

The SBA 504 interest rate is a function of three things:

**1. The ten-year Treasury rate**

**2. The spread over the Treasury demanded by the market**

The graph below plots the risk spread in investing in a bond containing a collection of commercial mortgages processed under the SBA 504 loan program. You will see the result of the sub-prime mortgage “mess” on the chart beginning in August of 2007. This coupled with the underlying concern about the viability of any pool of mortgages (even ones backed by the US Government like the 504) forced the spread higher and higher through December of 2008. Since this peak, the spread has declined month over month, and is currently back at 2007 levels.

**3. The fees included in the borrower’s interest rate**

A borrower will receive approximately the same interest rate regardless of which Certified Development Company they choose to work with. It’s possibly to slightly increase the rate by charging the borrower the maximum servicing fee included in the interest rate. Colorado Lending Source always charges the statutory minimum servicing fee.

SBA 504 20 year Debenture - Spread Over 10 yr Treasury

