



Date: May 14, 2014

To: Certified Development Companies

From: Frank Keane, DCF LLC Fiscal Agent

Subject: May 2014 SBA 504 Debenture Offering

On May 14, 2014, 460 twenty-year debentures totaling \$321,645,000 and 59 ten-year debentures totaling \$34,831,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the May 8 debenture pricing details:

| Sale/Sale Comparison | Treasury | Swap Spread | Spread | Rate | T plus |
|----------------------|----------|-------------|---------|---------|---------|
| 2014-20E (05/8/14) | 2.61% | +.08bps | .31ps | 3.00% | .39bps |
| 2014-20D (04/10/14) | 2.66% | +.12bps | .33bps | 3.11% | .45bps |
| Change | -.05bps | -.04bps | -.02bps | -.11bps | -.06bps |

| Sale/Sale Comparison | Treasury | Swap Spread | Spread | Rate | T plus |
|----------------------|----------|-------------|---------|---------|---------|
| 2014-10C (05/8/14) | 1.65% | +.08bps | +.25bps | 1.98% | .33bps |
| 2014-10B (03/6/14) | 1.57% | +.09bps | +.30bps | 1.96% | .39bps |
| Change | +.08bps | -.01bps | -.05bps | +.02bps | -.06bps |

- The **June** offering will consist of *20-year debentures*.
- The **Cutoff date** to submit loans to the CSA for this offering is **Thursday, May 22**.
- A **request to remove a submitted loan** from a financing must be made through the CSA by close of business **Monday, June 2**. In advance of that all CDCs are required to determine “no adverse change” for each loan before submitting it to SBA.ⁱ
- **Pricing and pooling date** is Thursday, **June 5**, 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, June 11**

Lower rate, tighter spread –is the same header as last month as the twenty-year May debenture sale saw both categories continue to improve with a slight uptick in rate for the ten-year issue. Inconsistent economic data and an escalated Russian presence in Ukraine have capped interest rates for now.

Additional support has come from pension funds whose adherence to new rules is expected to create \$300 billion in extra demand over the next two years, an amount that represents half of the outstanding, current supply of 30-year Treasuries. Pension plans, which oversee \$16.3 trillion, are shifting their assets from equities to long-term debt to better match their liabilities. This does not mean that long-term rates will not rise, but it does reflect a natural substitute for the Fed’s QE 3 program that is winding down.

ⁱ Per SOP 50-10(5)(F), page 312, 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."