



Date: July 15, 2015

To: All Certified Development Companies

From: Frank Keane, DCF LLC Fiscal Agent

Subject: July 2015 504 Debentures

On July 15, 2015, 355 twenty-year debentures totaling \$245,659,000 and 35 ten-year debentures totaling \$16,191,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the July 9, 2015 debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2015-20G (07/09/15)	2.27%	+11 bps	50bps	2.88%	61bps
2015-20F (06/11/15)	2.44%	+ 8 bps	46bps	2.98%	54bps
Change	- 17bps	+ 3 bps	+4 bps	- 10 bps	+ 7 bps

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2015-10D (07/09/15)	1.54%	+ 14bps	+ 12bps	1.80%	26 bps
2015-10C (05/07/15)	1.58%	+ 15bps	+ 12bps	1.85%	27 bps
Change	-4 bps	- 1 bps	0 bps	- 5 bps	- 1 bps

- The **August** offering will consist of *20-year debentures*.
- The **Cutoff date** to submit loans to the CSA for this offering is **Thursday, July 23**.
- A **request to remove a submitted loan** from a financing must be made through the CSA by close of business **Monday, August 3**. 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 **Thursday, August 6**, 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, August 12**.

What’s next? – The crisis in Ukraine remains, but is no longer in the headlines. The crisis in Greece has a temporary resolution, but does anyone believe it has been resolved? And then there is the potential default by Puerto Rico on \$72 billion of debt, obligations they admit being unable to fulfill. All three have financial implications and are of some concern to the Fed as they prepare to reestablish a normalized monetary policy. Chairwoman Yellen stated last week that she expects a rate rise will be appropriate sometime this year, and that encourages investor caution, but of more interest is what path rate rises might take. Any hike this year would probably be the only one, as low inflation and wage growth remain below the Fed’s targets and are causes of concern for a fragile economic recovery. This month’s twenty-year debenture sale reclaimed a sub 5% effective rate for borrowers and until we get closer to that policy change, any increase in rate should be measured. An increased financing calendar for High Grade Corporate and CMBS debt has served as a counter balance to any safe haven trade that Greece provided and this new issue supply should last through the summer. So, while higher rates are to be expected there remains strong global demand for fixed-rate assets and that *should* provide a smooth, less volatile path for rates. I emphasize the word “*should*.”

¹ Per SOP 50-10 5(H), page 307, subparagraph C.6.III.A.3., “CDCs must issue an opinion that to the best of its knowledge there has been no unremedied substantial adverse change in the Borrower’s (or Operating Company’s) ability to repay the 504 loan since its submission of the loan application to SBA (“finding”). For all 504 loans except ALP and PCLP, CDCs must provide its finding to the SLPC along with copies of the financial statements current within 120 days supporting that finding. The CDC’s finding of no adverse change must be made no more than 14 calendar days prior to submission to the SLPC at the time the CDC is requesting that SLPC transmit the file to District Counsel for debenture closing. The SLPC either will notify the CDC of its approval or, if SBA disagrees with the CDC’s determination of no adverse change, the debenture will not close until SBA has been satisfied that any adverse change has been remedied. ALP and PCLP CDCs must make a finding of no unremedied substantial adverse change 14 calendar days prior to submission of the closing package to District Counsel and retain the finding and copies of the financial statements on which they relied in their files. If the debenture closing is not consummated in the month following the finding, all CDCs must make and submit (except PCLP and ALP CDCs which must retain the finding in the file) a new finding of No Adverse Change and request for transmission of the file including SLPC’s approval of the new finding to District Counsel.”