



**Date:** August 14, 2013

**To:** Certified Development Companies

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

**Subject:** August 2013 SBA 504 Debenture Offering

On August 14 2013, 504 twenty-year debentures totaling \$325,494,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the August 8 debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2013-20-H (08/08/13)	2.59%	+0.17 bps	0.40 bps	3.16%	0.57bps
2013-20-G (07/11/13)	2.59%	+0.21 bps	0.35 bps	3.15%	0.56 bps
Change	0.0 bps	-0.04 bps	+0.05 bps	+0.01 bps	+0.01bps

- The September offering will consist of *20-year and 10-year debentures*.
- The ***cutoff date*** to submit loans to the CSA for this offering is **Thursday, August 22**.
- A ***request to remove a submitted loan*** from a financing must be made through the CSA by close of business **Friday, August 30**. In advance of that all CDCs are required to determine “no adverse change” for each loan before submitting it to SBA.<sup>1</sup>
- ***Pricing and pooling date*** is **Thursday, September 5**, on which date 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, September 11**.
- ***Inertia*** – (n.) expressing lethargy or disinterest is descriptive of this month’s market as participants are certain that the Federal Reserve Bank will soon reduce its \$85 billion of monthly purchases and Treasury rates are expected to rise to the 3.0% area by year-end. Given that scenario investors are cautious, coupled with the seasonal slowdown of activity there is little incentive to commit without being compensated by wider spread than in previous sales. There are several products we reference when pricing the monthly sale but it all starts with the yield on ten-year Treasuries. At the peak of the May-July selloff that yield

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<sup>1</sup> Per NADCO General Counsel Jan Garlitz: SOP 50-10(5)(E), page 341, subparagraph C.6.III.A.3., all CDCs must do a “no adverse change” determination no earlier than 14 calendar days before the file is shipped by the SLPC to the SBA District Counsel and the CDC submits its closing package to that SBA District Counsel. Non-ALP CDCs must submit their determination with the financial statements to the SLPC and receive SBA’s concurrence. ALP CDCs and PCLP CDCs must document their determination with the financial statements in the Loan file.

had risen 111 bps from its “safe haven” level of a year ago as a result of a stronger jobs market and improved, though fragile, stability in global economies.

That explains the recent wider spread, + 0.57 bps this month, compared to the May pricing spread of 0.27 bps. Our twelve month pricing spread, +0.38 bps, was the tightest in program history, and was an improvement from the previous twelve month periods spread of +0.75 bps.

The chart below shows our pricing spread vs. other CMBS and Investment Grade Corporate securities as the program maintains its overall pricing advantage even as rates have spiked.

