



**Date:** November 10, 2009  
**To:** Certified Development Companies  
**From:** Steve Van Order, DCFC Fiscal Agent  
**Subject:** Nov. 2009 SBA 504 Debenture Offering (2009-20K, 10F)

On November 12, 2009, 438 twenty-year debentures totaling \$250,040,000 and 40 ten-year debentures totaling \$13,741,000 will be funded through the sale of certificates guaranteed by SBA. Below are debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
<b>2009-20K (11/03/09)</b>	3.406%	18.25 BP	50.15 BP	4.09%	68.4 BP
<b>2009-20J (10/06/09)</b>	3.240%	17.50 BP	50.50 BP	3.92%	68.0 BP
<b>Change</b>	+16.6 BP	+0.75 BP	-0.35 BP	+17 BP	+0.4 BP

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
<b>2009-10F (11/03/09)</b>	2.304%	37.25 BP	30.35 BP	2.98%	67.6 BP
<b>2009-10E (09/08/09)</b>	2.345%	38.50 BP	35.00 BP	3.08%	73.5 BP
<b>Change</b>	-4.1 BP	-1.25 BP	-4.65 BP	-10B P	-5.9 BP

- The December offering will consist of *20-year debentures*.
- The *cutoff date* to submit loans to Colson for this offering is Tuesday **November 24**.
- A *request to remove a submitted loan* from a pool must be made through Colson Services by close of business Thursday, **December 3**.
- *Pricing date* is Tuesday **December 8**, on which the debenture interest rates will be set.
- The debentures will be funded on Thursday, December 16.

In November the ten-year interest rate, at 2.98%, nudged out the September record low and was the first sub-3% debenture rate in program history. Debenture interest rates remain low from a combination of persistently low treasury yields and the return of debenture spreads to more typical levels.

The yield curve remains extremely steep due to U.S. monetary and fiscal policies. The Fed reiterated last week that a near-zero target Fed funds rate is likely to be warranted for an “extended period” which will keep short-term interest rates pinned down. Last week Treasury forecast \$1.5 trillion to \$2 trillion of net new treasury supply in FY’10 to finance the gaping U.S. budget deficit. Treasury policy is to extend the average maturity of the debt portfolio so much of this net new supply will come in longer maturities, keeping the yield curve much steeper than normal. It seems that, even with a low inflation outlook, at some point higher treasury yields will be required to finance the crush of supply. Currently, however, demand for treasuries remains strong, especially from foreign central banks, domestic banks and households.