



**Date:** March 11, 2014

**To:** Certified Development Companies

**From:** Frank Keane, DCF LLC Fiscal Agent

**Subject:** March 2014 SBA 504 Debenture Offering

On March 12, 2014, 515 twenty-year debentures totaling \$361,134,000 and 53 ten-year debentures totaling \$26,933,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the March 12 debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
<b>2014-20C (03/6/14)</b>	2.73%	+11bps	.37ps	3.21%	.48bps
<b>2014-20B (02/6/14)</b>	2.69%	+14bps	.40bps	3.23%	.54bps
<b>Change</b>	+04bps	-.03bps	-.03bps	-.02bps	-.06bps

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
<b>2014-10B (03/6/14)</b>	1.56%	+10bps	+.30bps	1.96%	.40bps
<b>2014-10A (01/6/14)</b>	1.76%	+.08bps	+.30bps	2.14%	.38bps
<b>Change</b>	-.20bps	+.02bps	0.00bps	-.18bps	+.02bps

- The **April** offering will consist of *20-year debentures*.
- The **Cutoff date** to submit loans to the CSA for this offering is **Thursday, March 27**.
- A **request to remove a submitted loan** from a financing must be made through the CSA by close of business **Monday, April 7**. In advance of that all CDCs are required to determine “no adverse change” for each loan before submitting it to SBA.<sup>i</sup>
- **Pricing and pooling date** is Thursday, **April 10**, 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, April 16**
- **Trend reversal** – after testing 2.60% the day of Russia’s incursion into Crimea ten-year yields reversed to 2.73% the day of our pricing and closed last week at 2.79%. Part of that move resulted from the market hitting resistance and was then complimented by a better than expected Non-Farm Payroll report of +175,000 on Friday. While the three-month average gain of 129,000 is far below the previous year’s gains of 194,000 the Fed is still expected to reduce its monthly bond purchases when it next meets on March 18<sup>th</sup>. Along with an expected improvement in economic data this could accomplish the near-term move to yields above 3.0% that many market analysts have been predicting. What could prevent that from happening is an escalation of the events in Ukraine resulting in another flight to “safe haven” investments like Treasury notes. The size of 2014-20C was the largest since last July and exceeded our twelve-month average of \$344,000.

<sup>i</sup> 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.”