# Understanding the SBA 504 Loan Funding Process

*October 2026*

EAGLE
COMPLIANCE LLC

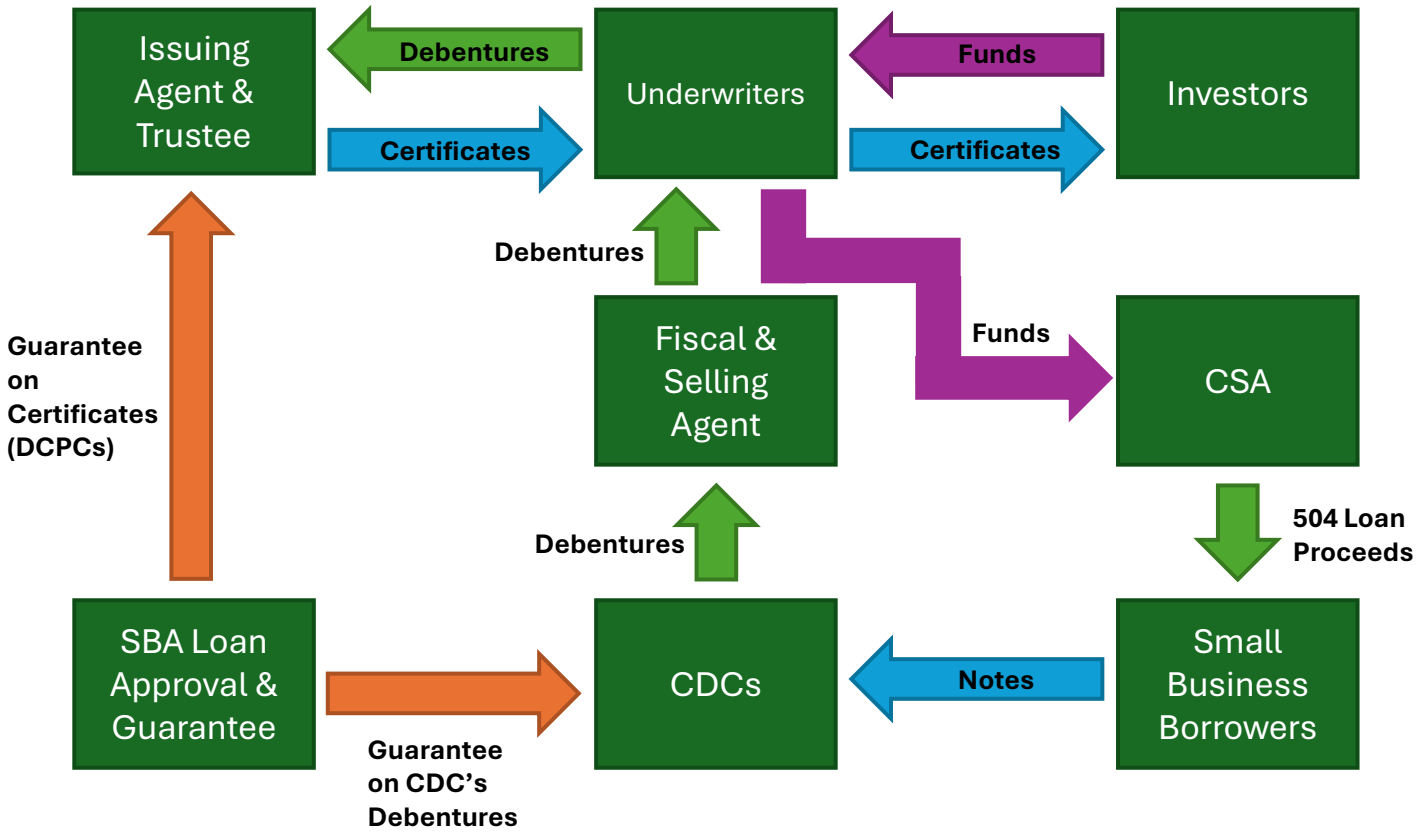
# SBA 504 -Funding Small Businesses for 40 Years

- Section 503 (1958) of the Small Business Investment Act (“SBIA”) provides the SBA’s full guarantee on the principal and interest payments of Certified Development Company (“CDC”) Debentures.
- Section 504 (1986) of the SBIA provides for the sale of of such guaranteed CDC Debentures to investors.
- Section 505 (1986) of the SBIA provides for the formation of pools and issuance of certificates representing ownership of such guaranteed CDC Debentures, known as Debenture Development Company Participation Certificates or “DCPCs”; it also provides an SBA guarantee on full and timely distribution of principal and interest payments to DCPC holders.
- The SBA 504 loan funding process provides monthly access to fixed rate, long-term funding in the public capital markets which would not otherwise be available to small businesses.
- The SBA 504 loan funding process uses a proven securitization method that creates appealing investments that results in efficiently-priced fixed-rate funding for small business borrowers.
- 40 years of history have led to stable performance through multiple interest rate and economic cycles and through large market crises. As of October 2026, 194,896 debenture certificates have been issued with $39,124,909,409 outstanding.

# SBA 504 Capital Markets Team

- **Small Business Administration** – Guarantor of Debentures approved for funding (and DCPCs), approves funding amounts and the Debenture rates
- **Fiscal Agent/Selling Agent** – *Eagle Compliance LLC*. Manages the funding process for the SBA and CDCs to obtain the best monthly Debenture rate available for CDCs and therefore the best loan rate for the small business borrower
- **Underwriters** – *Stifel, Nicolaus & Company, Incorporated* and *BofA Securities, Inc*. Market, sell and trade DCPCs, pool Debentures, product research
- **Issuing Agent and Trustee** – *The Bank of New York*. Hold Debentures issued by CDCs, issues DCPCs as the SBA's agent, distributes P&I to DCPC holders, and reports outstanding pool statistics
- **Central Servicing Agent** – *Guidehouse, LLC*. Processes loans, reports new pool statistics to Eagle Compliance, collects loan payments, and pays out proceeds
- **Legal Counsel** – *Morgan Lewis, LLP*. Program and transaction legal advisors to the Underwriters and Eagle Compliance LLC

# From Borrowers to Investors: The Process

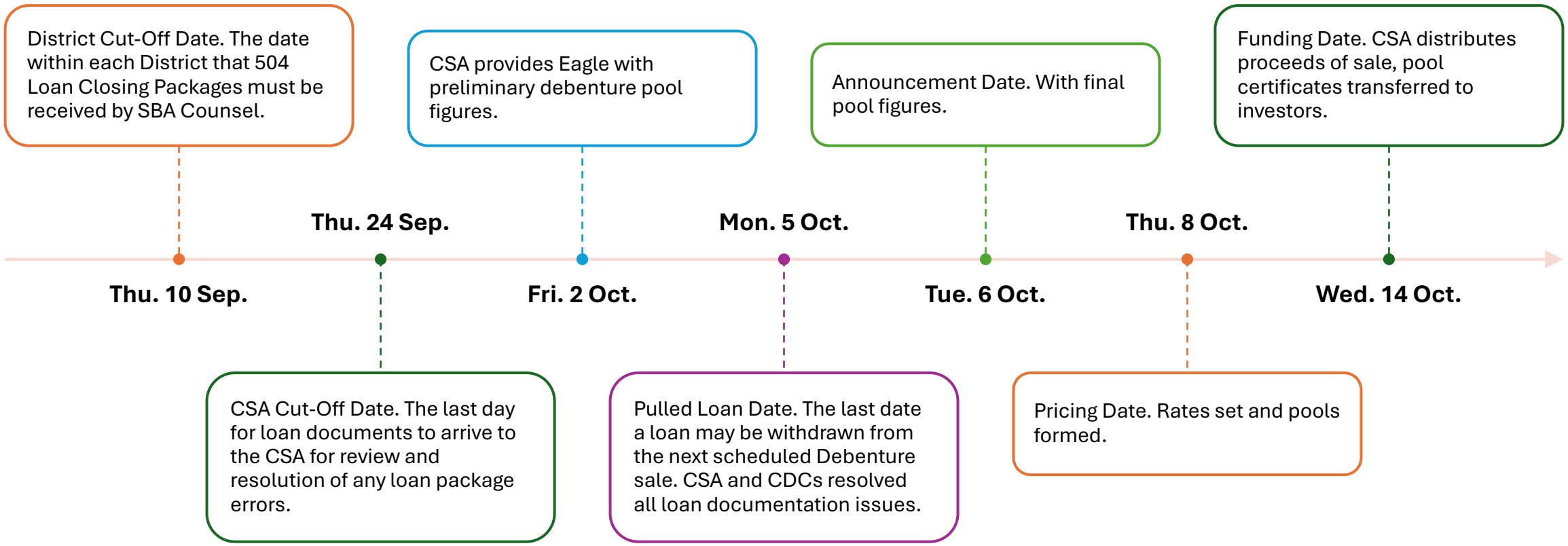


# 504 Rate Establishment/Determination

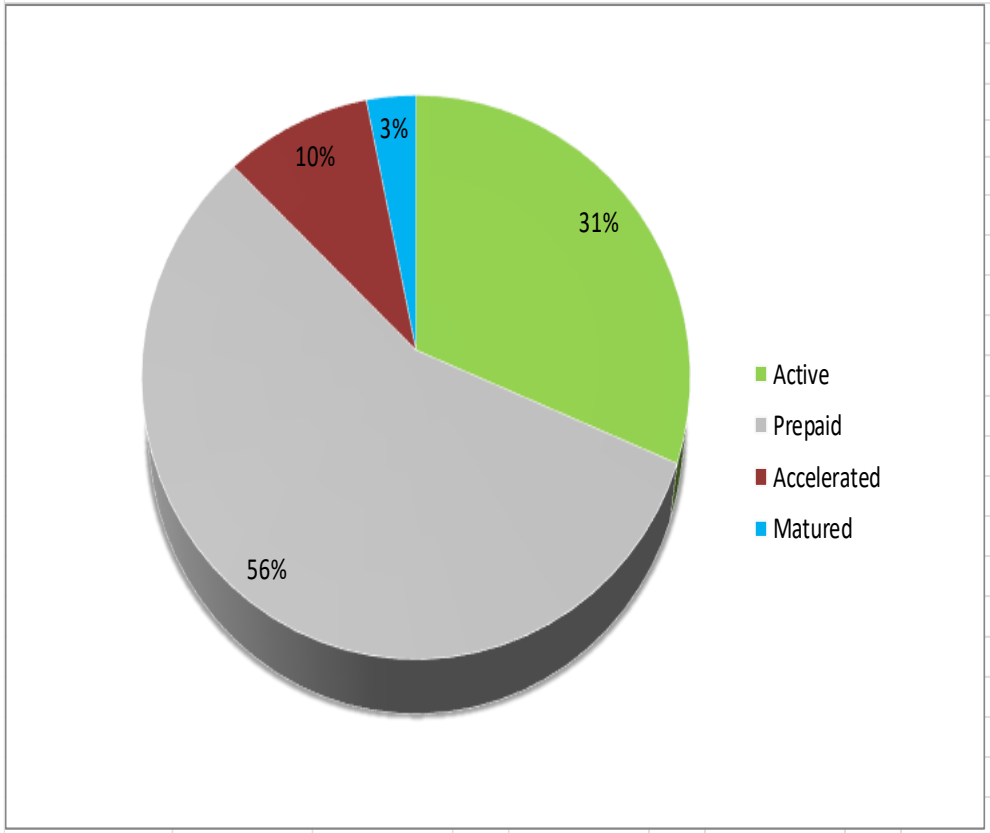
| Debenture Offering 2026-26J | Rate Calculation |
|---|---|
| U.S. Treasury Yield | 5.282 |
| + Spread to U.S. Treasury | 0.57 |
| = CDC Semiannual Debenture Rate | 5.85 |
| = Borrower Monthly Note Rate | 5.906 |
| + SBA Ongoing Guarantee Fee | 0.209 |
| + CSA Fee | 0.10 |
| + Minimum CDC Servicing Fee | 0.625 |
| = Full Term Effective Rate | 6.984 |

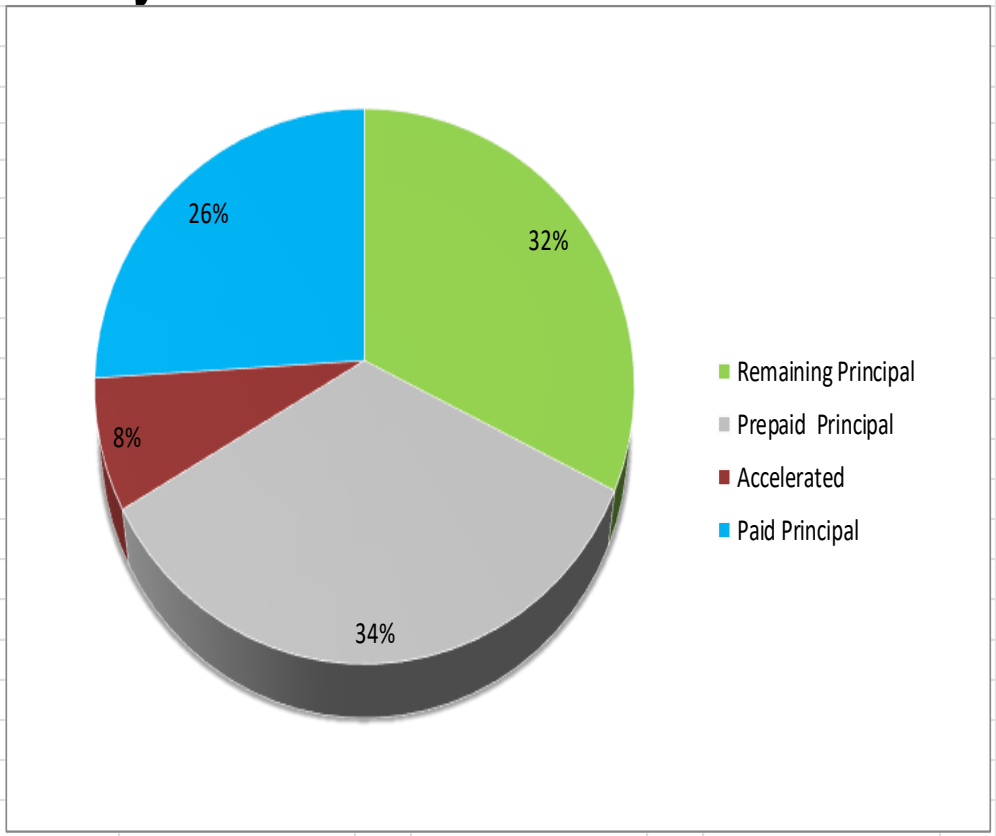
- 25-year and 20-year 504 debentures set over 10-Year U.S. Treasury yield
- 10-year 504 debentures set over 5-Year U.S. Treasury yield
- *To learn how the full-term effective rate is calculated please see the 504 Rate Tutorial via the Eagle Compliance, LLC website.* ***The Effective Rate is not an equivalent to an Annual Percentage Rate as it is not calculated using any upfront fees.***

# SBA 504 Funding Calendar Example: October 2026



# SBA 504 Portfolio Summary



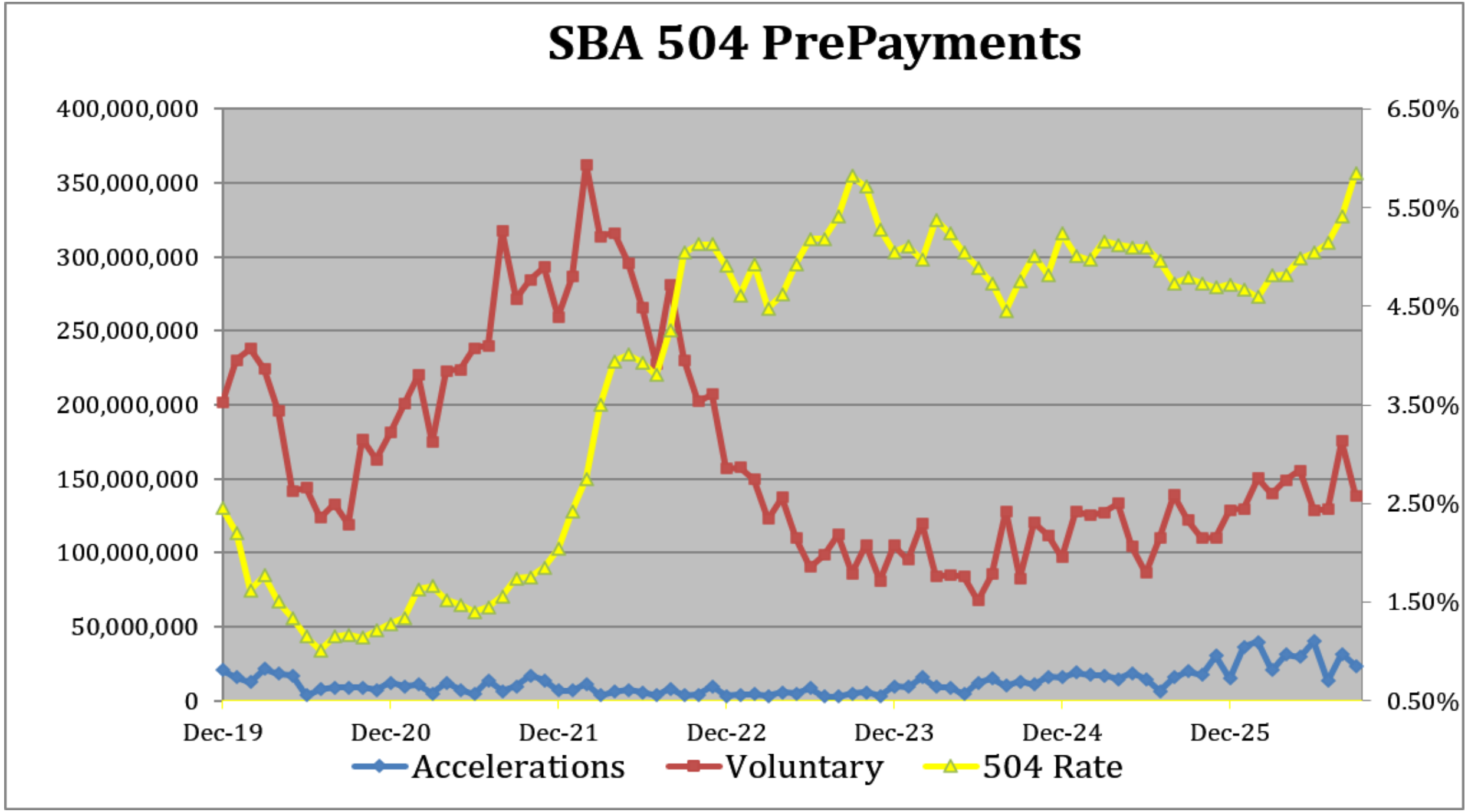




| | Debentures | 10-Year Maturity Count | % | 20-Year Maturity Count | % | 25-Year Maturity Count | % |
|---|---|---|---|---|---|---|---|
| Active | 61,184 | 931 | 2% | 27,063 | 44% | 33,190 | 54% |
| Prepaid | 109,093 | 3,576 | 3% | 101,904 | 93% | 3,613 | 3% |
| Accelerated | 18,376 | 882 | 5% | 17,073 | 93% | 421 | 2% |
| Matured | 6,243 | 1,979 | 32% | 4,264 | 68% | 0 | 0% |
| Total | 194,896 | 7,368 | 4% | 150,304 | 77% | 37,224 | 19% |

| | Portfolio Amount | 10-Year Maturity Amount | % | 20-Year Maturity Amount | % | 25-Year Maturity Amount | % |
|---|---|---|---|---|---|---|---|
| Remaining Principal | $39,124,909,409.09 | $350,234,052.73 | 1% | $9,565,861,666.40 | 24% | $29,208,813,689.96 | 75% |
| Prepaid Principal | $40,836,172,485.13 | $713,685,479.20 | 2% | $37,169,154,906.24 | 91% | $2,953,332,099.69 | 7% |
| Accelerated | $9,166,423,751.65 | $294,579,708.04 | 3% | $8,366,823,473.34 | 91% | $505,020,570.27 | 6% |
| Paid Principal | $31,323,193,354.13 | $1,855,492,760.03 | 6% | $26,284,941,954.02 | 84% | $3,182,758,640.08 | 10% |
| Total | $120,450,699,000.00 | $3,213,992,000.00 | 3% | $81,386,782,000.00 | 68% | $35,849,925,000.00 | 30% |

# DCPC Characteristics

- DCPC's match the amortization, interest rate, maturity and prepayment penalty schedule of the Debentures. P&I is paid semiannually to investors.
- Prepayment penalty starts at 100% + Debenture interest rate and declines linearly to par (no prepayment penalty) after 5 years (10-year loans) or after 10 years (20 and 25-year loans).
- Acceleration of Debenture principal upon loan default is paid to investors at par.
- Scheduled P&I and any prepayments are allocated to DCPC holders on a *pro rata* basis.
- Full faith and credit obligation of the United States for risk weighting by investors and federal income tax treatment.
- Projected average life on a new 25-year par pool is 8.86 years assuming a 7% Constant Payment Rate.


SBA 504 PrePayments
400,000,000
350,000,000
300,000,000
250,000,000
200,000,000
150,000,000
100,000,000
50,000,000
0
6.50%
5.50%
4.50%
3.50%
2.50%
1.50%
0.50%
Dec-19
Dec-20
Dec-21
Dec-22
Dec-23
Dec-24
Dec-25
Accelerations
Voluntary
504 Rate

# Why Do Investors Buy DCPCs?

- Backed by the full faith and credit of the United States Government = Highest Quality!
- Attracted to their Absolute yield and Wide Selection of Coupons and Prices
- Spread over U.S. Treasuries as compensation for the borrower prepayment option and lower liquidity
- Monthly offering calendar provides investment opportunity predictability
- A Well-supported secondary market
- Reasonably predictable cash flows
- Long history, rich prepayment/acceleration data for research/analysis purposes

# Who Buys DCPCs?



**Insurance companies** – yield, safety and government security status with yield very important to match their liabilities



**Bank Portfolios** – yield, safety, government security status. Held for sale and to maturity



**Money Managers** – on behalf of other institutions and individuals. Relative value/spread buyers. Includes mutual funds, hedge funds



Minimum original denomination – $25,000 with $1,000 multiples thereafter

EAGLE COMPLIANCE LLC

The information herein has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy or completeness.

Eagle Compliance, LLC 2026

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