NA	8.00%	6.80%	1.25%	50.01	50.01	NA
7/1/2014	7.74%	6.19%	1.60%	10.43%	8.94%	1.55%	7.86%	6.32%	1.59%	46.32	47.23	27.97
8/1/2014	8.06%	7.11%	0.99%	NA	NA	NA	8.06%	7.11%	0.99%	48.70	48.70	NA
9/1/2014	7.29%	6.08%	1.25%	4.81%	4.14%	0.69%	7.17%	5.99%	1.22%	47.22	48.16	29.10
10/1/2014	7.54%	6.56%	1.01%	NA	NA	NA	7.54%	6.56%	1.01%	48.54	48.54	NA
11/1/2014	7.43%	6.38%	1.08%	4.84%	3.61%	1.25%	7.29%	6.24%	1.09%	48.94	50.23	27.55
12/1/2014	8.85%	8.20%	0.68%	NA	NA	NA	8.85%	8.20%	0.68%	50.41	50.41	NA
1/1/2015	8.90%	8.08%	0.86%	6.37%	5.65%	0.74%	8.79%	7.97%	0.85%	47.98	48.85	30.15
2/1/2015	9.56%	8.88%	0.71%	NA	NA	NA	9.56%	8.88%	0.71%	50.24	50.24	NA
3/1/2015	8.27%	7.25%	1.05%	7.23%	6.60%	0.65%	8.22%	7.22%	1.03%	48.85	49.72	31.56
4/1/2015	8.80%	8.03%	0.81%	NA	NA	NA	8.80%	8.03%	0.81%	49.05	49.05	NA
5/1/2015	9.65%	8.99%	0.69%	10.87%	9.95%	0.97%	9.72%	9.04%	0.70%	49.63	50.76	29.98
6/1/2015	10.92%	9.60%	1.38%	NA	NA	NA	10.92%	9.60%	1.38%	51.04	51.04	NA
7/1/2015	10.11%	9.45%	0.70%	4.62%	4.23%	0.40%	9.87%	9.21%	0.68%	49.15	49.98	32.22
8/1/2015	10.45%	9.87%	0.62%	NA	NA	NA	10.45%	9.87%	0.62%	50.94	50.94	NA
9/1/2015	9.09%	8.06%	1.07%	8.31%	7.92%	0.41%	9.05%	8.05%	1.04%	49.98	50.74	34.07
10/1/2015	10.02%	9.38%	0.68%	NA	NA	NA	10.02%	9.38%	0.68%	49.79	49.79	NA
11/1/2015	10.48%	9.59%	0.93%	10.10%	7.36%	2.85%	10.46%	9.48%	1.03%	50.62	51.69	31.61
12/1/2015	10.33%	9.81%	0.55%	NA	NA	NA	10.33%	9.81%	0.55%	51.93	51.93	NA
1/1/2016	9.60%	8.64%	1.01%	9.09%	6.63%	2.55%	9.58%	8.55%	1.08%	50.80	51.69	32.95
2/1/2016	11.32%	10.49%	0.88%	NA	NA	NA	11.32%	10.49%	0.88%	50.96	50.96	NA
3/1/2016	10.47%	9.64%	0.88%	8.04%	4.91%	3.21%	10.36%	9.43%	0.98%	51.01	51.76	35.24
4/1/2016	10.59%	9.71%	0.93%	NA	NA	NA	10.59%	9.71%	0.93%	50.66	50.66	NA
5/1/2016	10.15%	9.49%	0.69%	9.22%	6.21%	3.10%	10.11%	9.33%	0.82%	51.72	52.65	34.48
6/1/2016	10.05%	9.59%	0.48%	NA	NA	NA	10.05%	9.59%	0.48%	51.65	51.65	NA
7/1/2016	9.36%	8.77%	0.63%	8.48%	7.02%	1.51%	9.32%	8.69%	0.67%	51.66	52.52	34.27

504 DCPC Prepayment Speeds by Month - Last 5 Years



504 DCPC Prepayment Speeds by Loan Age - Last 5 Years



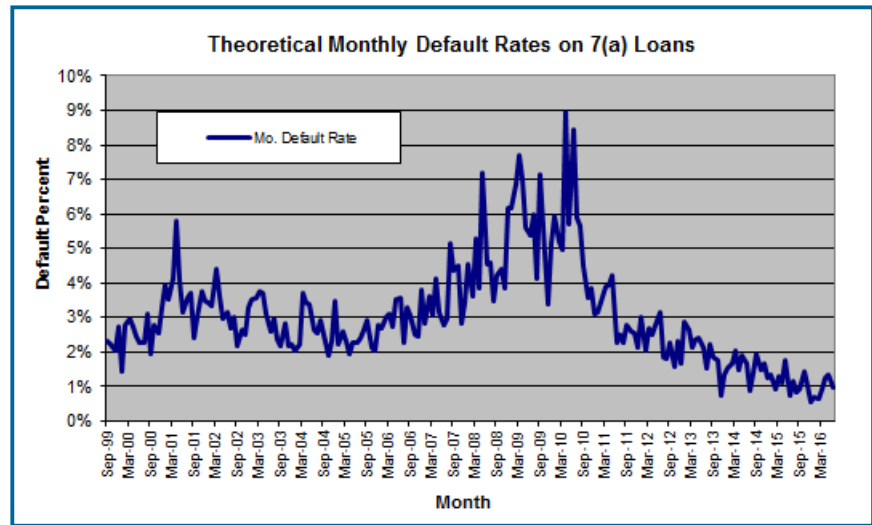
7(a) Default Rate Update

In June, the theoretical default rate decreased by 30% to 0.95% from 1.35%, previously.

This level represents the 11th lowest reading in our database and is the 27th sub-2% print in a row.

In summary, yet another month of low defaults in the 7a Program.

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



Default—Curtailment Ratios

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

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

SBA 7(a) Default Ratios

Last month, the 7(a) DCR registered a 24% decrease to 11.11% from 14.71% the previous month. This reading represents the 21st consecutive reading below 20%.

The cause of this decrease was the fact that defaults fell by a greater degree than voluntary prepayments.

Turning to actual dollar amounts, defaults fell by 34% to \$41 million from \$62 million. As for voluntary prepayments, they decreased by 9% to \$329 million from \$360 million, previously.

SBA 504 Default Ratios

This month, the 504 DCR fell by 40% to 4.52% from 7.53%, previously. With defaults also decreasing by a greater percentage than voluntary prepayments, the ratio fell.

Specifically, the dollar amount of defaults decreased by \$9 million to \$10 million (-45%). As for voluntary prepayments, they fell by \$14 million to \$220 million (-6%).

Summary

Both ratios turned in a stellar month with 7a and 504 defaults decreasing by double-digits.

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

In June, the GLS Value Indices rose in all six sub-indices as the Secondary Market fell across the board.

The Base Rate / Libor spread fell by 3 basis points to +284 while prepayment speeds rose in four out of six maturity buckets.

By the end of the month, the secondary market was approximately 1% lower in the ten year sector while prices fell by 1.25% in the long end.

10 year paper came in at 113.00, down

from 114.00 the previous month. For long maturities, fully priced loans came in at 115.75, down from 117.50.

Turning to the specifics, the largest increase was seen in the GLS VI-1, which rose by 62% to 68 basis points. The other increases, by order of magnitude, were seen in VI-3 (+32% to 78), VI-4 (+25% to 179), VI-2 (+16% to 67), VI-5 (+11% to 154) and VI-6 (+10% to 177).

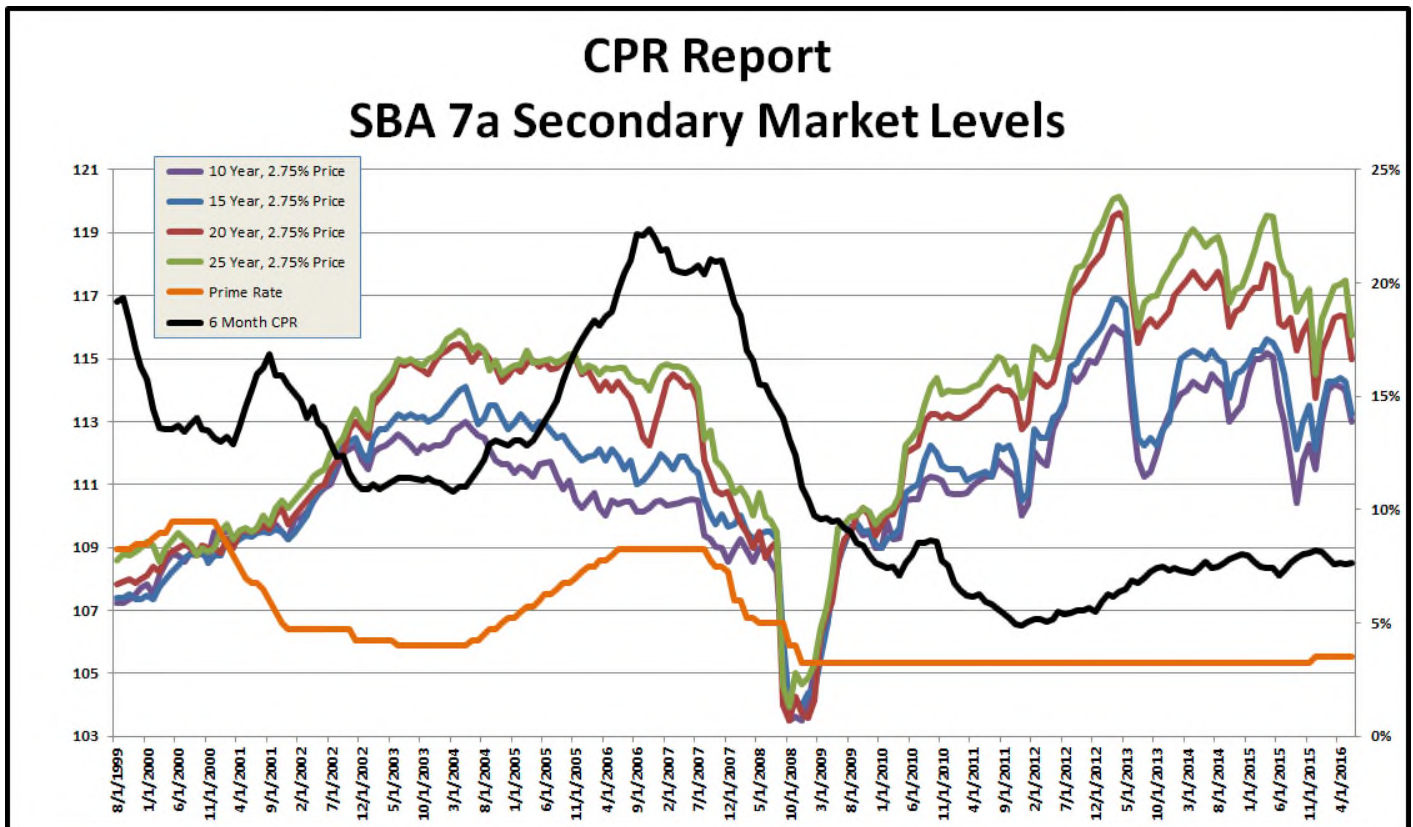
Expect a decrease next month as the secondary market recovered some of its losses.

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

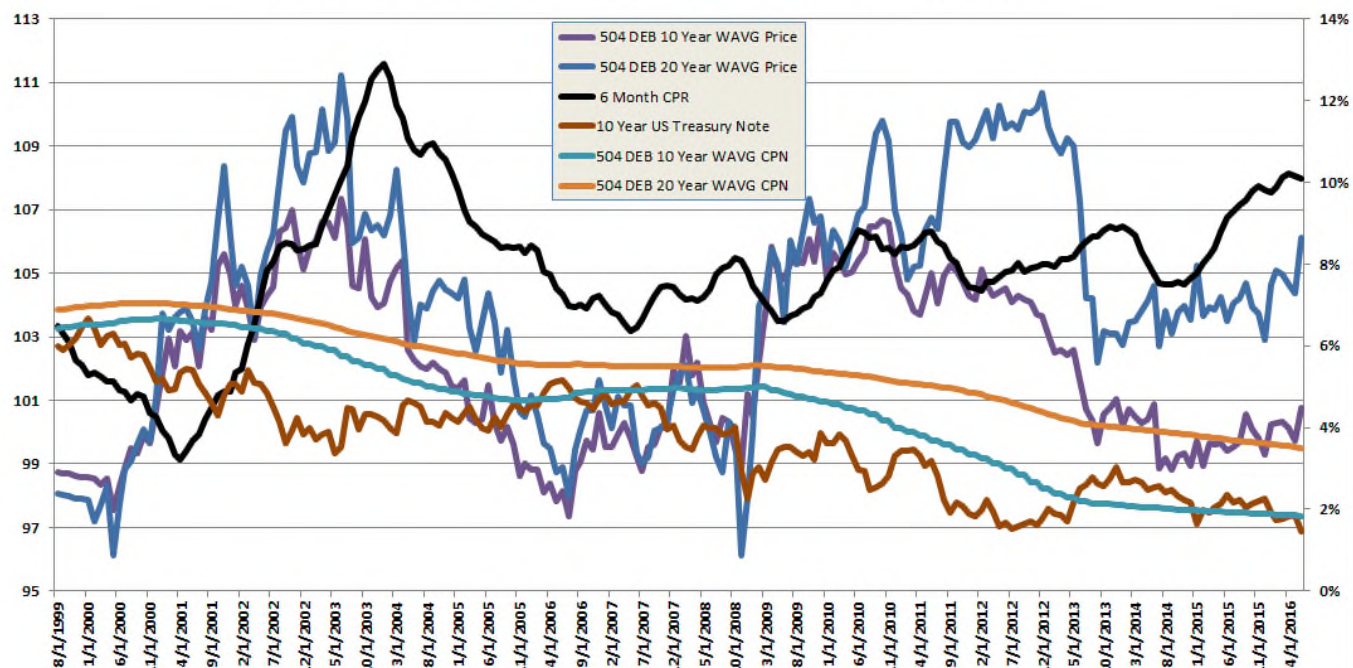
7(a) Secondary Market Pricing Grid: June 2016

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%	1.152%	1.00%	113.000	114.000	114.200	111.500	113.625
15 yrs.	2.75%	1.152%	1.00%	113.250	114.250	114.250	112.125	115.125
20 yrs.	2.75%	1.152%	1.00%	115.000	116.350	116.300	113.750	116.125
25 yrs.	2.75%	1.152%	1.00%	115.750	117.500	117.300	114.500	118.250

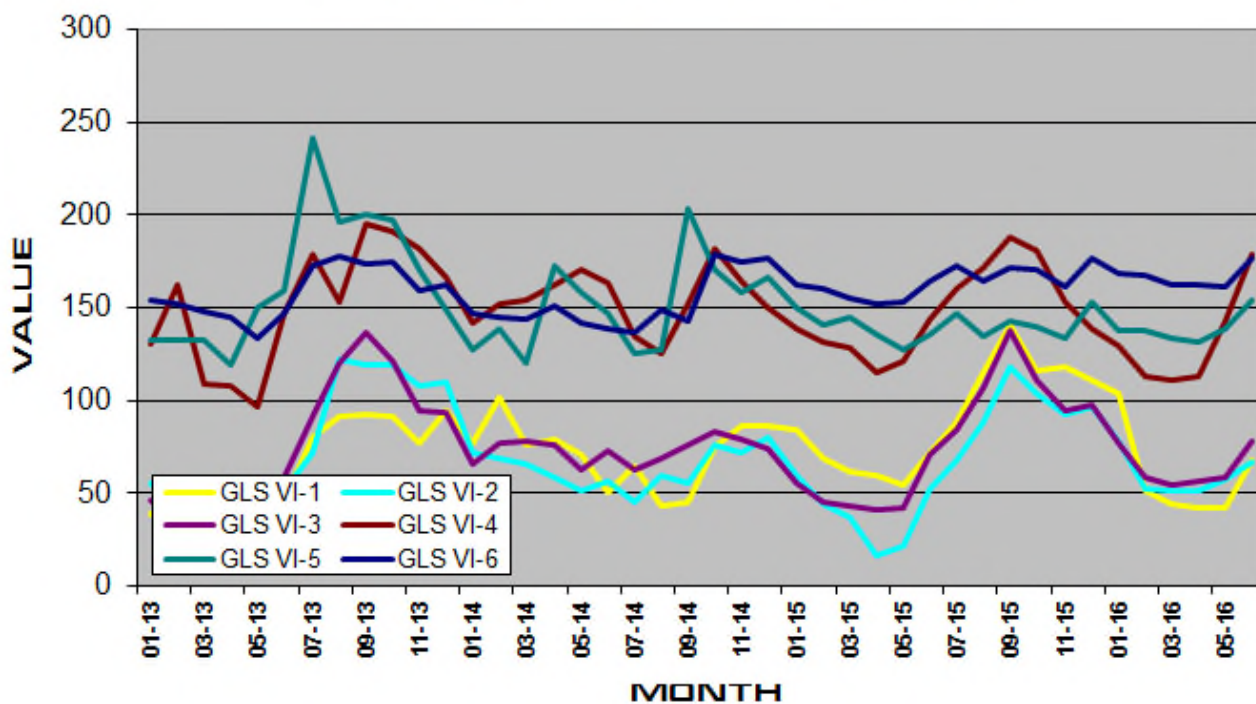


GLS Value Indices Update

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
Jan-13	10.83%	7.82%	7.82%	5.83%	6.36%	4.90%
Feb-13	10.54%	7.81%	8.55%	5.20%	6.47%	5.17%
Mar-13	9.73%	7.46%	8.01%	5.81%	6.54%	5.28%
Apr-13	10.37%	8.50%	8.08%	5.90%	6.50%	5.52%
May-13	8.84%	9.12%	8.56%	5.97%	6.42%	5.57%
Jun-13	9.66%	10.04%	8.76%	6.24%	7.14%	5.93%
Jul-13	11.26%	9.24%	8.76%	5.75%	6.87%	5.84%
Aug-13	11.45%	9.23%	8.70%	5.97%	7.97%	6.14%
Sep-13	11.88%	10.04%	9.00%	5.90%	8.14%	6.33%
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%

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
Jan-13	0.28%	3.25%	2.97%	40	55	46	130	133	154
Feb-13	0.26%	3.24%	2.98%	32	37	34	163	133	152
Mar-13	0.26%	3.25%	2.99%	36	21	33	109	133	148
Apr-13	0.26%	3.25%	2.99%	45	21	29	108	119	145
May-13	0.26%	3.25%	2.99%	43	19	24	97	150	134
Jun-13	0.26%	3.25%	2.99%	46	52	58	147	159	147
Jul-13	0.25%	3.25%	2.99%	80	73	92	178	241	172
Aug-13	0.25%	3.25%	3.00%	91	122	120	153	197	178
Sep-13	0.23%	3.24%	3.00%	93	120	137	196	200	174
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

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-16	13.45%	8.30%	8.67%	11.95%	9.71%	7.03%	7.73%
Feb-16	29.61%	12.62%	6.06%	5.07%	5.98%	6.74%	6.92%
Mar-16	6.98%	7.53%	5.66%	2.56%	3.67%	6.59%	6.20%
Apr-16	12.88%	10.33%	9.59%	4.70%	7.62%	7.71%	8.25%
May-16	18.55%	9.46%	9.22%	0.93%	6.90%	8.70%	8.74%
Jun-16	5.71%	13.10%	6.82%	1.93%	9.91%	8.55%	8.16%
Grand Total	15.05%	10.24%	7.69%	4.59%	7.31%	7.57%	7.68%

POOL AGE	<8	8 - 10	10 - 13	13 - 16	16 - 20	20+	ALL
Jan-16	32 Mos.	34 Mos.	32 Mos.	56 Mos.	55 Mos.	49 Mos.	45 Mos.
Feb-16	32 Mos.	35 Mos.	32 Mos.	56 Mos.	54 Mos.	48 Mos.	44 Mos.
Mar-16	32 Mos.	34 Mos.	32 Mos.	57 Mos.	54 Mos.	49 Mos.	44 Mos.
Apr-16	33 Mos.	34 Mos.	32 Mos.	57 Mos.	54 Mos.	49 Mos.	44 Mos.
May-16	33 Mos.	33 Mos.	31 Mos.	52 Mos.	54 Mos.	49 Mos.	44 Mos.
Jun-16	32 Mos.	33 Mos.	32 Mos.	52 Mos.	54 Mos.	49 Mos.	44 Mos.

7(a) YTD Prepayment Speeds

< 8 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-16	11.99%	5.51%	26.92%	13.46%	11.12%
Feb-16	35.68%	55.47%	16.94%	13.60%	5.63%
Mar-16	1.70%	12.81%	10.65%	3.34%	7.33%
Apr-16	9.20%	22.56%	9.33%	14.11%	8.61%
May-16	5.06%	15.86%	33.43%	15.38%	19.95%
Jun-16	5.23%	2.23%	4.48%	5.93%	9.90%
Grand Total	13.16%	22.52%	17.68%	11.17%	10.54%

10-13 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-16	5.26%	13.80%	10.77%	11.36%	6.81%
Feb-16	4.16%	6.36%	8.39%	11.34%	5.39%
Mar-16	2.03%	10.84%	4.78%	8.89%	4.77%
Apr-16	5.03%	12.73%	16.41%	12.11%	8.34%
May-16	5.28%	13.86%	14.05%	9.40%	7.82%
Jun-16	6.02%	7.79%	8.27%	5.69%	6.61%
Grand Total	4.65%	10.90%	10.58%	9.79%	6.63%

16-20 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-16	5.14%	4.30%	37.05%	4.67%	5.14%
Feb-16	6.53%	1.65%	4.56%	26.72%	3.70%
Mar-16	0.00%	0.00%	0.00%	20.61%	2.84%
Apr-16	0.00%	1.35%	2.59%	30.96%	7.26%
May-16	0.00%	1.88%	8.49%	6.96%	10.80%
Jun-16	0.00%	9.27%	29.12%	20.96%	6.58%
Grand Total	2.09%	3.07%	15.67%	19.46%	6.10%

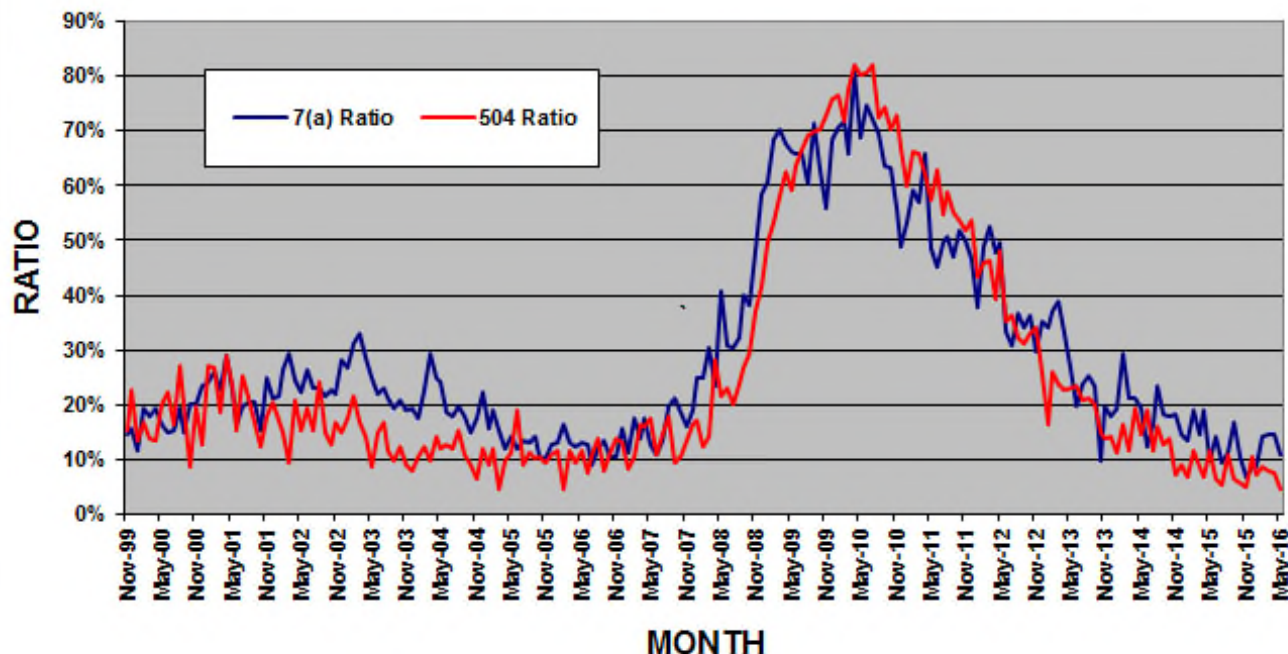
7(a) YTD Prepayment Speeds

8-10 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-16	3.76%	9.84%	2.92%	13.31%	11.11%
Feb-16	12.31%	11.83%	12.86%	3.72%	16.58%
Mar-16	7.35%	12.38%	1.54%	5.99%	6.82%
Apr-16	4.40%	14.64%	14.29%	9.08%	11.23%
May-16	3.65%	20.04%	9.67%	11.95%	6.81%
Jun-16	5.31%	10.24%	34.12%	0.07%	14.21%
Grand Total	5.98%	13.03%	14.07%	7.44%	11.23%

13-16 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-16	10.54%	2.50%	6.24%	32.82%	13.46%
Feb-16	0.00%	0.00%	19.68%	0.00%	4.73%
Mar-16	5.78%	9.95%	0.00%	0.00%	0.78%
Apr-16	3.42%	0.00%	0.00%	0.00%	8.29%
May-16	0.00%	0.00%	0.00%	0.00%	2.09%
Jun-16	1.60%	0.00%	4.49%	2.82%	0.82%
Grand Total	3.26%	2.81%	4.84%	4.84%	5.31%

20+ BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-16	1.20%	7.04%	12.55%	14.66%	6.05%
Feb-16	3.15%	5.16%	14.78%	11.47%	5.39%
Mar-16	2.31%	6.44%	11.32%	11.77%	5.79%
Apr-16	2.79%	8.15%	11.04%	14.47%	7.01%
May-16	4.04%	9.53%	11.62%	14.46%	8.12%
Jun-16	2.37%	12.25%	15.32%	12.63%	6.41%
Grand Total	2.66%	8.14%	12.80%	13.27%	6.47%

DEFAULT-CURTAILMENT RATIOS FOR 7(A) AND 504 LOANS



GLS

GOVERNMENT LOAN SOLUTIONS

**The nationwide leader in the
valuation of SBA and USDA assets.**

GLS provides valuations for:

- **SBA 7(a), 504 1st mortgage and USDA servicing rights**
- **SBA 7(a) and 504 1st mortgage pools**
- **Guaranteed and non-guaranteed 7(a) loan portions Interest-only portions of SBA and USDA loans**

In these times of market uncertainty, let GLS help you in determining the value of your SBA and USDA related-assets.

For further information, please contact Bob Judge at (216) 456-2480 ext. 133 or at

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.

Continued on the following page.

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.
- 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.
- 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.

Continued on the following page.

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,¹ 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.

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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.



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Government Loan Solutions, Inc. (GLS) was founded by three former Bond Traders in Cleveland, OH. Our current partners possess a combined 60 years experience in the institutional fixed income markets, 40 of which are in the loan securitization business. GLS formally began operations in January, 2007 and became a wholly-owned subsidiary of Live Oak Bancshares in September, 2013. Our mission:

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