



**Date:** July 16, 2008  
**To:** Certified Development Companies  
**From:** Steve Van Order, DCFC Fiscal Agent  
**Subject:** July 2008 504 Debenture Offering (2008-20G, 2008-10D)

On July 16, 2008, 777 twenty-year debentures totaling \$467,925,000 and 50 ten-year debentures totaling \$23,525,000 were funded through the sale of certificates guaranteed by SBA. Below are debenture rates details set July 8.

| Sale/Sale Comparison      | Treasury | Swap Spread | Spread    | Rate   | T plus   |
|---------------------------|----------|-------------|-----------|--------|----------|
| <b>2008-20G (07/8/08)</b> | 3.896%   | 77.50 BP    | 119.90 BP | 5.87%  | 197.4 BP |
| <b>2008-20F (06/3/08)</b> | 4.013%   | 64.50 BP    | 102.20 BP | 5.68%  | 166.7 BP |
| <b>Change</b>             | -11.7 BP | +13.00 BP   | +17.70 BP | +19 BP | +30.7 BP |

| Sale/Sale Comparison      | Treasury | Swap Spread | Spread    | Rate   | T plus   |
|---------------------------|----------|-------------|-----------|--------|----------|
| <b>2008-10D (07/8/08)</b> | 3.183%   | 101.00 BP   | 114.70 BP | 5.34%  | 215.7 BP |
| <b>2008-10C (05/6/08)</b> | 3.094%   | 77.00 BP    | 99.60 BP  | 4.86%  | 176.6 BP |
| <b>Change</b>             | +8.9 BP  | +24.00 BP   | +15.10    | +48 BP | +39.1 BP |

- The August offering will consist *only of 20-year debentures* – 2008-20H.
- The *cutoff date* to submit loans to Colson Services for this offering is Tuesday **July 22**.
- A *request to remove a submitted loan* from this pool must be made through Colson Services by close of business Thursday, **July 31**.
- *Pricing date* is **August 5**, on which the debenture interest rate will be set.
- The debentures will be funded on August 13.

For the July offering market conditions again deteriorated and spreads widened out to the record new issue levels seen in the spring. Offsetting wider spreads somewhat was a modest drop in the ten-year T-note yield. The focus in financial markets shifted from the March panic about failure in the short term financing and derivatives counterparty markets to dimmed prospects for economic growth and recovery for financial institutions as the Great Unwind of excesses in credit markets continued. Credit markets have been fouled up for a year, something the stock market finally caught on to as key indexes recently slipped into bear market territory. The economy appears to be in a recession featuring a *lite* version of stagflation compounded by a credit crunch. Regarding the credit crunch, financial institutions of all sizes are struggling to raise capital and shrink balance sheets in the aftermath of the credit bubble. In this way it is reminiscent of the early 1990s as lenders spent several years recovering from the excesses of the 1980s.

For all the gloom there are signs of attempts to recover in the credit markets. Investment grade corporate debt issuance is down only 9% y/y and there have been several CMBS and CMO deals. There also have been a few deals re-wrapping old distressed structures and loans. None of this is enough to signal a turnaround but these are needed signs. However, this occurs within the context of an over 80% y/y plunge in securitized MBS, ABS and high yield issuance. It's a long road ahead. Spreads will remain wide and could move wider if turmoil in the housing agency market keeps upward pressure on government bond spreads to treasury. In this now year-long turmoil in credit markets SBA 504 DCPC's continue to draw good investor demand each month.