



Date: December 12, 2012

To: Certified Development Companies

From: Frank Keane, DCFLLC Fiscal Agent

Subject: December 2012 SBA 504 Debenture Offering

On December 12 2012, 657 twenty-year debentures totaling \$459,560,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the December 4 debenture pricing details:

<u>Issue</u>	<u>Treasury</u>	<u>Swap</u>	<u>Spread</u>	<u>Pre- rounded</u>	<u>Rate</u>	<u>UST+</u>
2012-20L	1.617	0.0475	0.270	1.9345	1.93	31.3
2012-20K	1.700	0.0425	0.350	2.0925	2.09	39.0
change (bps)	-8.3	+0.50	-8.00	-15.80	-16	-7.70

- The January offering will consist of *20-year and 10-year debentures*.
- The ***cutoff date*** to submit loans to the Central Servicing Agent for this offering is **Wednesday, December 26**.
- A ***request to remove a submitted loan*** from the financing must be made through the CSA by close of business **Monday, January 7**. 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, January 10**, 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, January 16**
- ***The trend is your friend***: Starting in October 2011 with a rate of 2.76% the 504 program’s twenty year debentures experienced seven sales that set historical low rates, culminating with 2012-20L being priced last Tuesday at 1.93%, with an Effective Rate of 4.0%. For the year the average rate for this series was 2.38% vs. 3.51% one year ago, and issuance totaled \$4.867B vs. \$3.569B one year ago. The December sale also priced at the tightest ever spread to U. S Treasuries, + 31 bps, improving by 8 bps from the previous tight spread. More importantly, this spread compression took place as other credit products widened in this lower rate environment.

¹ Per NADCO General Counsel Jan Garlitz: SOP 50-10(5)(C), page 331, 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.