

Date: January 18, 2013
To: Certified Development Companies
From: Frank Keane, DCFLLC Fiscal Agent
Subject: January 2013 SBA 504 Debenture Offering

On January 16, 2013 680 twenty-year debentures totaling \$469,728,000 and 70 ten-year debentures totaling \$38,106,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the January 10 debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2013-20A (01/10/13)	1.90%	+3.0bps	20.0bps	2.13%	23.0bps
2012-20L (12/04/12)	1.62%	+4.0bps	27.0bps	1.93%	31.0ps
Change	+28.0bps	-1.0 bps	-7.0bps	+20.0bps	-8.0bps

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2013-10A (01/10/13)	0.790%	+10.0bps	20.0bps	1.09%	30.0bps
2012-10F (11/06/12)	0.707%	+10.75bps	20.0bps	1.01%	30.4bps
Change	+8.3bps	-0.75bps	0.0bps	+8.0bps	-0.4bps

- The February offering will consist of *20-year debentures*.
- The **cutoff date** to submit loans to the CSA for this offering is **Tuesday, January 22**.
- A **request to remove a submitted loan** from a financing must be made through the CSA by close of business **Monday, February 4**. 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 7**, on which date 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 13**.

Pricing for the January sale showed continuing spread improvement as 2013-20A was priced at its tightest ever spread to benchmark Treasuries, + 23 bps, an 8 bps improvement from the previous mark. January was the third largest 20-year sale and collectively, it was the second largest sale in the program's history. Fiscal cliff concerns have turned to debt ceiling negotiations and market rates seem to be range bound for the foreseeable future. An interesting aspect of these low rates is that the WAL (Weighted Average Life) of our twenty-year Certificates is now 7.94 years, based on market assumptions of a 5% CPR. While it is unlikely borrowers will accelerate

¹ Per NADCO General Counsel Jan Garlitz: SOP 50-10(5)(E), page 341, subparagraph C.6.III.A.3., all CDCs must do a "no adverse change" determination no earlier than 14 calendar days before the file is shipped by the SLPC to the SBA District Counsel and the CDC submits its closing package to that SBA District Counsel. Non-ALP CDCs must submit their determination with the financial statements to the SLPC and receive SBA's concurrence. ALP CDCs and PCLP CDCs must document their determination with the financial statements in the Loan file.

payments on loans at such low rates the low rates do affect the coupon payments on the Certificates, which is what results in the lower WAL; there is no effect on principal balances.