



Date: February 11, 2015

To: Certified Development Companies

From: Frank Keane, DCF LLC Fiscal Agent

Subject: February SBA 504 Debenture Offering

On February 11, 348 twenty-year debentures totaling \$238,962,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the February 5 debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2015-20B (2/05/2015)	1.81%	+ 13bps	52bps	2.46%	65bps
2015-20A (1/08/2015)	2.01%	+ 11bps	40bps	2.52%	51bps
Change	-20 bps	+ 2 bps	+12 bps	- 6 bps	+14 bps

- The **March** offering will consist of *20-year and 10-year debentures*.
- The **Cutoff date** to submit loans to the CSA for this offering is **Thursday, February 19**.
- A **request to remove a submitted loan** from a financing must be made through the CSA by close of business **Monday, March 2**. 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, March 5**, 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, March 11**
- **Fed’s Rate Dilemma** - a slightly improved debenture rate for February belies the market turmoil and uncertainty that required a 14 bps wider spread to benchmark Treasuries than in January. In the days leading up to pricing Treasury rates rose 14 bps and then rose another 14 bps the next day after another very strong jobs report. Investors spent 2014 playing catch-up to a market rally that defied forecasts and then saw January continue that trend. To say they are wary is a gross understatement and is reflected in their approach to our February sale since higher rates are expected, and that induces caution. The best three-month stretch of job hiring since 1997 should lead to wage growth, which should increase consumer spending, which should result in higher inflation, which should trigger a Federal Reserve rate hike. But, when? Offsetting considerations for an expected rate increase this summer continue to be geopolitical issues in Ukraine and Greece plus a deflationary euro zone economy with double digit unemployment. What it means for our debenture issuance is continued, historically low rates that investors measure with restraint as the Fed ponders its decision.

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."