Development Company Finance LLC

Date: November 19, 2010

To: Certified Development Companies

From: Steve Van Order, DCFLLC Fiscal Agent

Subject: November 2010 SBA 504 Debenture Offering

On November 17, 2010, 548 twenty-year debentures totaling $308,534,000 and 65 ten-year debentures totaling $33,855,000 were funded through the sale of certificates guaranteed by SBA. Below are debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2010-20K (11/09/10)	2.581%	+17.25 BP	49.65 BP	3.25%	66.9 BP
2010-20J (10/05/10)	2.470%	+8.75 BP	55.25 BP	3.11%	64.0 BP
Change	+11.1 BP	+8.50 BP	-5.60 BP	+ 14	+2.9 BP

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2010-10F (11/09/10)	1.163%	29.50 BP	35.20 BP	1.81%	64.7 BP
2010-10E (09/07/10)	1.439%	18.00 BP	35.10 BP	1.97%	53.1 BP
Change	-27.6 BP	+11.5 BP	+0.10 BP	-16 BP	+11.6 BP

- The December offering will consist of *20-year debentures.*
- The ***cutoff date*** to submit loans to Colson for this offering is Tuesday **November 23.**
- A ***request to remove a submitted loan*** from a pool must be made through Colson Services by close of business Thursday, **December 2**.
- ***Pricing date*** is Tuesday **December 7**, on which the debenture interest rates will be set.
- The debentures will be funded on Wednesday, December 15.

It was a pleasure to see so many of you at the three regional meetings this year. Many people seemed interested in further understanding just what is "quantitative easing." The Q&A below we hope is of some help:

Q. What is "quantitative easing"?

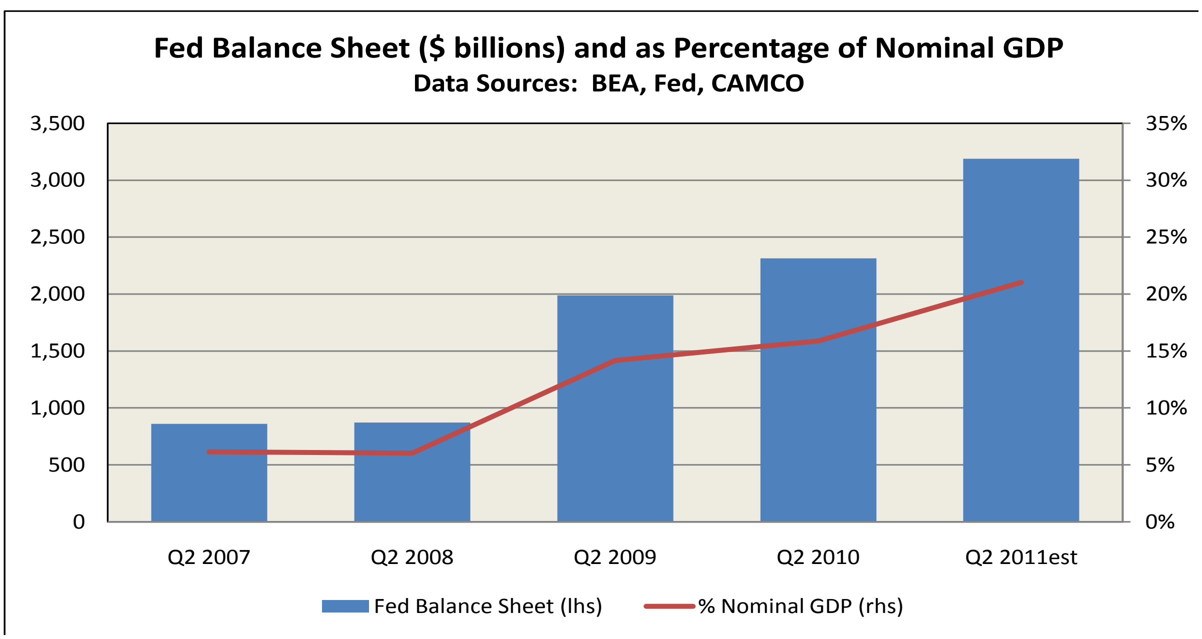
A. Classic quantitative easing is a non-traditional form of monetary policy for purpose of stimulating an economy. It occurs when a central bank targets an amount of money it wants to pump into the banking system to increase lending and economic growth. It does this by purchasing government securities out of the open market and crediting the accounts of the banks from which it buys the securities. This increases the money in the banking system. Because there is a numerical target of some sort, such as money growth, this is called "quantitative easing." The Fed is doing something a bit different though. It is buying a specified amount of government securities with the primary objective of lowering long-term market interest rates to make it easier to finance new purchases and business expansion and refinance existing debt. The resulting injection of money in the banking system is a significant secondary effect. But this Fed policy now is widely referred to as a form of "quantitative easing."

Q. Does quantitative easing work?

A. Viewed with the narrow objective of lowering market interest rates the Fed has had some success with its form of quantitative easing. We estimate the 10-year T-note yield is at least one-half percent, probably more, below where it might otherwise be without the program. The Fed buying forced investors to stretch for yield in alternatives like SBA pools and corporate bonds, lowering their yields too. Viewed with the broader objective of lifting the economy and avoiding price deflation, the record for Japan, which has longer experience with quantitative easing, is decidedly mixed. The US experience is too new to reach any clear conclusions. Historians, economists, bond traders and politicians will argue about this question for many years.

Q. How will this activity affect the Fed's ability to tighten policy when the time comes?

A. As the chart below shows, if the Fed purchases all of the treasuries it indicated we estimate the balance sheet will surpass $3 trillion by the end of Q2 2011 and represent over 20% of US nominal GDP. This compares to $860 billion or 6% of GDP pre-crisis. The bloated balance sheet ultimately would hinder the Fed's ability to raise the Fed funds rate to a more normal level. So the Fed will have to start shrinking the balance sheet at some point, at first passively, then perhaps actively. In such a case market interest rates might rise sharply in anticipation. We do not anticipate this problem for some time, perhaps not until 2012.



Q. How will QE impact the level of SBA debenture interest rates?

A. The Fed's policy for the first half of 2011 will be to effectively cap long-term US interest rates to support economic growth. Treasury purchases under QE, therefore, will exert a drag on any rise in interest rates as the Fed's buying power is big. That does not mean SBA interest rates will not rise in 2011 but if they do we expect the levels will remain low in comparison to the long term historical record. Does that mean 4% handles versus 3% for 20-year debentures? Perhaps, but that still would be low by past standards. If the economy heads back toward a recession we'd expect debenture rates to remain very low, or drop further, perhaps through 3% for the 20-year maturity. We caution though, there are other major influences on interest rates, not just the Fed.