



Date: February 13, 2013
To: Certified Development Companies
From: Frank Keane, DCF LLC Fiscal Agent
Subject: February 2013 SBA 504 Debenture Offering

On February 13, 539 twenty-year debentures totaling \$389,994,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the February 7 debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2013-20B (02/07/2013)	1.950%	+0.08 bps	+0.18 bps	2.21%	0.26bps
2013-20A (01/10/2013)	1.900%	+0.03 bps	+0.20bps	2.13%	0.23 bps
Change	+0.05 bps	+0.05 bps	-0.02 bps	+0.08 bps	+0.03bps

- 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 **Tuesday, February 19**.
- A ***request to remove a submitted loan*** from a financing must be made through the **Central Servicing Agent** by close of business **Monday, March 4**. In advance of that all CDCs are required to determine “no adverse change” for each loan before submitting it to SBA.¹
- ***Pricing and pooling date*** is **Thursday, March 7**, 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 13**.
- **Supply and Demand:** Year-to-Date, interest rates have risen and credit and swap spreads have widened even as FOMC activities continue to support longer-dated Mortgage backed securities and Treasuries with monthly purchases of \$85B. Concern about the Euro zone economies has lessened resulting in reduced demand for safe assets like Government debt. The Quantitative Easing programs have benefitted 504 program issuance as evidenced by improved funding spreads compared to February 2012; 39 bps tighter to Interest Rate Swaps and 42 bps tighter to ten-year Treasuries. The CMBS market saw record issuance in January and is on track to market an additional \$7B of bonds by the end of the quarter. This supply, and especially investor concern about the level of interest rates, has contributed to this move higher in rate but the increased distribution of our new issues is helping the program improve its pricing spread to Interest Rate Swaps. 2013-20B’s spread improved 2 bps this month while comparable product like FRE K widened and at + 18bps it is just 4 bps wider than the tightest pricing in April 2007.

¹ 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.