



# Structured Products Research Consumer ABS

March 16, 2007

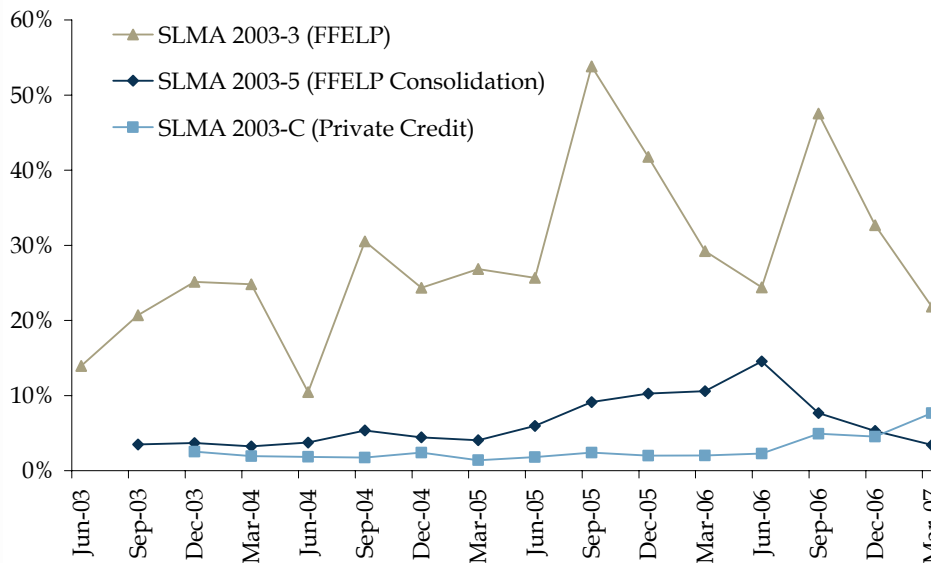
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## SLABS Prepayment Update

Issuance for student loan ABS has been extremely strong for 2007 thus far with approximately \$18 billion priced to date. We expect 2007 issuance to exceed that of 2006.

- Prepayments for student loan consolidation transactions have slowed, which can be attributed to the elimination of super-two-step consolidation.
- Historically high prepayments for Sallie Mae private transactions are due to the introduction of a consolidation loan program.

Exhibit 1: Estimated Quarterly CPR for Representative Sallie Mae Transactions



Source: Sallie Mae, Wachovia Capital Markets, LLC

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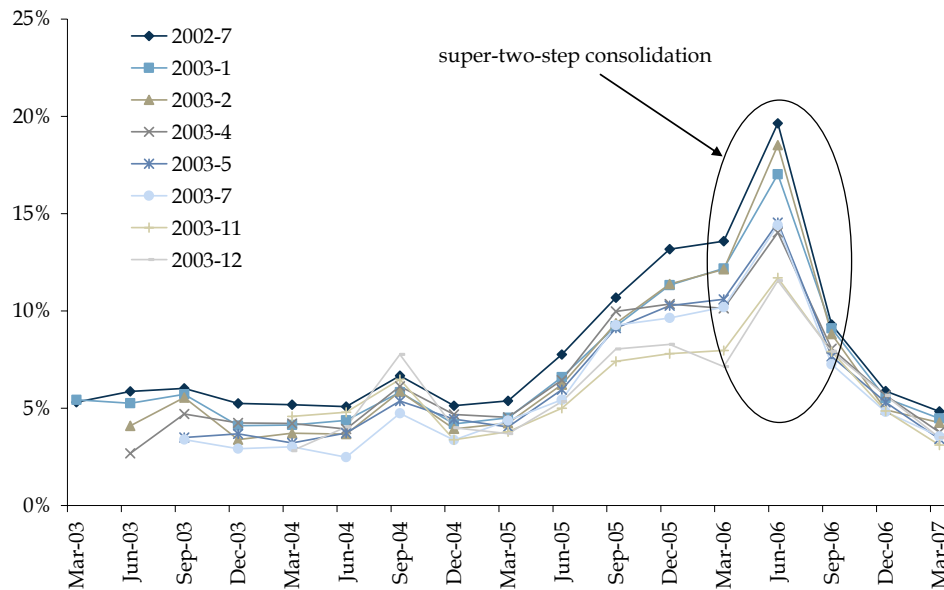
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## Consolidation Transactions

A loophole that allowed for loans under the FFEL<sup>1</sup> program to enter into repayment status while in school, made them eligible for consolidation. Once consolidated under the FFELP program, borrowers could reconsolidate under the Federal Direct Loan program and then reconsolidate yet again back with a FFELP lender. On May 16, 2005, the Department of Education published a Dear Colleague Letter confirming this option and on July 1, 2006, this option was repealed.

This ability for “super-two-step” consolidation coupled with historically low interest rates caused an increase in prepayments of consolidation FFELP loans. As expected, prepayments for student loan consolidation transactions have slowed (Exhibit 1) due to the elimination of super-two-step. We expect prepayments to remain at around 3%-5% based on the historical trend prior to the consolidation option.

**Exhibit 2: Estimated Quarterly CPR for SLMA Consolidation Transactions**



Source: Sallie Mae, Wachovia Capital Markets, LLC

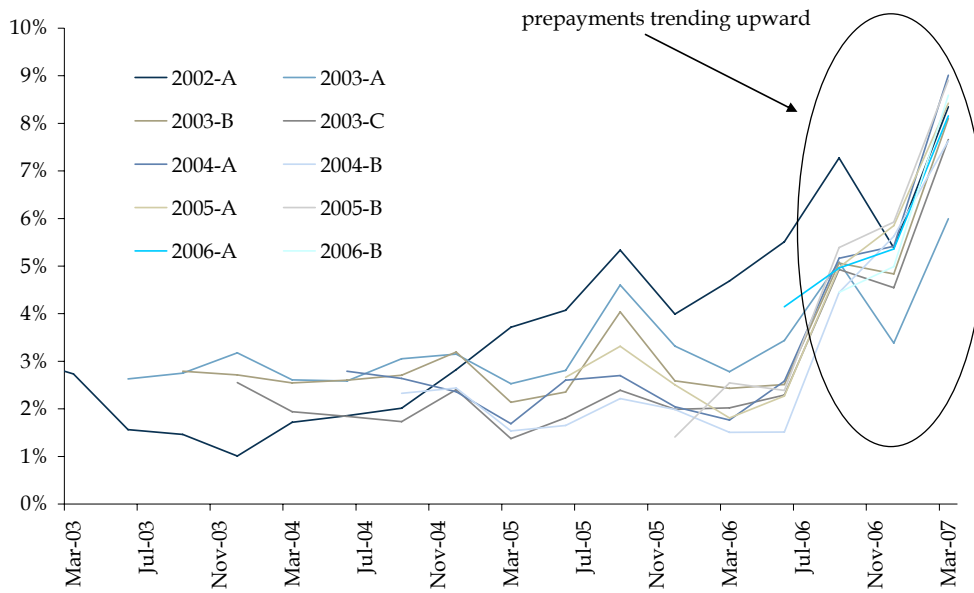
## Increase in Prepays for SLMA Private Transactions

Prepayments for Sallie Mae’s private transactions have been trending upward. A consolidation loan program for private student loans was introduced by Sallie Mae, which includes extending loan terms and possibly lower interest rates, which lower monthly payments for borrowers. Historically high prepayments for Sallie Mae’s private transactions are seen below in Exhibit 2.

As compared with the same period a year earlier, estimated quarterly prepayments are up more than two times. Private transactions offer spread over FFELP transactions and have high credit quality. Underlying loans have weighted-average FICOs in the 700 range and often have cosigners.

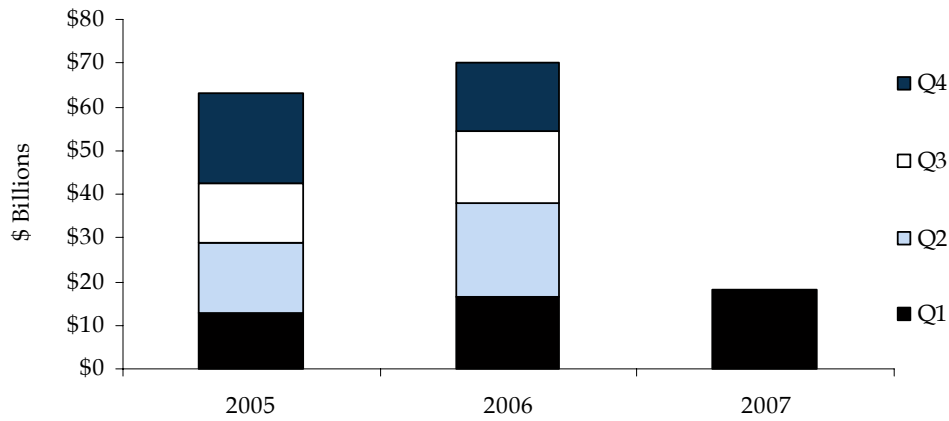
<sup>1</sup> Federal Family Education Loan Program- bank or private lender backed by the federal government.

**Exhibit 2: Estimated Quarterly CPR for SLMA Private Transactions**



Source: Sallie Mae, Wachovia Capital Markets, LLC

**Exhibit 4: Student Loan ABS Issuance**



Source: Asset Backed Alert, Wachovia Capital Markets, LLC

## DISCLOSURE APPENDIX

Additional information is available on request.

This report was prepared by Wachovia Capital Markets, LLC.

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