



## SBA Pool Prepayment Rate Vector Analysis

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### Financial Strategies

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In 1985 the SBA's fiscal and transfer agent began maintaining a database containing the principal prepayment experience of all issued and outstanding SBA pools. To date, there has been approximately \$56 billion of SBA pools formed. Coastal has developed an analytical CPR model that utilizes this data, updated monthly, to calculate and analyze constant prepayment rates (CPRs) for this universe of SBA pools.

Coastal's CPR model, CSBA, is an integral component of a proprietary analytical engine, COASTALVIEW®, which produces CPR information identical to the CPR information produced by the BLOOMBERG™ CPR model. CSBA then uses this information to produce a more advanced vector analysis, which enables investors to analyze potential investments more thoroughly.

Many investors analyze SBA product by measuring their expected performance based on the historic life CPR for that particular maturity category of SBA pools. They may employ stress scenarios to calculate the impact if their individual portfolio of pools were to pay at some CPR speed either above or below the historic life basis. The use of a single CPR for the entire life of a pool is helpful but not, in our opinion, the most accurate way to analyze this product. Around 1999, Coastal's Financial Strategies Department developed a model to analyze historic CPRs on SBA pools utilizing a vector time line. This model calculates the speed at which the universe of pools being measured has historically performed during any given period of time during their life. After calculating the yield using the historic vector method, we back into a single CPR that would project the same yield. This is the **CSBA Vector Equivalent CPR**.

The table on the attached page demonstrates yield (BEY) on a generic pool with a specific coupon (Prime - 0.175%) and maturity (21+ year) using the single CPR method and the historic vector method for all pools within that WAM category.

The resulting yield calculated utilizing the historic vector method (all pools) increased by 27.2 basis points over the example using the single life CPR method. Vector analysis offers investors a more sophisticated methodology to calculate potential yield opportunities on SBA pools than traditional single life CPR methodology and currently indicates an increased yield over historic expectations. Please contact your Coastal Securities representative or our Financial Strategies Department for further information regarding CPR speeds or vectoring.

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Prime Rate = 3.25%	Settlement: 3/25/2010 Delay Days: 84
3 Mo LIBOR = .2949%	
<b>CSBA Vector Analysis</b>	
<b>Uncapped SBA Pools &gt;21-Year WAM</b>	
	<b>P -0.175%</b>
<b>Year of Existence</b>	<b>25-Year Pools &gt;21-Year WAM</b>
Year 1	5.90%
Year 2	12.90%
Year 3	18.00%
Year 4	19.60%
Year 5	19.20%
Year 6	18.20%
Year 7	18.10%
Year 8	17.50%
Year 9	18.00%
Year 10	16.30%
Year 11	15.30%
Year 12	13.80%
Year 13	12.00%
Year 14	12.30%
Year 15	10.50%
Year 16	9.50%
Year 17	6.30%
Year 18	5.30%
Year 19	4.20%
Year 20	1.30%
Year 21	1.30%
Remainder	0.30%
<b>Maturity in Months*</b>	<b>300</b>
Coupon	-0.175%
Assumed Coupon	3.075%
Offer Price for BEYs	107.250
<b>Coastal Equivalent Vector CPR Rate</b>	<b>14.46%</b>
<b>Coastal Vector Yield</b>	<b>1.501%</b>
Spread to Prime	-175
Spread to 3MLIBOR	121
<b>Bloomberg Life CPR Rate</b>	<b>18.00%</b>
<b>Bloomberg Life CPR Yield</b>	<b>1.229%</b>
Spread to Prime	-202
Spread to 3MLIBOR	93

\* Used in calculating yields