



Date: April 16, 2014

To: Certified Development Companies

From: Frank Keane, DCF LLC Fiscal Agent

Subject: April 2014 SBA REAL 504 Debenture Offering

On April 16 2014, 526 twenty-year debentures totaling \$356,704,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the April debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2014-20D (4/10/14)	2.66%	+12bps	.33bps	3.11%	.45bps
2014-20C (3/06/14)	2.73%	+11bps	.37bps	3.21%	.48bps
Change	-.07bps	+.01bps	-.04bps	-.10bps	-.03bps

- The **May** offering will consist of *20-year and 10-year debentures*.
- The **Cutoff date** to submit loans to the CSA for this offering is **Thursday, April 24**.
- A **request to remove a submitted loan** from a financing must be made through the CSA by close of business **Monday, May 5**. 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, May 8**, 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, May 14**.
- **Lower Rate, Tighter Spread** – last month 2014-20C was priced with ten-year notes trading at 2.73% and the commentary stated we should see that security trade in a range of 2.60%-2.85%, better than market forecasts of higher rates. 2014-20D was priced at a lower rate and improved spread as geopolitical concerns combined with investor acceptance of current market conditions to push rates lower in an environment of mixed economic reports and continued Fed ease. Recent central bank comments have shifted their focus from specific economic targets to more qualitative measures of performance with assurances of an easy monetary policy to be continued well after economic recovery is achieved. Investor demand for this sale was the best in recent months and the debenture rate of 3.11% was the lowest since last June, and it is expected the current trading range will stay in effect until we see stronger economic data and a resolution of political tensions.

ⁱ Per SOP 50-10(5)(E), page 341, 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.”