



Date: September 17, 2014

To: Certified Development Companies

From: Frank Keane, DCF LLC Fiscal Agent

Subject: September 2014 SBA 504 Debentures

On September 17, 2014, 509 twenty-year debentures totaling \$355,242,000 and 34 ten-year debentures totaling \$23,153,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the September 11 debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2014-20I (09/11/14)	2.52%	+.13bps	.27ps	2.92%	.40bps
2014-20H (08/07/14)	2.46%	+.15bps	.27bps	2.88%	.42bps
Change	+.06bps	-.02bps	0.00bps	+.04bps	-.02bps

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2014-10E (09/11/14)	1.77%	+.14bps	+.25bps	2.16%	.39bps
2014-10D (07/10/14)	1.62%	+.11bps	+.25bps	1.98%	.36bps
Change	+.15bps	+.03bps	0.00bps	+.18bps	+.03bps

- The **October** offering will consist of *20-year debentures*.
- The **Cutoff date** to submit loans to the CSA for this offering is **Thursday, September 25**.
- A **request to remove a submitted loan** from a financing must be made through the CSA by close of business **Monday, October 6**. 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, **October 9**, 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 15**

A Shift in Tone - though our twenty-year sale was priced just .04 bps higher than in August the tone of the bond markets has shifted in advance of this week’s Fed policy meeting, improving economic releases, and hawkish comments from Fed officials. With QE3 ending next month, market participants will be focused on the language of today’s FOMC statement and the inclusion of the “considerable time” reference in regard to changing their near-zero monetary policy. After trading as low as 2.34% in late August, the Treasury yield has increased .26 bps (closing at 2.60% on Tuesday) from increased selling pressure and is testing technical support levels. Though still unsettled, geo-political risks have subsided and expectations for a QE3 like asset purchase program from the European Central Bank fell short of expectations, also contributing to a weaker sentiment. Noticeable in the sale comparisons is the sharper increase in rate for the shorter maturing ten-year debenture that is priced off five-year Treasuries. This sector, where we last priced in July, is more sensitive to a policy change and has already started to reflect that.

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."