



Date: July 15, 2014

To: Certified Development Companies

From: Frank Keane, DCF LLC Fiscal Agent

Subject: July 2014 SBA 504 Debenture Offerings

On July 16, 2014, 448 twenty-year debentures totaling \$321,977,000 and 49 ten-year debentures totaling \$21,590,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the July 10 debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2014-20G (07/10/14)	2.51%	+11bps	.25ps	2.87%	.36bps
2014-20F (06/05/14)	2.60%	+12bps	.27bps	2.99%	.39bps
Change	-.09bps	-.01bps	-.02bps	-.12bps	-.03bps

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2014-10D (07/10/14)	1.62%	+11bps	+.25bps	1.98%	.36bps
2014-10C (05/08/14)	1.65%	+.08bps	+.25bps	1.98%	.33bps
Change	-.03bps	+.03bps	0.00bps	0.00bps	+.03bps

- The **August** offering will consist of *20-year debentures*.
- The **Cutoff date** to submit loans to the CSA for this offering is **Thursday, July 24**.
- A **request to remove a submitted loan** from a financing must be made through the CSA by close of business **Monday, August 4**. 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, **August 7**, 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, August 13**

Lower rate, tighter spread –continues to be the theme for our twenty-year series. Conflicted is the only way to describe investor sentiment about the market – 1Q GDP was revised down to -2.9% but job gains are strong and the Unemployment Rate is at 6.1%, its lowest level in five years. Weak wage growth, even with low inflation, is resulting in static consumer demand, a key driver of the economy. Contributing factors for this rate environment continue to be global unrest, strong demand for US\$ denominated assets, and weak, deflationary economies in Europe. Regarding a widely expected higher rate environment even Federal Reserve Chairwoman Janet Yellen cautioned that “considerable uncertainty” about the economic outlook could lead to interest rates rising earlier or later than currently expected. Such ambiguity has become the norm as the health of our recovery remains suspect.

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."