

# Fiscal Year 2019 Issuance Summary

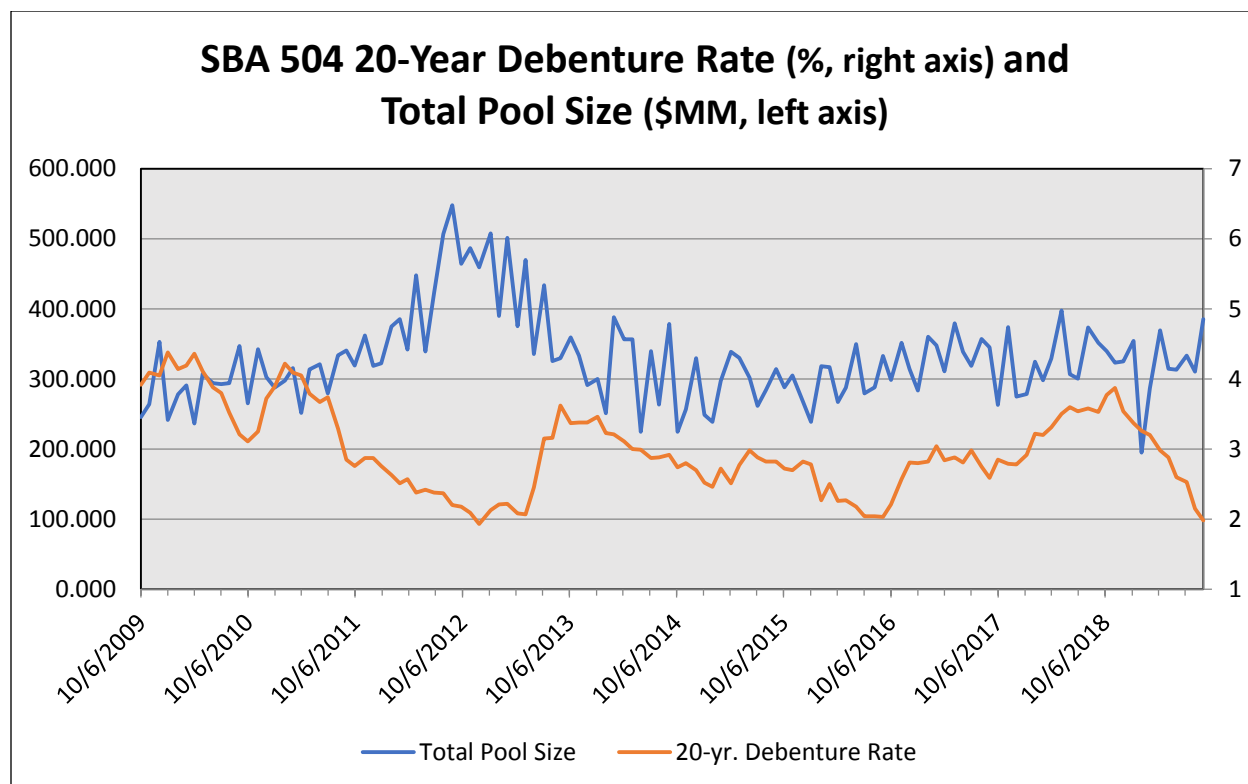
## Market Conditions and Global Tension

From Red October in 2018 when equities tumbled to the central bank's reset to "act as appropriate" in easing its monetary policy, it was an eventful year. It started following a rate increase in September 2018 that was followed by another in December. Slapping tariffs on China produced pressure on equities and heightened a flight to quality that saw rates drop dramatically. This U-turn was not expected and the sharp drop in Treasury rates preceded any action by the Fed. The fiscal year began with the ten-year benchmark at 3.08% and was trading at 2.01% before the first rate cut in July and closed the year at 1.68% after the second cut in late September.

Of most interest to the SBA 504 program has been the reduced cost of fixed rate funding for small business borrowers, with expectations for lower rates to come. This table shows issuance mostly flat with a decline in debenture rate but does not capture how much lower recent sales were priced, specifically the September 20-year debenture being priced sub 2%.

Period	20 year %	25 year %	# of Loans	Issuance	2/10 Curve
4Q19	2.22%	2.38%	1271	\$1,029,499,000	10.3
3Q19	2.42%	3.02%	1261	\$927,108,000	20.1
4Q18	3.55%	3.68%	1247	\$1,014,586,000	26.2
Change	-133 bps	-130 bps	+24	+\$14,913,000	-15.9 bps

This chart displays both the dramatic drop in February volume due to the government shutdown and the equally dramatic drop in 20-year debenture rates – from 3.87% in November 2018 to 1.98% in September 2019. For the year, 4,935 loans were funded, totaling \$3,850,608,000, \$21,626,000 fewer than in FY18. The Fed has adopted a wait and see approach to further changes in policy so markets will be dependent on data and global events.



### Debt Refinance

With interest rates having remained at relatively low levels Debt Refinance volume has been subdued relative to its original phase. The unexpected reversal in Fed policy has returned the market to lower rates and volume increased in Q4.

Period	# of Loans	\$ Amount
4Q19	52	\$40,912,000
3Q19	38	\$30,578,000
4Q18	57	\$34,113,000

### Approved Loans

There is no direct correlation between Approved loans and when they are funded, but FY19's funded amount represents 81% of the previous year's approved loan total and FY19 did show a 4% increase in approved loans.

Period	# of Loans	\$ Amount of Loans
FY2019	6,099	\$4,958,552,000
FY2018	5,874	\$4,753,644,000
Change	+509	+\$395,409,000