



## **Assessment Announcement: Moody's Ratings lowers Solomon Hess SBA Loan Fund LLC's bond fund assessment to Aa-bf from Aaa-bf**

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20 May 2025

New York, May 20, 2025 -- Moody's Ratings (Moody's) has lowered our bond fund assessment of Solomon Hess SBA Loan Fund LLC ("The Fund") to Aa-bf from Aaa-bf, following the downgrade of the U.S. sovereign rating to Aa1 from Aaa.

### **ASSESSMENT RATIONALE**

The lowering of the bond fund assessment to Aa-bf from Aaa-bf reflects deterioration in the maturity-adjusted weighted average credit quality of the Fund's investment portfolio following our recent downgrade of the US sovereign rating to Aa1 stable from Aaa negative. The Fund invests principally in U.S. government guaranteed securities backed by loans issued by the U.S. Small Business Administration (SBA). The SBA guarantees loans that are issued by banks and other lenders. The assessment of the Fund continues to reflect the U.S. sovereign rating.

Our bond fund rating assesses only the credit quality of a bond fund's portfolio, but not other market risks. In this case, the Fund purchases its assets at a significant premium to par and could suffer losses if prepayment speeds on the investments are faster than expected.

The framework used in this assessment was Bond Funds published in March 2025 and available at [https://www.moodys.com/research/doc--PBC\\_1436517](https://www.moodys.com/research/doc--PBC_1436517). Alternatively, please see the Methodologies & Frameworks page on <https://www.moodys.com> for a copy of this framework.

Please see <https://ratings.moodys.com> for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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Dean Ungar, CFA  
VP - Senior Credit Officer

Robert M. Callagy  
Associate Managing Director

Releasing Office:  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A.  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

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## **Announcement: Moody's assigns Aaa-bf rating to Solomon Hess SBA Loan Fund LLC**

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**Global Credit Research - 09 Jan 2018**

New York, January 09, 2018 -- Moody's has assigned a Aaa-bf bond fund rating to the Solomon Hess SBA Loan Fund LLC ("The Fund"). The Fund invests principally in U.S. government guaranteed securities backed by SBA loans, stand-alone SBA loans and other U.S. government guaranteed loans. SBA refers to the U.S. Small Business Administration, which was established in 1953, to help Americans start, build and grow businesses. It guarantees qualifying loans that are issued by banks and other lenders.

The Fund expects that generally 85% or more of its gross assets will be invested in federally guaranteed SBA loans or pool securities and up to 5% will be invested in interest-only strips, where the Fund does not own the related SBA loan or pool security, for which the cash flows are also federally guaranteed. The remaining balances will be held in cash and short-term investments such as government money market funds.

The Fund was formed in 2004 and its objective is to provide its members (i.e. investors) with an adjustable rate return where the primary asset class is 100% guaranteed by the U.S. government. The Fund's investors are generally banks as it is explicitly designed to help them meet Community Reinvestment Act (CRA) regulatory requirements.

### **RATINGS RATIONALE**

The Fund's Aaa-bf rating reflects the portfolio's high maturity-adjusted weighted average credit quality, which, in turn, reflects the US government guarantees backing substantially all the securities and loans in the portfolio. We expect the portfolio to maintain a high credit quality consistent with the Fund's investment objective. If the Fund's investments deviate from policy, or there are changes to the investment policy or the SBA program, the rating could be impacted.

Moody's bond fund rating assesses only the credit quality of a bond fund's portfolio, but not other market risks. In this case, the Fund purchases its assets at a significant premium to par and could suffer losses if prepayment speeds on the investments are faster than expected.

The Fund is managed by Solomon Hess Capital Management, a registered investment advisor, established in 2004.

The principal methodology used in this rating/analysis was Moody's Bond Fund Rating Methodology published in May 2013. Please see the Rating Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

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Dean Ungar  
Vice President - Senior Analyst  
Managed Investments Group  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A.  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Marc R. Pinto, CFA  
MD - Financial Institutions

Managed Investments Group  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Releasing Office:  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A.  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653



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