

DATE All Data is ‘As-Of’ at SBA -- All of the data used in the Lender Portal is as of the quarter-end indicated. (Note that the balances and loan statuses being used are those reported in SBA’s Loan Accounting System which reflect 7(a) or 504 lender reported information from one month earlier).

PORTFOLIO (7(a) or 504 Program) -- Identifies if the SBA guaranteed portfolio described below is either 7(a) or 504.

Lender FIRS ID Number -- Each lender is identified by its FIRS number as included in SBA’s Partner Information Management System (PIMS). For 504 lenders or CDCs there is only one corresponding FIRS number in PIMS. All 7(a) lender loan data is rolled-up to the Main Bank level (level two FIRS, the legally authorized lending entity) in the Lender Portal.

Lender Name -- The current (or surviving entity of a merger or sale) 7(a) lender name or 504 Certified Development Company (CDC) name, on SBA’s Loan Account System at quarter end, that corresponds to Main Bank Lender FIRS ID Number.

Number of SBA Loans Outstanding -- To be considered outstanding, a loan must have an outstanding status, an outstanding balance, and must not have been purchased by SBA. Note that for both 7(a) and 504 lenders, the Number of SBA Loans Outstanding includes loans the lender approved, AND loans the lender did not approve but is now servicing.

Gross Dollars Outstanding -- The overall dollar amount corresponding to the Number of SBA Loans Outstanding.

SBA Share Dollars Outstanding -- The SBA Guaranteed portion (share) of the Gross Dollars Outstanding above.

Lender PEER GROUP -- The following peer groups are used to compare a lender’s performance and are based on SBA Share Dollars Outstanding. (The 7(a) Inactive Peer Group is for lenders with a small sized portfolio who have not disbursed a loan in the previous 12 months.)

Six 7(a) Peer Groups

\$100.0MM+
\$010.0MM-\$099.9MM
\$004.0MM-\$009.9MM
\$001.0MM-\$003.9MM
\$000.0MM-<000.9MM B: ACTIVE
\$000.0MM-<000.9MM A: INACTIVE

Five 504 Peer Groups

\$100.0MM+
\$030.0MM-\$099.9MM
\$010.0MM-\$029.9MM
\$005.0MM-\$009.9MM
\$000.0MM-004.9MM

SBA LENDER RISK RATING -- SBA's assessment of a lender's potential risk to SBA based on quantitative and qualitative factors. The components of the risk rating are described below. Ratings are 1 through 5; with 1 representing the lowest risk and 5 representing the highest risk.

RATING COMPONENTS

Past 12 Month Actual Purchase Rate (7(a) and 504) -- Calculated using a numerator of total gross dollars purchased during the past 12 months; and a denominator of total gross dollars outstanding plus gross dollars purchased during the past 12 months. (Gross dollars purchased in the past 12 months are added to the denominator, as they are not included in the outstanding figure.) **NOTE: This is a risk ratio, but can not be directly compared to the Projected Purchase Rate. The denominators of the two ratios are not the same.**

Problem Loan Rate (7(a) and 504) -- Calculated using a numerator of total gross dollars of loans 90 days or more delinquent plus gross dollars in liquidation. The denominator is total gross dollars outstanding. Note that for 504 only, all loans in liquidation (loan status of Liquidation or Purchase Pending) must be added back into the denominator, as they are not included in the outstanding.

3 Month Change in SBPS Scores (7(a) only) -- The percentage change in the SBA Share Dollar weighted average of the Small Business Portfolio Score (SBPS) from the previous quarter to the current quarter. **(This component is only used in the 7(a) Lender Risk Rating, but the data is also provided for 504 portfolios for information purposes only.)**

Projected Purchase Rate (7(a) only) -- Calculated using a numerator of the sum of the SBA Share Dollars Outstanding of each individual loan multiplied by the probability of its purchase (as determined by the SBPS of the individual loan). The denominator is total SBA Share Dollars Outstanding. **(This component is only used in the 7(a) Lender Risk Rating, but the data is also provided for 504 portfolios for information purposes only.)**
NOTE: As of 9-30-2007, the validation process indicated that the difference in performance for various 7(a) and 504 delivery methods (PLP, Express, etc.) has become relevant to warrant assessment of the Projected Purchase Rate on a delivery method basis (i.e. PLP, SBAExpress). That means the PPR will vary not just by SBPS score but also by Delivery Method. This is a risk ratio, but can not be directly compared to the 12-Month Actual Purchase Rate. The denominators of the two ratios are not the same.

SBPS Score Average (504 only) -- The weighted (by SBA Share Dollars) average SBPS score for a lender's portfolio for the current quarter. **(This component is only used in the 504 Lender Risk Rating, but the data is also provided for 7(a) portfolios for information purposes only.)**

ADDITIONAL RATING FACTOR(S): -- In addition to the quantitative Rating Components, qualitative judgmental factors can also affect the overall SBA Lender Risk Rating. The Additional Rating Factor(s) will be listed here ONLY if they were considered in assigning this SBA Lender Risk Rating.

NOTE: SBA does an annual validation of the Lender Risk Ratings, SBPS score and Projected Purchase Rate to assess the performance of these metrics. Typically, the relevant coefficients are updated for the September data refresh cycle.

Additional Performance Ratios

[Not Rating Components]

Past 12 Month Actual Charge-Off Rate -- Calculated using a numerator of total gross dollars charged-off during the past 12 months. The denominator is total gross dollars outstanding plus gross dollars charged-off during the past 12 months.

Delinquency Rate -- Calculated using a numerator of total gross dollars 60 days or more delinquent. The denominator is total gross dollars outstanding.

Liquidation Rate -- Calculated using a numerator of total gross dollars in liquidation. The denominator is total gross dollars outstanding. Note that for 504 only, all loans in liquidation (loan status of Liquidation or Purchase Pending) must be added back into the denominator, as they are not included in the outstanding.

Past-Due Rate -- Calculated using a numerator of loans in Past-Due or Deferred status for 7(a), and 30 Days Past-Due, Deferred, or Catch-Up for 504. The denominator is total gross dollars outstanding.

SBPS Score Breakdown

[Not Rating Components]

Lower Risk - Scores of 200 or Higher for 7(a) (170 or Higher for 504). Percentage of the number of loans outstanding that have an SBPS score in the ranges indicated.

Moderate Risk - Scores of 160 through 199 for 7(a) (or scores of 140 through 169 for 504). Percentage of the number of loans outstanding that have an SBPS score in the ranges indicated.

Higher Risk - Scores of 159 or Below for 7(a) (or Scores of 139 or Below for 504). Percentage of the number of loans outstanding that have an SBPS score in the ranges indicated.

NOTE – Any significant difference between the sum of the three score groupings and 100% are loans that were not scored due to insufficient information available.

Net Flow Metrics

[Not Rating Components]

Fees – The sum of upfront and annual fees for all of the loans associated with a given lender for the current quarter.

Purchases – The sum of purchases for all of the loans associated with a given lender for the current quarter.

Recoveries – The sum of recoveries for all of the loans associated with a given lender for the current quarter.

Net Flow – The sum of fees, minus purchases plus recoveries for all of the loans associated with a given lender for the current quarter.

Cumulative Net Flow: -- Life-to-date net flow. Life-to-date is cumulative since disbursement.

Cumulative Net Yield (Cash Percentage) – Cumulative net flow divided by SBA Share dollars disbursed.

Validation Update – as of September 30, 2007

In order to ensure that SBA's Lender Risk Rating system continues to rate 7(a) lenders and Certified Development Companies with an optimal level of predictive power, SBA and its contracting team perform an annual validation to ensure the models continue to predict purchases over the succeeding twelve months and rank order risk. This process enables SBA to expand and enhance its analysis of the 7(a) and 504 guaranteed loan portfolios and the lenders it oversees. As a result of the 2007 validation, the Lender Risk Rating System was enhanced in two ways:

First, the validation process indicated that the difference in performance for various 7(a) and 504 delivery methods (PLP, Express, etc.) has become relevant enough to warrant assessment of the Projected Purchase Rate on a delivery method basis (i.e., PLP, SBAExpress). This will enable SBA to perform additional analysis at the loan and lender level, with even greater precision.

Second, there was a refinement of the scaling of the 7(a) and 504 Lender Risk Ratings to set the risk ratings around natural breaks corresponding to the benchmark validation purchase rate values in the scoring model results, instead of segmentation based upon pre-defined rating populations.

Differences Between the Projected and Actual Purchase Rates

Some confusion has arisen regarding comparisons between the Projected Purchase Rate and the 12 Month Purchase Rate. In short, since the Projected Purchase Rate of loans in the 7(a) portfolio was different from the actual purchase rate 12 months later, it has been assumed that the PPR was not very predictive of actual future purchases. However, this presumption is based upon a misunderstanding of the two figures. **In actuality, the PPR is actually very predictive of future purchases.**

The PPR is a projection of the next 12 month actual purchase rate for loans disbursed (“on the books”) and scored as of a specific point in time. So, for example, for the September 30, 2006 PPR rate projected purchases for the October 1, 2006-September 30, 2007 period based upon the outstanding SBA share of loans disbursed as of September 30, 2006. On the other hand, while the Actual 12 Month Purchase Rate as of September 30, 2007 measures the same 12 month period, it is based upon the outstanding SBA share of loans disbursed as of September 30, 2007, which was a much higher balance than the September 2006 outstanding SBA share.

ADDITIONAL RATING FACTORS:

Cumulative Net Yield:

One of the requests that SBA received during its notice and comment period for the lender risk rating notice was to implement a loss, or recovery, calculation as a factor in the risk ratings. SBA believes that the most effective measure to include in the risk ratings relating to loan losses and recoveries is the Cumulative Net Yield, because it reflects each lender’s comparable relative effect on SBA’s financial position in the 7(a) and 504 loan programs. Therefore, effective with the December 31, 2007 quarter, SBA is implementing an override factor, based upon lenders’ Cumulative Net Yield, which may be used to upgrade or downgrade a lender’s Risk Rating under certain circumstances. Thus, if a lender’s SBA loan portfolio result in a Cumulative Net Yield that is significantly above or below that of other lenders in its peer group, and with a similar Risk Rating, that lender’s Risk Rating would also be adjusted.

Using this override, SBA can account for lenders with disproportionately high or low revenue to SBA (i.e., through higher upfront fees on large loans, or better than average recoveries on liquidated loans) or losses by SBA (i.e., through higher than average loan purchases or lower than expected liquidation recoveries). The Cumulative Net Yield field (included in the Lender Portal) captures cumulative cash purchases, fees, and recoveries, to give a true net loss figure, which as a percentage of disbursements is comparable to other lenders.

Lenders whose Cumulative Net Yield is more than three standard deviations above or below that of all similarly Rated Lenders in that Peer Group will have their Risk Rating overridden and adjusted up or down by one Risk Rating. However, this override will not be applied to any lender that has had an outstanding portfolio for less than two years or any lender that has experienced a rate of growth in the SBA share of their portfolio of more than 100% (over a two year period), as either of these factors may skew the Cumulative Net Yield. Finally, this factor is only being implemented for the three largest 7(a) and 504 Peer Groups, as the Cumulative Net Yield for lenders in the smaller Peer Groups may be skewed by low disbursements volume, or any loan purchases.

LOAN LEVEL FIELD DEFINITIONS

Lender ID -- also referred to as Lender FIRS Number. Each lender is identified by its FIRS number as included in SBA's Partner Information Management System (PIMS). For 504 lenders or CDCs there is only one corresponding FIRS number in PIMS. All 7(a) lender loan data is rolled-up to the Main Bank level (level two FIRS, the legally authorized lending entity) in the Lender Portal.

CDC/Bank Name -- also referred to as Lender Name. The current (or surviving entity of a merger or sale) 7(a) lender name or 504 Certified Development Company (CDC) name, on SBA's Loan Accounting System at the end of the current quarter end that corresponds to Main Bank Lender FIRS ID Number.

SBPS Score Range

The Small Business Portfolio Score (SBPS) is a credit score used by SBA to predict the likelihood of purchase at the loan level. These scores rank order loans based on the probability of purchase within a range between 0 – 300. As the scores increase for a given set of loans, the probability of purchase for those loans decreases. Loans with scores in a higher range can be considered to have less risk of purchase than those with scores in a lower range. The scores are validated quarterly against the 7(a) and 504 portfolios independently. All active loans in a Lender's portfolio that have sufficient information to be credit scored have been provided in score bands correlating to Low, Medium and High Risk scores, as defined below:

Lower Risk - Scores of 200 or Higher (170 or Higher for 504). Using the SBPS, the loan has scored at 180 or above for 7(a) loans and 170 or above for 504 loans for the current quarter and is considered to have a lower risk or probability of purchase

Moderate Risk - Scores of 160 through 199 for 7(a) (or scores of 140 through 169 for 504). Using the SBPS, the loan has scored between 140 and 179 for 7(a) between 130 and 169 for 504 for the current quarter and is considered to have a medium probability of purchase.

Higher Risk - Scores of 159 or Below for 7(a) (or Scores of 139 or Below for 504).

On the SBPS scale, the loan has scored at 139 or below for 7(a) and 129 or below for 504 for the current quarter and is considered to have a high risk or probability of purchase.

SBA As of Date -- All of the data used in the Lender Portal is as of the quarter-end indicated. Note that the balances and loan statuses being used are those reported in SBA's Loan Accounting System which reflect 7(a) or 504 lender-reported information from one month earlier).

Loan Number -- Each loan is identified by a unique loan number assigned by SBA.

Borrower -- Name of Borrower for each loan

Total Outstanding Balance -- The Gross Outstanding balance for each loan based on the 'SBA As of Date'