

Secondary Market Summit

U.S. Small Business Administration
Secondary Markets Division

December 5, 2017

Office of Capital Access



Presentation Topics

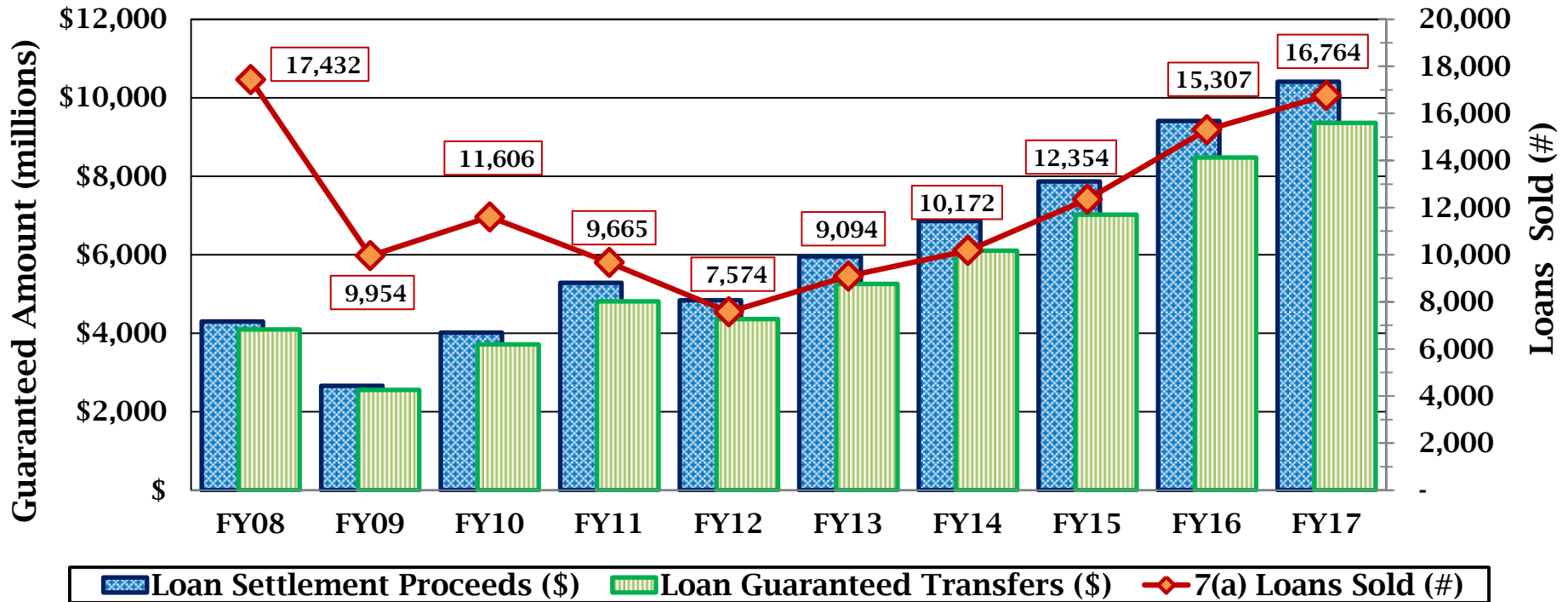
- **Year in Review – Fiscal Year 2017**
- **Secondary Market Guarantee Program Changes**
- **Resource Information**
- **Questions and Answers (Q&A)**

SBA 7(a) Secondary Market Activity, Trends and Changes

- **Historical Loan Sales Volume - Dollars, Units (Loans), Size of Market**
- **Distribution of Sales Premium - Table Matrix Heat Map (Dollars, Units)**
- **SBA Pool Sales - Standard Pools and Weighted Average Coupon Pools**
- **Prepayments and Guarantee Purchases - Voluntary Prepayments & Defaults**
- **Change in Pool Principal Repayment Methodology**
- **Change in Minimum Maturity Ratio Requirement**

SBA 7(a) Historical Loan Sales Volume – 10 Year Rolling

SBA 7(a) Historical Loan Sales Volume, FY Period Range 2008-2017



Fiscal Year 2017 - Ending balance as of 9/30/17 **\$33.004 billion**

- **\$10.404 billion** in settlement proceeds
- **\$9.361 billion** in loan guarantee transfers
- **16,764 loans sold**

*Fiscal Year periods represent data from October 1st through September 30th per annum.

SBA 7(a) - Distribution of Sales Premium, Dollars FY 2017

FISCAL YEAR 2017 (10/01/16 - 09/30/17)

SBA Secondary Market 7(a) Initial Sales (1086s) - Matrix Heat Map

Total Dollar Amount Range of 7(a) Loans per Premium Price (Px) Range as a Percentage of Par

Heat Map Exposure Legend	FISCAL YEAR 2017 (10/01/16 - 09/30/17)												
Weight Range ≥ 5.00%	SBA Secondary Market 7(a) Initial Sales (1086s) - Matrix Heat Map												
Weight Range = 3.00% - 4.99%	SBA Secondary Market 7(a) Initial Sales (1086s) - Matrix Heat Map												
Weight Range = 1.00% - 2.99%	SBA Secondary Market 7(a) Initial Sales (1086s) - Matrix Heat Map												
Weight Range = 0.01% - 0.99%	SBA Secondary Market 7(a) Initial Sales (1086s) - Matrix Heat Map												
Weight = 0.00%	SBA Secondary Market 7(a) Initial Sales (1086s) - Matrix Heat Map												
Premium Px Range as a Percentage of Par	\$1 - \$499k (Percentage in Dollar Amount)	\$500k - \$999k (Percentage in Dollar Amount)	\$1MM - \$1.49MM (Percentage in Dollar Amount)	\$1.5MM - \$1.99MM (Percentage in Dollar Amount)	\$2MM - \$2.49MM (Percentage in Dollar Amount)	\$2.5MM - \$2.99MM (Percentage in Dollar Amount)	\$3MM - \$3.49MM (Percentage in Dollar Amount)	\$3.5MM - \$3.99MM (Percentage in Dollar Amount)	\$4MM - \$4.49MM (Percentage in Dollar Amount)	≥ \$4.5MM (Percentage in Dollar Amount)	SBA Guaranteed Totals (\$)	SBA Guaranteed Totals (%)	Premium Px as a Percentage of Par
< 100	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	\$ -	0.00%	< 100
100 - 101	0.03%	0.05%	0.12%	0.00%	0.09%	0.00%	0.00%	0.08%	0.00%	0.00%	\$ 35,141,979	0.38%	100 - 101
101.1 - 102	0.06%	0.06%	0.02%	0.02%	0.05%	0.00%	0.07%	0.00%	0.00%	0.00%	\$ 25,457,557	0.27%	101.1 - 102
102.1 - 103	0.10%	0.13%	0.12%	0.06%	0.03%	0.11%	0.00%	0.08%	0.00%	0.00%	\$ 58,515,507	0.63%	102.1 - 103
103.1 - 104	0.11%	0.12%	0.17%	0.06%	0.07%	0.09%	0.03%	0.00%	0.00%	0.00%	\$ 61,536,767	0.66%	103.1 - 104
104.1 - 105	0.27%	0.32%	0.34%	0.42%	0.21%	0.06%	0.11%	0.12%	0.00%	0.00%	\$ 173,371,392	1.85%	104.1 - 105
105.1 - 106	0.39%	0.31%	0.30%	0.39%	0.28%	0.12%	0.17%	0.12%	0.00%	0.00%	\$ 195,412,239	2.09%	105.1 - 106
106.1 - 107	0.31%	0.42%	0.42%	0.44%	0.21%	0.26%	0.41%	0.40%	0.00%	0.05%	\$ 272,249,065	2.91%	106.1 - 107
107.1 - 108	0.60%	0.66%	0.53%	0.90%	0.77%	0.78%	0.41%	0.67%	0.04%	0.00%	\$ 502,903,091	5.37%	107.1 - 108
108.1 - 109	1.35%	1.22%	1.16%	1.11%	0.82%	0.62%	0.89%	0.90%	0.00%	0.00%	\$ 756,026,006	8.08%	108.1 - 109
109.1 - 110	2.38%	1.92%	1.61%	1.06%	1.43%	1.16%	0.97%	1.03%	0.00%	0.10%	\$ 1,090,882,127	11.65%	109.1 - 110
110.1 - 111	2.62%	2.32%	1.84%	1.73%	1.50%	1.17%	0.65%	0.91%	0.05%	0.00%	\$ 1,197,723,577	12.79%	110.1 - 111
111.1 - 112	2.74%	2.17%	1.84%	1.61%	1.22%	0.77%	0.63%	0.91%	0.00%	0.00%	\$ 1,113,985,165	11.90%	111.1 - 112
112.1 - 113	4.60%	2.39%	2.03%	1.69%	1.12%	0.66%	0.17%	0.31%	0.05%	0.05%	\$ 1,222,953,774	13.06%	112.1 - 113
113.1 - 114	5.24%	2.40%	1.75%	1.14%	0.50%	0.59%	0.24%	0.31%	0.04%	0.00%	\$ 1,144,396,759	12.22%	113.1 - 114
114.1 - 115	1.02%	1.35%	1.14%	0.76%	0.69%	0.43%	0.14%	0.08%	0.00%	0.00%	\$ 525,049,275	5.61%	114.1 - 115
115.1 - 116	0.63%	1.03%	1.00%	0.66%	0.26%	0.17%	0.07%	0.16%	0.00%	0.00%	\$ 371,651,467	3.97%	115.1 - 116
116.1 - 117	0.91%	1.58%	0.89%	0.43%	0.17%	0.06%	0.03%	0.00%	0.00%	0.00%	\$ 381,070,946	4.07%	116.1 - 117
117.1 - 118	0.46%	0.73%	0.52%	0.23%	0.09%	0.03%	0.00%	0.00%	0.00%	0.00%	\$ 193,425,117	2.07%	117.1 - 118
> 118	0.15%	0.19%	0.06%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	\$ 40,023,509	0.43%	> 118
SBA Guaranteed Totals	23.96%	19.38%	15.87%	12.72%	9.53%	7.10%	5.00%	6.08%	0.18%	0.19%	\$ 9,361,775,322	100.00%	

SBA 7(a) - Distribution of Sales Premium, Units FY 2017

FISCAL YEAR 2017 (10/01/16 - 09/30/17)

SBA Secondary Market 7(a) Initial Sales (1086s) - Matrix Heat Map

Total Number of Loans (Units) per Dollar Amount Range and Premium Price (Px) Range as a Percentage of Par

Heat Map Exposure Legend														
Weight Range ≥ 5.00%														
Weight Range = 3.00% - 4.99%														
Weight Range = 1.00% - 2.99%														
Weight Range = 0.01% - 0.99%														
Weight = 0.00%														
Premium Px Range as a Percentage of Par	\$1 - \$499k (Percentage in Number of Loans)	\$500k - \$999k (Percentage in Number of Loans)	\$1MM - \$1.49MM (Percentage in Number of Loans)	\$1.5MM - \$1.99MM (Percentage in Number of Loans)	\$2MM - \$2.49MM (Percentage in Number of Loans)	\$2.5MM - \$2.99MM (Percentage in Number of Loans)	\$3MM - \$3.49MM (Percentage in Number of Loans)	\$3.5MM - \$3.99MM (Percentage in Number of Loans)	\$4MM - \$4.49MM (Percentage in Number of Loans)	≥ \$4.5 MM (Percentage in Number of Loans)	Totals (#)	Totals (%)	Premium Px as a Percentage of Par	
< 100	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0	0.00%	< 100	
100 - 101	0.10%	0.04%	0.06%	0.00%	0.02%	0.00%	0.00%	0.01%	0.00%	0.00%	39	0.23%	100 - 101	
101.1 - 102	0.21%	0.04%	0.01%	0.01%	0.01%	0.00%	0.01%	0.00%	0.00%	0.00%	50	0.30%	101.1 - 102	
102.1 - 103	0.32%	0.11%	0.05%	0.02%	0.01%	0.02%	0.00%	0.01%	0.00%	0.00%	91	0.54%	102.1 - 103	
103.1 - 104	0.33%	0.10%	0.08%	0.02%	0.02%	0.02%	0.01%	0.00%	0.00%	0.00%	95	0.57%	103.1 - 104	
104.1 - 105	0.84%	0.26%	0.16%	0.14%	0.05%	0.01%	0.02%	0.02%	0.00%	0.00%	250	1.49%	104.1 - 105	
105.1 - 106	1.04%	0.24%	0.14%	0.13%	0.07%	0.02%	0.03%	0.02%	0.00%	0.00%	284	1.69%	105.1 - 106	
106.1 - 107	0.94%	0.31%	0.19%	0.14%	0.05%	0.05%	0.07%	0.06%	0.00%	0.01%	307	1.83%	106.1 - 107	
107.1 - 108	1.52%	0.51%	0.24%	0.29%	0.20%	0.16%	0.07%	0.10%	0.01%	0.00%	517	3.08%	107.1 - 108	
108.1 - 109	3.54%	0.95%	0.52%	0.35%	0.21%	0.13%	0.16%	0.14%	0.00%	0.00%	1,005	5.99%	108.1 - 109	
109.1 - 110	6.57%	1.52%	0.73%	0.35%	0.36%	0.24%	0.17%	0.16%	0.00%	0.01%	1,694	10.10%	109.1 - 110	
110.1 - 111	6.40%	1.84%	0.84%	0.57%	0.38%	0.24%	0.11%	0.14%	0.01%	0.00%	1,764	10.52%	110.1 - 111	
111.1 - 112	7.40%	1.69%	0.84%	0.52%	0.31%	0.16%	0.11%	0.14%	0.00%	0.00%	1,871	11.16%	111.1 - 112	
112.1 - 113	14.46%	1.88%	0.93%	0.54%	0.28%	0.14%	0.03%	0.05%	0.01%	0.01%	3,071	18.32%	112.1 - 113	
113.1 - 114	17.49%	1.91%	0.81%	0.37%	0.13%	0.12%	0.04%	0.05%	0.01%	0.00%	3,508	20.93%	113.1 - 114	
114.1 - 115	2.54%	1.03%	0.52%	0.24%	0.17%	0.09%	0.02%	0.01%	0.00%	0.00%	776	4.63%	114.1 - 115	
115.1 - 116	1.16%	0.81%	0.45%	0.21%	0.07%	0.04%	0.01%	0.02%	0.00%	0.00%	463	2.76%	115.1 - 116	
116.1 - 117	1.69%	1.23%	0.41%	0.14%	0.04%	0.01%	0.01%	0.00%	0.00%	0.00%	593	3.54%	116.1 - 117	
117.1 - 118	0.89%	0.57%	0.23%	0.08%	0.02%	0.01%	0.00%	0.00%	0.00%	0.00%	303	1.81%	117.1 - 118	
> 118	0.30%	0.16%	0.03%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	83	0.50%	> 118	
Total Units Sold (#)	67.76%	15.19%	7.25%	4.10%	2.40%	1.46%	0.86%	0.92%	0.02%	0.02%	16,764	100.00%		

SBA 7(a) Fiscal Year 2017 – Standard Pool and WAC Pool Sale Activity

➤ **FY 2017 Standard Pools Formed:** **199**

➤ **Original Principal Balance:** **\$4,477,025,568**

➤ **Trading Principal Balance:** **\$4,339,010,064**

➤ **FY 2017 Weighted Average Coupon (WAC) Pools Formed:** **128**

➤ **Original Principal Balance:** **\$4,824,149,243**

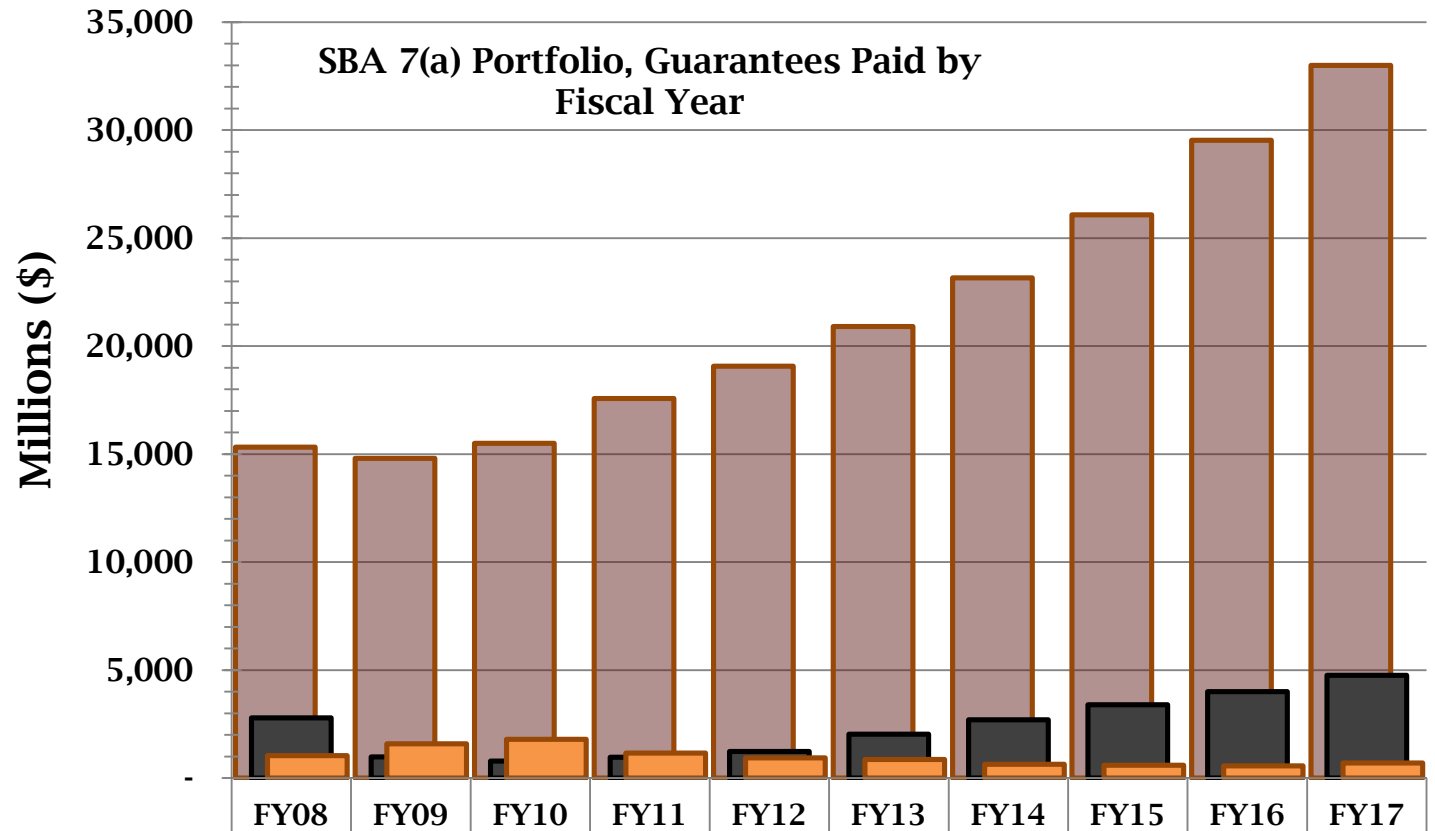
➤ **Trading Principal Balance:** **\$4,614,234,990**

Total Pools Formed: **327**

***Total Pool Amount in Dollars:** **\$9,301,174,811**

*Amount in dollars reflect original principal balance

Prepayments and Guarantee Purchases



7(a) End of Fiscal Year Balance (\$)	15,320	14,799	15,502	17,572	19,069	20,902	23,164	26,076	29,525	33,004
7(a) Prepayments (\$)	2,789	977	780	961	1,230	2,035	2,694	3,399	4,004	4,758
7(a) Defaults (\$)	1,032	1,581	1,792	1,163	937	866	633	590	570	701

*Fiscal Year periods represent data from October 1st through September 30th per annum.

Program Changes to Secondary Market

- Minimum Maturity Ratio
- Distribution of Prepayments

I. Increase in Minimum Maturity Ratio

- Federal Register Notice, July 19 2017
- Increase Ratio of Shortest-to-Longest Maturity to 94%
- Applies to Both Standard and WAC pools
- Supports Pooling Program Costs

II. Procedural Change in Prepaid Loan Distribution

- Procedural Change in Timing of Payment from Pool Loan Prepayments
- All Pools formed from Fiscal Year 2005 to the present
- Distribute retained principal across remaining loans in Pool



Federal Register Notice

- Issued October 16, 2017 (FR 82, Vol 198, p. 48144)
- Effective with pool payments of November 25, 2017.
- Distribution of retained principal dependent on:
 - ✓ Prepayment of any remaining loan
 - ✓ Level of retained principal in any one Pool



Basis for Procedural Change

Loan Prepayment

- Voluntary/Involuntary
- Full or Partial Principal Reduction

Amortization Excess

- Loan vs. Pool Amortization
- Additional Principal < 20 %

Retained Principal

- Paid when Pool is re-amortized
- Paid when Pool matures



Illustration 1

Loan Amortization $>$ Pool Amortization

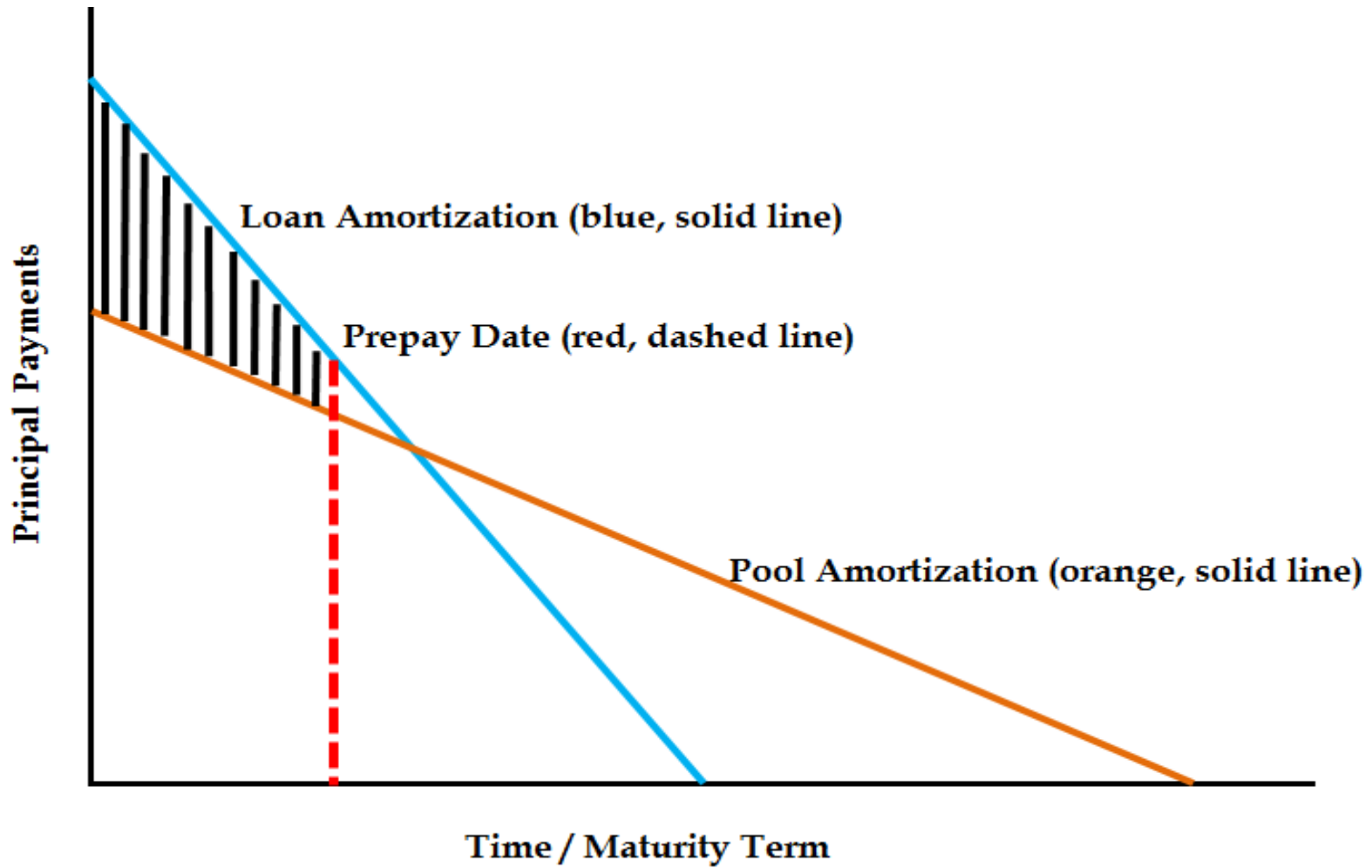
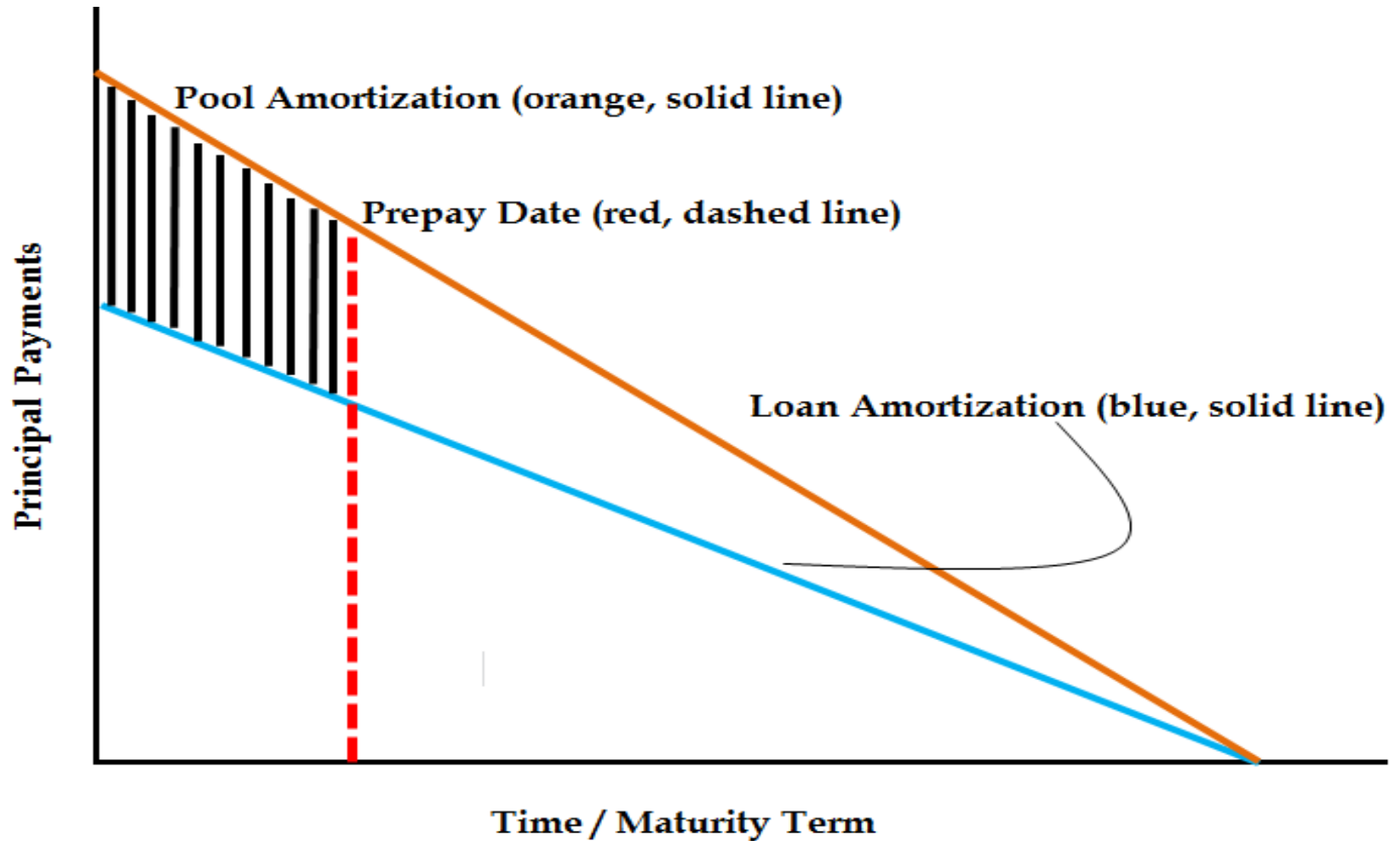


Illustration 2

Pool Amortization > Loan Amortization



Resource Information

Federal Register Notices

July 19, 2017 <https://www.gpo.gov/fdsys/pkg/FR-2017-07-19/pdf/2017-15180.pdf>

October 16, 2017 <https://www.gpo.gov/fdsys/pkg/FR-2017-10-16/pdf/2017-22466.pdf>

SBA Frequently Asked Questions (FAQs)

https://www.sba.gov/sites/default/files/SBA_FAQs_on_Secondary_Market_Reallocation_final_-_11.14.docx

Questions and Answers (Q&A)

