

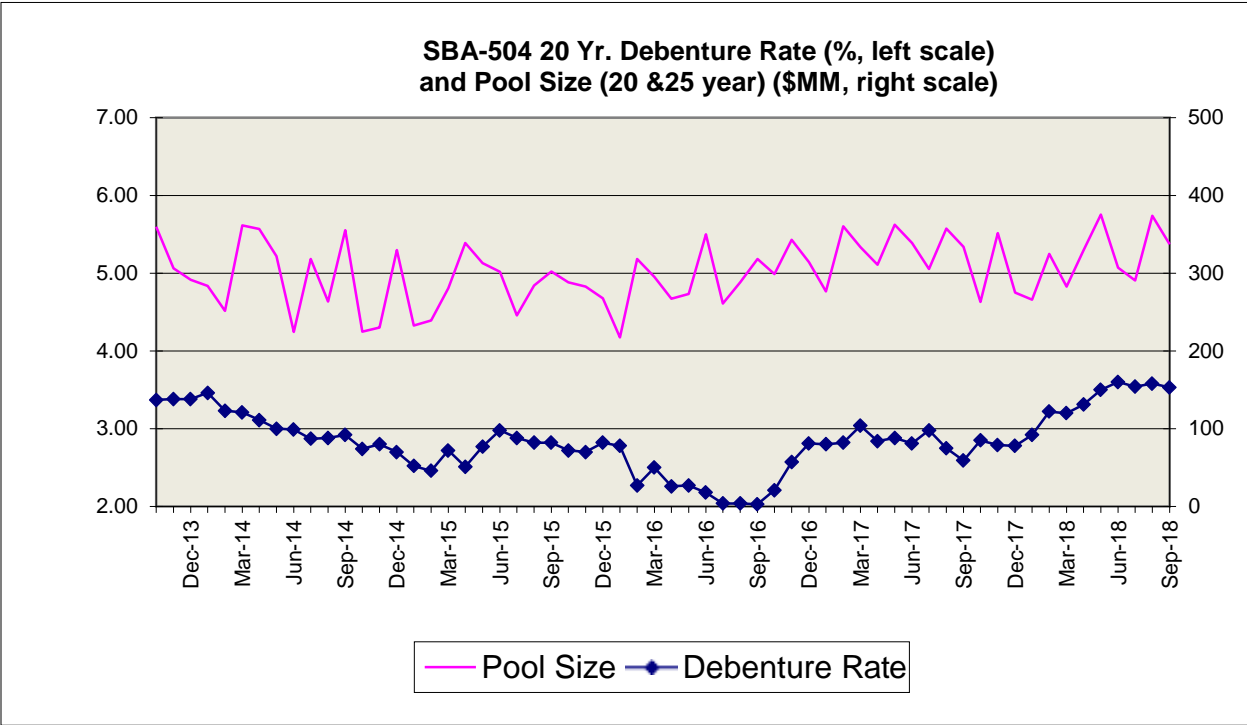
Fiscal Year 2018 Issuance Summary

As expected, the FOMC raised its short-term funds target for an eighth time, setting 2.0%-2.25% as its range, with one more increase expected in December. Of benefit to the 504 program was the continued flattening of the Treasury's 2/10 curve – from 35.2 bps to 22.8 bps.

Issuance

Period	20 Year %	Total Issued	# of Loans	Long Term Spread to UST	Spread to Swaps
4Q18	3.55%	\$1,013B	1,239	66	59.3
3Q18	3.47%	\$1,033B	1,281	55.2	50.7
4Q17	2.77%	\$1,020B	1,357	55.6	59
Y/Y	+78 bps	-\$7MM	-118	+10.4 bps	+0.3 bps

The impact of that flattening was a wider pricing spread to the ten-year Treasury benchmark while holding firm in the relationship to Interest Rate Swaps. Of note in this quarter was the introduction of 25-year debentures, with a quarterly sales total of \$115,047,000 representing 124 loans. With an emphasis on pre-marketing this structure the Underwriters were able to recommend a pricing spread that averaged just 13 bps to the 20-year rate, and after two sales it was determined that the structure would now be priced on a stand-alone spread to benchmark rates, rather than on a spread to the 20-year debenture. This is a positive development in creating a separate identity for this maturity that is expected to increase in scope as it provides a more cost effective option for small business borrowers.



Debt Refinance

Commentary on Debt Refinance remains unchanged from the last report as borrowers who wanted to refinance their outstanding loans have had ample opportunity to do so during the extended Quantitative Easing program that ran for so long. To date, this program has funded three of the 25 year debentures and it will be interesting to see if its availability will attract more small business borrowers to the 504 program. Through September 2018, 366 loans totaling \$368,093,000 have been funded in the renewal of Debt Refinance.

Period	# of Loans	\$ Amount
4Q18	37	\$34,113,000
3Q18	47	\$38,462,000
4Q17	54	\$60,658,000

Approved Loans

Loans approved for 504 funding are valid for a period up to four-years, since many of them represent construction projects that must be completed before being included in a monthly debenture sale. Because of that lag, the annual approval amount is usually about 25% greater than what is funded. This fiscal year approved loan totals were as much as 13.9% below FY17 as recently as April, but that decline has been reduced to 5.6% by fiscal year end, just as the portfolio’s Outstanding Principal Balance also recovered to a level last seen in December 2016.

Period	# of Loans	\$ Amount
FY2018	5,874	\$4,753,644,000
FY2017	6,218	\$5,013,723,000
Difference	-344	-\$260,079,000

SBA 504 Program Constant Default Rate (CDR) Update



4Q 2018 CDR Report

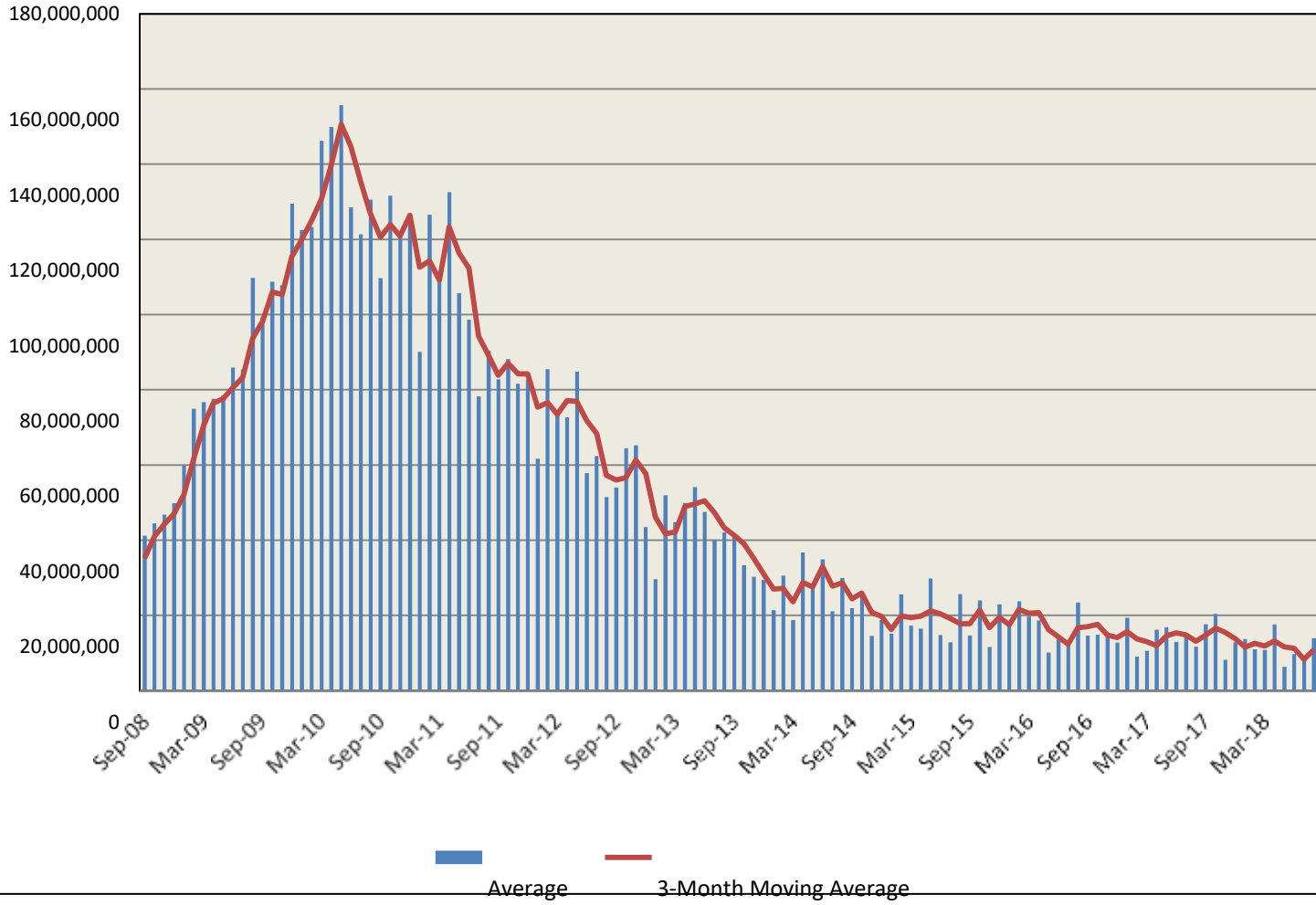
Definitions

- CDR is calculated by dividing total debenture accelerations by the average outstanding principal balance for the desired measurement period and annualizing the result.
- Calendar YTD, single month, 3-month and 6-month CDRs are calculated.
- Payment data source: SBA 504 Trustee BNYM
- Data is not seasonally-adjusted (NSA).

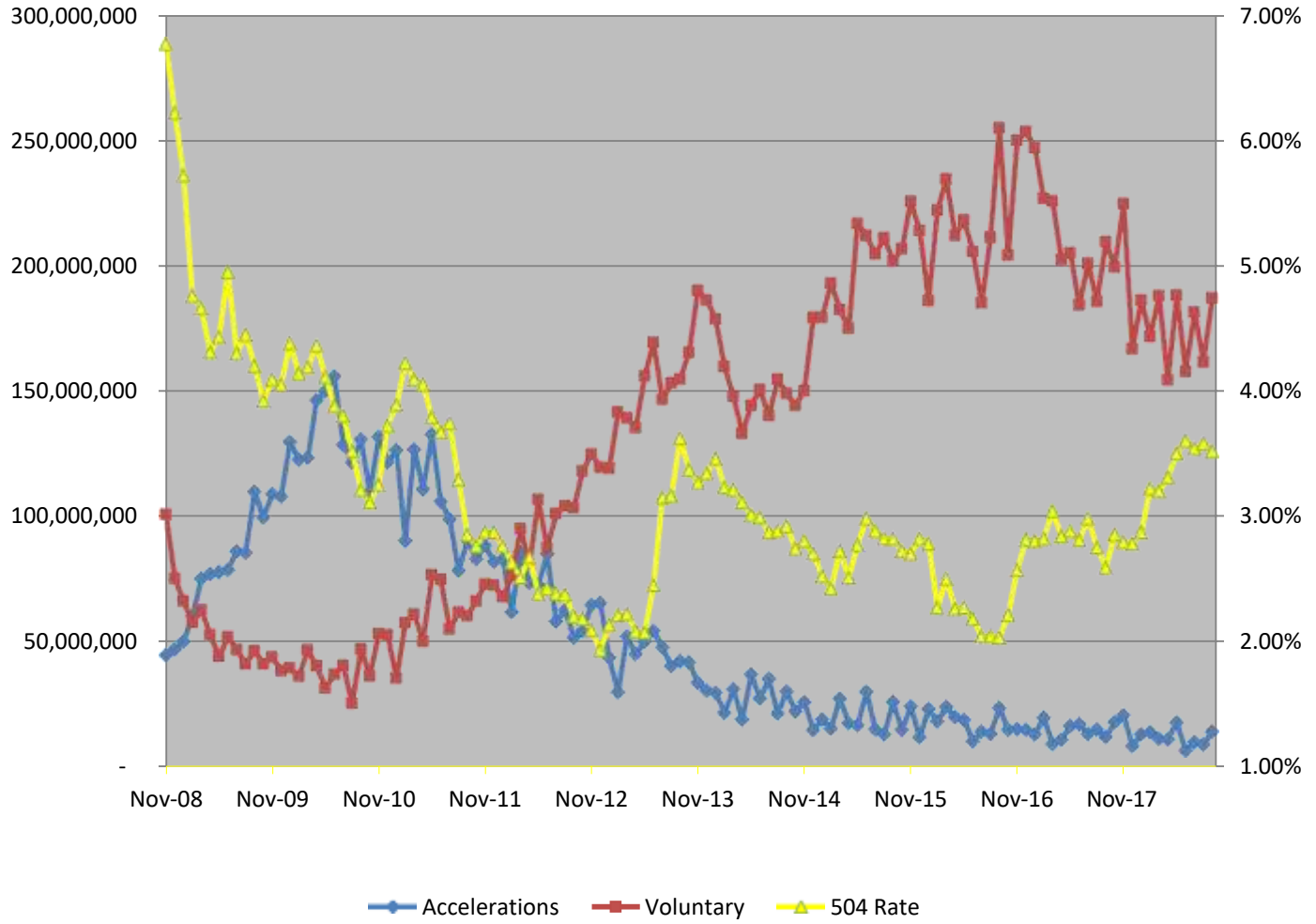
4Q 2018 Results

- Accelerations decreased in 4Q18 m/m in dollar terms and CDR. The dollar amount is down 17% vs. a year ago.
- \$32.6M accelerated vs \$34.8M in 3Q18 and \$39.5M a year ago. The three-month moving average is \$10.2M vs. \$14.5M one year ago. See page 4 for chart.
- Voluntary pre-pays increased 6% to \$530.1M and are 11% lower than the year-ago amount. See page 5 for chart.
- Twelve-month CDR decreased to 0.59% . See page 6 for chart.
- 3-month CDR decreased to 0.50% and 6 month CDR decreased to 0.52%. Both remain well below the Long-Run Average of **1.5%**. See page 7 for chart.
- The balance of outstanding DCPC's increased to \$25,924,392,296.24. See page 8 for chart.

SBA DCPC Monthly Accelerations (\$) September 2018

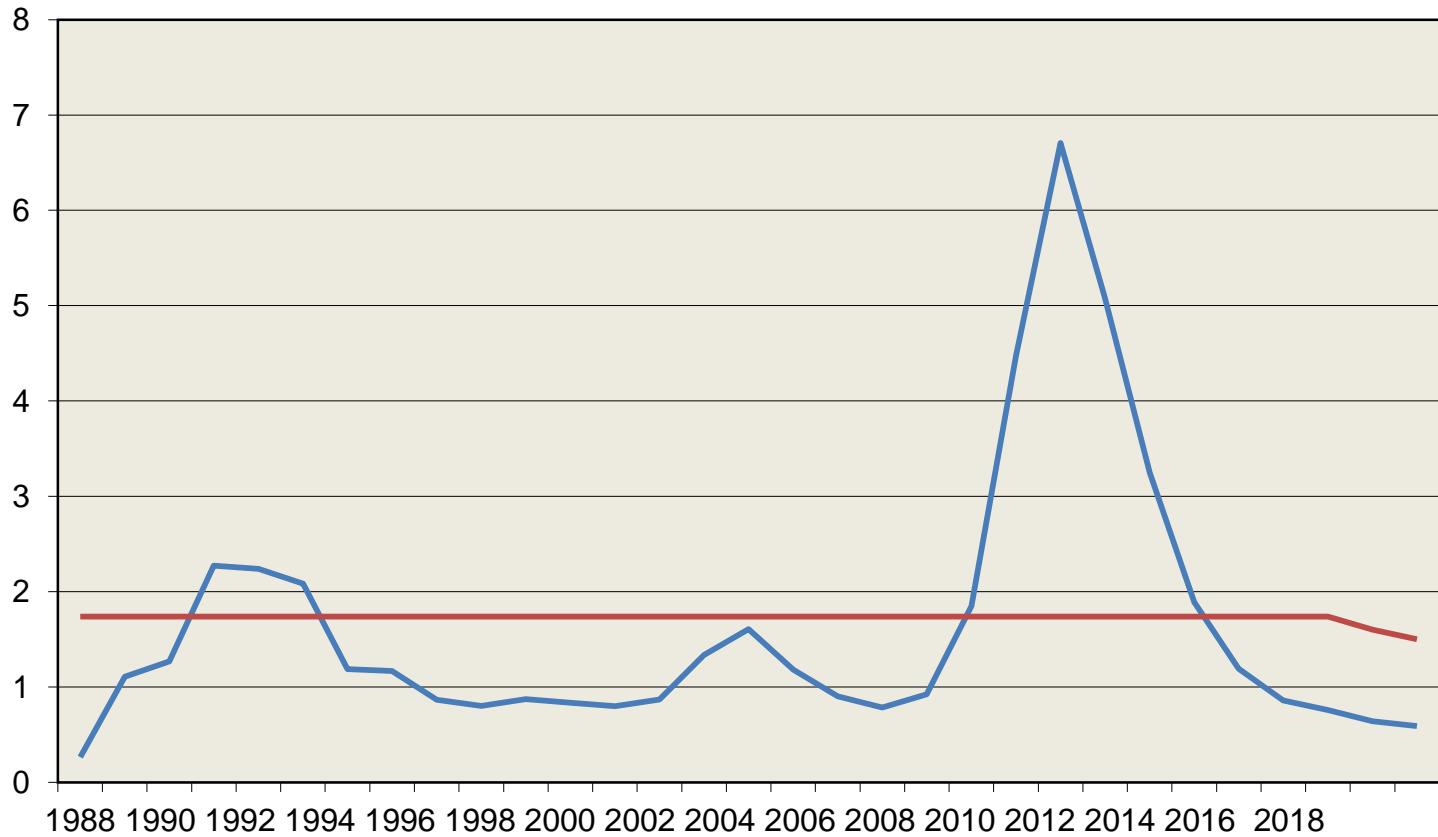


SBA 504 Pre-Payments



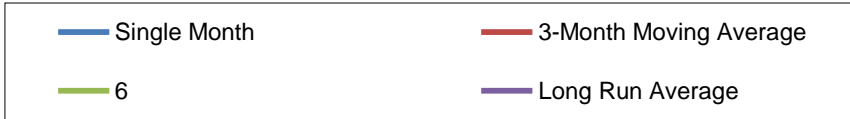
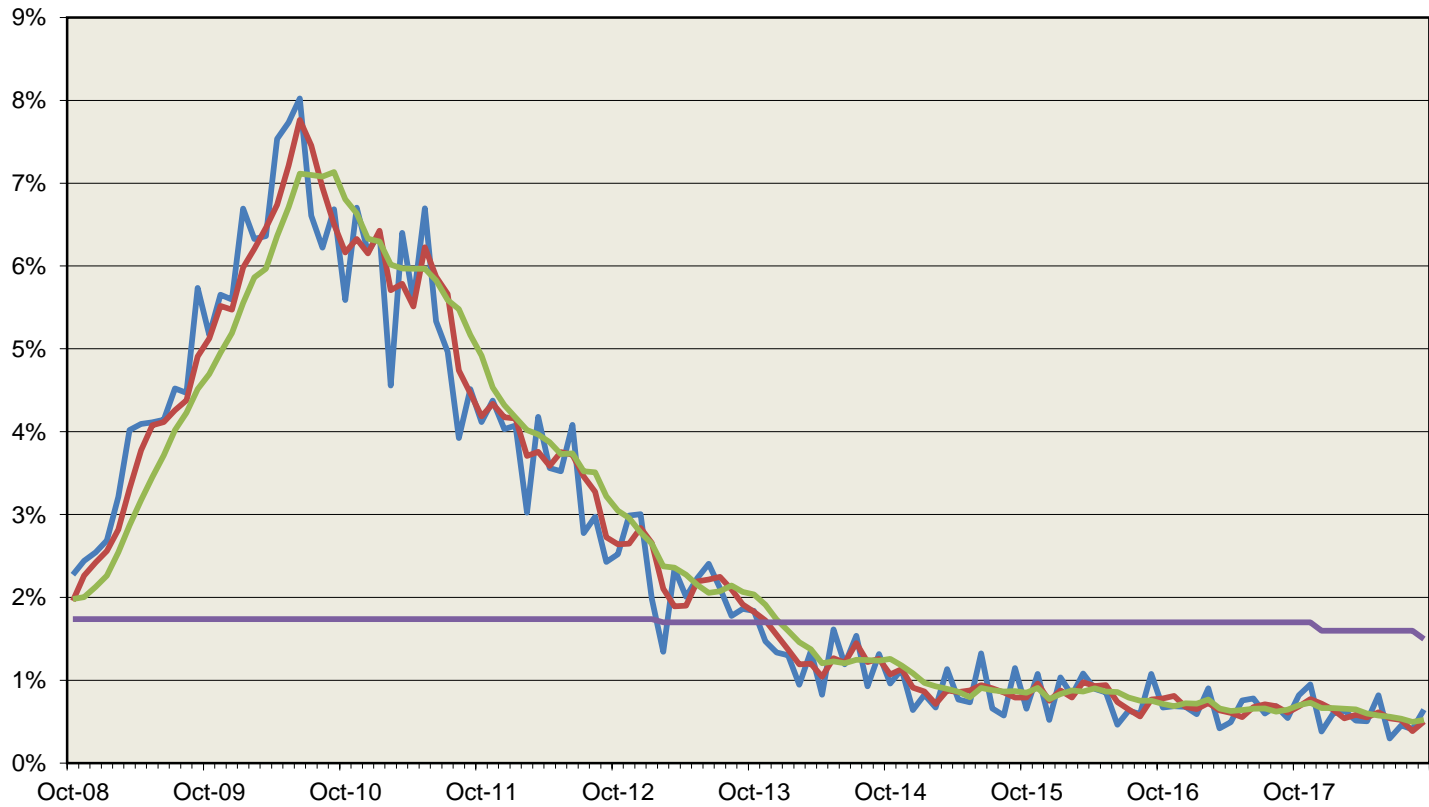
SBA 504 Annualized CDR (%)

source: DCFLLC and BAML

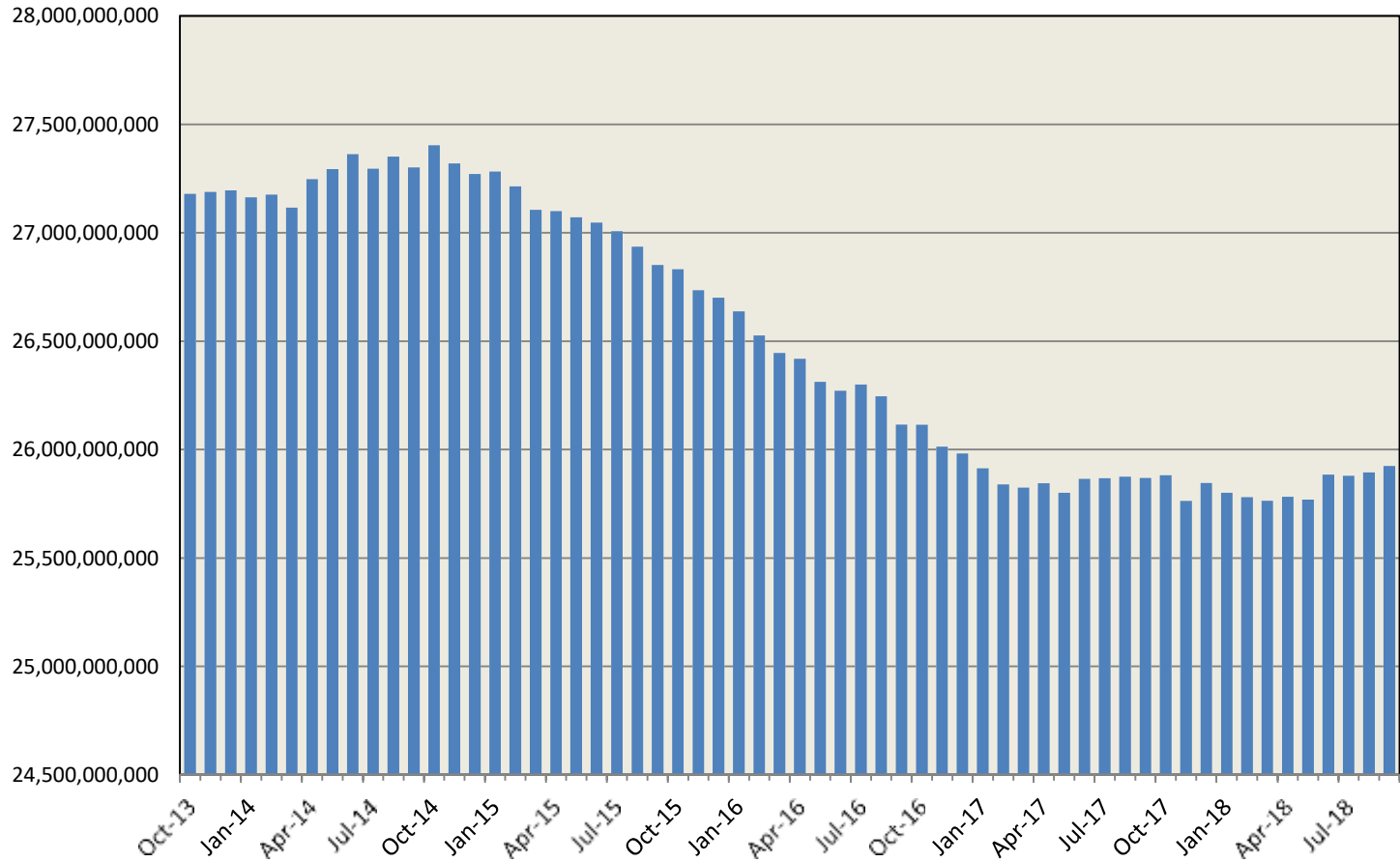


— Rate — Average

SBA 504 Annualized CDR - September 2018



Monthly DCPC Outstanding Balance(\$) September 2018



Disclaimer

The information herein has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy or completeness.



Eagle Compliance LLC

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