

# FINANCING EXPORTS

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2011 Annual Meeting & EXPO



# Separating Myths from Facts

- Myth
  - Small Businesses Don't Export.
- **Fact**
  - 97% of ALL U.S. exporters are small businesses, and those with fewer than 20 employees account for close to 70 percent of all exporting firms.
  - SMEs (small and medium-sized enterprises) account for nearly 30 percent of the value of U.S. merchandise exports—Over \$500 BILLION in 2010.



# “TOOLS FOR TRADE”

- [WWW.Export.Gov](http://WWW.Export.Gov)-Begin or Expand-6 Steps
- Export Business Planner-  
[www.sba.gov/exportbusinessplanner](http://www.sba.gov/exportbusinessplanner)
- FTA Tariff Tool: [Australia, Bahrain, Chile, DR-CAFTA \(Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, & Nicaragua\), Israel, Jordan, Morocco, Oman, Peru, Singapore](#)
- “STEP” Grant Program
- SBA Community



# “TOOLS FOR TRADE”

## Take Your Business Global—5 Topics

- Getting Started in Exporting
  - Planning for Export success;
  - Connecting with Foreign Buyers;
  - Financing;
  - and Five Case Studies of successful small business exporters.
- The videos are posted at [www.inc.com/exporting](http://www.inc.com/exporting).



# SBA Loan Programs for Exporters

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



# Export Working Capital Program

- \$5 million maximum loan amount (**Jobs Act 2010**)
- 90% Guarantee
- \$4.5 million maximum SBA guarantee (**Jobs Act 2010**)
- Transaction financing
- Single Project or Revolver
- Quick turnaround time



# Export Working Capital Program Eligibility

- Company meets SBA size standards, based on NAICS
- Product is titled and shipped from U.S.
  - 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

- Loan proceeds to acquire/produce goods or services for export, the accounts receivable of such foreign sales or standby letters of credit.
- Pre-shipment Guarantee
  - Labor and Material costs
- Post-shipment Guarantee
  - Foreign Accounts Receivable financing



# EWCP Use of Proceeds

Portions of the EWCP Line of Credit may be used to fund standby Letters of Credit when required as:

- Bid Bond
- Performance Bond



# EWCP – “It’s the Transaction”

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

Acceptable payment by foreign buyer

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



# Open Account No Insurance

No Insurance is required if:

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



# Discounted Credit Insurance

- The Export-Import Bank of the United States (Ex-Im Bank) and the SBA have joined together to provide SBA export loan recipients with a 25% discount on export credit insurance premiums.
- **Ex-Im Bank's export credit insurance protects the small business exporter against nonpayment and enables them to sell on competitive "open account" terms.** Small businesses can enter new markets and increase sales in existing markets and have the ability to match the credit terms offered by their foreign competitors.
- **Ex-Im Bank provides up to 95% coverage for both commercial risks (i.e. buyer insolvency and default) and political risks (I.e. war, revolution and the cancellation of an export or import license).**



# 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 1/4 of 1% of the guaranteed portion for loans with less than a 12 month maturity. Loans with a 12 - 36 month maturity have a fee between 2% and 3.5%
- 55.5 basis point on-going fee paid by lender
- Small business and lender negotiate interest rate and fees; lender is required to disclose this information to SBA



# International Trade Loan (IT)

- Maximum loan amount=\$5 million (**Jobs Act 2010**)
  - The SBA guarantee portion can go as high as \$4.5 million for IT loan customers.
  - Eligibility requirements:
    - The loan proceeds will significantly expand an existing export market or develop new export markets; or
    - The applicant business has been adversely affected by import competition
- AND
- Upgrading facilities or equipment will improve the applicant's competitive position





# International Trade Loans

- Use of Proceeds is limited to:
  - Facilities
  - Equipment
  - Debt refinancing is allowed
  - Working Capital
- Business plan/application must document eligibility requirements (i.e. export projections or evidence of adverse impact).



# Export Express

- Loans and Lines of Credit up to \$500,000 (**Jobs Act 2010**).
- 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 up to a 90% (**NEW!**) guarantee from the SBA (90% up to \$350,000; 75% on loans greater than \$350,000.)



# Export Express

- 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



# 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





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