



Date: August 15, 2012

To: Certified Development Companies

From: Frank Keane, DCFLLC Fiscal Agent

Subject: August 2012 SBA 504 Debenture Offering

On August 15, 2012, 743 twenty-year debentures totaling \$506,996,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the August 7 debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2012-20H (08/07/12)	1.626%	+14.25 bps	60.00 bps	2.37%	74.4 bps
2012-20G (07/03/12)	1.608%	+15.00 bps	62.00 bps	2.38%	77.0 bps
Change	+1.8 bps	-.75 bps	-2.00 bps	-1.00 bps	-2.6 bps

- The September offering will consist of *20-year and 10-year debentures*.
- The ***cutoff date*** to submit loans to Colson for this offering is **Tuesday, August 21**.
- A ***request to remove a submitted loan*** from a financing must be made through Colson Services by close of business **Thursday, August 30**. In advance of that all CDCs are required to determine “no adverse change” for each loan before submitting it to SBA.¹
- ***Pricing and pooling date*** is **Tuesday, September 4**, on which day the debenture interest rates will be set and the pool legally formed and closed. Loans may not be pulled from the financing after the debenture interest rate has been set and the pool legally formed.
- The debentures will be funded on **Wednesday, September 12**
- **Risk On/Off** – 2012-20H marks the twelfth consecutive twenty year debenture sale priced at a rate below 3%, averaging a coupon of 2.62%. During this time the 504 program has funded 6,900 loans totaling \$4.305B. The August spread to Interest Rate Swaps is at its average of 59.83 bps, as well as its average Treasury spread of 75 bps. From the pricing date of our July sale the Treasury market has rallied to an historic low rate of 1.39% but now rests at 1.77%, 14 bps higher than just last Tuesday. This retreat is an indication of the overbought status of the market as a “safe haven” and reflects the cautious attitude investors have had for most spread product. Bears have been repeatedly burned by moves such as this but can point to

¹ Per NADCO General Counsel Jan Garlitz: SOP 50-10(5)(C), page 331, subparagraph C.6.III.A.3., all CDCs must do a “no adverse change” determination no earlier than 14 calendar days before the file is shipped by the SLPC to the SBA District Counsel and the CDC submits its closing package to that SBA District Counsel. Non-ALP CDCs must submit their determination with the financial statements to the SLPC and receive SBA’s concurrence. ALP CDCs and PCLP CDCs must document their determination with the financial statements in the Loan file.

recent modest improvement in Non-Farm payroll and Retail Sales as indications that the economy is improving. The caveat, of course, is that the Euro crisis has not been resolved and at some point several of those countries need to find buyers of their debt other than their domestic banks.