

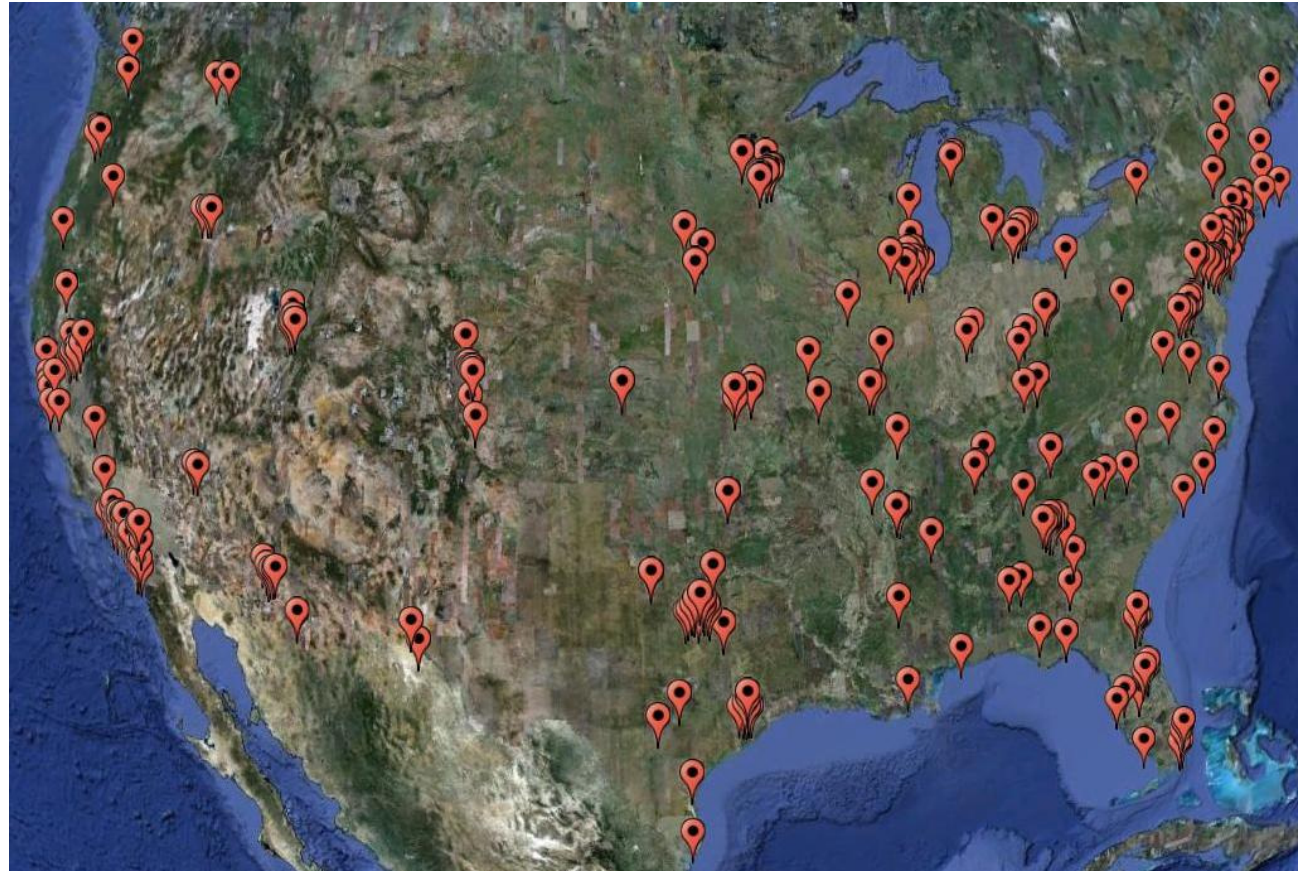


SBA's 504 1st Lien Guarantee Program and The Opportunity for Banks

June 2, 2010



BoeFly - Revolutionizing how deals get done



A map of our audience...

Panelists

- David Barnes, Brendan Rodrigues – Morgan Keegan & Co.
- Jordan Blanchard - CDC Direct Capital
- Matt Hunt - Zions Bank
- Chris LaPorte - Coastal Securities
- Mike Rozman - BoeFly

Agenda

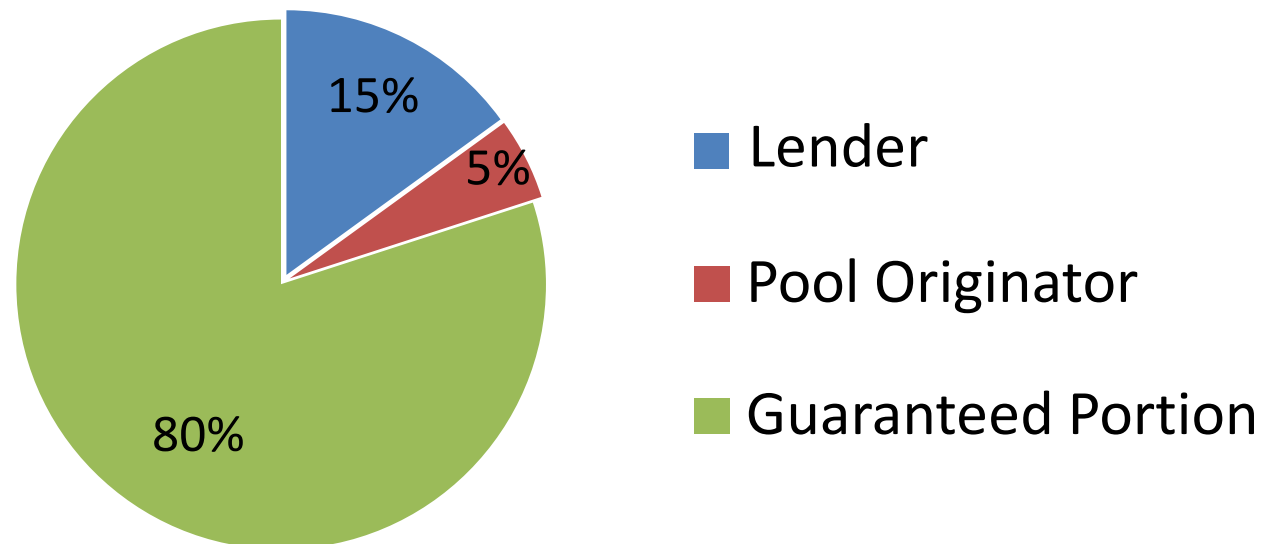
- Key program rules and structure
- 3 liquidity options
 - Selling 85%
 - Become a pool originator and sell 80%
 - Selling 100%
- Questions and Answers

Overview

- Pre-credit crisis a healthy secondary market for 504 1st liens provided banks liquidity and with it more lending and economic growth
- The secondary market halted in the crisis
- Sec 503 of the *American Recovery and Reinvestment Act* mandated SBA to assist by guaranteeing pools
- We'll review SBA rules, market views and a practical 'how to guide'

Key program rules: structure

- Loan Originator (*Lender*) must hold at least **15%** of loan (*unguaranteed*)
- *Pool Originator (can be lender)* keeps **5%** of loan (*unguaranteed*)
- Remaining **80%** of loan value pooled (*guaranteed*)



Key program rules

- SBA Guarantee is set once pool is created
- Guaranteed pool structure:
 - Must have at least 2 eligible loans
 - Interest rate: Weighted Avg. of loans in the Pool
 - Maturity: Equal to the Pool Loan with the longest remaining term
 - Pure pass through...“what comes in, is what goes out”
- Prepay penalty passes to lender/investor, not SBA
- Lender must retain at least 50 bps in servicing
- Program expires February 2011

Key program rules – loan eligibility

- To be poolable, loans must:
 - Have a face of > \$50,000 AND fully disbursed
 - Be associated with a CDC 504 loan
 - The debenture funding the 504 has been sold on or after 2/17/2009
 - Be current 6 months before pooling or loan's life
 - Not be in certain industries (gambling, etc)

Poll Question 1

How many eligible loans do you have?

3 Options for liquidity

1. **15% - 5% - 80% Option**

Lender holds 15%, Pooler holds 5%, Pool holds 80%

2. **20% - 80% Option**

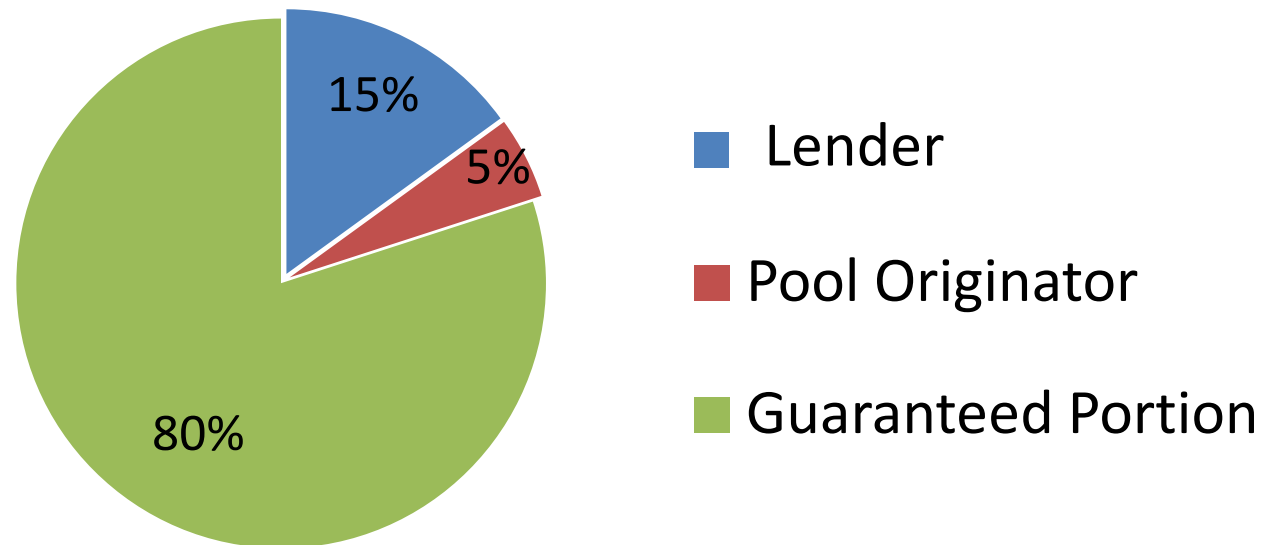
Lender holds 20% and is the Pooler, Pool holds 80%

3. **Whole loan sale**

Pre-credit crisis activity of lender selling 100%

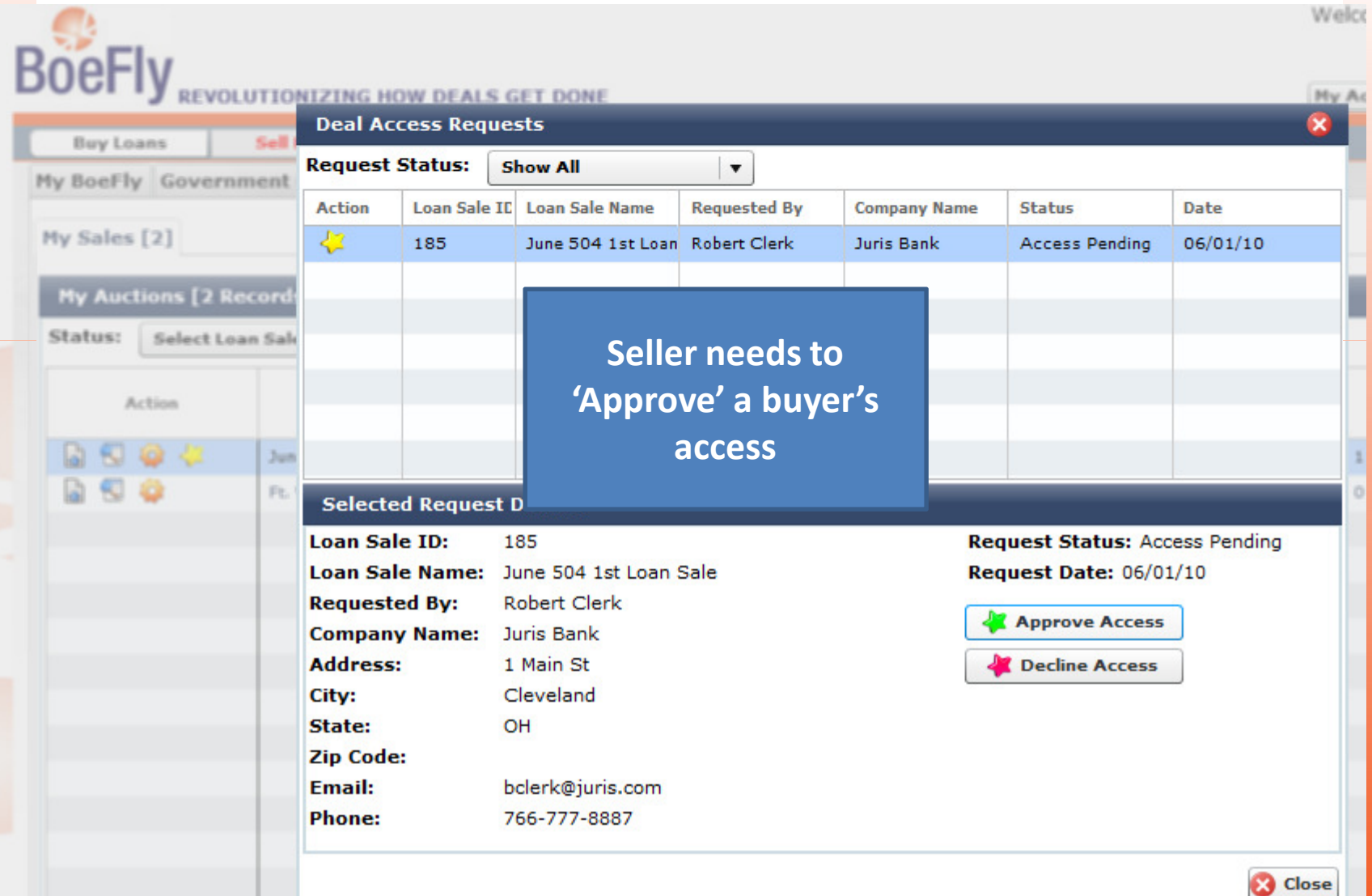
15% - 5% - 80% Option

- Loan Originator (*Lender*) must hold at least **15%** of loan (*unguaranteed*)
- *Pool Originator* keeps **5%** of loan (*unguaranteed*)
- Pool holds up to **80%** of loan value (*guaranteed*)



Workflow

1. Lender posts for sale closed 504 1st on *BoeFly* with supporting documents ('loan tape', appraisal info, credit info)
2. Poolers Originators submit bids on 85% of the loan value
3. Lender selects the winner no different than a guaranteed sale
4. Lender settles and services the loans



The screenshot shows the BoeFly web application interface. A modal window titled "Deal Access Requests" is open, displaying a table of requests. A blue callout box is overlaid on the table, stating "Seller needs to 'Approve' a buyer's access". Below the table, the details for the selected request are shown, including fields for Loan Sale ID, Name, Requested By, Company Name, Address, City, State, Zip Code, Email, and Phone. There are two buttons: "Approve Access" (with a green star icon) and "Decline Access" (with a red star icon). A "Close" button is at the bottom right of the modal.

Deal Access Requests

Request Status: **Show All**

Action	Loan Sale ID	Loan Sale Name	Requested By	Company Name	Status	Date
	185	June 504 1st Loan	Robert Clerk	Juris Bank	Access Pending	06/01/10

Selected Request Details:

- Loan Sale ID:** 185
- Loan Sale Name:** June 504 1st Loan Sale
- Requested By:** Robert Clerk
- Company Name:** Juris Bank
- Address:** 1 Main St
- City:** Cleveland
- State:** OH
- Zip Code:**
- Email:** bclerk@juris.com
- Phone:** 766-777-8887

Request Status: Access Pending
Request Date: 06/01/10



Liquidity Option:
15% / 5% / 80%



Buy Loans | Make a Loan | Get a Loan

My BoeFly | Government Guaranteed Loans | Loans / Loan Portfolios

Browse [51] Deal ID: 185

Deal Summary	
Loan Sale Name:	June 504 1st Loan Sale
Loan Sale ID:	185
Number of Loans:	5
Participations Considered:	No
Performing/Non-performing:	Performing
Total Balance Information	
Original Loan Amount:	\$3,680,000
Principal Remaining:	\$3,589,000
Unpaid Principal Balance:	\$0
Loan Summary Information	
Lowest Rate:	7.250 %
Highest Rate:	7.250 %
Any Prepayment Penalties:	Yes
Any Defaults:	No
Rate Types:	
Fixed with Balloon	
Fixed to Variable	
Loan Types:	
Commercial Real Estate	
Seller Information	
Supporting Documents [3]	

Boefly Service Network

Take advantage of BoeFly's Services Network on this deal or any others. To start your cat below.

Boefly Service Network Search

Buyer sees important information about the loan sale



Liquidity Option:
15% / 5% / 80%



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Browse [51]

Deal ID: 185

Deal Summary

Seller Information

Company Name: Community First Union
Full Name: Debra Dante
Title:
Address: 4 Art Drive
Address 1:
City: Miami
State: FL
Zip Code: 48879
E-mail Address: d@comm.com
Phone: 470-555-8800 Ext:
Fax:

Boefly Service Network

Take advantage of BoeFly's Services Network to find a professional on this deal or any others. To start your category-specific search below.

Boefly Service Network Search

Seller and Buyer see each others' contact info

Supporting Documents [3]



Liquidity Option:
15% / 5% / 80%



Buy Loans | Make a Loan | Get a Loan

My BoeFly | Government Guaranteed Loans | Loans / Loan Portfolios

Browse [51] | Deal ID: 185

Deal Summary

Seller Information

Supporting Documents [3]

Action	Document Type	Short Description	Date
	Appraisal(s)	Appraisal and credit	06/01/10
	Credit write-up	credit history	06/01/10
	Loan tape	Loan Tape	06/01/10

Selected File Details

Document Type: Appraisal(s)
Short Description: Appraisal and credit info
File Name: Community First - appraisal and credit inf
File Type: xls
File Size: 30208 KB
Uploaded: 06/01/10 4:36 PM

BoeFly Service Network

Take advantage of BoeFly's Services Network to find a prof on this deal or any others. To start your category-specific below.

BoeFly Service Network Search

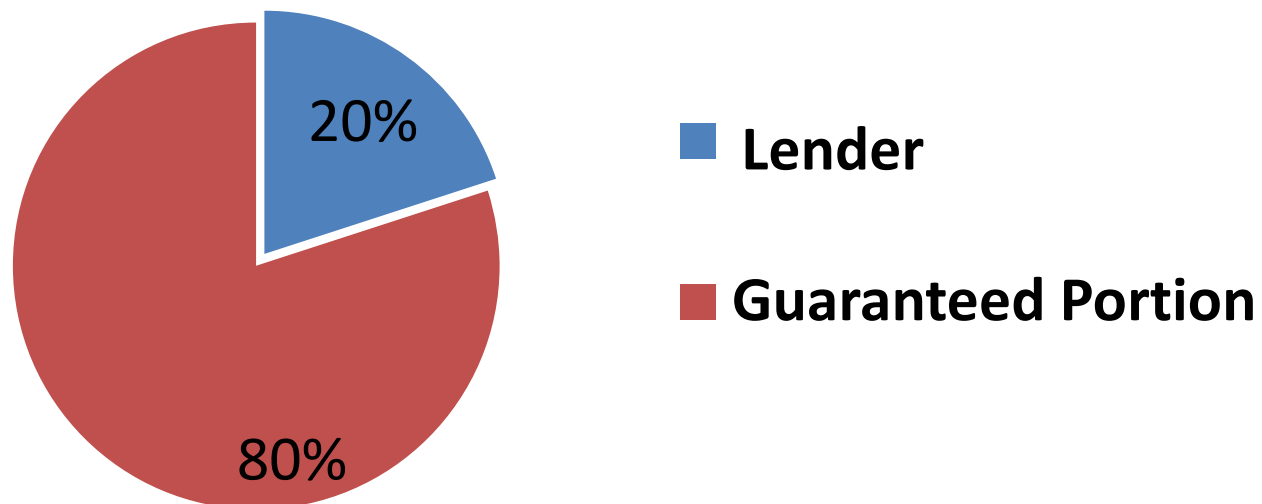
Seller can share supporting docs once; to be seen by all approved buyers

Buy-Side interest

- SBA pool assemblers are not well suited to hold 5% risk portion
- One very large, national bank expects to play a serious role as a pool originator
- Other national and regional banks, and start-up's, are evaluating a role
- Jordan Blanchard of CDC Direct Capital will address buy-side interest in detail...

20% - 80% Option

- *Loan Originator (Lender)* keeps **20%** of loan (*unguaranteed*) and *is* the *Pool Originator*
- This is consistent with the SBA rules



Workflow

1. Lender obtains a Pool Originators designation from SBA (form 2404)
2. Have 2 or more eligible loans in your portfolio
3. List un-pooled loans on *BoeFly*
4. Buyers submit bids on '*as-if-pooled*' basis
5. Select winner, formally construct the pool
6. Settle the sale service the loans

Getting Started

- Identify the loans you intend to sell
- If structuring new loans, create similarly structured loans:
 - Same rate structure (ie: all 5 year fixed, then reset once to Prime + 2%)
 - Same prepayment penalty (ie: 10, 9, 8...)
 - Unlike 7a, investor earns pre-pay penalty raising value
 - Same amortization/payment (ie: 25 yr am, 10 yr balloon)

Poll Question 2

Are you considering becoming a pooler?

Buy-side interest

- Once a bank is designated as a pooler, they can sell their loans as pools
 - *And be a buyer of other bank's 85% portions*
- SBA pool assemblers *are* well suited to make a market in full-faith and credit pools
- Let's hear from Chris from Coastal and David and Brendan from Morgan Keegan...

Whole loan sale: 100% Option

- Prior to the crisis multiple players purchased 100% of the 504 1st
- Zions, Community South, Temecula, Bank of the West had active wholesale groups
- As of now, Zions is the leading wholesale buyer openly buying
- Let's hear from them direct...Matt...

Summary - 3 Options for liquidity

1. **15% - 5% - 80% Option**

Lender holds 15%, Pooler holds 5%, Pool holds 80%

2. **20% - 80% Option**

Lender holds 20% and is the Pooler, Pool holds 80%

3. **Whole loan sale**

Pre-credit crisis activity of lender selling 100%

Poll Question 3

Which liquidity option are you considering?

Panelist Contact Information

Enter Questions in the Chat Box

BoeFly – Member Benefits

Your Benefits as a Member

- Sell all asset types
 - 504 1st under all options
 - SBA guarantees
 - Conventional performing
 - Conventional non-performing
- Seamless settlements
- Find business borrowers in your footprint
- Find professional service providers
- Unparalleled market information

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