



**Date:** October 14, 2014

**To:** Certified Development Companies

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

**Subject:** October 2014 SBA 504 Debenture Offering

On October 15, 2014, 352 twenty-year debentures totaling \$224,308,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the October 9 debenture pricing details:

<b>Sale/Sale Comparison</b>	<b>Treasury</b>	<b>Swap Spread</b>	<b>Spread</b>	<b>Rate</b>	<b>T plus</b>
<b>2014-20J (10/09/14)</b>	2.32%	+ 15bps	27bps	2.74%	42bps
<b>2014-20I (09/11/14)</b>	2.52%	+ 13bps	27bps	2.94%	40bps
<b>Change</b>	-20 bps	+ 2 bps	0 bps	- 20 bps	+ 2 bps

- The November offering will consist of *20-year and 10-year debentures*.
- The *Cutoff date* to submit loans to the CSA for this offering is **Thursday, October 23**.
- A *request to remove a submitted loan* from a financing must be made through the CSA by close of business **Monday, November 3**. In advance of that all CDCs are required to determine “no adverse change” for each loan before submitting it to SBA.<sup>i</sup>
- *Pricing and pooling date* is **Thursday, November 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, November 12**

**Trend Reversal** – just as job growth regained some strength and Ukraine and Gaza conflicts settled down a bit, ISIS became an issue and commodity and global equity prices weakened due to sluggish, disinflationary growth in Europe and Asia. We were able to price at the lowest rate since June 2013 and the rates market has continued to benefit from extended equity weakness. Such market moves were enhanced by weaker IMF forecasts for global growth and a concern that equity prices were “frothy.” Both comments are supportive of fixed-rate debt and continued strength in US\$, plus attractive bond yields that are significantly higher than other sovereign markets, have driven our rates to unexpected levels. Analysts still believe benchmark ten-year Treasury yields will rise by year-end because of sustained economic growth but global concerns may force the Fed to be more patient now that QE3 has come to an end. Domestic stimulus tools mostly have been exhausted while the European Central Bank may need to expand its easy money policy to combat their disinflation and recessionary trends. A remarkable sign of this is at least three European markets have short-term debt trading at negative yields, meaning investors are paying those countries to hold their money.

<sup>i</sup> 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."