



**Date:** July 13, 2009  
**To:** Certified Development Companies  
**From:** Steve Van Order, DCFC Fiscal Agent  
**Subject:** July 2009 SBA 504 Debenture Offering (2009-20G, 10D)

On July 15, 2009, 441 twenty-year debentures totaling \$282,223,000 and 53 debentures totaling \$20,950,000 will be funded through the sale of certificates guaranteed by SBA. Below are debenture pricing details set July 7:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
<b>2009-20G (07/07/09)</b>	3.500%	19.50 BP	60.50 BP	4.30%	80.0 BP
<b>2009-20F (06/09/09)</b>	3.848%	35.25 BP	74.95 BP	4.95%	110.2 BP
<b>Change</b>	-34.8 BP	-15.75 BP	-14.45 BP	-65 BP	-30.2 BP

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
<b>2009-10D (07/07/09)</b>	2.380%	41.25 BP	39.75 BP	3.19%	81.0 BP
<b>2009-10C (05/05/09)</b>	2.034%	57.25 BP	70.35 BP	3.31%	127.6 BP
<b>Change</b>	+34.6 BP	-16.00 BP	-30.60 BP	-12 BP	-46.6 BP

- The August offering will consist of *20-year debentures*.
- The **cutoff date** to submit loans to Colson for this offering is Tuesday **July 21**.
- A **request to remove a submitted loan** from a pool must be made through Colson Services by close of business Thursday, **July 30**.
- **Pricing date** is Tuesday **August 4**, on which the debenture interest rates will be set.
- The debentures will be funded on Wednesday, August 12.

The July 2009 debenture interest rates were the second-lowest on record, benefiting from lower treasury yields, tighter swap spreads and tighter debenture spreads to swaps. The 20-year debenture spread to 10-year treasury was +80 BP, tighter than the long-term average of +92 BP. It was the narrowest since June 2007, considered the last month before the credit market crisis began in earnest.. Since the December 2008 all time wide of T+349 the spread tightened seven consecutive months at an average of -38 BP per month. The July spread to swap, at +60.5 BP, remained above the +46 BP average but compared to S+325 BP in December.

In the new issue (and secondary market), debenture-backed DCPC spreads tightened against competing products in the market space including Fannie (DUS) and Ginnie (GNPL) guaranteed multifamily mortgage-backed securities. As well, the July 20-year 504 debenture rate of 4.30% was well through the yield on Ginnie current coupon (4.5%) MBS. Usually 504 priced in the range of 15-35 BP above MBS, hitting +180 BP over MBS last December. Agency-backed single family MBS benefit from direct purchase programs at Treasury and the Fed.

The excellent performance of the 504 DCPC in the market is heartening with the spread to treasury returning through the average much faster than anticipated. It seems, however, this rally is due for a break that would feature some correction to the spread.