

**U.S. Small Business Administration**

**SBA**

***Your Small Business Resource***



**[www.sba.gov/international](http://www.sba.gov/international)**

# Presented By:

**Pru Balatero**

**Regional Manager**

**SBA International Trade Programs**

**c/o Seattle U.S. Export Assistance Center**

**The Westin Building**

**2001 Sixth Avenue, Suite 2610**

**Seattle, WA 98121**

**Tel: (206) 553-0051, ext. 228**

**Email: [pru.balatero@trade.gov](mailto:pru.balatero@trade.gov)**

# **Local SBA Contact**

**Nelida Irvine**

**Lender Relations Specialist**

**SBA Anchorage District Office**

**420 L Street, Suite 300**

**Anchorage, AK 99501**

**Telephone: 907-271-4027**

**Email: [melida.irvine@sba.gov](mailto:melida.irvine@sba.gov)**

U.S. Small Business Administration

# Exporters: Financing Their Export Trade Orders



Helping firms to grow their foreign sales.

# **SBA Loan Guarantee Programs for Exporters**

- **International Trade Loan Program**
- **Export Working Capital Program**
- **Export Express Program**

# International Trade Loans

- Program is for Exporters and Indirect Exporters
- Use of loan proceeds: Permanent Working Capital; Fixed Assets Financing, e.g., Real Estate and facilities improvement; Purchase machinery and equipment.
- Maximum Loan Amount, \$5 million
- Maximum Guaranty, \$4.5 million (90%)
- Max. Terms: Real Estate, 25 years; WC, 10 years; M&E, life of the product
- Refinancing permitted
- Loan guaranty fee same as SBA regular 7(a) loan program, depends on maturity and loan amount

# ITL & EWCP Loan Limits When Combined

- Maximum combined loan is \$5 million gross
- Maximum Amount of SBA guaranty \$4.5 million
- EWCP Guaranteed Amt.: \$4 million max.
- ITL Guaranteed Amt.: the difference

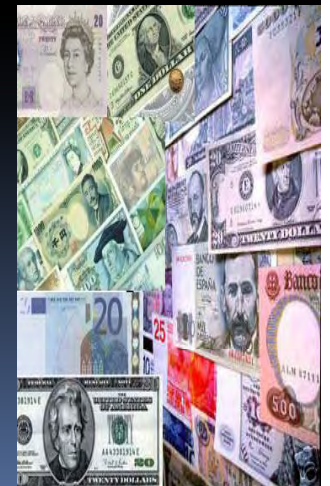
# ITL Eligibility

- **Loan attributes same as Standard 7(a) except no short-term loans; PLP processing allowed.**
- **1. Small Business Applicant submits an export business plan that reasonably supports the likelihood of expanded export sales and/or indirect export sales from use of loan proceeds (see detailed handout) Or,**
- **2. Small Business Applicant adversely affected by import competition, can support the fact the loan will improve its competitive position.**



# Export Working Capital Program

- Supplemental Agreement required for Lender participation, can make request to Nelida Irvine (SBA Form 750EX)
- 90% Guaranty
- \$4.5 million is maximum SBA guaranteed portion of a \$5 million loan, the max. gross loan amount
- Either Transactional financing or Asset Based financing
- No pre-determined minimum financial ratios
- Structure: Single Transaction or Revolving Line for Multiple Transactions
- Quick turnaround: 10 business days or less



# Export Working Capital Program Eligibility

- **Company meets SBA size standards**
  - Based on NAICS
  - Wholesalers: Max. 100 employees
  - Manufacturing & Processing: Max. 500 employees
  - Retailers and Service: Max. Annual Revenue - Varies by Industry
  - Alternative size standard: tangible net worth \$15 million or less and average net income for 2 full fiscal years \$5 million or less excluding any carry-over losses
- **Product is titled and shipped from U.S.**
  - No U.S. content requirement; Military sales, OK
- **In business 12 months or **proven expertise****

## **EWCP - Indirect Exporter Is Eligible**

- **Applicants who produce products or services that enter into the export channel, but do not directly export their products are eligible for EWCP financing, e.g.,**
  - **Manufacturers using an Export Trading Company**
  - **Suppliers to other domestic manufacturers**
- **Requires a simple certification (e.g. a letter, invoice, contract or order) from domestic customer that goods purchased from applicant are in fact being exported.**

# EWCP Use of Proceeds

- **To Provide Working Capital for labor, materials and related overhead to Perform on **Export Orders** or Contracts (Pre-Export financing)**
- **To Finance Export Receivables (Post-Export financing)**
- **To Support Standby Letters of Credit used as Bid Bonds or Performance Bonds**

# EWCP Loan Types

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

# Minimizing the Foreign Financial Risk

- **Lenders can utilize SBA's Loan Guarantee Programs**
- **What can small business exporters do?**  
Have their foreign P.O./contracts supported either by LCs from Buyer's bank or Export Credit Insurance. Assignment of those proceeds to Lender for loan collateral

# Export Credit Insurance

- **95% Coverage for non-payment associated with foreign Accounts Receivable (Commercial and Political Risks)**
- **Insurance Providers: Export-Import Bank of the United States (EXIMBank) or Private Sector Insurers**
- **EXIMBank provides a 25% discount on its small business ECI policy to exporters with a SBA EWCP loan.**
- **EXIMBank's Country Limitation Schedule, see [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)**

# A Few Examples from EXIMBANK'S Country Limitation Schedule (CLS)

“X” indicates export credit insurance support  
is NOT available

<u>Country</u>	<u>Public Sector</u>			<u>Private Sector</u>			<u>NOTES</u>
	<u>Up to 1 Year</u>	<u>1 to 7 Years</u>	<u>Over 7 Years</u>	<u>Up to 1 Year</u>	<u>1 to 7 Years</u>	<u>Over 7 Years</u>	
<u>Argentina</u>	X	X	X			X	1, 13
<u>Australia</u>							
<u>Bangladesh</u>							1, 4, 5
<u>Belgium</u>							
<u>Cameroon</u>			X				4, 5, 6a, 10, 13
<u>China</u>							2
<u>Cuba</u>	X	X	X	X	X	X	7
<u>Honduras</u>							



## EXPORTER'S Advantage

- Cash in Advance
- Sight Letters of Credit
- Usance or Time Letters of Credit
- Sight Draft Collection  
(Documents Against Payment)
- Time Draft Collection  
(Documents Against Acceptance) Use Export Credit Insurance
- Open Account (Use Export Credit Insurance)

## IMPORTER'S Advantage

# No Credit Insurance Required if:

- **1 Receivables are from financially sound corporations, multinationals or highly-rated governmental entities with minimal political risk. Or**
- **2. Exporter can provide favorable Ledger Experience with specific accounts over a significant period of time.**

# Transaction Based Line of Credit

- Advances are made based on **foreign P.O.** or contract value
- Supported by L/C or Export Credit Insurance, e.g., EXIMBank ECI policy (contact SBA for list of export credit insurance brokers)
- Strong Foreign Buyers can be approved on uninsured, open account terms
- Note: *EXIMBank provides a 25% discount on its small business export credit insurance policy to exporters having a SBA EWCP loan.*

# Asset Based Line of Credit

- **Advances made against borrowing base certificate and aging of foreign receivables & export inventory schedule**
- **Account Receivables usually must be supported by credit insurance or irrevocable Letter(s) of Credit**

*Note: EXIMBank provides a 25% discount on its small business export credit insurance policy to exporters having a 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 (export credit insured)
- Open Account (export credit insured)
- Open Account (no export credit insurance, a financially strong buyer)

## **EWCP - Advance Rates**

- **Transaction based - limited to exporter's cost of the product being exported (materials, labor and overhead) – NTE 90%.**
- **Asset based - NTE 90% on acceptable foreign Receivables and NTE 75% on eligible Inventory**
- **Adequate Lender collateral management system required**

# **EWCP - Collateral**

- **Self-liquidating loan (foreign buyer's payments directly pay down on loan via Lender's controlled account**
- **First lien on all assets being financed**
- **Assignment of proceeds: letters of credit, export credit insurance and transactions financed**
- **Personal guarantees of all owners of 20% or more**
- **Other collateral on a case-by-case basis**

## EWCP Loan Fees & Interest Rates

- Low one time guaranty fee of  $\frac{1}{4}$  of 1% of the **guaranteed portion** for loans with a maturity of 12 months or less. Each year, the loan is reissued, the SBA loan guarantee fee is paid again
- Business and lender negotiate and determine Interest Rate and lender fees. **Caps of SBA's Standard 7(a) loan program do not apply.**
- Lender pays SBA servicing fee: presently 55 basis points per annum on average outstanding balance each month.



# EWCP Loan Analysis

- Is the transaction “doable”?
- Can the exporter perform?
- Is the repayment source reliable?

# Application Procedure

- Borrower/Lender prepare the required loan application materials, ref. EWCP Application Checklist
- Lender approves loan application and submits loan package to SBA with a request for a SBA loan guarantee
- SBA responds within 10 business days
- Lender can request SBA to become a PLP EWCP Lender

# Export Express Program

- **Became a permanent program in 2010, requiring a Supplemental Agreement to participate. Lenders can request authorization from SBA District Office**
- **Loans and Lines of Credit \$500,000 max.**
- **Approved banks make their own credit decision, use their own forms and receive a 90% guarantee for loans up to \$350,000 and 75% guarantee for loans from \$350,001 to \$500,000 max.**

# Export Express

- **Eligibility:**
  - Applicant in business for at least 12 months (not necessarily in exporting) possible to waive.
  - Proceeds are to be used to develop or expand their export markets.
  - Applicant is not selling in a prohibited country: Presently Burma, Cuba, Iran, N. Korea, Sudan or Syria (Ref. EXIMBank's Country Limitation Schedule, Note #7).
  - Proceeds are not financing offshore operations
- Borrower provides an estimate of first year export sales from loan approval date

# Export Express – Use of Proceeds

- **Transaction-specific financing of export deals, including support of standby letters of credit**
- **General lines of credit for export purposes, term NTE 7 years, up to 30% can be used for domestic purposes**

# **Export Express-Use of Proceeds Continued**

- **Term loans for fixed assets acquisition: machinery and equipment, facility improvements/real estate; and permanent working capital**
- **Export development activities such as brochure translation, participation in a trade show/trade mission, overseas marketing efforts to initiate or expand its exports. For loans of \$25,000 or less, lenders not required to take collateral**

# **Export Express Program Guarantee and Servicing Fees**

- **For the guaranteed portion of the loan:  
Maturity 12 months or less:  $\frac{1}{4}$  of 1% fee  
For Loan Maturity exceeding 12 months:  
A. Loan amount \$150,000 or less, 2% fee,  
lender may retain 25% of the fee  
B. Loan amount greater than \$150,000 and  
up to \$500,000 the maximum gross loan  
amount, 3% fee  
C. Lender's Servicing fee to SBA during FY  
2012 is 55 basis points per annum rate on  
outstanding balance each month**

# Export Express Program's Other Provisions

- **Max. Interest Rates: Loans \$50,000 or less: Prime+6.5%; Over \$50,000: Prime+4.5%**
- **Max. Maturity: Max. 7 years for Revolving LOC; Real Estate/Facility improvements – 25 years; WC – 10 years; M&E – useful life**
- **Collateral Policy: Loans \$25,000 or less, no collateral required. Over \$25,000, lenders may use their own collateral policies used for their non-SBA guaranteed loans.**



# Lenders: Important Documents & Forms

- SBA SOP 50 10 5(E) Lender and Loan Programs
- SBA Form 750EX Supplemental Guaranty Agreement for EWCP
- Lender Training Manual – EWCP
- EWCP Loan Application Checklist, including SBA Forms 84-1; 413; 912 and 4506T
- Export Credit Insurance Overview
- EXIMBank's Country Limitation Schedule
- Export Express Forms: 1919; 1920SX Parts B & C
- SBA Form Supplemental Guaranty Agreement for Export Express