



Date: January 14, 2015

To: Certified Development Companies

From: Frank Keane, DCF LLC Fiscal Agent

Subject: January 2015 SBA 504 Debenture Offerings

On January 14, 2015, 322 twenty-year debentures totaling \$232,709,000 and 22 ten-year debentures totaling \$16,216,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the November debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2015-20A (01/08/15)	2.01%	+ 11bps	40 bps	2.52%	51bps
2014-20L (12/08/14)	2.20%	+ 12 bps	38 bps	2.70%	50 bps
Change	- 19 bps	- 01 bps	+02 bps	-18 bps	+01 bps

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2015-10A (01/08/15)	1.50%	+ 14bps	+ 25bps	1.89%	39bps
2014-10F (11/06/14)	1.63%	+ 15bps	+ 25bps	2.03%	40bps
Change	- 13bps	- 01bps	0.0 bps	-14bps	-01bps

- The **February** offering will consist of *20-year debentures*.
- The **cutoff date** to submit loans to the CSA for this offering is Thursday, **January 22**.
- A **request to remove a submitted loan** from a financing must be made through the **CSA** by close of business Monday, **February 2**. 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, **February 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, February 11**.

Rally Redux – as the rates market began reacting to stranger domestic economic news the long anticipated path to higher rates was reversed by oil continuing its 50% slide in value, the Russian ruble halving its value as that country’s dependence on oil exports asserted itself, the euro zone in confirming it is in a deflationary period, and now Greece possibly abdicating its ECB mandated austerity program if the opposition party wins the January 25 election. The effect of that victory could mean Greek bond defaults and an attempt to cease using the unified EU currency; two very troublesome issues whose risk can far outweigh the benefits of this low rate environment that we enjoy. This geo-political influence helped us price the 20-year series at the lowest debenture rate since June 2013, a time referred to as the “taper tantrum,” when the market was reacting to comments about the Fed ending QE3. Well, that program did end with little negative impact on rates, and the repeated call for higher rates continues to be incorrect. A global economic malaise lingers and the U.S. economy alone cannot pull Europe from its recession and prospects aren’t helped by a slowdown in China where reduced demand for commodities is affecting countries that are dependent on their export. And now today’s report on Retail Sales came in much weaker than expected with a downward revision to last month. This just piles on to the extended slide in commodity prices that has reduced the rate on ten-year Treasuries by 21 bps since we priced last Thursday and adds pressure to central banks to draw on their limited tools to combat this global slowdown. Lastly, while fundamentals for commodities are practically screaming “buy,” something that would halt this selloff, most traders think of that as “catching a falling knife” and prefer to wait for more signs of stability before committing to the market. So, we wait for that to happen while rates continue to decline and global growth weakens.

¹ Per SOP 50-10(5)(G), page 303, 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."

