



Date: November 14, 2011
To: Certified Development Companies
From: Steve Van Order, DCFLLC Fiscal Agent
Subject: November 2011 SBA 504 Debenture Offering

On November 16, 2011, 573 twenty-year debentures totaling \$335,597,000 and 57 ten-year debentures totaling \$26,665,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the November 8 debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2011-20K (11/08/11)	2.009%	+16.50 BP	69.60 BP	2.87%	86.1 BP
2011-20J (10/04/11)	1.764%	+24.75 BP	74.85 BP	2.76%	99.6 BP
Change	+24.5 BP	-8.25 BP	-5.25 BP	+11 BP	-13.5 BP

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2011-10F (11/08/11)	0.883%	+34.00 BP	29.70 BP	1.52%	63.7 BP
2011-10E (09/06/11)	0.873%	+30.25 BP	35.45 BP	1.53%	65.7 BP
Change	+1 BP	+3.75 BP	-5.75 BP	-1 BP	-2 BP

- The December offering will consist of *20-year debentures*.
- The *cutoff date* to submit loans to Colson for this offering is **Tuesday, November 22**.
- A *request to remove a submitted loan* from a financing must be made through Colson Services by close of business **Thursday, December 1**. 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 **Tuesday, December 6**, on which 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, December 14**.

Over the last three months the 20-year debenture interest rates have been in a range from 2.76% to 2.87%. This tight range belied the bouts of high volatility in the global financial markets at times. These bouts made US market interest rates gyrate. Over this timeframe, we benefited from a fortuitous combination of things including 1) tightening spreads when the benchmark treasury yield rose (November) and 2) a sharply lower treasury benchmark yield at pricing which

¹ Per NADCO General Counsel Jan Garlitz: SOP 50-10(5)(C), page 331, 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.

helped offset wider spreads (October). We also benefited, frankly, from the good fortune not to have had our pricing window on a particularly volatile day or even at the wrong time on a pricing day.

In summary, we should not assume that because the debenture rates were tightly clustered over the last few months it meant that market volatility was low. It has been, in fact, quite the opposite. Even the *volatility of volatility* in stock market indices has been elevated since the end of July. Generally elevated volatility, with potential for occasional bouts of extreme volatility, will remain over coming months. It remains important to take into account the possibility for a big swing in debenture rates from month to month.