

Helping Business Take the Next Step

Montana Community
Finance Corporation
PO Box 916
Helena, MT 59624

Toll free
866.443.3261
or
406.443.3261

Fax
406.449.5678

MCFC Staff

Linda Kindrick,
Executive Director

Jo Ann Jones,
Portfolio Servicing
Manager / Loan
Underwriter

Sherry O'Donnell,
Loan Closing Officer

Lesley
Gallagher-Tolon,
Servicing / Loan Closing
Officer

Interest Rates Second Lowest on Record!

In July 2009, SBA 504 loan overall effective interest rates were the second-lowest on record, with a 20-year rate of **5.24%** and 10-year rate of **4.37%**!

So how are these interest rates determined?

First you must understand the loan proceeds come from the sale of debentures. After a loan is approved by SBA for funding and the project is complete, MCFC requests a debenture for the loan amount. Once a month, debentures across the nation are pooled together and sold to investors on the stock exchange. MCFC makes semi-annual payments on the underlying Debenture while the small business

makes monthly Note payments in order to repay MCFC. The **Debenture Interest Rate** is based on the 10-year U.S. Treasury rate plus a spread for the 20-year debenture and the 5-year U.S. Treasury rate plus a spread for the 10-year debenture. The spread is determined by current market factors. The **Note Interest Rate** is the result of reconciling the semi-annual Debenture payments and the monthly Note payments. In addition to principal and interest, the monthly Note payments include ongoing servicing fees (currently about 0.85%) When the ongoing servicing fees are calculated into the monthly payments of principal and interest, the result is an

Effective Interest Rate. We quote the **Overall Effective Interest Rate**, which is the weighted average of the monthly Effective Interest Rates calculated over the term of the loan.

Following is an example of the rates for a 20 year loan funded in July:

10-year US Treasury rate: 3.50%
Plus Spread: 0.80%
Debenture Interest Rate: 4.30%
Note Interest Rate: 4.34%
Overall Effective Interest Rate:
5.24%

Note: The Overall Effective Interest Rate is not an APR rate.
Disclaimer: We have obtained this information from reliable sources, but do not guarantee its completeness.

Fees Eliminated on 504 Loans

We are pleased to advise you the American Recovery and Reinvestment Act of 2009 (Recovery Act) signed into law by President Obama authorized SBA to eliminate certain fees on SBA 504 loans temporarily.

What does this mean for you?

For our most recent approved borrower in the Great Falls area, this meant savings of almost \$20,000 on their \$2,000,000 project.

The Recovery Act eliminates the CDC Processing Fee of 1.5% of the net debenture and the Third Party Lender Fee of 0.5% of the Third Party Lender loan.

The fees will be eliminated until the funds dedicated to this purpose run out, estimated to be through December 31, 2009 at least.

The Recovery Act has also authorized a permanent change to debt refinancing, which we will share with you next month.

SBA 504 Overall Effective Interest Rates

	20-year	10-year
January	6.67%	n/a
February	5.70%	n/a
March	5.60%	5.07%
April	5.25%	n/a
May	5.37%	4.49%
June	5.90%	n/a
July	5.24%	4.37%

Check out our website at:

www.mtcommunityfinance.org