



**Date:** September 11, 2013

**To:** Certified Development Companies

**From:** Frank Keane, DCF LLC Fiscal Agent

**Subject:** September 2013 SBA 504 Debenture Offering

On September 5, 2013, 482 twenty-year debentures totaling 313,427,000 and 41 ten-year debentures totaling \$16,316,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the September 5 debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
<b>2013-20I (09/05/13)</b>	2.96%	.18 bps	.48 bps	3.62%	.66 bps
<b>2013-20H (08/08/13)</b>	2.59%	.17 bps	.40 bps	3.16%	.57 bps
<b>Change</b>	+37 bps	+.01 bps	+.08 bps	+.46bps	+.09 bps

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
<b>2013-10E (09/05/13)</b>	1.83%	+.15 bps	.35 bps	2.33%	.50 bps
<b>2013-10D (07/11/13)</b>	1.41%	+.18 bps	.30 bps	1.89%	.48 bps
<b>Change</b>	+.42 bps	-.03 bps	+0.05 bps	+.34 bps	+.02 bps

- The October offering will consist of *20-year debentures*.
- The **cutoff date** to submit loans to the CSA for this offering is **Thursday, September 26**.
- A **request to remove a submitted loan** from a financing must be made through the CSA by close of business **Monday, October 7**. In advance of that all CDCs are required to determine "no adverse change" for each loan before submitting it to SBA.<sup>1</sup>
- **Pricing and pooling date** is **Thursday, October 10**, 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, October 16**.
- *We are one week away from the expected QE3 tapering announcement but have already experienced its negative impact on the market. Negative YTD returns for bond investors, withdrawals from bond funds, reduced government spending as a drag on GDP, lack of job growth and a potential debt ceiling impasse have created an environment of cautious investors with less cash to invest. In this world of supply and demand new issuance terms are dictated by what buyers are still active in the market and this allows them to set terms more so than in regular markets. Added to that are rate forecasts calling for ten-year Treasury yields to reach 3.15% by year-end and investors have little reason to commit to any long-term purchases.*
- *Until the Federal Reserve Bank makes its announcement next Wednesday and the President names a successor to Chairman Bernanke to provide further guidance on Fed policy the rates markets will be fragmented and subject to headline risk.*

<sup>1</sup> Per NADCO General Counsel Jan Garlitz: SOP 50-10(5)(E), page 341, 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.