

## Interest Rates Continue to Rise for SBICs: March 2023 Debenture Pooling

MARCH 28, 2023

The March 2023 pooling of Small Business Investment Company (SBIC) debentures was priced at 5.168%. This most recent semiannual pricing of SBIC debentures reflected the third consecutive pooling period in which there was a notable increase, most recently from the rate set in September 2022 at 4.262%. The 5.168% Trust Certificate Coupon Rate is the highest pricing of SBA debentures since the September 2008 pooling.

The SBIC debenture rate is set based on a market-driven premium to 10-Year Treasury Notes. The increase in the interest rate is a function of a higher 10-Year Treasury rate since the prior pooling period, and almost a doubling of the premium above the 10-Year Treasury Note. Both factors reflect the turmoil in the current banking world.

SBICs that drew down debentures between the September 2022 and March 2023 poolings locked in the 5.168% 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 0.047%. A new rate for the annual fee will be set after September 30, 2023. SBIC debentures may be prepaid in whole or in part at any time, without premium or penalty.

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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