Coleman

Government Loan Solutions' CPR Report

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

Volume 5, Issue #11

November, 2011

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:

- Prepays Unchanged
- SMA: Need Help?
- Default Rate Falls Slightly
- Value Indices Mixed

Prepayment Speeds Unchanged

October prepayments were effectively flat from September and remained below 6% for the 6th consecutive month.

With September coming in at 5.34%, October registered 5.33%, a minimal decrease, month over month.

As for the largest sector of the market, 20+ years to maturity, prepayment speeds came in at 4.49%, a 5% increase over September's reading of 4.28%. For the year, this sector has averaged 4.83%.

As for the default CPR, it fell by 7% to 2.52% from 2.70%. This represents the 5th month in a row of sub-3% default rates this year.

Continued on page 2

SMA: Need Help with Pooling?

By Jordan Blanchard

Volume

November saw 3 pools settle for a total of $8,479,467. This figure represents the 80% SBA guaranteed portion of each pool. The total volume since program inception stands at $197,419,198. That represents almost $250,000,000 in gross loans made possible by the FMP program in a little over one year. That volume is expected to grow significantly over the next ten months through the run up of the currently scheduled program expiration date.

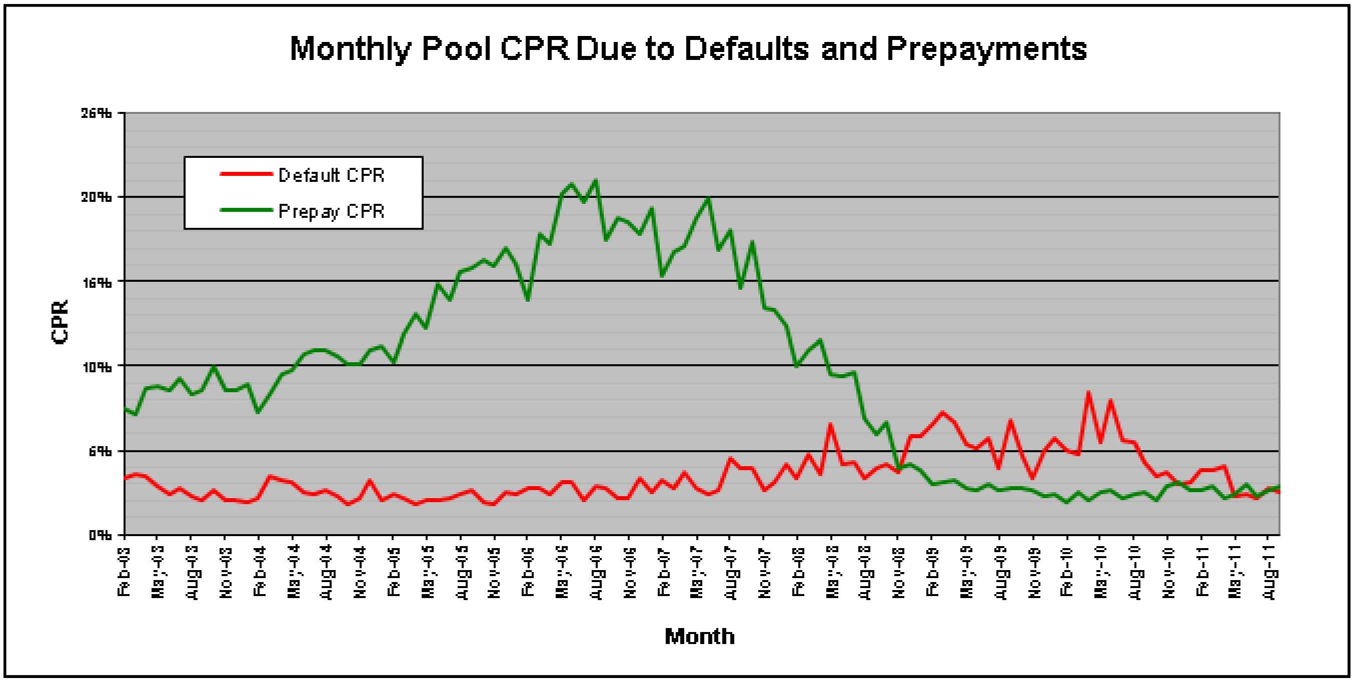
SBA can effectively **double** the life of the FMP program by adopting the same program termination clause adopted for that other program authorized (or extended) by the Small Business Jobs Act – the 504 Refinance program. SBA has determined that a 504 Refinance loan has to be approved by September of 2012 and funded within 6 months of approval. We strongly encourage SBA to match the same eligibility guideline for the FMP program and require that a Debenture must be approved by September of 2012, funded with 6 months, and pooled within 3 months of the Debenture funding date. This change is completely within SBA's authority. It requires no Congressional action, and the precedent has been set with the SBA 504 Refinance program. Please contact your local SBA district director and en-

Continued on page 4

SMALL BUSINESS FACT OF THE MONTH

According to a Kauffman Foundation study, 25% of U.S. technology start-ups begun between 1995 and 2005 were founded by foreign born entrepreneurs. In 2005, these companies produced $52 billion in revenue and employed 450,000 individuals. In Silicon Valley alone, the percentage was 52%.

PREPAYMENT SPEEDS...CONTINUED



Voluntary prepayments continue to remain low, coming in below 3% for the 9th consecutive month. The recipe for sub-6% prepayment speeds continues for another month.

Turning to the specifics, overall speeds came in at 5.33%, a .20% decrease from September's reading of 5.34%. October continues the unbroken streak of 13 consecutive months of sub-7% prepay speeds.

As for next month, preliminary data from Colson suggests a decrease, possibly below 5%, as we near the end of 2011.

The YOY comparison to 2010 continues to show 2011 significantly below last year, with YTD prepayment speeds in 2011 at 5.61% versus 2010 at 8.11%.

Turning to the default/voluntary prepayment breakdown, the **Voluntary Prepay CPR** (green line) rose to 2.82% from 2.64%, maintaining a stable trend between 2% and 3%.

While the VCPR remained below 3%, the **Default CPR** (red line) also remained below 3%, coming in at 2.52%, down from 2.79% in September.

Last month, prepayment speeds fell in three out of the six maturity categories. Decreases were seen, by order of magnitude, in the 10-13 sector (-23% to CPR 5.67%), 8-10 (-9% to CPR 8.41%) and 13-16 (-8% to 4.44%).

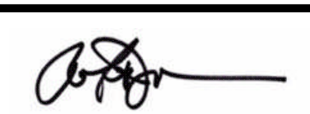
Increases were seen, also by order of magnitude, in 16-20 (+167% to CPR 7.88%), <8 (+21% to CPR 12.25%) and 20+ (+5% to CPR 4.49%).

Over the past year, we have seen remarkable stability in prepayment speeds, with more low prints to come.

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

Data on pages 17-19

"The recipe for sub-6% prepayment speeds continues for another month."



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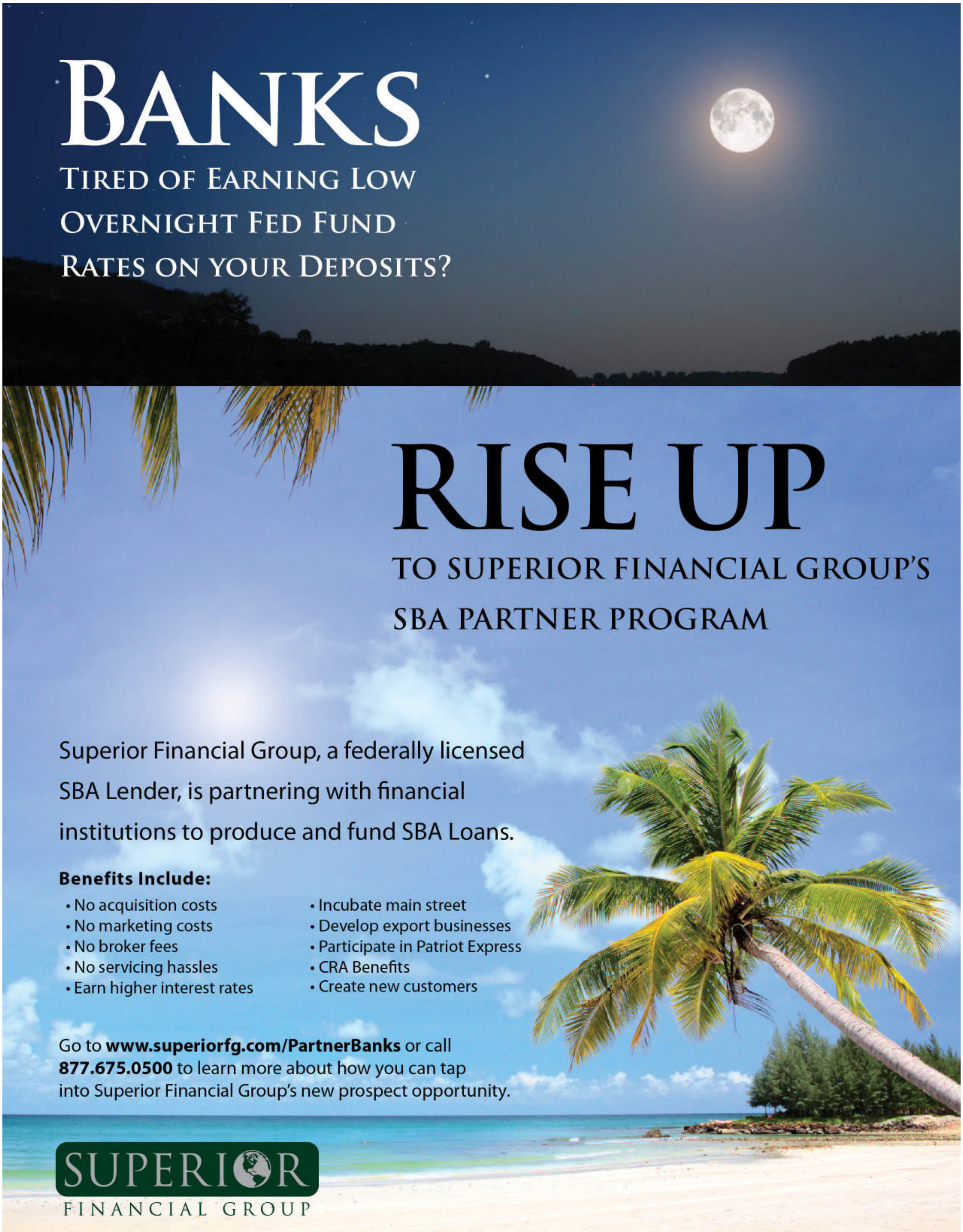
BANKS
TIRED OF EARNING LOW OVERNIGHT FED FUND RATES ON YOUR DEPOSITS?
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Superior Financial Group, a federally licensed SBA Lender, is partnering with financial institutions to produce and fund SBA Loans.
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• No marketing costs
• No broker fees
• No servicing hassles
• Earn higher interest rates
• Incubate main street
• Develop export businesses
• Participate in Patriot Express
• CRA Benefits
• Create new customers
Go to www.superiorfg.com/PartnerBanks or call 877.675.0500 to learn more about how you can tap into Superior Financial Group's new prospect opportunity.
SUPERIOR
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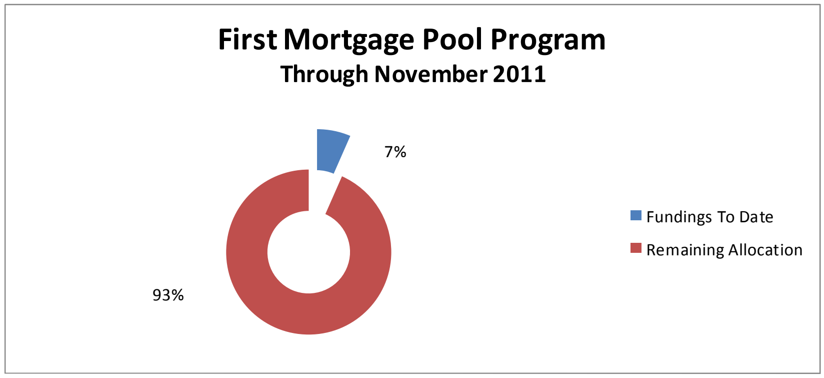
SECONDARY MARKET ACCESS...CONTINUED

courage them to communicate to SBA's central office the necessity of this extension and the benefit for America's small businesses.



FMP Settlement – A Symphony Of Coordination

Closing a FMP pool requires a significant amount of coordination between all of the various parties. Consider the number of entities involved in each pool closing:

- SBA
- Colson
- The lending institution (the Seller)
- The Pool Originator
- One or more investors that purchase the 80% in each pool

Who is the conductor? Well for many pool originators, it is Bob Judge of Secondary Market Access (SMA). SMA is an affiliate of Government Loan Solutions (GLS). Where GLS focuses on all things 7A, primarily settlement, SMA focuses on all things 504 including FMP settlement for Pool Originator. SMA prepares the required documentation, procures bids from investors, interfaces with Colson, and mainly just keeps the engine moving.

In the hopes of facilitating an easier pool settlement process, the following cheat sheet of closing documentation has been created for Sellers at the time of pool settlement. This information is required to be compiled and delivered in the month prior to pool settlement:

- A **Colson** automatic debit form allowing Colson to deduct the monthly payment on the 1st of each month; it is highly recommended that the lender obtain this form at loan closing while the borrower is the most cooperative http://www.colsonservices.com/main/forms/SBA%20FMLP%20Program%20Authorization%20Agreement%20for%20Preauthorized%20Payment%20-%20Debit.pdf
- A **Colson** automatic credit form allowing Colson to deposit the Seller's 15% pro rata interest of the loan payment; this form must be delivered only once by the Seller http://www.colsonservices.com/main/forms/SBA%20FMLP%20Program%20Authorization%20Agreement%20for%20Preauthorized%20Payment%20-%20Credit.pdf
- Copy of an executed IRS form W-9 for the Seller (lender) allowing Colson to report yearly interest (must be the January-2011 form; very difficult to find on the IRS web site, here is a link to a copy http://www.cabotog.com/pdfs/fw9.pdf)
- Copy of an executed W-9 for each borrower (your closing CDC should have this form as part of their closing process)
- Copy of the note being sold with the following instructions -
  1. The original note must have the following legend at the top of the first page: "____% percent of this Pool Loan has been sold for value" and signed by authorized signor of the Seller
  2. Seller then copies the original note and inserts additional language on the copy stating that the photo copy is a true and correct copy of the Pool Note. An authorized signor of the Seller will sign next to this language. This copy must be delivered to Colson with a wet signature
- Just prior to pool settlement, the Seller will provide the paid-through date

This information must be completed and delivered to SMA (or directly to that rare Pool Originator who does not use SMA's services) by the last day of the month preceding pool settlement. This time frame is necessary to give the Pool Originator, the Investor, Colson and SBA sufficient time to process each loan and the overall pool prior to the pool settlement date.

The FMP settlement process is very detailed, but much less detailed than the traditional SBA Debenture closing, and not much different from an SBA 7A loan sale. And with a resource like SMA, the process is made much simpler.

Wholesale 504

One of the business partners of SMA is Wholesale 504 Lending Consultants, LLC (W504). W504's mission is to assist with the sale or direct funding of SBA 504 first mortgages. Outlets for whole loan sales or direct funding of individual loans include Morgan Stanley on a national basis, regional banks participating in the FMP program on a local geographic basis, and non-bank financial institutions operating both locally and nationally. All property types are considered including multi-purpose; hospitality, gas station; restaurant; mini-storage, theatre, bowling alley, and other special purpose properties. The only exclusions are golf courses, marinas, zoos, aquariums, and properties where the majority of the value is a swimming pool (all excluded under FMP). First mortgage loan amounts are possible up to $10,000,000 (a $20MM total project size), and all credit strata are considered including projected income and hospitality property repositioning.

W504 is headed by the author of this monthly article, Jordan Blanchard, formerly of CDC Capital Markets. W504 will continue to work closely with CDC Capital Markets, primarily with their proprietary program known as **504 Exchange** which is a clearing-

Continued on next page

Secondary Market Access...Continued

MO/WAM BUCKET	<192 Mos.	192-263 Mos.	264-288 Mos.	289+ Mos.	Total by Month
Jan-11	0.00%	0.00%	0.12%	0.00%	0.09%
Feb-11	0.00%	0.00%	0.00%	0.00%	0.00%
Mar-11	0.00%	0.00%	0.00%	0.00%	0.00%
Apr-11	0.00%	0.00%	0.00%	0.00%	0.00%
May-11	0.00%	0.00%	11.49%	3.49%	9.28%
Jun-11	1.04%	0.00%	0.00%	0.00%	0.06%
Jul-11	0.00%	0.00%	0.00%	0.00%	0.00%
Aug-11	0.00%	0.00%	0.00%	0.13%	0.03%
Sep-11	0.00%	0.00%	0.00%	0.00%	0.00%
Oct-11	0.00%	0.00%	0.00%	0.09%	0.02%
Nov-11	0.00%	0.00%	16.17%	0.00%	10.25%
Total	0.18%	0.00%	3.04%	0.28%	2.12%

MO/WAM BUCKET	FIXED RATE	FHLB VARIOUS	PRIME RATE	5 YR LIBOR SWAP	Total by Month
Jan-11	0.16%	0.00%	0.00%	0.13%	0.09%
Feb-11	0.00%	0.00%	0.00%	0.00%	0.00%
Mar-11	0.00%	0.00%	0.00%	0.00%	0.00%
Apr-11	0.00%	0.00%	0.00%	0.00%	0.00%
May-11	34.52%	0.00%	0.00%	1.88%	9.28%
Jun-11	0.00%	0.00%	0.15%	0.00%	0.06%
Jul-11	0.00%	0.00%	0.00%	0.00%	0.00%
Aug-11	0.00%	0.00%	0.06%	0.00%	0.03%
Sep-11	0.00%	0.00%	0.00%	0.00%	0.00%
Oct-11	0.00%	0.00%	0.00%	0.06%	0.02%
Nov-11	0.00%	0.00%	0.00%	27.92%	10.25%
Total	3.69%	0.00%	0.02%	4.02%	2.12%

house for SBA 504 first mortgages. CDC Capital Markets offers this free service for the benefit of 504 first mortgage lenders seeking SBA 504 secondary market solutions.

Any interested parties can contact:

Jordan Blanchard
W504
jblanchard@wholesale504.com
951-552-4157

Or

Ken Rosenthal
CDC Capital Markets
krosenthal@cdcloans.com
866-938-4232

FMP Tips…

- Sellers always ask 'what's the settlement date.' The settlement date varies within month and is dependent on the status of other loans in a pool, the completeness of the information, Colson's time frame, SBA's time frame, and the effect that holidays have on the time frame. In general, Sellers can expect pool settlement somewhere between the 15th and the 22nd of each month.

FMLP Prepayment Analysis

By Robert Judge

An uptick in prepayments last month increased the overall prepayment speeds for this year by 130% to CPR 2.12% from CPR .92%. The primary cause of this increase was a large (+$1.5MM) payoff in a 5 year Libor Swap pool issued in 10/2010. The pool in question had just turned a year old, so it will be interesting to track these pools as they age.

Since we are still early in the history of this dataset, let me review my methodology:

- I have chosen to break out the 504 pool data by WAM buckets, since that is more relevant to the maturity of the pool than the actual final maturity date. Since there are no maturity constraints on an FMLP pool, the final maturity date can be deceiving when making assumptions regarding the underlying loans.
- Additionally, I have broken the pools by reset type, as defined in the Colson data. With the various, different types of underlying indices, this would seem a natural way to look at the prepayments.

So far, 504 1st lien pools have performed very well, notwithstanding the one payoff this month. Barring any unforeseen payoffs, the overall prepayment speeds for 2011 should remain sub-3%.

Secondary Market Access

Secondary Market Access (SMA) is an Ohio-based corporation 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.
- 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.

Direct Capital

SBA 504 Secondary Market Solutions

Morgan Stanley

SBA 504 FIRST MORTGAGE PROGRAM
Loan Premiums

INTEREST RATE PAR SPREADS		
INTEREST RATE INDEX	RESET FREQUENCY	SPREAD
90 Day LIBOR Swap Rate	Every 90 days	3.00%
3 Year Swap Rate	Every 3 years	3.00%
5 Year Swap Rate	Every 5 years	3.00%
10 Year Swap Rate	10 years followed by every 5 years	3.25%
20 Year Swap Rate	Fixed for life (up to 25 years)	3.40%

- *Each 0.25% in rate above the par rate earns 1% in premium*
- *The initial rate will be the interest rate floor*
- *Swap rates are published under Libor Swaps (USD) at: http://online.wsj.com/mdc/public/page/2_3020-moneyrate.html?mod=topnav_2_3010*

PREPAYMENT PENALTY OPTIONS			
PREPAYMENT PENALTY	QUARTERLY ADJUSTABLE	3 & 5 YR RESETS	10 YR RESET & FIXED
Declining 5%, 4%, 3%, 2%, 1%	1.00%	Required	Not Available
Flat 5% for first 5 Years	1.50%	.50%	Required
Declining 7%, 6%, 5%, 4%, 3%, 2%, 1%	1.75%	.75%	.25%
Flat 5% for years 1-6, declining 4%, 3%, 2%, 1% for years 7-10	2.00%	1.00%	.50%
Declining 10%, 9%, 8%, 7%, 6%, 5%, 4%, 3%, 2%, 1%	2.50%	1.50%	1.00%
Flat 10% for first 10 years	3.50%	2.50%	1.50%

- *Borrower may make annual additional principal reductions without penalty up to 20% of the original note balance.*
- *The referring lender retains any origination fee. Note, Morgan Stanley will keep .50% to pay the SBA participation fee.*
- *Lenders who fund at least $5 million in a calendar year will receive an annual volume incentive.*

PREMIUM EXAMPLE FOR $1 MILLION SBA 504 FIRST MORTGAGE LOAN		
DESCRIPTION	OPTION	PREMIUM
Interest Rate	10-year swap + 4.40%	4.00%
Prepayment Penalty	10%, 9%, 8%, 7%, 6%, 5%, 4%, 3%, 2%,	1.00%
Total Premium	1%	5.00%

- *The premium cannot exceed the first year's prepayment penalty %.*
- *A 365/360 rate accrual basis is required. The premium will be reduced by .50% if another basis is used.*
- *Only banks, thrifts and other regulated lenders are eligible to earn loan premiums.*

FOR MORE INFORMATION CONTACT:

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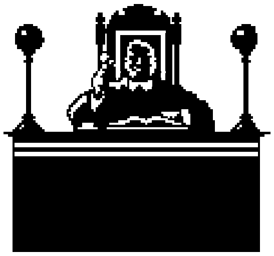


The Legal Beat

Closing Protection Letters: Protecting Lenders in Closings by Agents

By Amy Brownstein, Esq.

When the closing of a loan that includes real estate collateral is handled by a title agent (as opposed to a title insurance underwriter), it is common - and prudent - for the lender to obtain a closing protection letter from the agent. What is a closing protection letter, and what benefit does it provide to a lender?

A closing protection letter provides the insured party in the transaction (e.g., the lender making the loan) with protection, provided by the title insurance underwriter, against losses suffered by the lender as a result of certain acts or omissions of the agent. While the form of letter may vary from state to state, generally closing protection letters include protections from the following:

The agent's failure to comply with the written closing instructions with respect to (i) the status of title to the interest in land or the validity, enforceability and priority of the mortgage lien, (ii) obtaining any document specifically required by the lender (excluding a determination of the validity, enforceability or effectiveness of that document), or (iii) the collection and payment of funds due to the lender; and

The agent's fraud or dishonesty in handling the lender's funds or documents in connection with the closing.

Thus, with a closing protection letter in hand, if the title agent records documents in the wrong order (or fails to record documents), or misappropriates funds that were delivered to the agent in connection with the transaction, and the agent fails to correct its error, the lender will have recourse against the underwriter for the agent's actions.

Closing protection letters are not available in connection with all transactions; for example, they are not commonly issued in states where title agents do not disburse loan proceeds. When a closing protection letter is not available, however, it is always worth asking if there is an alternative. For example, in New York, where closing protection letters are not issued, it is possible to obtain an "Authorized Agent" letter from the underwriter that confirms that the agent is an agent of the underwriter and has the authority to prepare title reports, to clear and omit title exceptions, to collect title insurance premiums and to issue title insurance policies and endorsements.

To ensure receipt of the protections provided by the closing protection letter, the lender should be sure to comply with the conditions to its effectiveness, as specified in the closing protection letter. These conditions generally include (i) providing written closing instructions that specify the status of title, mortgage priority, any documents to be obtained and the movement of funds involved in the transaction (so that the agent's failure to comply can be established) and (ii) making sure that the closing protection letter is addressed to the lender and identifies the property that is the subject of the title insurance.

Including an acknowledgment by the agent in the closing instructions, whereby the agent agrees to be bound and comply with the instructions, will also benefit the lender. The closing protection letter should also be reviewed for additional requirements; for example, in Pennsylvania the underwriter's liability expires if a claim is not made under the closing protection letter within one year from the date of closing.

For more information regarding closing protection letters, contact Amy at brownstein@starfieldsmith.com, or 215-542-7070.

Non-Traditional 504 Loan Referral Program

If you have a 504-eligible transaction that you are unable to fund for whatever reason, GLS can match you with another, non-competing lender looking to fund non-traditional 504 loans. This allows you to earn referral fees, while preserving the business relationship with the borrower.

Program Overview:

- ⇒ **An outlet for those transactions that you typically would not fund.**
- ⇒ **All commercial property types are eligible.**
- ⇒ **Can accommodate projected income and inferior credit.**
- ⇒ **Loan amounts up to $10 million with 30-year loan terms.**
- ⇒ **Rate terms are quarterly adjustable, with a 5-year fixed rate option available.**
- ⇒ **A referral fee for you on the first mortgage portion.**

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

GLS 7(a) Sale & Settlement Tip # 39— Let Santa handle the gift giving...

Loan sales don't make great gifts unless they happen at substantial discounts to typical pricing which can, and does, happen as we edge closer and closer to year end. I certainly do not want to imply you won't be able to sell as we approach year end, but the closer we get, the tougher it can sometimes become.

The reasons can be varied (be it dealer balance sheet constraints, investor demand, or desk staffing) but the outcome is typically the same...prices and liquidity tend to fall the closer we get to year end. There's plenty of time left so sell early if you plan on sales during December and let someone else be this year's "last minute shopper".

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.*

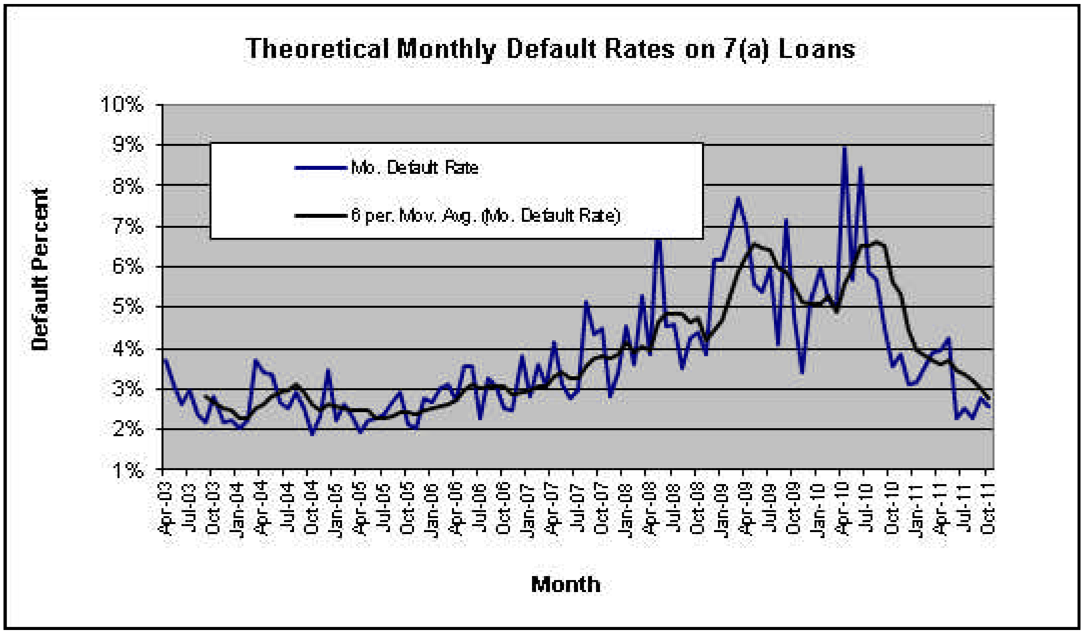
Default Rate Falls Slightly

For the fifth month in a row, the theoretical default rate remained below 3%, a level that was consistently seen prior to 2008.

For September, the default rate fell by 7%, hitting 2.59% from 2.79% in August. With overall prepayment speeds expected to drop below 5% next month, the default rate should remain below 3% for a sixth consecutive month.

As I have mentioned previously, the chart on the right graphically shows the rapid return to pre-2008 default levels over the past 18 months.

While we are still not "out of the woods" when it comes to the economy, things are looking better. As long as banking problems in Europe don't cross the Atlantic, we should expect to see continued low monthly default rates into the future.



Default-Curtailment Ratios

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

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

The 7a DCR fell below 50% after rising above that level in August for the first time since April. For September, the 7a DCR fell to 47.19%, a 7% decrease from the 50.63% reading in August.

This month, defaults fell while voluntaries rose. The decrease in the nominator, defaults, combined with an increase in the dollar amount of total prepayments, caused the decrease in the 7a DCR.

Turning to actual dollar amounts, defaults fell by 9% to $81 million from $88 million. As for voluntary prepayments, they increased by 5% to $90 million versus $86 million the previous month.

SBA 504 Default Ratios

The 504 DCR also registered a small decrease in September due to a 11% decrease in defaults combined with a 3% rise in voluntary prepayments. The overall level in September was 55.13%, a 6% decrease over the August level of 58.67%.

Specifically, the dollar amount of defaults decreased by $10 million to $83 million (-11%). As for voluntary prepayments, they rose by $2 million to $67 million (+3%).

Summary

After a month where both ratios rose above 50% after a six month period of falling readings, this month suggests that both ratios may be back on their way to a steady stream of sub-50% readings into the future.

Defaults in both programs are getting better, while voluntary prepayments remain low by historical standards. Falling defaults combined with steady voluntary prepayments equate to falling ratios.

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 22

GLS Value Indices Mixed

In September, the GLS Value Indices came in with three sectors higher and three lower.

The Base Rate / Libor spread fell to +2.93%, as steady increases in Libor continue to narrow the gap with the Prime Rate. As for the prepayment element, CPRs were lower in five out of six sub-indices, helping to offset the compression in the Base Rate / Libor spread.

September witnessed slight decreases in loan pricing across the board, helping to support the indices. However, long maturity loans remained at, or around 115 for a second month.

Turning to the specifics, the largest increase was seen in the GLS VI-5, which rose by 26% to 235 basis points. The other increases, by order of magnitude, were: VI-3 (+8% to 133) and VI-4 (+6% to 176).

Decreases were seen, also by order of magnitude, in VI-1 (-14% to 102), VI-2 (-3% to 98) and VI-6 (-2% to 201).

With the Libor spread having contracted by 8 basis points since July, the indices are running uphill in order to maintain their previous levels. Fortunately, the prepayment element has been offsetting this headwind, but for how long?

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 14-15, Graph on page 16

7(a) Secondary Market Pricing Grid: September 2011

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%**	**111.55**	**111.75**	**111.25**	**110.75**	**111.25**
15 yrs.	2.75%	1.075%	**1.00%**	**112.125**	**112.25**	**111.40**	**111.125**	**112.25**
20 yrs.	2.75%	1.075%	**1.00%**	**114.00**	**114.125**	**113.75**	**113.25**	**113.25**
25 yrs.	2.75%	1.075%	**1.00%**	**115.00**	**115.0625**	**114.50**	**114.00**	**114.125**

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
Apr-08	16.16%	13.36%	13.02%	14.59%	15.19%	18.74%
May-08	15.48%	12.88%	12.65%	13.77%	14.33%	17.33%
Jun-08	15.28%	13.32%	12.96%	14.46%	13.62%	17.14%
Jul-08	15.69%	12.99%	12.78%	13.81%	12.49%	16.59%
Aug-08	15.44%	13.24%	12.86%	13.14%	12.24%	15.89%
Sep-08	14.02%	12.45%	12.75%	12.67%	12.36%	15.20%
Oct-08	12.97%	11.67%	12.14%	11.50%	11.97%	14.06%
Nov-08	12.08%	12.36%	11.44%	10.85%	11.49%	13.22%
Dec-08	12.37%	11.77%	10.45%	9.45%	11.08%	11.41%
Jan-09	12.86%	11.51%	10.42%	9.29%	10.61%	10.40%
Feb-09	12.30%	11.26%	10.35%	8.39%	9.99%	9.30%
Mar-09	12.96%	11.93%	10.56%	8.57%	10.47%	8.79%
Apr-09	13.23%	12.30%	11.22%	8.75%	9.81%	8.55%
May-09	13.12%	11.85%	11.79%	8.68%	9.92%	7.98%
Jun-09	13.18%	11.85%	12.35%	8.57%	8.73%	8.02%
Jul-09	12.40%	12.00%	12.51%	8.56%	8.23%	7.36%
Aug-09	13.34%	12.49%	12.36%	8.01%	7.34%	7.21%
Sep-09	12.74%	11.01%	11.83%	7.48%	6.70%	6.89%
Oct-09	12.45%	11.03%	11.31%	7.25%	7.85%	6.79%
Nov-09	12.11%	10.89%	11.01%	6.96%	7.13%	6.32%
Dec-09	11.33%	11.20%	10.55%	7.09%	7.80%	5.75%
Jan-10	11.16%	10.69%	10.30%	6.99%	8.00%	5.75%
Feb-10	10.05%	9.97%	10.00%	7.33%	8.84%	5.71%
Mar-10	9.90%	10.73%	10.07%	7.12%	8.75%	5.75%
Apr-10	9.96%	10.45%	9.72%	7.34%	8.12%	5.32%
May-10	10.56%	11.09%	10.28%	7.88%	8.53%	5.86%
Jun-10	10.94%	11.18%	10.41%	7.83%	8.53%	6.38%
Jul-10	10.32%	11.15%	10.57%	7.13%	8.59%	7.48%
Aug-10	10.45%	11.02%	10.16%	7.38%	8.25%	7.60%
Sep-10	11.29%	10.76%	10.54%	7.48%	8.01%	7.70%
Oct-10	11.35%	10.06%	10.28%	7.27%	7.29%	7.84%
Nov-10	10.55%	9.24%	8.82%	7.05%	6.45%	7.21%
Dec-10	10.89%	8.48%	8.45%	7.30%	5.61%	7.11%
Jan-11	11.99%	8.87%	7.84%	7.49%	5.03%	5.96%
Feb-11	11.22%	9.01%	7.57%	7.22%	4.91%	5.53%
Mar-11	10.43%	8.86%	7.07%	7.20%	5.13%	5.37%
Apr-11	10.60%	9.69%	7.38%	6.90%	4.95%	5.17%
May-11	10.82%	9.75%	7.26%	6.11%	5.51%	5.45%
Jun-11	10.25%	9.69%	6.81%	5.39%	5.70%	5.12%
Jul-11	10.02%	9.51%	6.38%	4.94%	6.11%	5.12%
Aug-11	10.25%	8.86%	6.16%	5.14%	6.04%	4.88%
Sep-11	10.23%	9.18%	6.13%	5.00%	5.15%	4.69%

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

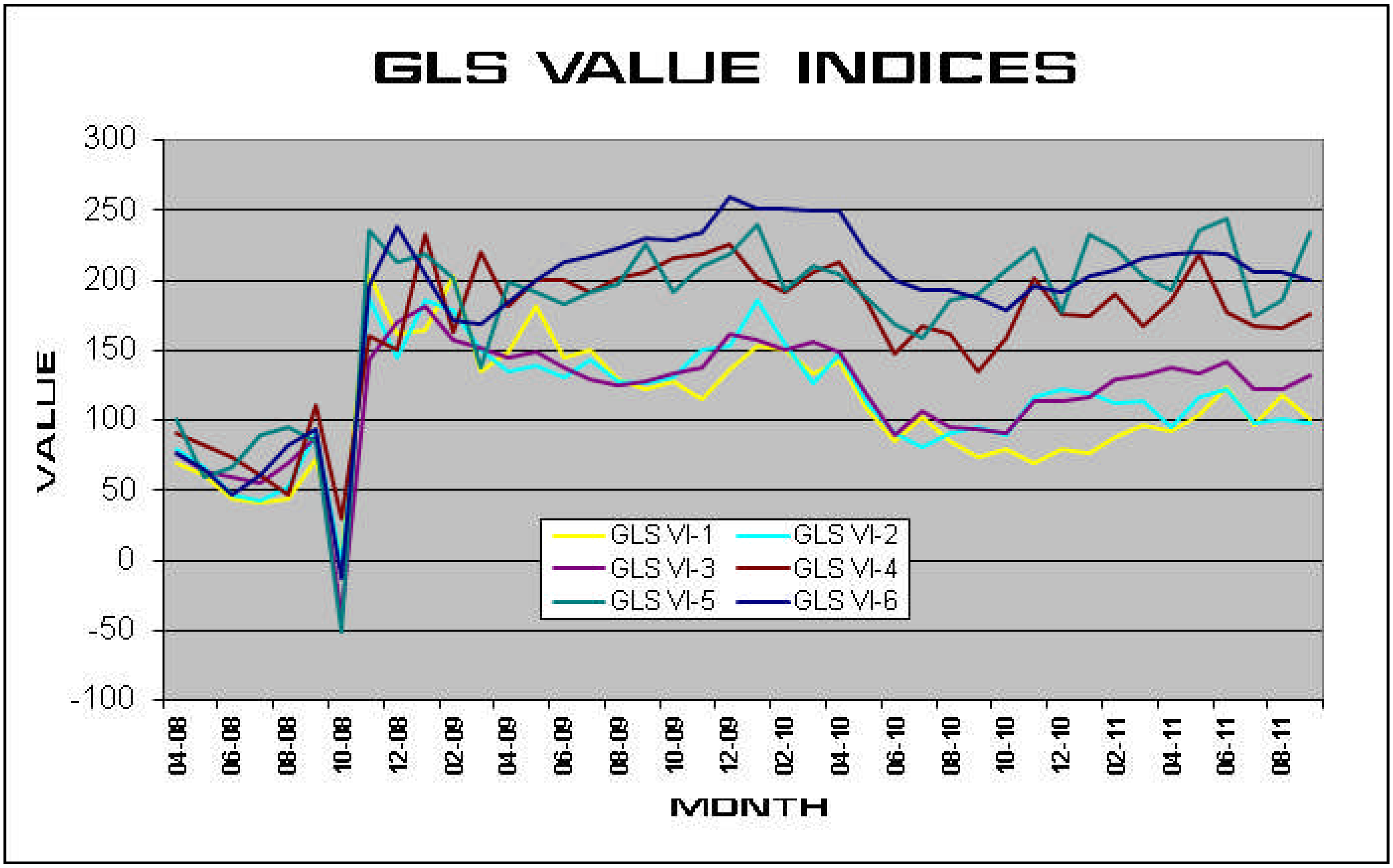
GLS Value Indices: Historical Values

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
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
Jul-10	0.46%	3.26%	2.80%	102.7	81.0	106.7	167.0	159.5	193.5
Aug-10	0.33%	3.26%	2.93%	85.6	91.6	95.4	161.6	186.6	193.2
Sep-10	0.28%	3.25%	2.97%	74.1	95.3	94.0	135.6	190.8	187.2
Oct-10	0.28%	3.25%	2.97%	79.8	89.7	91.3	159.8	207.2	179.5
Nov-10	0.27%	3.25%	2.98%	70.5	117.2	113.5	202.0	223.5	195.4
Dec-10	0.29%	3.25%	2.96%	79.7	121.8	113.3	175.5	178.1	191.3
Jan-11	0.29%	3.25%	2.96%	77.0	119.8	117.3	175.2	232.3	203.7
Feb-11	0.29%	3.25%	2.96%	88.9	112.9	129.8	190.4	222.9	207.6
Mar-11	0.30%	3.25%	2.95%	96.8	113.5	132.3	167.8	203.4	216.0
Apr-11	0.27%	3.25%	2.98%	92.5	95.9	137.6	186.2	192.5	218.8
May-11	0.24%	3.25%	3.01%	104.3	116.1	134.3	219.2	235.1	220.2
Jun-11	0.23%	3.24%	**3.01%**	123.1	123.0	141.8	178.1	**243.7**	218.4
Jul-11	0.24%	3.25%	3.01%	96.8	98.4	121.7	167.9	175.4	206.5
Aug-11	0.27%	3.24%	2.97%	118.6	101.5	122.8	165.8	186.4	205.3
Sep-11	0.32%	3.25%	2.93%	101.6	98.0	132.7	176.2	234.9	200.5

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

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


GLS VALUE INDICES
VALUE
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
04-08
06-08
08-08
10-08
12-08
02-09
04-09
06-09
08-09
10-09
12-09
02-10
04-10
06-10
08-10
10-10
12-10
02-11
04-11
06-11
08-11
MONTH

YTD Prepayment Speeds

Table 3:

CPR/MO.	<8	8 - 10	10 - 13	13 - 16	16 - 20	20+	ALL
Jan-11	14.22%	9.08%	6.94%	6.85%	3.82%	5.26%	**6.12%**
Feb-11	5.96%	9.95%	6.43%	5.52%	5.78%	5.02%	**5.74%**
Mar-11	10.25%	7.41%	7.63%	5.62%	8.43%	5.47%	**6.40%**
Apr-11	11.80%	11.75%	9.34%	5.83%	4.09%	5.21%	**6.70%**
May-11	9.52%	11.76%	5.61%	4.11%	6.39%	5.98%	**6.22%**
Jun-11	9.57%	8.08%	4.95%	4.33%	5.60%	3.82%	**4.58%**
Jul-11	12.92%	7.89%	4.37%	4.16%	6.35%	5.26%	**5.37%**
Aug-11	7.28%	5.92%	5.15%	6.80%	5.46%	3.65%	**4.46%**
Sep-11	10.12%	9.27%	7.37%	4.82%	2.95%	4.28%	**5.34%**
Oct-11	12.25%	8.41%	5.67%	4.44%	7.88%	4.49%	**5.33%**
Grand Total	**10.42%**	**9.00%**	**6.34%**	**5.26%**	**5.68%**	**4.83%**	**5.61%**

2011 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-11	22 Mos.	31 Mos.	32 Mos.	67 Mos.	49 Mos.	50 Mos.	**45 Mos.**
Feb-11	22 Mos.	30 Mos.	32 Mos.	66 Mos.	50 Mos.	51 Mos.	**45 Mos.**
Mar-11	23 Mos.	31 Mos.	33 Mos.	66 Mos.	50 Mos.	50 Mos.	**45 Mos.**
Apr-11	23 Mos.	31 Mos.	33 Mos.	67 Mos.	49 Mos.	49 Mos.	**45 Mos.**
May-11	24 Mos.	32 Mos.	33 Mos.	66 Mos.	47 Mos.	49 Mos.	**44 Mos.**
Jun-11	24 Mos.	32 Mos.	32 Mos.	66 Mos.	47 Mos.	49 Mos.	**44 Mos.**
Jul-11	24 Mos.	33 Mos.	33 Mos.	67 Mos.	47 Mos.	49 Mos.	**44 Mos.**
Aug-11	24 Mos.	33 Mos.	33 Mos.	67 Mos.	46 Mos.	48 Mos.	**44 Mos.**
Sep-11	25 Mos.	34 Mos.	33 Mos.	66 Mos.	46 Mos.	48 Mos.	**44 Mos.**
Oct-11	25 Mos.	34 Mos.	33 Mos.	66 Mos.	47 Mos.	48 Mos.	**44 Mos.**

2011 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-11	7.95%	24.87%	18.55%	10.61%	14.45%
Feb-11	6.33%	2.69%	5.40%	4.49%	12.63%
Mar-11	10.15%	5.53%	11.73%	7.38%	19.55%
Apr-11	5.53%	13.80%	17.17%	7.29%	21.62%
May-11	14.98%	4.94%	12.68%	4.43%	6.04%
Jun-11	6.42%	10.83%	14.67%	8.20%	10.02%
Jul-11	8.20%	16.38%	8.80%	12.41%	20.45%
Aug-11	0.20%	12.80%	5.54%	7.10%	10.54%
Sep-11	5.85%	9.16%	28.85%	3.98%	7.09%
Oct-11	7.35%	20.37%	9.14%	4.37%	8.96%
Grand Total	**7.50%**	**12.45%**	**13.54%**	**7.17%**	**13.20%**

10-13 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-11	4.90%	6.31%	12.35%	6.54%	5.14%
Feb-11	4.49%	10.85%	8.56%	4.39%	5.93%
Mar-11	7.41%	10.03%	9.38%	7.84%	4.86%
Apr-11	8.89%	8.78%	13.52%	9.57%	7.32%
May-11	4.50%	7.16%	7.62%	6.84%	3.52%
Jun-11	2.25%	7.21%	7.85%	4.76%	4.91%
Jul-11	2.88%	6.80%	4.83%	5.15%	3.35%
Aug-11	4.45%	6.74%	6.23%	5.83%	3.95%
Sep-11	4.90%	13.50%	13.11%	6.83%	4.04%
Oct-11	4.73%	9.22%	6.02%	4.34%	4.87%
Grand Total	**4.91%**	**8.70%**	**9.20%**	**6.23%**	**4.73%**

16-20 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-11	0.00%	7.24%	8.01%	2.83%	2.85%
Feb-11	0.00%	4.73%	9.77%	14.87%	1.78%
Mar-11	3.22%	4.01%	19.91%	8.32%	7.84%
Apr-11	0.00%	7.38%	4.96%	2.08%	5.51%
May-11	4.45%	0.00%	14.05%	5.83%	7.33%
Jun-11	0.79%	1.51%	2.16%	17.40%	3.91%
Jul-11	0.50%	0.74%	19.78%	8.74%	6.31%
Aug-11	0.00%	15.43%	17.18%	3.79%	3.82%
Sep-11	0.00%	0.00%	11.74%	2.81%	3.77%
Oct-11	1.95%	18.16%	15.40%	8.67%	5.69%
Grand Total	**1.06%**	**5.96%**	**12.30%**	**7.63%**	**4.91%**

2011 YTD CPR by maturity and age bucket. Source: Colson Services

YEAR-TO-DATE CPR DATA

Table 6:

8-10 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-11	2.09%	10.85%	12.52%	4.62%	11.81%
Feb-11	0.48%	18.09%	9.47%	9.90%	7.17%
Mar-11	1.99%	9.13%	8.29%	6.50%	9.50%
Apr-11	10.70%	16.95%	10.14%	9.51%	8.34%
May-11	5.71%	17.44%	17.75%	8.12%	6.48%
Jun-11	8.38%	7.41%	8.88%	11.83%	4.77%
Jul-11	13.04%	3.19%	7.54%	7.15%	8.55%
Aug-11	1.32%	10.84%	8.62%	1.61%	4.82%
Sep-11	5.98%	11.31%	14.39%	7.77%	4.70%
Oct-11	3.22%	11.41%	6.23%	16.87%	4.68%
Grand Total	**5.29%**	**12.13%**	**10.42%**	**8.70%**	**7.17%**

13-16 BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-11	0.00%	30.56%	5.65%	0.00%	5.93%
Feb-11	15.31%	2.76%	12.71%	9.95%	3.99%
Mar-11	0.00%	2.77%	24.05%	17.31%	5.19%
Apr-11	1.76%	2.81%	0.00%	12.38%	6.51%
May-11	0.00%	6.90%	0.00%	0.00%	4.54%
Jun-11	0.46%	0.00%	0.00%	0.00%	5.76%
Jul-11	0.00%	3.40%	0.00%	0.00%	5.14%
Aug-11	0.00%	22.11%	0.00%	0.00%	6.46%
Sep-11	0.00%	0.00%	8.74%	0.00%	6.36%
Oct-11	0.00%	5.60%	0.00%	2.37%	5.40%
Grand Total	**1.67%**	**7.11%**	**5.91%**	**4.73%**	**5.52%**

20+ BY AGE	0-12 Mos.	13-24 Mos.	25-36 Mos.	37-48 Mos.	48+ Mos.
Jan-11	2.78%	5.44%	6.82%	9.07%	4.80%
Feb-11	2.22%	8.00%	5.69%	5.72%	4.78%
Mar-11	2.82%	5.10%	11.55%	6.27%	5.18%
Apr-11	1.86%	4.97%	6.44%	8.12%	5.74%
May-11	0.72%	7.45%	7.97%	7.60%	7.04%
Jun-11	0.41%	4.62%	6.99%	4.97%	4.15%
Jul-11	1.41%	6.22%	11.75%	4.88%	5.56%
Aug-11	0.93%	3.78%	4.51%	7.69%	3.68%
Sep-11	0.31%	5.18%	8.58%	5.96%	4.80%
Oct-11	1.65%	3.16%	11.37%	7.32%	4.37%
Grand Total	**1.43%**	**5.36%**	**8.29%**	**6.76%**	**5.01%**

2011 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.

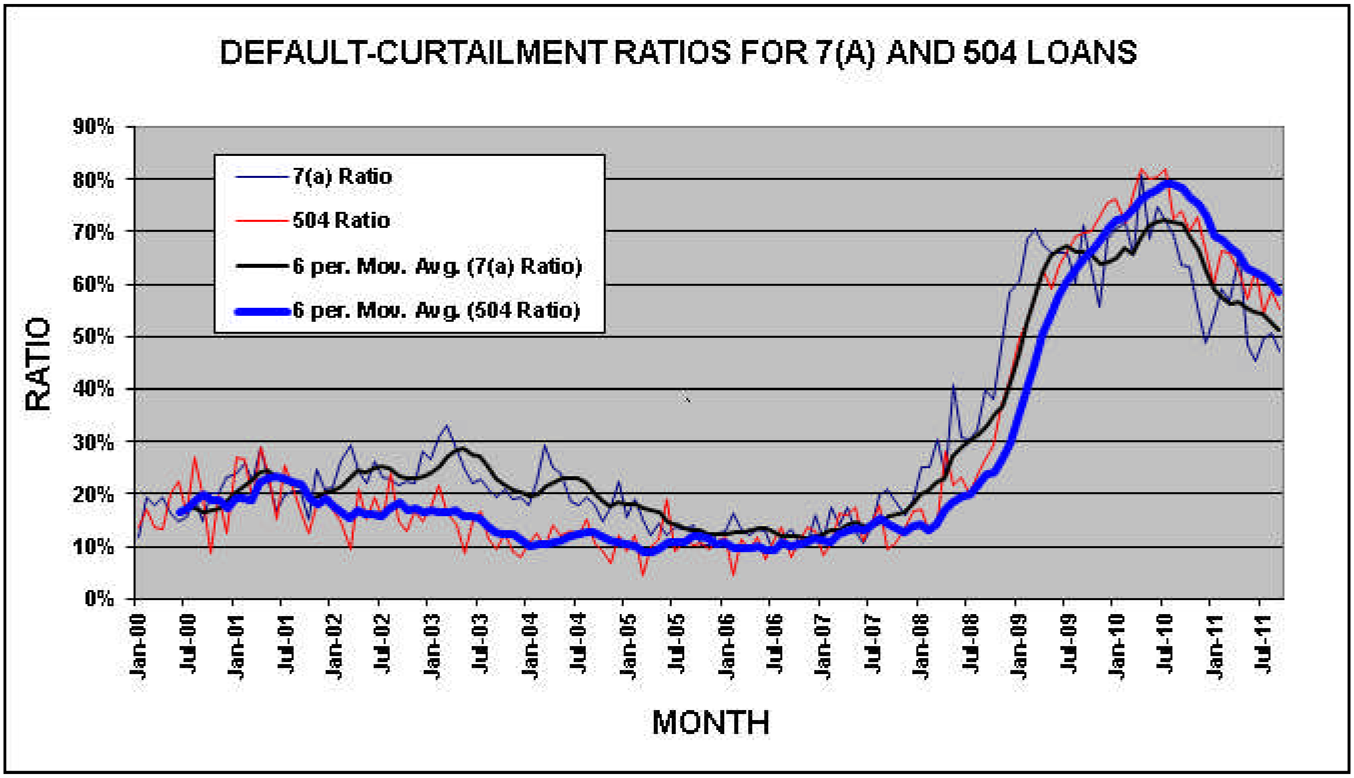
Credit Risk: Losses experienced due to the default of collateral underlying a security. Since SBA loans and pools are guaranteed by the US government, this risk is very small.

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. HR 5297 provides for a two-year extension from the first pooling month, so that the end date of the program is now **September, 2012**.

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

For the purposes of the program, a pool is defined as 2 or more loans. A pool must be either fixed (for life) or adjustable (any period adjustment including 5 or 10 years). If the pool is comprised of adjustable rate loans, all loans must have the same base rate (e.g. Prime, LIBOR, LIBOR Swaps, FHLB, etc.). Finally, each loan must be current for the lesser of 6 months or from the time of loan funding. Congress mandated that this be a **zero subsidy program to the SBA** (and the US taxpayer). The SBA has determined the program cost (management and expected losses) can be covered by an ongoing subsidy fee of .245%.


DEFAULT-CURTAILMENT RATIOS FOR 7(A) AND 504 LOANS
RATIO
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
7(a) Ratio
504 Ratio
6 per. Mov. Avg. (7(a) Ratio)
6 per. Mov. Avg. (504 Ratio)
Jan-00
Jul-00
Jan-01
Jul-01
Jan-02
Jul-02
Jan-03
Jul-03
Jan-04
Jul-04
Jan-05
Jul-05
Jan-06
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Jan-09
Jul-09
Jan-10
Jul-10
Jan-11
Jul-11
MONTH

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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:

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- *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:

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