SBA Guaranteed Loan Pool Securities

DESCRIPTION: SBA pools are modified pass-through securities that are assembled using the guaranteed portions of SBA 7(a) loans under the authorities granted to the Small Business Administration by the U.S. Congress through the Secondary Market Improvements Act of 1984.

SBA POOLS FEATURE A UNIQUE COMBINATION OF FAVORABLE CHARACTERISTICS:

- **High Credit Quality:** SBA pools are unconditionally guaranteed as to timely P&I payments by the full faith and credit of the U.S. Government.
- **Low Risk-Weighting:** SBA pools qualify as 0% risk-weighted assets.
- **Rate Sensitivity:** Variable rate SBA pool coupons adjust at least quarterly and are not subject to periodic or lifetime interest rate caps.
- **Liquidity:** SBA pools are actively traded in the secondary market, offering pool investors liquidity. Investors wishing to sell SBA pools are able to secure a number of competitive bids and may sell their SBA pools in a timely and efficient manner. From 2004 to 2008, the market produced between $2.9 billion to $4.1 billion of new SBA pools on an annual basis.
- **Marketability:** SBA pool coupons reset frequently (monthly or quarterly) to the prime rate index unhindered by rate caps. This feature ensures coupons are reflective of the prevailing interest rate environment at the time of adjustment.
- **Modeled on Bloomberg:** SBA pools are modeled on Bloomberg, where users find regularly updated descriptions, performance data, yield calculators and ticket writing capabilities. Each SBA pool is identifiable by a unique, six-digit pool number and by a CUSIP number.
- **Historic Prepayment Data:** Also on Bloomberg, investors can see a 19-page report (updated monthly when factors are issued) summarizing the prepayment performance of all SBA pools issued over the past 10-years. The report offers a comprehensive look at SBA loan prepayment tendencies and provides a valuable tool for analyzing SBA pool investments. To access the report, users simply input PSBA <Go> into their Bloomberg terminals.
- **Pledgeability:** SBA pools are generally pledgeable as collateral for public funds, Federal Reserve and federal home loan bank advances, and treasury, tax and loan accounts. Since regulatory treatment may vary, please check with your regulators for specifics.
- **DTC (Depository Trust Co.):** All SBA pools are in DTC eligible form. DTC form constitutes “good-delivery” in the SBA market. All transfers, settlements and monthly principal & interest payments are handled via DTC.
- **Floating Spreads:** Prime rate has historically demonstrated a correlation to short-term rates, such as Libor, T-bills and the fed funds rate. Investors have historically sought to earn attractive, floating spreads over their cost of funds through their SBA pool investments.

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