



**Date:** February 11, 2014

**To:** Certified Development Companies

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

**Subject:** February 2014 SBA REAL 504 Debenture Offering

On February 12, 2014, 382 twenty-year debentures totaling \$251,320,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the February debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
<b>2014-20B (2/06/14)</b>	2.69%	+14bps	.40bps	3.23%	.54bps
<b>2014-20A (1/09/14)</b>	2.98%	+09bps	.39bps	3.46%	.48bps
<b>Change</b>	-.29bps	+.05bps	+.01bps	-.23bps	+.06bps

- 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 20**.
- A **request to remove a submitted loan** from a financing must be made through the CSA by close of business **Monday, March 3**. 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, **March 6**, 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 12**
- **Lower Rates, Wider Spreads** – this is the opposite headline to January’s commentary when the market was confident of increased job growth, Emerging Market stability, and continued gains in equity markets. Just like the header, all these conditions reversed themselves in an environment where bond investors were underweight in their portfolios leaving them exposed to a bond market rally – which we got. Equities lost 5% in January and long bonds gained 1.2% as short positions were covered and investors sought the “safe haven” of U.S. Treasuries. In technical rallies like that credit and swap spreads tend to widen and that held true, though we were able to fund .23bps better than January. The Fed has announced a second tapering of its monthly purchases and expectations for higher rates remain intact but until job growth and inflation pick up we should ten-year Treasuries hold a range of 2.60%-2.85%.

<sup>1</sup> Per SOP 50-10(5)(E), page 341, 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.”