

U.S. Small Business Administration



Your Small Business Resource

# Financing Exports

SBA Annual Lender's  
Conference



March 23, 2010

# SBA Loan Programs for Exporters

- Export Working Capital Program
- Export Express

# Export Working Capital Program

- 90% Guaranty
- \$2 million, maximum loan
- \$1.5 million is maximum SBA guaranteed portion
- \$1.8 million max. guaranty with SBA-Ex-Im bank co-guaranty
- Transaction financing
- No pre-determined minimum financial ratios
- Single Project or Revolving Line
- Quick turnaround time



# Export Working Capital Program Eligibility

- Company meets SBA size standards
  - Based on NAICS
  - Manufacturing: under 500 employees
    - can be as high as 1,500 employees
  - Ex-Im Bank has no restrictions for size.
- Product is titled and shipped from U.S. (SED)
  - No U.S. content requirement; Military sales, OK
- In business 12 months or **proven expertise**
- Other SBA eligibility provisions
  - Criminal history, previous loss to govt. etc.

# EWCP - Indirect Exports

- Applicants who produce products or services that enter into the export channel, but do not directly export their products are eligible for EWCP financing
  - Manufacturers using an Export Trading Company
  - Suppliers to other domestic manufacturers
- Requires certification from domestic customer that goods are in fact being exported.

# EWCP Use of Proceeds

- To Provide Working Capital to Perform on Export Orders or Contracts
- To Finance Export Receivables and Inventory
- To Support Standby Letters of Credit used as Bid Bonds or Performance Bonds

# EWCP Loan Types

- Single Transaction Loan
- Transaction Based Line of Credit
- Asset Based Line of Credit

# Transaction Based Line of Credit

- Advances are made against foreign P.O. or contract
- Supported by L/C or Credit Insurance
- Strong Buyers can be approved on uninsured, open account terms

# Asset Based Line of Credit

- Advances made against borrowing base certificate and aging of foreign receivables & export inventory schedule
- Receivables usually must be supported by credit insurance

*Note: Ex-Im Bank provides a 25% discount on its small business credit insurance policy to exporters having an SBA EWCP loan*

# EWCP – “It’s the Transaction”

## Exporter’s ability to perform

- Transaction evidenced by Purchase Order, L/C or signed contract
- Performance history

## Acceptable payment by foreign buyer

- Cash in Advance
- Letter of Credit
- Documentary Collections
- Open Account (insured)
- Open Account (no insurance)

# **Open Account -No Credit Insurance-**

**No Insurance is required if:**

- **Receivables are from**
  - **Financially sound corporations, multinationals**
  - **Highly-rated governmental entities with minimal political risk**
  - **Favorable Ledger Experience with specific accounts over a significant period of time.**

# EWCP - Advance Rates

- Determined on a case-by-case basis
- Pre-shipment - limited to exporter's cost of the product being exported (materials, labor and overhead) – NTE 90%.
- Post-shipment - NTE 90% on Receivables (no more than 60 days past due date and 75% on Inventory)
- Adequate Lender collateral management system required

# EWCP - Collateral

- Self-liquidating loan
- First lien on all assets being financed
- Personal guarantees of all owners of 20% or more who are active in the business
- Other collateral on a case-by-case basis

# EWCP Fees

- One time guaranty fee of  $\frac{1}{4}$  of 1% of the **guaranteed portion** for loans with a maturity of 12 months or less. Loans with a 13 - 36 month maturity do not have a fee (2009 Recovery Act).
- 0.55% basis point on-going fee paid by lender
- Business and lender negotiate Interest Rate and **fees**; lender is required to disclose this information to SBA

# SBA – Ex-Im Bank EWCP Comparison

	<b>Ex-Im Bank</b> (delegated authority)	<b>SBA</b> (normal processing & PLP)
<b>Type</b>	Single order or revolving line of credit	Same, <b>but allows for advances against purchase orders.</b>
<b>Maturity</b>	Up to one year	1 – 3 years
<b>Guaranty</b>	90%	90%
<b>Eligible Borrowers</b>	Sole proprietorships, partnerships and corporations. One-year in business.	Same ( <b>1-year in business can be waived based on management's experience</b> ) Must be a small business.

# SBA – Ex-Im Bank EWCP Comparison

	<b>Ex-Im Bank</b> (delegated authority)	<b>SBA</b> (normal processing & PLP)
<b>Financial Requirements</b>	Must have positive net worth. Must meet industry lower quartile for 4 out of 7 key ratios.	<b>Ex-Im Bank minimums do not apply.</b>
<b>Eligible Products</b>	Minimum 51% U.S. product content. No Defense products or Defense customers.	<b>No minimum U.S. content requirement.</b> <b>Defense customers and Defense products are allowed with proper licensing.</b>
<b>Use of Proceeds</b>	To acquire inventory and pay for production costs; To purchase goods for resale; Delivery of services; To support Stand-by Letters of Credit with reduced (25%) collateral.	same

# SBA – Ex-Im Bank EWCP Comparison

	<b>Ex-Im Bank</b> (delegated authority)	<b>SBA</b> (normal processing & PLP)
<b>Collateral</b>	First priority security interest in export inventory and accounts receivable; Personal and corporate guarantees; Assignment of Letters of Credit or Foreign Credit Insurance (if applicable).	<b>same</b>
<b>Loan Amount</b>	Five Levels of Authority for Lenders ranging from \$1MM to \$10MM per exporter & from \$10MM to \$150MM aggregate per lender.	Borrower limits: \$1.5 million maximum guaranty and \$2.0 million maximum loan amount <b>No limit per lender.</b>
<b>Application Fee</b>	<b>\$100.</b>	<b>None</b>

# SBA – Ex-Im Bank EWCP Comparison

	<b>Ex-Im Bank</b> (delegated authority)	<b>SBA</b> (normal processing & PLP)
<b>Other Fees</b>	<p>For loans less than \$2MM:                      6 months: 0.75% (lender retains 0.50%)                      12 months: 1.50% (lender retains 1.25%)</p>	<p>0.25% guaranty fee <b>(of the guaranteed amount)</b> for a 12 month loan. No Fee for 13 month to 3 year loan.</p> <p>0.55 basis points ongoing fee charged to lender as with all SBA 7(a) loans (based on monthly balance).</p> <p><b>Lender may charge additional fees as deemed appropriate.</b></p>
<b>Field Examinations</b>	Semi-annual at Borrower's cost	<b>None Required</b>
<b>Interest Rates</b>	Negotiable with Lender	Negotiable with Lender

# Export Express

- Loans and Lines of Credit under \$250,000.
- Banks that are currently authorized under the SBAExpress program are automatically approved for Export Express.
- Approved banks make their own credit decision, use their own forms and receive an 90% guarantee (2009 Recovery Act)

# Export Express

- The maximum loan amount is \$250,000, with a 90% guaranty
- Processed using the existing SBAExpress processing procedures.
- Eligibility:
  - Applicant in business for at least 12 months
  - Proceeds are to be used to develop or expand their export markets
  - Applicant is not selling in a prohibited country
  - Proceeds are not financing offshore operations
- Provide an estimate of first year export sales

# Export Express

- Proceeds may be used for any of the following purposes:
  - transaction-specific financing of export deals, including standby letters of credit
  - general lines of credit for export purposes
  - export development activities such as brochure translation or participation in a trade mission
  - term loans for permanent working capital, machinery and equipment, or real estate

# Trade Finance Success

- **Firm:** [Plating, Inc.](#)
- **Product:** Anodizing and phosphating lines
- **Situation:** 2 Contract(s) for \$3MM with Egypt. Down payment of 30% for both (\$900M) requiring Standby L/C's to act as Advance Payment Guarantees.
- **Solution:** An \$1MM EWCP to support issuance of Standby L/C's.

# Trade Finance Success

- **Firm:** Wood Choppers Manufacturing
- **Product:** Portable industrial wood chippers
- **Situation:** Orders ~ \$4MM from Russia, Thailand, Australia
- **Need:** Pre-shipment working capital to manufacture equipment for export
- **Solution:** A \$2MM EWCP, co-guaranteed with Eximbank to support pre-shipment working capital needs.

# Trade Finance Success

- **Firm:** Thumb Tool & Engineering
- **Product:** Plastics processing machinery and strand pelletizing equipment.
- **Situation:** Order from China \$3.7M.
- **Need:** Pre-shipment working capital to support standby L/C and manufacture of equipment.
- **Solution: 2 loans:**
  - A \$500K EWCP to support Standby L/C- 18 months
  - A \$1.5M EWCP Co-Guaranteed by Eximbank- 1 year

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