DEVELOPMENT COMPANY FUNDING CORPORATION

Date: August 10, 2009

To: Certified Development Companies

From: Steve Van Order, DCFC Fiscal Agent

Subject: August 2009 SBA 504 Debenture Offering (2009-20H)

On August 12, 2009, 429 twenty-year debentures totaling $258,936,000 will be funded through the sale of certificates guaranteed by SBA. Below are debenture pricing details that were set on August 4:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2009-20H (08/04/09)	3.654%	25.00 BP	54.60 BP	4.45%	79.6 BP
2009-20G (07/07/09)	3.500%	19.50 BP	60.50 BP	4.30%	80.0 BP
Change	+15.4 BP	+5.50 BP	-5.90 BP	+15 BP	-0.4 BP

- The September offering will consist of *20- and ten-year debentures.*
- The ***cutoff date*** to submit loans to Colson for this offering is Tuesday **August 25**.
- A ***request to remove a submitted loan*** from a pool must be made through Colson Services by close of business Thursday, **September 3**.
- ***Pricing date*** is Tuesday **September 8**, on which the debenture interest rates will be set.
- The debentures will be funded on Wednesday, September 16.

This month's sale met with good demand and resulted in a spread tightening of about 6 BP versus the interest rate swap pricing benchmark. For you spread to treasury watchers, however, that spread was near-unchanged as the pricing benchmark swap spread was 5.5 BP wider versus July. The pricing benchmark treasury yield increased 15 BP so the debenture interest rate was marginally higher. In August we benefited from a good calendar position, pricing before the bullish employment report release last Friday which resulted in a T-note yield rise of 20 more BP versus the Tuesday pricing level. In Bondland it's often better to be lucky than smart.

After the July employment report release market sentiment, and now the economists' consensus forecast, turned toward the nature of the post-recession recovery. The *Blue Chip Indicators* consensus expects the recession to end in Q3. About two-thirds surveyed expect a U-shaped pattern in post-recession economic growth. The balance of those surveyed split between V-shaped (hooray) and W-shaped (boo). This Wednesday the Federal Open Market Committee (FOMC) will release its new policy statement. It will not change the near-zero percent rate monetary policy (called ZIRP). The only major credit policy change I expect is for the FOMC to not extend its treasury note/bond purchase program. The $300 billion program announced March 18 will be completed by the end of September. There has yet been convincing evidence the purchases held treasury yields materially below where they might otherwise have been. It's also possible the Fed's Board of Governors will announce the ABS financing program, the Term Asset-backed Securities Lending Facility (TALF), set to close on December 31, will be extended. I expect the TALF to be extended through June 30, 2010 but the announcement may not come until after the September FOMC meeting.