



# ANALYSIS AND OUTLOOK: SBA 504 DEBENTURE RATES

CARONDELET BALLROOM

TUESDAY, NOVEMBER 14 | 3:15 PM – 4:30 PM



# THANK YOU ALLIANCE PARTNERS



# STIFEL



*Celebrate + Elevate*  
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# SPEAKERS

**Steve Van Order, Selling Agent**

Eagle Compliance LLC

**Linda Reilly, Chief, 504 Loan Division, Office of Financial Assistance**

U.S. Small Business Administration

**Rich Sigg, Managing Director**

Bank of America Securities

**Kavitha Vignarajah, Managing Director**

Stifel Nicolaus & Co

***Moderator:***

**Frank Keane, President**

Eagle Compliance LLC



# **SBA 504 Program Fiscal Agent Update**



**NADCO Now Conference  
November 2023**

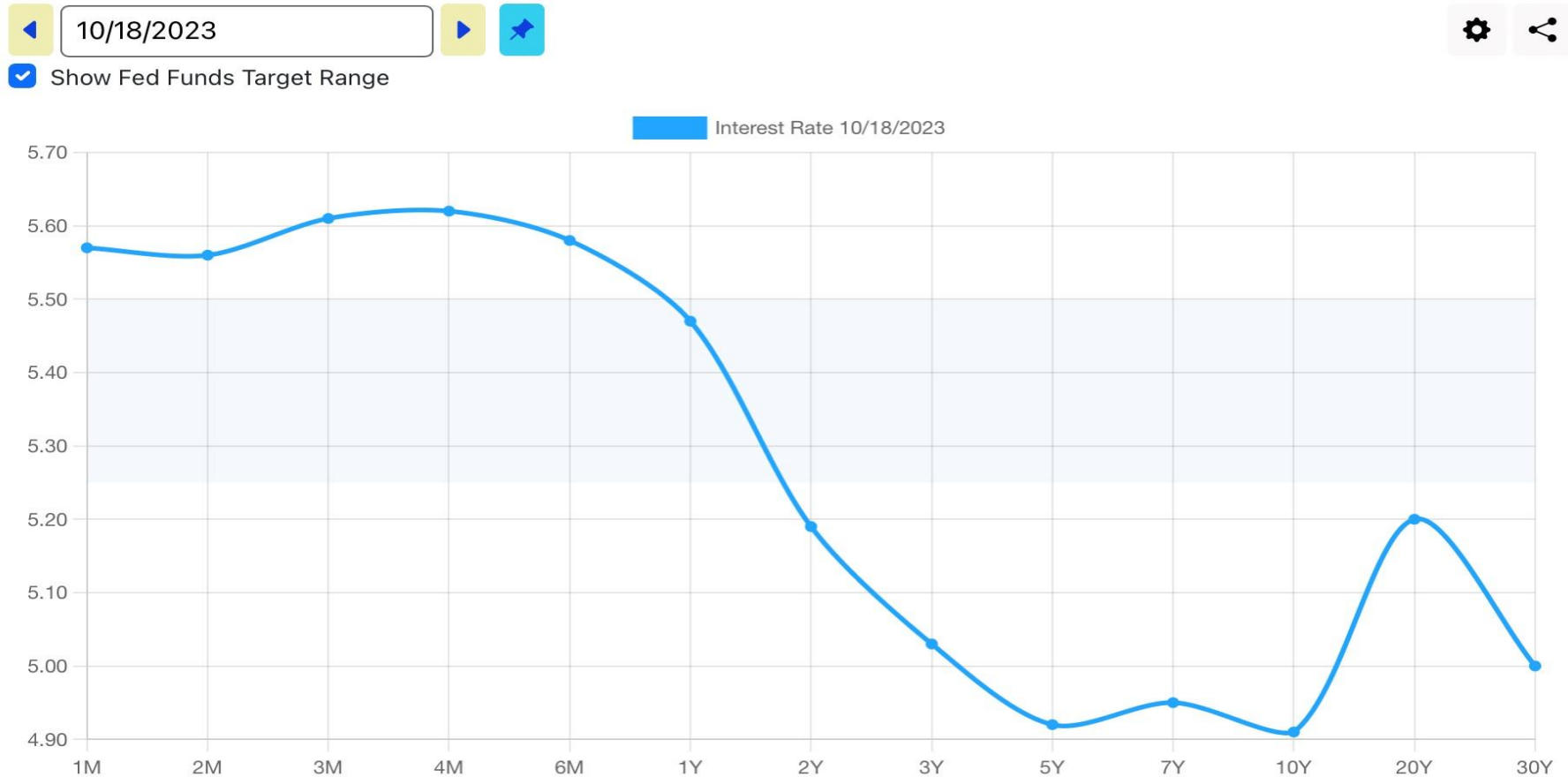
## Key Situations and Indicators

- Fed “higher for longer” plus QT => rising Treasury yields
- Economic data surprises to the upside => rising Treasury yields
- Treasury financing needs remain heavy => rising Treasury yields
- Periodic short sharp corrections lower are typical of a bond bear market
- Shutdown brinksmanship
- Debt ceiling default brinksmanship put off to post-election
- Actual and expected Treasury yield volatilities back on the upswing
- Treasury yield curve disinverted into an interesting shape
- Wide spread vs UST in \$12T RMBS mkt => upward pressure on 504 pool spreads
- Recent 504 debenture rates remind of 2006-07 in 5% to 6% area

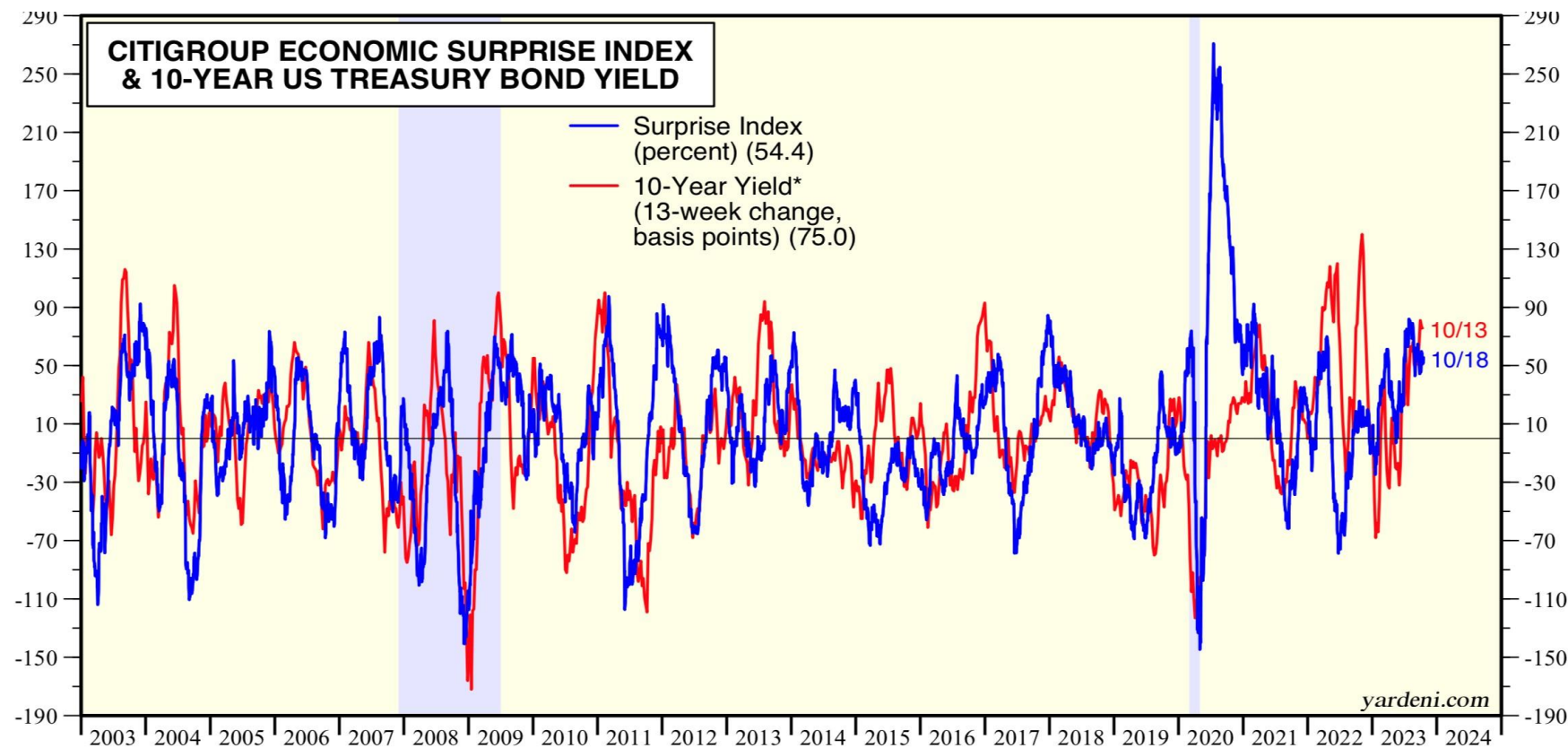
# Higher for Longer: T-Bill Rates Out a Year at or Above Fed Funds Rate

## US Treasuries Yield Curve

An app for exploring historical interest rates



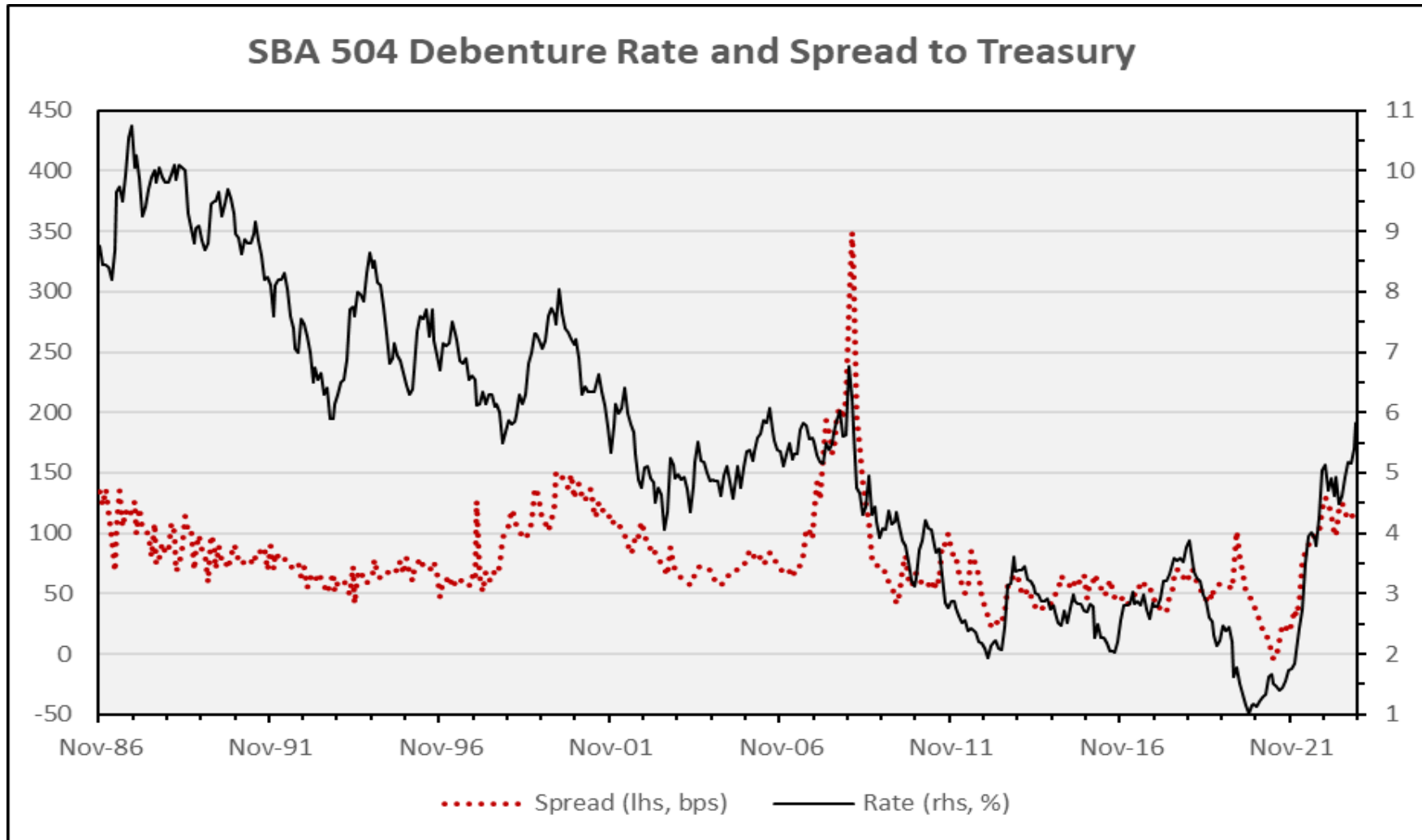
# Good Correlation Between Surprises and Direction of Treasury Yields



\* Average for the week ending Friday.  
Note: Shaded areas are recessions according to the National Bureau of Economic Research.  
Source: Federal Reserve Board and Citigroup.

# The Long View Provides Some Perspective

## Strong Cyclical Bear Market in Interest Rates

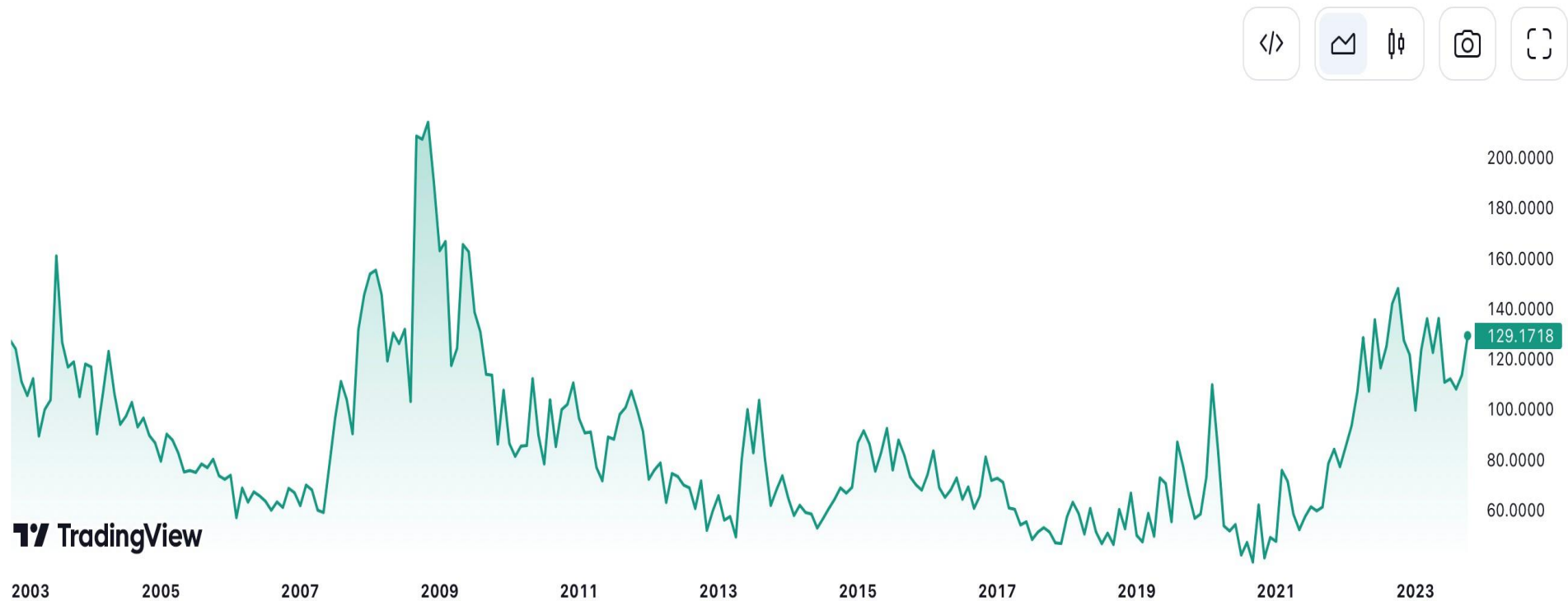




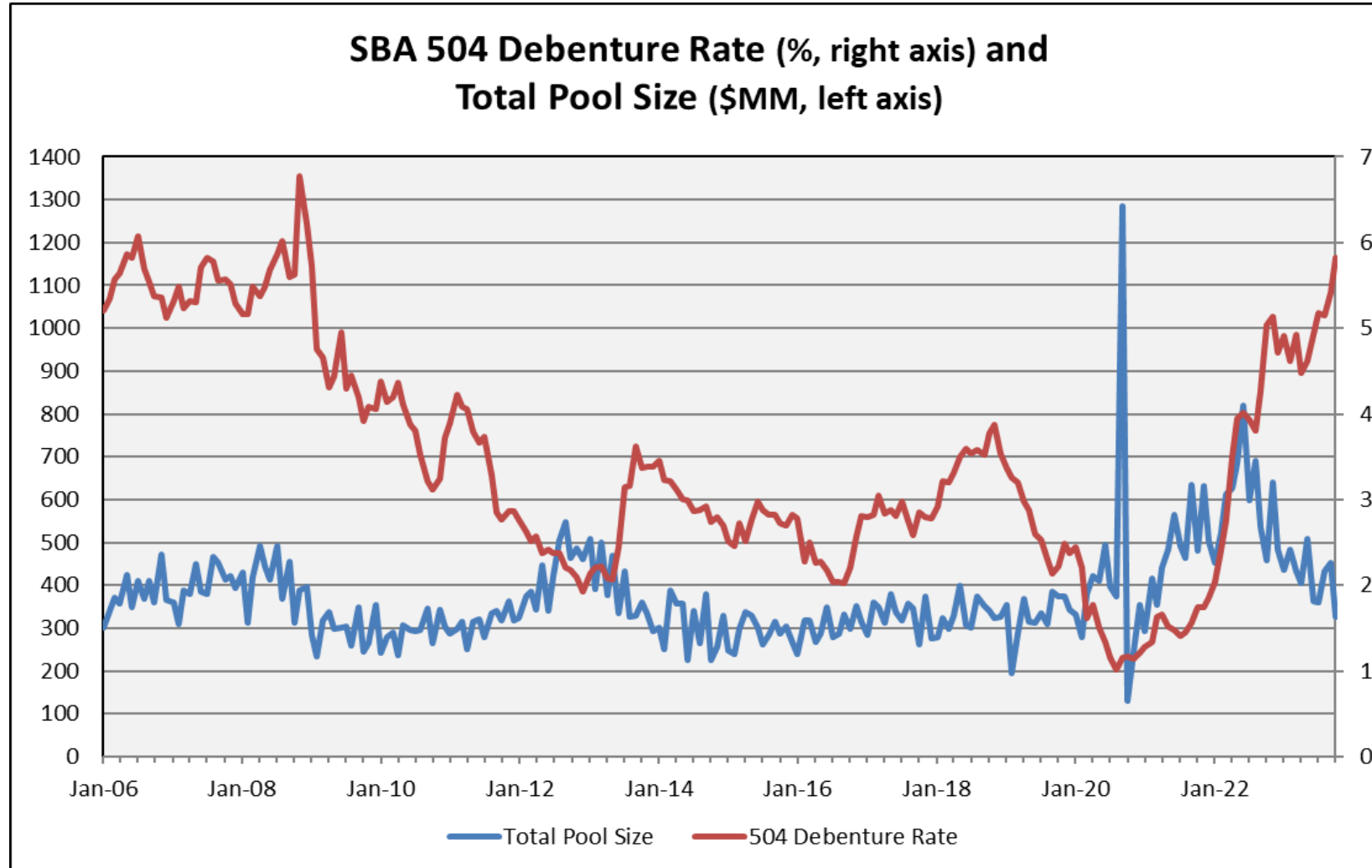
# Expected Treasury Yield Volatility Remains Quite Elevated

## Evidence of a Strong Cyclical Bear Market in Interest Rates

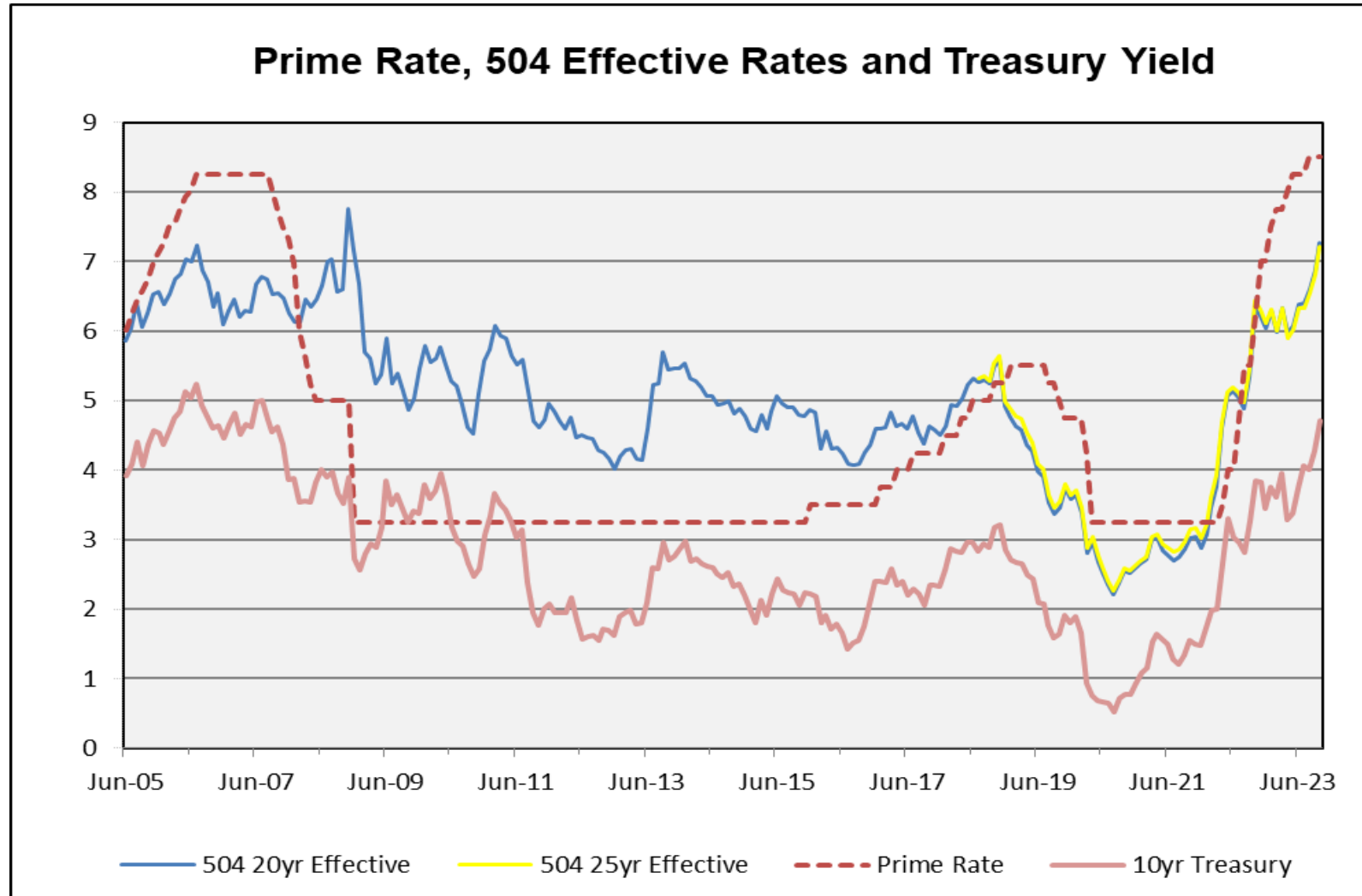
MOVE chart ›



## Pool Size in Cyclical Decline : Back to Pre-Pandemic Levels



# Effective Rates Remain Below Prime as Fed Completes Tightening Cycle

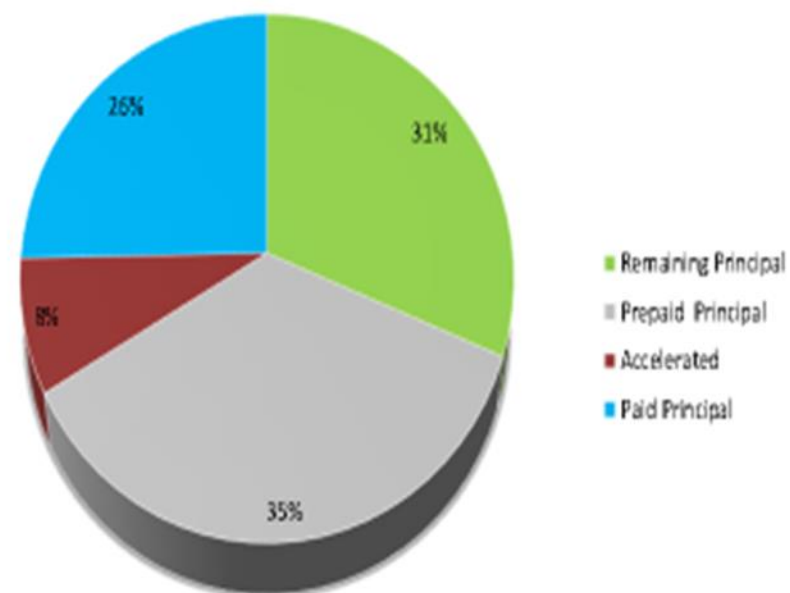
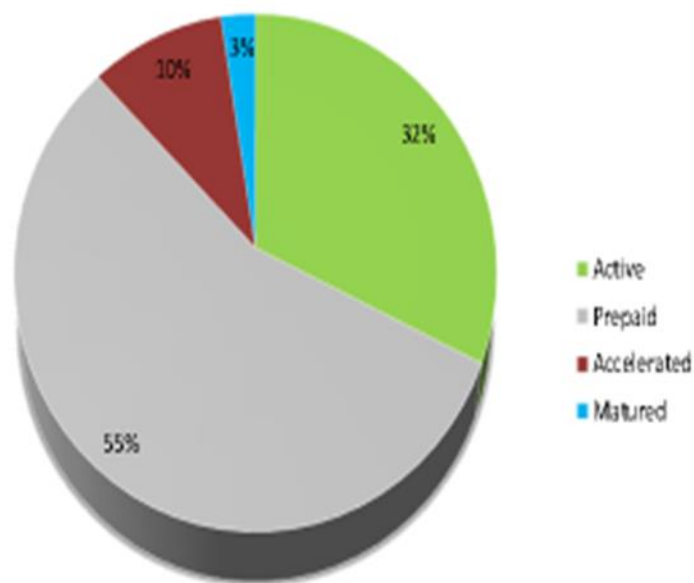


# **PRE-PAYMENT AND PORTFOLIO TRENDS**

# November 2023 Results

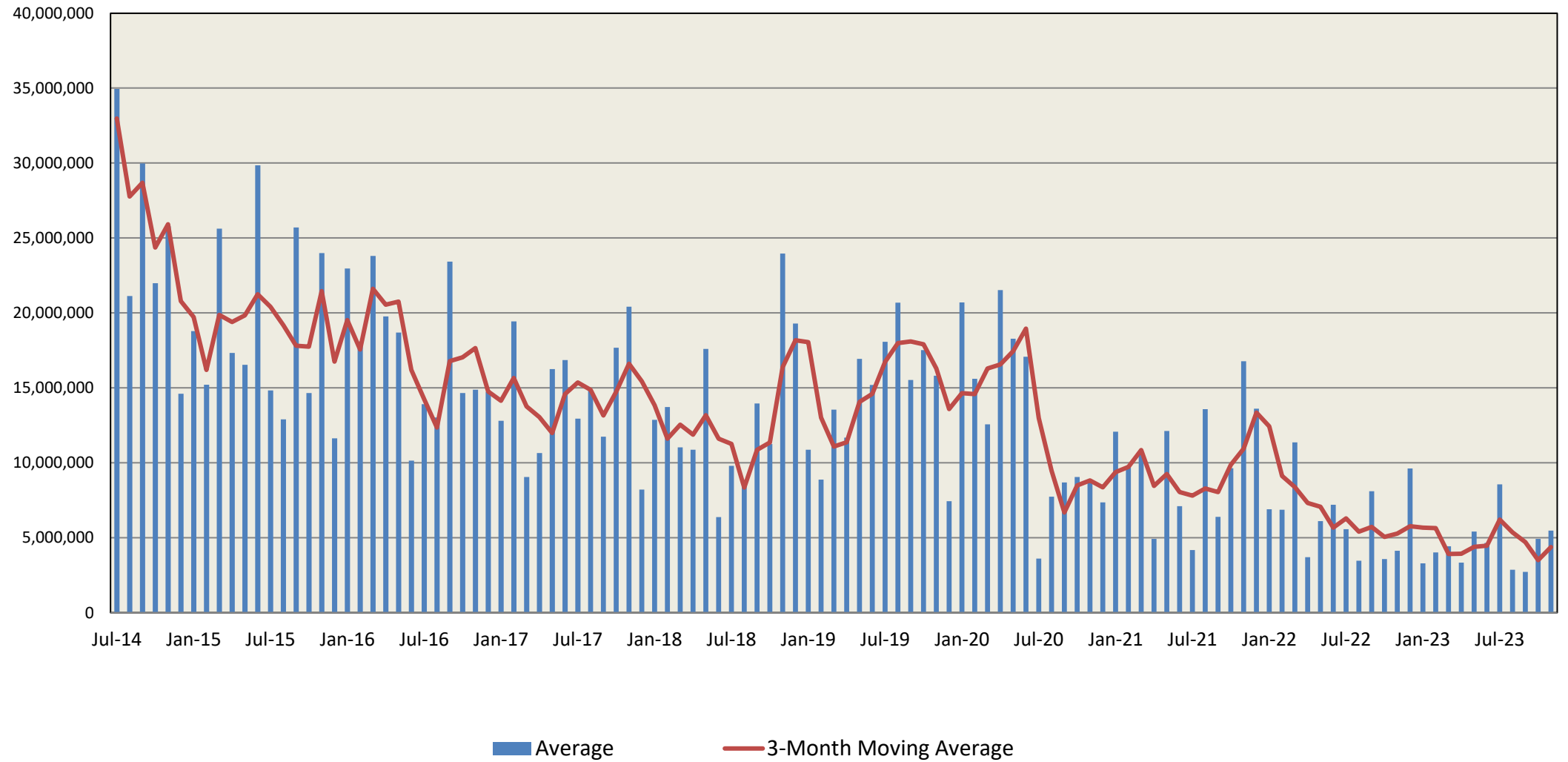
- BNY Mellon reports the program has issued 179,723 debentures totaling \$104,241,979,000. 56% of the OPB is represented by 25-year debentures with just 3% of their issuance having prepaid and less than 1% accelerated.
- Accelerations increased in November in dollar terms and CDR rate. The dollar amount is +1.1M from a year ago.
- \$5.5M accelerated vs \$4.9M in October. The 3-month moving average increased to 0.16%. 14 loans accelerated vs 6 last month. See page 5 for chart.
- Voluntary prepaids increased to \$105.2M and are **\$97MM** lower than the year-ago amount. 283 loans prepaid vs. 246 last month. See page 6 for chart.
- Twelve-month CDR increased to 0.19%. See page 7 for chart.
- The balance of outstanding DCPC's increased to \$32,554,668,403.65. See page 8 for chart.

## SBA 504 Portfolio Summary

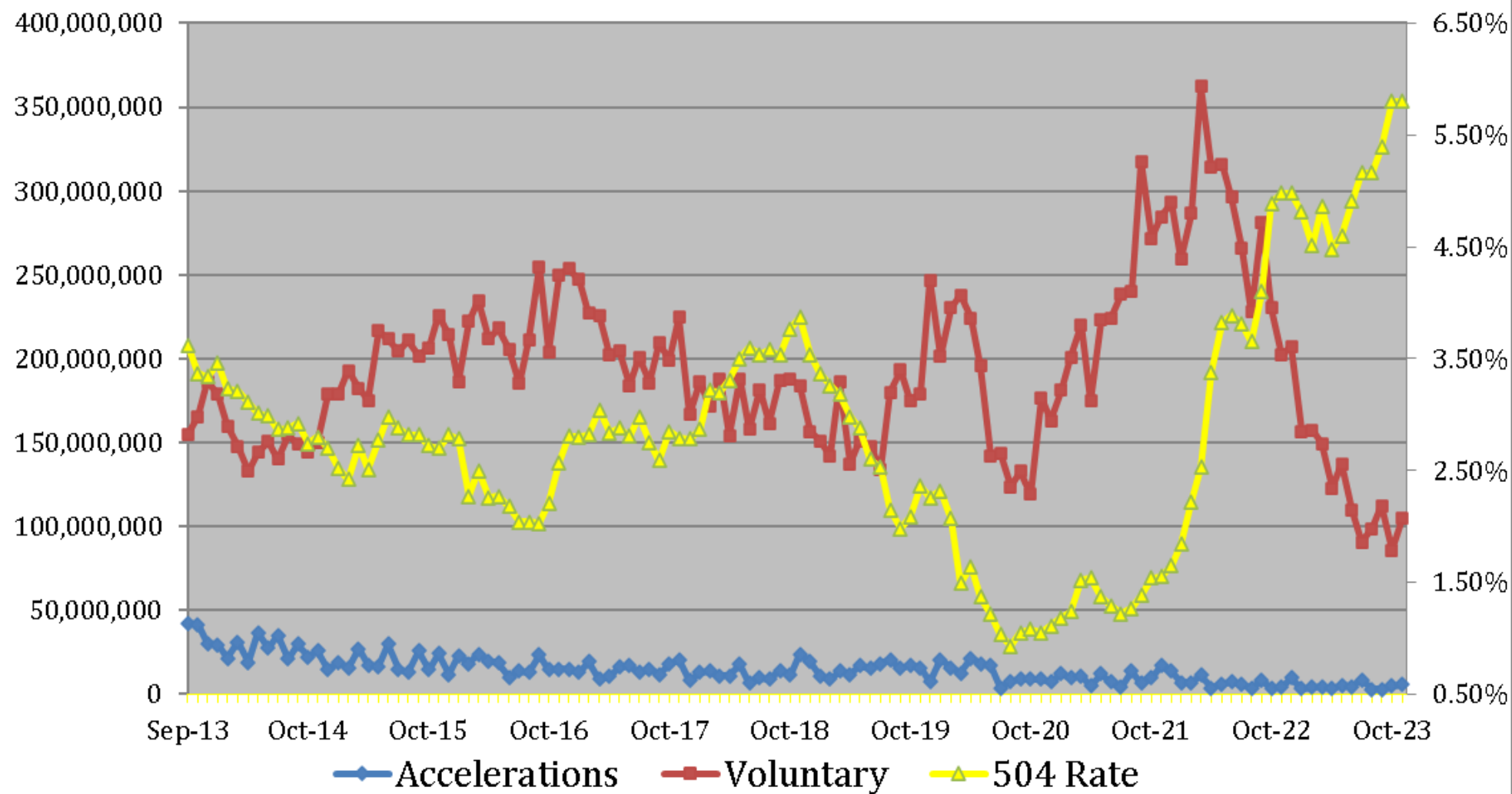


	Debtures	10-Year Maturity		20-Year Maturity		25-Year Maturity			Portfolio Amount	10-Year Maturity		20-Year Maturity		25-Year Maturity	
		Count	%	Count	%	Count	%			Amount	%	Amount	%	Amount	%
Active	57,714	1,101	2%	34,592	60%	22,021	38%	Remaining Principal	\$32,554,868,403.65	\$352,144,760.79	1%	\$13,909,437,944.10	43%	\$18,293,065,698.76	56%
Prepaid	99,767	3,420	3%	95,137	95%	1,210	1%	Prepaid Principal	\$36,787,076,751.58	\$679,160,401.95	2%	\$35,062,471,391.68	95%	\$1,035,444,957.77	3%
Accelerated	17,689	845	5%	16,800	95%	44	0%	Accelerated	\$3,542,195,889.65	\$278,480,190.69	3%	\$8,222,014,486.77	96%	\$41,701,212.19	0%
Matured	4,553	1,721	38%	2,832	62%	0	0%	Paid Principal	\$26,378,037,955.12	\$1,694,748,646.57	6%	\$23,515,621,177.27	69%	\$1,167,468,131.28	4%
Total	179,723	7,087	4%	149,361	63%	23,275	13%	Total	\$104,241,979,000.00	\$3,004,534,000.00	3%	\$80,699,745,000.00	77%	\$20,537,700,000.00	20%

## SBA DCPC Monthly Accelerations (\$) November 2023



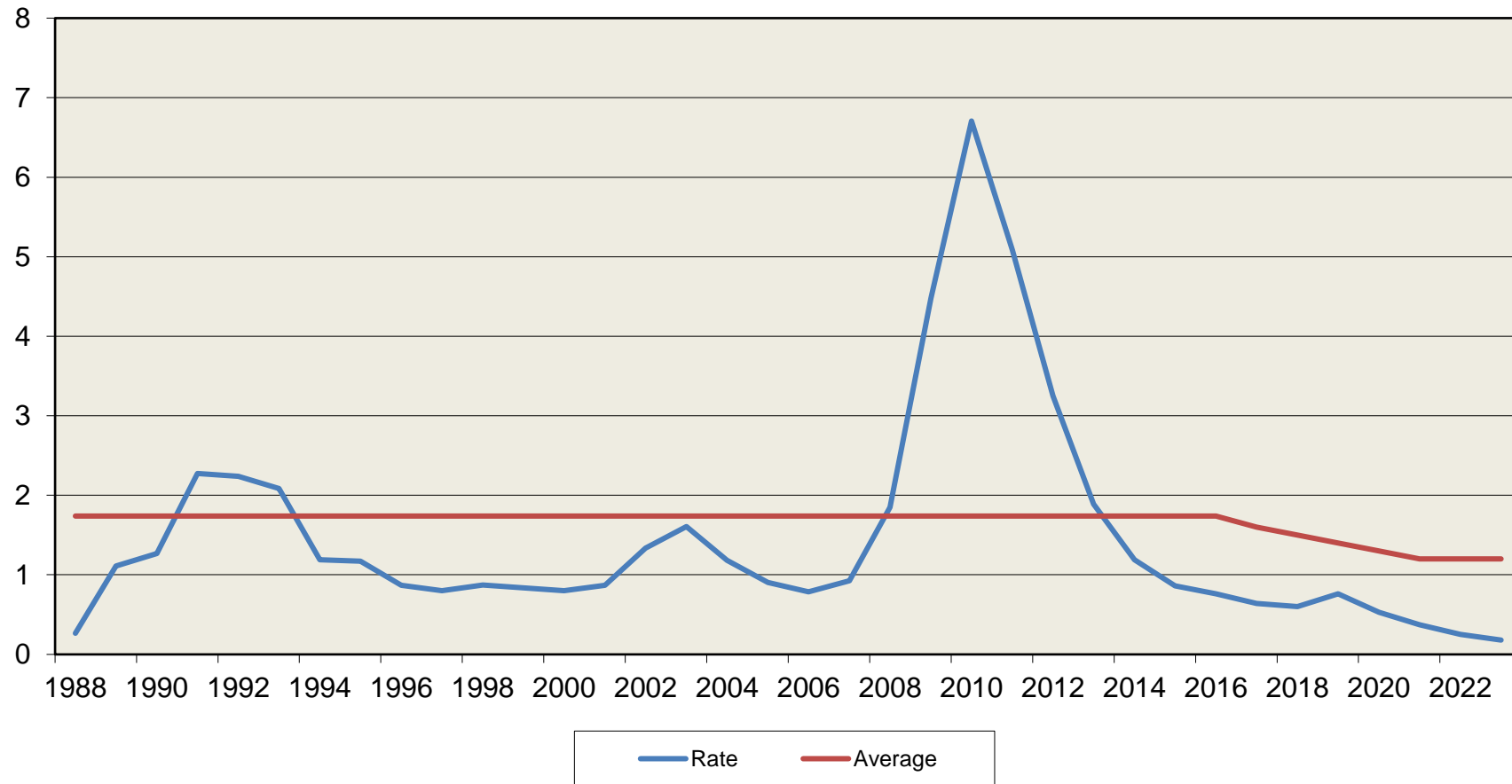
## SBA 504 Pre-Payments



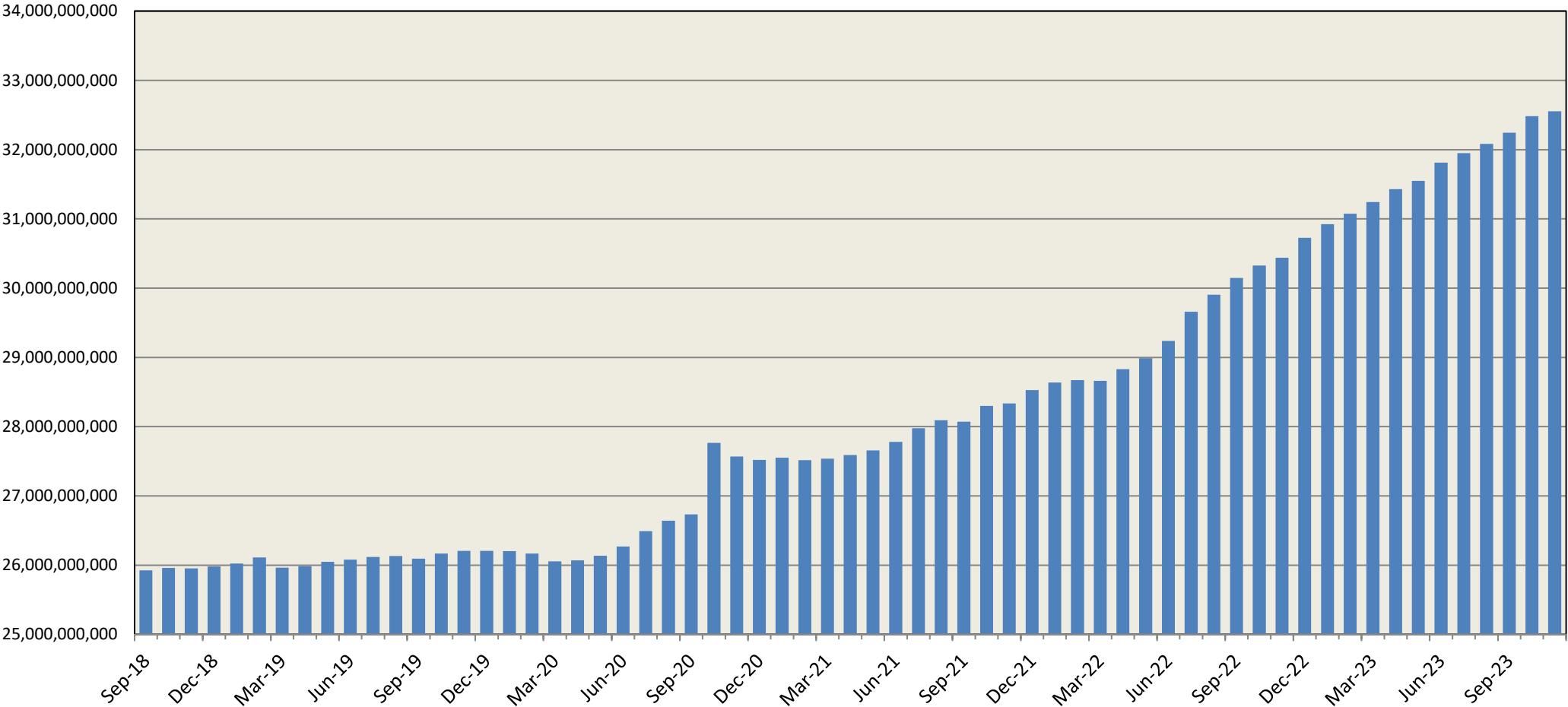


## SBA 504 Annualized CDR (%)

source: DCFLLC and BAML



Monthly DCPC Outstanding Balance(\$)



# Disclaimer

*The information herein has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy or completeness.*



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# WHAT'S UP NEXT

5:00 PM – 7:00 PM

## 504PAC Party

**The Sazerac House**

Just across the street!

Stop by the Registration Desk to Make Your Donation

Special Bonus Options for 504PAC Champions and Patrons



# THANK YOU

