

CLIENT ALERT

Interest Rates on the Rise for SBICs: March 2021 Debenture Pooling

MARCH 17, 2021

The March 2021 pooling of Small Business Investment Company (SBIC) debentures was priced at 1.667%. This most recent semi-annual pricing of SBIC debentures reflected an increase from the rate set in September 2020 at 1.034%.

The SBIC debenture rate is set based on a market-driven premium to 10-year Treasury Notes. The March 2021 rate reflects a 5 bps spread from the 10-year Treasury Notes, a price that is the tightest spread to the 10-year Treasury Notes in the history of the SBIC program. The SBIC debenture rate had declined in the four previous pooling periods.

SBICs that drew down debentures between the September 2020 and March 2021 poolings locked in the 1.667% 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 is currently set at 0.271%. A new rate for the annual fee will be set after September 30, 2021. 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.

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