



Date: December 17, 2014
To: Certified Development Companies
From: Frank Keane, DCF LLC Fiscal Agent
Subject: December 2014 SBA 504 Debenture Offering

On December 17, 2014, 468 twenty-year debentures totaling \$329,518,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the December 11 debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2014-20L (12/11/14)	2.20%	+ 12bps	38bps	2.70%	50bps
2014-20K (11/06/14)	2.36%	+ 14bps	30bps	2.80%	44bps
Change	-16 bps	- 2 bps	+8 bps	- 10 bps	+ 6 bps

- The January offering will consist of *20-year and 10-year debenture s.*
- The *Cutoff date* to submit loans to the CSA for this offering is **Wednesday, December 24.**
- A *request to remove a submitted loan* from a financing must be made through the CSA by close of business **Monday, January 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, January 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, January 14**

Where to Begin? – the December debenture rate was the lowest since June 2013 and the issue size was \$39MM larger than the twelve-month average at a time of improved job growth, a stronger dollar, and better domestic economic indicators that project growth to approach 3% next year. Such elements should warrant a tighter monetary policy from the Fed but they are hindered by a low inflation rate that appears to be headed lower at a time when asset prices are escalating. And then there is the global malaise with a changing economic policy in China, 0.4% growth in the disinflationary euro zone, and a 45% decline in the price of oil that further weakens oil exporting countries like Russia. On Tuesday the Central Bank of Russia raised its lending rate to 17% (the U.S. rate is 0.25%) in the hopes of supporting the ruble which is in freefall, and that provided more stimulus for investors to seek “safe haven” Treasury bonds. It is certain this development will be part of the discussion for the FOMC meeting that concludes today and is a reminder of the global impact on policy. The language from today’s announcement will be examined for inclusion of “keep rates low for a considerable time” as an indication the Committee might instead counsel patience over their policy decision before they ultimately raise rates. Regardless of Fed policy the market seems intent on keeping Treasury rates low for the near term, and while that benefits our program, investors have become more selective and that is the reason for the wider pricing spread this month; though at 4.78% the Effective Rate for December was 35 bps below the twelve-month average.

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.”