COASTAL SECURITIES, INC.

A Brief Explanation of Coastal SBA Prepayment Methodologies

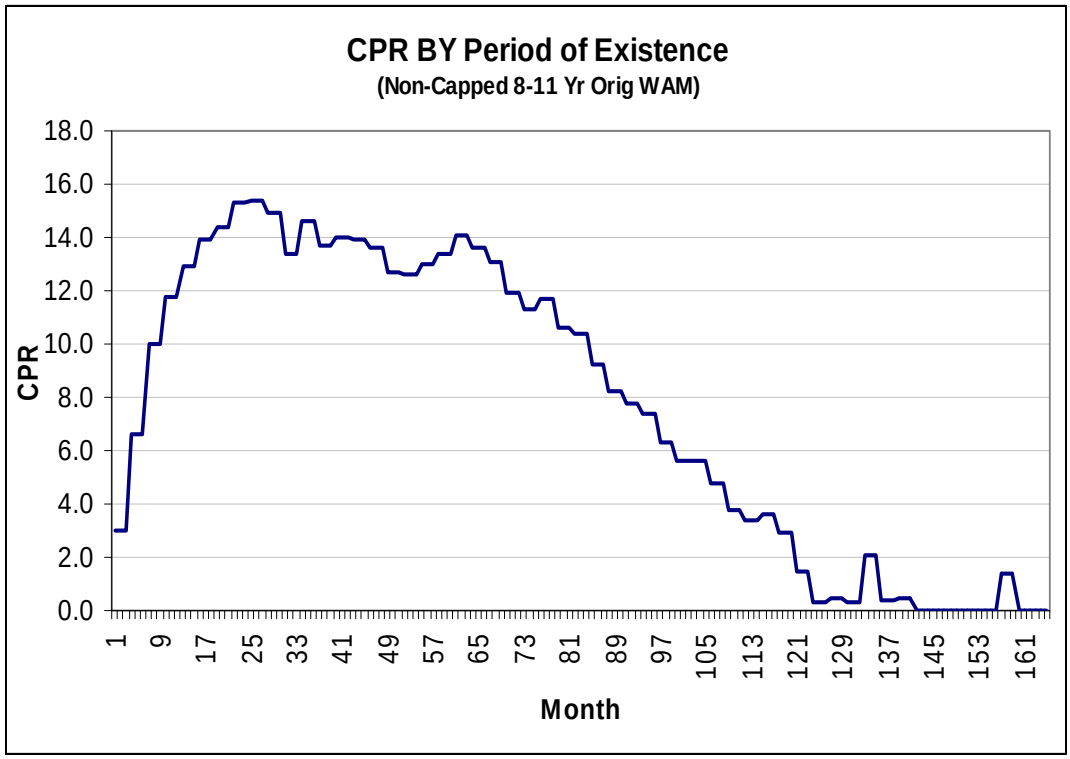
January 2010

Financial Strategies Department
5555 San Felipe
Ste. 2200
Houston, TX
77056-2725
(713) 435-4300
www.coastalsecurities.com

CSBA Vector

The most widely used Coastal SBA Vectors are the WT series that utilize the most recent eleven years of prepayment data. The vectors are constructed by age or seasoning - for each of these eleven years of origination, the observed prepayments for the individual pools of a particular WAM bucket are weighted for a given age.

As an example, for the WT10 (Orig WAM of 8-11 years) series, the prepayment speed for the first period is weighted by the beginning balance of each period across 2010 origination to 2000 origination, same for the second period, third period and so on. While this vector is useful in the illustration of the seasoning ramp that has long been known on small business loans (age being one of the significant prepayment drivers) it will not reveal current prepayment trends. Certainly, in the current environment, this vector will overstate realized prepayment speeds on the broad aggregates.

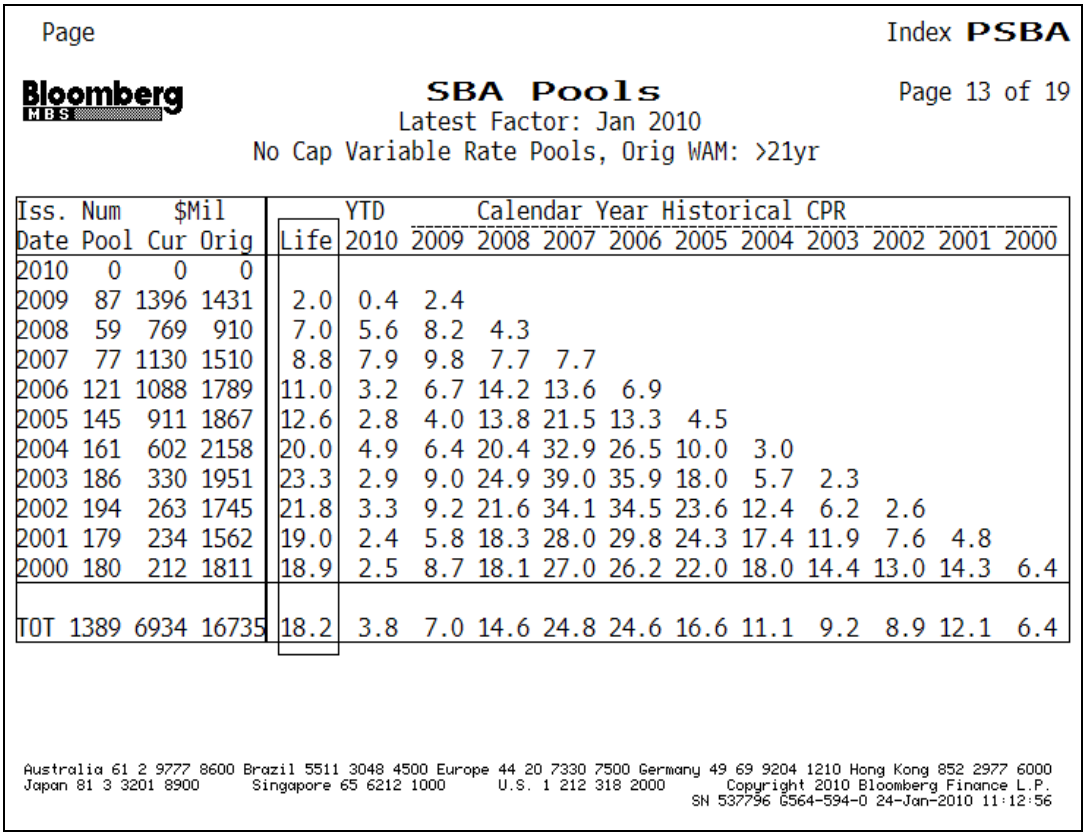


C-Issued CSBA Vector

SBA did not impose prepayment penalties on real estate loans until 2001 and the prepayment trends have been markedly different. Although the default or involuntary component of prepayments were not impacted, the penalties have effectively deferred the exercise of the refinancing (voluntary component) until penalties were less onerous to the borrower in year three. This vector uses essentially the same construct as the regular CSBA vectors with a more limited data set in order to reflect only those pools that were composed of real estate loans with prepayment penalties. Given that the CSBA vector uses the last eleven years of data, the data used in this vector is quickly converging and the two will be identical in another year.

Bloomberg Life

Outside of proprietary SBA pool prepayment data provided by pool assemblers like Coastal, the data obtained on the PSBA function of Bloomberg is all that is available to many investors. However, this data is somewhat limited in both content and application even though many longer term pool investors still utilize some of this data. The most widely used subset from this data is the BLOOMBERG LIFE speed for a given WAM bucket. Like our Coastal vector, the data used encompasses the last eleven years of origination. The LIFE speed has served as a reasonable proxy for the long term investor that intends to hold the product to maturity and generally reinvests in all markets. The obvious short coming to a LIFE speed is that it will not reflect the current underlying prepayment trend. In the current environment, the LIFE speed is almost double the levels currently being experienced on real estate pools!



Page Index PSBA

Bloomberg MBS

SBA Pools

Page 13 of 19

Latest Factor: Jan 2010

No Cap Variable Rate Pools, Orig WAM: >21yr

Iss. Date	Num Pool	$Mil Cur	$Mil Orig	Life	YTD 2010	Calendar Year Historical CPR 2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
2010	0	0	0												
2009	87	1396	1431	2.0	0.4	2.4									
2008	59	769	910	7.0	5.6	8.2	4.3								
2007	77	1130	1510	8.8	7.9	9.8	7.7	7.7							
2006	121	1088	1789	11.0	3.2	6.7	14.2	13.6	6.9						
2005	145	911	1867	12.6	2.8	4.0	13.8	21.5	13.3	4.5					
2004	161	602	2158	20.0	4.9	6.4	20.4	32.9	26.5	10.0	3.0				
2003	186	330	1951	23.3	2.9	9.0	24.9	39.0	35.9	18.0	5.7	2.3			
2002	194	263	1745	21.8	3.3	9.2	21.6	34.1	34.5	23.6	12.4	6.2	2.6		
2001	179	234	1562	19.0	2.4	5.8	18.3	28.0	29.8	24.3	17.4	11.9	7.6	4.8	
2000	180	212	1811	18.9	2.5	8.7	18.1	27.0	26.2	22.0	18.0	14.4	13.0	14.3	6.4
TOT	1389	6934	16735	18.2	3.8	7.0	14.6	24.8	24.6	16.6	11.1	9.2	8.9	12.1	6.4

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2010 Bloomberg Finance L.P.
SN 537796 G564-594-0 24-Jan-2010 11:12:56

VMAX Vector

The VMAX vector had been developed as a “worst case” path from historical observations. The construct for this vector has been to take the highest prepayment observation for a

given amount of seasoning from data in normal CSBA vectors. For example, the VMAX vector for the 8-11 Year WAM bucket will take the data from the WT10 series and use the highest first year prepayment speed observed from all of the vintages for the first year of the vector, the highest observed second year speed from all of the vintages for the second year and so on. As can be seen above, some vintages are not used in the construct while

8-11yr wam Uncapped SBA Pool Speeds												Latest Factor: 12/1/2009	
				Annual Prepayment Speed (CPR) during year:									
Current($mil)	Original ($mil)	LIFE	Issue Year	1	2	3	4	5	6	7	8	9	10
777	836	8.5	2009	8.5									
1,145	1,532	11.2	2008	6.3	13.1								
1,071	1,772	12.7	2007	8.8	12.7	13.8							
660	1,357	12.7	2006	8.1	15.9	14.4	9.2						
543	1,314	12.6	2005	8.3	14.5	18.9	11.5	6.0					
244	855	15.3	2004	6.7	12.3	20.1	20.2	14.7	9.0				
178	896	16.6	2003	6.4	10.6	17.2	23.1	19.5	15.6	12.4			
118	701	14.7	2002	4.3	8.7	15.5	17.9	19.2	19.1	12.6	8.4		
90	772	14.5	2001	6.1	11.2	14.7	14.9	19.3	19.5	15.9	10.3	7.1	
49	633	14.3	2000	4.8	12.1	14.9	15.4	14.0	16.9	16.2	15.4	10.3	7.3
19	608	12.7	1999	6.0	9.9	16.8	17.0	15.7	14.2	15.3	13.2	8.4	4.7
4,894	11,276	13.9	CSBA Vector	8.9	15.2	16.2	15.7	15.1	15.5	13.1	9.7	6.8	4.3
			V_{LAST}	8.5	13.1	13.8	9.2	6.0	9.0	12.4	8.4	7.1	7.3
			V_{MAX}	8.8	15.9	20.1	23.1	19.5	19.5	16.2	15.4	10.3	7.3
			V_{AVG}	6.8	12.1	16.3	16.2	15.5	15.7	14.5	11.8	8.6	6.0
			V_{MIN}	4.3	8.7	13.8	9.2	6.0	9.0	12.4	8.4	7.1	4.7
			wtd avg	7.1	12.6	16.1	15.4	14.7	15.6	14.3	11.6	8.5	6.0

others are used repeatedly. Some but not all of the peak speeds for the given amount of seasoning were set during the maximum refinancing incentive period of 2006-2007. The importance of these factors is that this vector path is not only improbable but likely impossible. That is the very reason it serves as an excellent upper bound ("worst case") in analysis of the various WAM buckets.