



Date: September 12, 2012
To: Certified Development Companies
From: Frank Keane, DCFLLC Fiscal Agent
Subject: September 2012 SBA 504 Debenture Offering

On September 12, 2012, 684 twenty-year debentures totaling 495,038,000 and 99 ten-year debentures totaling \$53,054,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the September 4 debenture pricing details:

<u>Issue</u>	<u>Treasury</u>	<u>Swap Spread</u>	<u>Spread</u>	<u>Rate</u>	<u>T plus</u>
2012-20I	1.550%	10.00 bps	55.00 bps	2.20%	65.00 bps
2012-20H	1.626%	14.25 bps	60.00 bps	2.37%	74.40 bps
change (bps)	-7.6 bps	-4.25 bps	-5.00bps	-17bps	-9.4bps

<u>Issue</u>	<u>Treasury</u>	<u>Swap Spread</u>	<u>Spread</u>	<u>Rate</u>	<u>T plus</u>
2012-10E	0.595%	16.75 bps	22.00 bps	0.98%	38.50 bps
2012-10D	0.685%	25.50 bps	25.00 bps	1.19%	50.50 bps
change (bps)	-9 bps	-8.75 bps	-3.00 bps	-21 bps	-12.0 bps

- The October offering will consist of *20-year debentures*.
- The **cutoff date** to submit loans to Colson for this offering is **Tuesday, September 25**.
- A **request to remove a submitted loan** from a financing must be made through Colson Services by close of business **Thursday, October 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 **Tuesday, October 9**, 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, October 17**

Pricing for the September sale represented the lowest rates for both the twenty-year and ten-year debentures as well as the largest monthly offering in the 504 program’s 26 year history. The twelve month average rate for the twenty-year debentures is 2.57% vs. the year ago average of 3.64%. Issuance in the program for Fiscal Year 2012 is \$4.7 billion vs. \$3.7 billion in 2011 and the outstanding principal balance is \$25.4 billion.

The benchmark Treasury market is at the mid-point of its one month trading range and looking to react to possibly more Quantitative Easing by the Federal Reserve Bank and/or implementation of the European Central Bank’s recent plan to buy short term Sovereign debt. In addition to mildly positive economic data it is these actions that will determine the course of interest rates through year-end.

¹ Per DCFLLC General Counsel Jan Garlitz: SOP 50-10(5)(E), page 341, subparagraph C.6.III.A.3., requires that 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.