

## Export Financing Solutions With The Export-Import Bank

Mobile Area Chamber of Commerce  
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### What is the EXPORT-IMPORT BANK

- EXIM Bank is an independent agency of the U.S. Government
- Established in 1934
- Headquartered in Washington, D.C
- **Regional Export Finance Centers:**
  - **Eastern:** Miami, New York, Atlanta
  - **Central:** Chicago, Detroit, Minneapolis, Houston, Dallas
  - **Western:** Orange County CA, San Francisco, Seattle, San Diego
- **Mission:** Support U.S. exports in order to create and sustain U.S. jobs

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## How EXIMBANK Products Support You

- Obtain pre-export working capital loans to support the exports of U.S. made goods and services
- Offer competitive credit terms to your foreign buyers
- Reduce your risk
- Arrange term financing at U.S. interest rates for your foreign buyers

## Eligibility Requirements

### Exporters must :

- be in an exporting business at least one year (unless otherwise noted), have financial statements or tax returns and have a DUNS number
- **For Working Capital and Short-Term insurance, exported products and services must be:**
- 50-plus% U.S. content, including labor, excluding mark-up (cost basis)
- **For Medium-Term Insurance and Guarantees, exported products and services must be :**
- 85-plus% U.S. content, including labor, excluding mark-up (cost basis) for full support of the transaction

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## Working Capital Guarantee

- This is a guarantee to a commercial lender which makes a loan to an exporter to purchase or manufacture U.S. goods and services for export
- Loan may also be used to collateralize a standby-letter of credit to be used as a performance bond or advance payment guarantee (25% collateralization required)

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## Working Capital Guarantee

- Assists small and mid-size companies in obtaining working capital to produce or purchase US goods and services for export
- Provides a **90%** guarantee of repayment (principal and interest) on loans to exporters
- May be set up as “Transaction-Specific” or a “Revolving” Line of Credit
- No minimum or maximum amounts
- Loan supports advances made against export-related inventory (including WIP) and foreign receivables:
  - -Up to **75%** advance rate on inventory, and up to **90%** on foreign receivables

## Working Capital Guarantee

- **Asset-Based:** fully collateralized
- Personal guarantees are required of owner(s)
- **Cost:**
  - \$100 application fee
  - Up to 1.75% facility fee – Reduced fee if:
    - Exports sales structured under L/Cs and/or secured by export credit insurance; exporter's financial ratios are within its industry median
    - A lower fee may be negotiated with a "Delegated Authority" Lender (see list on [www.exim.gov](http://www.exim.gov))
- Interest rate is determined by the lender

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## Working Capital Guarantee

Collateral (Inventory)	Amount	Your Working Capital Facility <b>without</b> Ex-Im Bank		Your Working Capital Facility <b>with</b> Ex-Im Bank	
		Advance Rate	Borrowing Base	Advance Rate	Borrowing Base
<i>Export Inventory</i>					
Raw Materials	\$200,000	20%	\$ 40,000	75%	\$ 150,000
WIP	200,000	0%	0	75%	150,000
Finished Goods	600,000	50%	300,000	75%	450,000
<i>Export/Foreign Accounts Receivable</i>					
Open Account/Foreign Account Receivable	\$400,000	0%	0	90%	\$ 360,000
L/C Backed A/R	600,000	70%	<u>420,000</u>	90%	<u>540,000</u>
<b>Total Borrowing Base</b>			<b><u>\$760,000</u></b>	<b>vs.</b>	<b><u>\$ 1,650,000</u></b>

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## Indirect Exports

- Note: Both SBA and Exim Bank export loans can support “indirect exports.”
- Indirect exports occur when the borrower ships a product to another domestic company that in turn incorporates it into a final product for export or to an export trading company that exports it directly.
- Documentation must be provided by the exporter-of-record to the lender that the borrower’s product is, in fact, being exported.

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## What Might an SME Exporter Need?

### Working Capital to Produce Export Orders:

- Inventory, materials, labor, other production costs
- Foreign accounts receivable insurance
- Insurance and freight costs
- Bank fees related to the transactions
- Standby-letters of credit to guarantee bid, performance, or advance payments

## Bid & Performance Bonds; Advance Payment Guarantees

- Standby letters of credit issued by a commercial bank can serve as a performance or bid bond or as an advance payment guaranty.
- Funding support for Standby Letters of Credit can be provided by the following guaranty loan programs:
  - Export Working Capital Guarantee – EWCP (SBA)
  - Working Capital Guarantee Program (Exim Bank)
- The guarantee serves as an incentive to the bank to issue the standby letter of credit with less than full, 100% cash collateral.

### Determining which product is the best fit: EXIM's WCGP vs. SBA EWCP

Description	EX-IM Bank WCGP	SBA EWCP
If product does not meet 50% US content	No	Yes
Products manufactured abroad 100%	No	Yes, must be shipped from the USA
Defense product or defense customers;	No	Yes, subject to credit policy
Transaction Specific ( large contract 1-3 buyers)	Yes	No
90 % advance rate of foreign A/Rs	Yes, dependent on underwriter	Yes, dependent on underwriter and foreign receivable insurance requirements
A/R credit insurance required	Typically, no, only required in some cases by underwriter	Yes, but can be mitigated with three or more years of documented positive buyer experience, only 80% advance rate on A/R's without insurance
Use of proceeds To acquire inventory and pay for productions costs; To purchase goods for resale; Delivery of services; To support stand-by letters of credit with reduced (25%) collateral.	Yes	Yes
Loan max	Unlimited	\$5 MM
Loan minimum	None	\$500,000
Fees	Application Fee, Facility fee depends on term of loan: 6 months: .75% of loan amount 12 months: 1.50% of loan amount (The facility fee is reduced if 100% of the borrower's A/R are either insured or covered by a letter of credit.) or if borrower meets industry medium quartile for 4 out of 7 key ratios	SBA charges a guaranty fee of .25% per year
Interest rate	Negotiable with lender	Negotiable with lender( should include ongoing fee)
Requirement to use outside counsel	Yes, only certain approved EXIM lawyers	No, unless required by underwriter
Field examinations required	Yes, semi-annual at borrower's cost, annual with audited financials	No, (but subject to bank's underwriting requirement )
Monitoring of borrowing base	Yes	Yes

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## Contact

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