



Term Asset Backed Securities Lending Facility

March 3, 2009

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

The asset backed securities (ABS) market has been a major source of funding for consumer credit and small business lending in the United States. Weakness in the ABS markets impacts the availability of consumer and small business credit which impacts the economy as a whole.

One of the criticisms leveled at the Treasury Department's Troubled Asset Relief Program (TARP) plan is that recapitalizing banks has not led to an increase in lending. In fact, ten of the 13 largest recipients of TARP funds reported that outstanding loan balances had declined by about \$46 billion, or 1.4%, between the third and fourth quarters of 2008, according to the Wall Street Journal. In order to address this concern and incent banks to increase lending to small businesses and consumers again, the Treasury Department has announced the Term Asset-Backed Securities Loan Facility (TALF). Under the TALF program, the Federal Reserve Bank of New York (FRBNY) will lend up to \$200 billion on a non-recourse basis to holders of certain AAA-rated asset backed securities (ABS), backed by newly and recently originated student loans, auto loans, credit card loans and loans guaranteed by the Small Business Administration (SBA pools).

The specifics of the TALF are as follows: the initial TALF subscription date will be Tuesday, March 17, 2009 and the loan settlement date will be Wednesday, March 25, 2009. Going forward, monthly subscriptions will be scheduled on the first Tuesday of every month. Any U.S. company or U.S. branch or agency of a foreign bank that owns eligible collateral and maintains an account with a primary dealer can apply to the FRBNY for three-year TALF loans in exchange for collateral and loan fees. The FRBNY will lend an amount equal to the market value of the ABS less a haircut and will be secured at all times by the ABS. The U.S. Treasury department will provide \$20 billion of credit protection to the Federal Reserve in connection with the TALF. The minimum loan size is \$10 million, the loans are Non Recourse, and in the event of default FRBNY will sell the pledged collateral to a special purpose vehicle established to handle these assets. The facility will cease making new TALF loans on December 31, 2009 unless extended by the Federal Reserve Board of Governors.

Eligible collateral includes:

- U.S. dollar denominated AAA-rated (from two or more nationally recognized statistical rating organizations) ABS securities issued on or after January 1, 2009.
- Small Business Administration (SBA) loan-backed ABS securities with principal and interest guaranteed by the full faith and credit of the U.S. government.
- Acceptable credit exposures comprising the ABS securities include auto loans, student loans, credit card receivables or SBA loans. The underlying exposures must not be other ABS securities.
- Origination deadlines for underlying collateral:
 - Auto loans: on or after 10/1/07
 - SBA guaranteed pools: on or after 1/1/08
 - Student loan disbursements: on or after 5/1/07
 - No limit on credit card ABS
- Eligible credit card ABS must be issued to refinance existing credit card debt maturing in 2009 and must be issued in amounts no greater than the amount of the maturing ABS.
- Eligible ABS must be cleared through the Depository Trust Company (“DTC”).

What information must the issuer and sponsor include in the prospectus or other offering document of an ABS in order to represent that the ABS is eligible collateral for a TALF loan?

In addition to information required by applicable laws, the issuer and sponsor must ensure that the information included in a prospectus or other offering document of an ABS they represent as eligible collateral under the TALF includes a signed certification indicating, among other items, that (a) the ABS is TALF eligible, (b) an accounting firm retained by the sponsor has provided an accountant’s report, in a form acceptable to the FRBNY, that the ABS is TALF eligible, and (c) the sponsor (or, if the sponsor is a special purpose vehicle, the sponsor’s direct or indirect ultimate parent) has executed and delivered an undertaking to the FRBNY indemnifying it from any losses it may suffer if such certifications are untrue. Such Indemnity Undertaking shall be delivered to the FRBNY no later than four days prior to the TALF loan settlement date. Borrowers can locate the certification form online at: http://www.ny.frb.org/markets/Form_Certification_TALF_Eligibility.pdf

Eligible borrowers:

- All U.S. persons that own eligible collateral.
- A business entity that is organized under the laws of the United States or a political subdivision or territory thereof (including such an entity that has a non-U.S. parent company).
- A U.S. branch or agency of a foreign bank that maintains reserves with the Federal Reserve Bank.
- An investment fund that is U.S. organized and managed by an investment manager that has its principal place of business in the United States.

Note that a TALF borrower may not use ABS collateral that is securitized by or backed by loans originated by said borrower or an affiliate of said borrower. Each borrower must use a primary dealer, which will act as agent for the

borrower, to access TALF funds and deliver eligible collateral to a clearing bank.

Transaction Structure:

TALF credit extensions are secured by eligible collateral. The loans are non-recourse with interest paid monthly over a three year term. The loans are not subject to mark-to-market or re-margining requirements. There is no prepayment penalty on TALF loans, and collateral is generally not substitutable.

What happens if a borrower does not repay its loan?

In lieu of repaying the outstanding principal or interest on a TALF loan, a borrower may surrender the collateral to the FRBNY by delivering a Collateral Surrender and Acceptance Notice with respect to the TALF loan. If a borrower fails to deliver the Collateral Surrender and Acceptance Notice by the maturity date, the FRBNY may exercise recourse rights against the borrower and require it to repay the TALF loan.

Haircuts:

Sector	Subsector	ABS Average Life (Yrs)						
		0-1	1-2	2-3	3-4	4-5	5-6	6-7
Auto	Prime retail lease	10%	11%	12%	13%	14%		
Auto	Prime retail loan	6%	7%	8%	9%	10%		
Auto	Subprime retail loan	9%	10%	11%	12%	13%		
Auto	Floorplan	12%	13%	14%	15%	16%		
Auto	RV/Motorcycle	7%	8%	9%	10%	11%		
Credit Card	Prime	5%	5%	6%	7%	8%		
Credit Card	Subprime	6%	7%	8%	9%	10%		
Student Loan	Private	8%	9%	10%	11%	12%	13%	14%
Student Loan	Govt Guaranteed	5%	5%	5%	6%	7%	6%	6%
Small Business	SBA Loans	5%	5%	5%	5%	5%	6%	6%

Non-government guaranteed ABS with expected lives of greater than five years will have haircuts that increase by one percent for each additional year of average life. However, ABS with a “substantial government guarantee” and average lives beyond five years will have haircuts that increase one percentage point for every *two* years of additional average life beyond five.

Bullet ABS with a stated principal payment date use that date to determine average life. In the case of amortizing ABS, average life is defined as the weighted average life to maturity based on the prepayment assumptions and market conventions listed below.

Sector	Subsector	Prepayment Assumption
Auto	Prime retail lease	75% of prepayment curve
Auto	Prime retail loan	1.3% ABS
Auto	Subprime retail loan	1.5% ABS
Auto	Motorcycle	1.5% ABS
Auto	RV	18% CPR
Student Loan	Private	4% CPR
Student Loan	FFELP	6% CPR
Student Loan	Consolidation	50% of CLR curve
Small Business	SBA 7(a)	14% CPR
Small Business	SBA 504	5% CPR

CPR (Constant Prepayment Rate) represents the proportion of the principal of a pool of loans that is assumed to be paid off prematurely in each period.

In the chart above, ABS (Absolute Prepayment Speed) represents the percentage of the original number of loans that prepay during a given period.

Pricing and Allocation:

The interest rate on TALF loans is fixed or floating at the borrower’s option. The following chart details the interest rate structure of TALF loans for various collateral.

Sector	Subsector	Fixed	Floating
Auto		3 yr LIBOR swap rate + 100 bps	1 mo LIBOR + 100 bps
Credit Card		3 yr LIBOR swap rate + 100 bps	1 mo LIBOR + 100 bps
Student Loan	Private	N/A	1 mo LIBOR + 100 bps
Student Loan	Gov’t Guaranteed	N/A	1 mo LIBOR + 50 bps
Small Business	SBA Loans 7(a)	N/A	Fed Funds Target Rate + 75 bps
Small Business	SBA Loans 504	3 yr LIBOR swap rate + 50 bps	N/A

The Federal Reserve will periodically review and, if appropriate, adjust the TALF interest rate spread and haircuts for new loans, consistent with the policy objectives of the TALF.

On each monthly subscription date, borrowers can apply for an unlimited number of TALF loans. Loan proceeds will be disbursed upon approval and receipt of eligible collateral by the FRBNY. On each loan’s settlement date, the borrower must pay to the FRBNY’s settlement account an administrative fee equal to 5 basis points of the loan amount, which will cover the FRBNY’s fees associated with the facility.

For details on how your institution may be able to profit by purchasing SBA pools and borrowing through the TALF program contact your Coastal sales representative, Greg Putman at (713) 435-4385 or Craig Cline at (713) 435-4413.

This information is for informational purposes only and is not intended as an offer to sell or a solicitation of an offer to buy any security. It merely provides information and/or alternatives CS, Inc. believes is appropriate for your consideration. Although this information has been obtained from sources CS, Inc. believes to be reliable (some of which are third party services), CS, Inc. does not guarantee that it is accurate or complete, and it should not be relied upon as such. All assumptions, opinions and estimates constitute CS, Inc.’s judgment as of this date and, along with prices and yields, are subject to change without notice. Due to the dynamic nature of the market, users of this information (especially when related to market indications or valuations) are cautioned that, while every reasonable effort has been made to provide accurate information, such accuracy is not guaranteed by CS, Inc. and users should make whatever additional determinations of market value they deem appropriate. The yield and/or average life shown on loans, SBA pools, CMOs or mortgage-backed securities consider prepayment assumptions that may or may not be met. Changes in prepayments may significantly affect yield and/or average life.