



Date: February 10, 2009
To: Certified Development Companies
From: Steve Van Order, DCFC Fiscal Agent
Subject: Feb. 2009 504 Debenture Offering (2009-20B)

On February 11, 2009, 381 twenty-year debentures totaling \$234,621,000 will be funded through the sale of certificates guaranteed by SBA. Below are debenture pricing details that were set on February 3:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2009-20B (02/03/09)	2.801%	20.50 BP	175.40 BP	4.76%	195.9 BP
2009-20A (01/06/09)	2.566%	35.00 BP	280.40 BP	5.72%	315.4 BP
Change	+23.5 BP	-14.50	-105.00	-96 BP	-119.5 BP

- The March offering will consist of *20-year and 10-year debentures*.
- The ***cutoff date*** to submit loans to Colson for this offering is Tuesday **February 17**.
- A ***request to remove a submitted loan*** from a pool must be made through Colson Services by close of business Thursday, **February 26**.
- ***Pricing date*** is Tuesday **March 3**, on which the debenture interest rates will be set.
- The debentures will be funded on Wednesday, March 11.

SBA 504 debenture interest rates continued the drop started in December despite a backup in treasury yields this month. The spread to swap and treasury tightened dramatically as credit market conditions continued to improve and the buyer base showed strong demand for the DCPC's. Investor demand for many types of non-treasury securities has revived and, if sustained, holds some promise for less volatility in spreads, although we must expect month-over-month volatility to remain much above the long term average. Upcoming announcements by the government on the next steps in the bank bailouts and credit market supports, and the economic stimulus legislation, have potential to move interest rates and spreads for better or for worse.

Large and frequent long-term borrowing needs by Treasury will consistently test the bond market. This week alone Treasury will borrow \$67 billion through issuance of new three-, ten-, and 30-year maturity debt. Later this month Treasury will start auctioning a monthly seven-year T-note. The last seven-year T-note was auctioned nearly 16 years ago and then it was a quarterly offering. There now will be monthly offerings of new seven- and reopened ten-year T-notes, creating big new supply in the part of the yield curve inhabited by the SBA DCPC's.