

Interest Rates Rise Again for SBICs: September 2022 Debenture Pooling

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The September 2022 pooling of Small Business Investment Company (“SBIC”) debentures was priced at 4.262%. This most recent semiannual pricing of SBIC debentures reflected the second consecutive pooling period in which there was a notable increase, most recently from the rate set in March 2022 at 2.938%.

The SBIC debenture rate is set based on a market-driven premium to 10-Year Treasury Notes. The increase in the interest rate is largely a function of a significantly higher 10-Year Treasury rate since the prior pooling period.

SBICs that drew down debentures between the March 2022 and September 2022 poolings locked in the 4.262% interest rate for the 10-year term of the debentures. Debenture interest payments are due semiannually, 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 0.173%. A new rate for the annual fee will be set after September 30, 2022. 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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