

## Interest Rates Are On the Decline for SBICs: September 2019 Debenture Pooling

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The September 2019 pooling of Small Business Investment Company (“SBIC”) debentures was priced at 2.283%. This most recent semi-annual pricing of SBIC debentures reflected a decrease to the rate set in March 2019 at 3.113%.

The SBIC debenture rate is set based on a market-driven premium to 10-year Treasury Notes. The decrease in the September 2019 pooling resulted from the fact that yields on 10-year Treasury Notes decreased from March 2019 to September 2019.

SBICs that drew down debentures between the March 2019 and September 2019 poolings locked in the 2.283% interest rate for the 10-year term of the debentures. Debenture interest payments are due semi-annually, and a balloon payment of the entire principal amount of the debentures is due on the tenth anniversary of the pooling. The SBIC program also imposes an annual fee on the debentures which was previously set at 0.094% and increased to 0.275% effective as of October 1, 2019. The new rate for the annual fee will be effective through September 30, 2020. SBIC debentures may be prepaid in whole or in part at any time, without premium or penalty. Under current SBIC regulations, SBICs are not permitted to refinance outstanding debentures to take advantage of the new rate.

If you have questions regarding pricing of debentures or the SBIC program in general, please contact your SBIC counsel at Winston & Strawn LLP.

1 Min Read

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Alan Roth



Kate L. Price