

# More Than \$1.895 Billion in SBA Debenture Leverage Priced at 4.963%

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Licensed by the U.S. Small Business Administration (SBA) under the Small Business Investment Act of 1958, a small business investment company (SBIC) represents a privately owned and operated investment fund that makes long-term investments in U.S. small businesses. SBICs invest billions of dollars in American small businesses — the drivers of economic growth and jobs in the U.S. A fund primarily becomes licensed as an SBIC to obtain access to low-cost, long-term financing (leverage) from SBA to enable making these private investments.

On March 13, approximately \$1.895 billion of “standard” debentures issued by SBICs since the September 2024 pooling and sale of SBA-guaranteed trust certificates for debentures were priced at an interest rate of 4.963% (excluding an annual SBA charge and fees described below), representing a 70-basis point premium to the 10-year Treasury note rate of 4.263%. This interest rate reflected an increase from the 4.380% rate set in the September 2024 pooling. The maturity date for each debenture included in the March 2025 pooling is March 1, 2035. Each debenture may be prepaid in whole (and not in part), without premium or penalty, effective as of specified payment dates. There are no “accrual” debentures in the pooling.

SBA’s standard debentures are unsecured 10-year loans issued by SBICs with interest only payable semiannually. SBA obtains funds enabling it to supply leverage for pooled debentures by guaranteeing payment of trust certificates purchased by traditional purchasers of government-guaranteed notes. SBA then invests the proceeds in SBICs in the form of debentures. SBA-guaranteed trust certificates for debentures are pooled and sold to the public in March and September each year. Most debentures bear a temporary interest rate equal to the FHLBC Fixed Regular Advance Rate (Bank Advance Rate), plus 41 basis points until they are pooled and sold. The interest rate (excluding an annual SBA charge and 3.435% in commitment, user, underwriting, trustee, and selling agent fees) on these debentures is fixed at the time of each pooling, and the maturity date is 10 years from the pooling date. The following chart shows the premium over the 10-year Treasury note rate for each of the last 10 poolings:

Pooling Date	10-Year Treasury Rate	Premium	Total Interest Rate (Excluding SBA Charge)
September 2020	0.677%	0.357%	1.034%
March 2021	1.614%	0.053%	1.667%
September 2021	1.276%	0.028%	1.304%
March 2022	2.138%	0.800%	2.938%

September 2022	3.412%	0.850%	4.262%
March 2023	3.568%	1.600%	5.168%
September 2023	4.288%	1.400%	5.688%
March 2024	4.185%	0.850%	5.035%
September 2024	3.730%	0.650%	4.380%
March 2025	4.263%	0.700%	4.963%

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