

CLIENT ALERT

## SBA Revises SBIC Draw Application Schedule for the 2023 Holidays and September 2023 Debenture Pooling

SEPTEMBER 19, 2023

Last week, the U.S. Small Business Administration (the SBA) announced (1) its holiday schedule for Small Business Investment Company (SBIC) draw applications and (2) the September 2023 debenture price.

### SBIC DRAW APPLICATION SCHEDULE FOR THE 2023 HOLIDAYS

The SBA announced that the SBIC draw application schedule has been revised for the end of 2023. The SBA stated that these changes were made to allow for funding availability during the holiday season and that no other changes have been made to the draw application schedule beyond the end of this year.

Beginning with the second cycle in November, the draw application cycle will be revised for the remainder of 2023 as follows:

DRAW APPLICATION CYCLE	APPLICATION FILING DEADLINE	APPROVAL NOTICE ISSUE D
2nd Cycle in November	Tuesday, 11/14/2023	Tuesday, 11/21/2023
1st Cycle in December	Wednesday, 11/29/2023	Wednesday, 12/6/2023
2nd Cycle in December	Wednesday, 12/13/2023	Wednesday, 12/20/2023

The SBIC draw application is the process by which an SBIC requests to draw funds against the SBA's commitment to guarantee leverage to such SBIC. Typically, draw application filing deadlines are on the first and third Wednesday of each month. The SBA generally will provide notice approving such a request by the Wednesday following the draw application deadline. The SBIC then has 58 days from the date it receives such notice to pull down the approved funds.

### INTEREST RATES RISE AGAIN FOR SBICS: SEPTEMBER 2023 DEBENTURE POOLING

The September 2023 pooling of SBIC debentures was priced at 5.688%. This most recent semiannual pricing of SBIC debentures reflected the fourth consecutive pooling period in which there was an increase, most recently from the rate set in March 2023 at 5.168%. Since September 2001, the Trust Certificate Coupon Rate has only been higher than 5.688% once.

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 Notes.

SBICs that drew down debentures between the March 2023 and September 2023 poolings locked in the 5.688% 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 draw applications, pricing of debentures or the SBIC program in general, please contact your SBIC counsel at Winston & Strawn LLP.

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## Authors

[Alan Roth](#)

[Kate L. Price](#)

[Michael A. Domanico](#)

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[Alan Roth](#)



[Kate L. Price](#)



[Michael A. Domanico](#)

