



Mobile Area Chamber of Commerce

International Trade Leadership Series

Export Finance & Credit Insurance

February 28, 2014



Export
Alabama
Alliance



U.S. Small Business Administration

SBA





U.S. Small Business Administration



United States Small Business Administration

Export Financing Programs



Do I Need to Consider Financing Options?

- Pre-Export Financing-For the Seller
- Post-Export Financing-For the Buyer



The Need for Export Financing

Business Growth

- Expansion
- Outpacing Credit Sources
- Turning Down Orders
- Proactive vs. Reactive
- Lack of Support for Export Receivables
- Staff Training and Additions

The Need for Export Financing

Path to Financing

- Domestic Credit
- Vendor Line of Credit
- COD
- Export Trade Financing
- Resources Available

Export Financing Variables



- Analysis of Foreign Buyer - Commercial Risk,
- Analysis of Country and Political Risk,
- Size of order and length of time,
- What the competition is offering,
- Local customs and industry norms,
- If profit margins justify extending credit,
- Impact on financial position.

Types of Export Financing



■ ***Pre-export***

- Raw Materials
- Labor
- Equipment
- Foreign Market Promotion -travel, trade shows

■ ***Post-export***

- Extending credit to foreign buyers
- Export credit insurance
- Factoring and forfaiting
- Project financing

Using Government Programs

■ **Pre-export Guarantee Programs**

- 1) **SBA Export Working Capital Guaranty**
- 2) **SBA Export Express**
- 3) **Export-Import Bank of the United States (EXIM)**

■ **Post-export Guarantee Programs**

- 1) **USDA: GSM 102-103, Supplier Credit Guaranty Program (Agricultural Programs)**
- 2) **Export-Import Bank of the United States (EXIM)**

SBA's Export Working Capital Program

- **Making it easier to obtain short-term working capital for export deals.**
- **Offers flexible terms, low fees and a quick turnaround on loan decisions**
- **Loans are transaction-based – single transaction or multiple sales on a revolving basis.**

Guaranty Fees

- **Based on maturity, amount of SBA exposure.**
- **Paid by lender (may be passed on).**
 - 1) **One year or less – $\frac{1}{4}$ of 1% (0.25%)**
 - 2) **Over 1 year, varies according to amount of the loan and type.**



Who Qualifies?

- **Must be operated for profit**
- **Meet SBA size standards**
- **Show good character, management expertise and commitment, and sufficient cash flow to repay**
- **May not be involved in speculation or investment in real estate**

The Small Business Administration Export Loan Programs



Export Working Capital Program

- **Short-term working capital-up to one year; longer terms are available.**
- **90% loan guarantee available.**
- **Preliminary commitments available.**

AMOUNT OF THE GUARANTY

90% Guaranty to the Bank up to the Amount of \$5,000,000 for Export Working Capital Guaranty

ELIGIBILITY

- 1) Operate for profit.**
- 2) Do business in the U.S. or it's possessions.**
- 3) Have been in business for one year.**
- 4) Reasonable owner equity investment.**
- 5) Use alternative resources first.**

Use of Proceeds

- Finance working capital needs for single or multiple (revolving) transactions.
- Support issuance of standby letters of credit.

Must have adequate collateral for the accounts receivable, i.e., letter of credit or receivables insurance. Standby letters of credit require only 25% collateral.

Advantages to the SBA Working Capital Guarantee

- Restriction against military purpose does not apply.
- U.S. content requirement does not apply.
- Focus is on job creation.
- Lower guaranty fee – $\frac{1}{4}$ of 1% P.A.
- Company may have negative net worth.

EXPORT EXPRESS



- **Export Express**
 - A. **Short-term working capital-**
term usually 5-10 years; longer terms available
for machinery, equipment, and real estate.
 - B. **90% loan guarantee for amounts up to \$350,000,**
75% loan guarantee for amounts exceeding \$350,000
up to a maximum of \$500,000.
 - C. **Streamlined and expedited loan review and approval**
procedures.
 - D. **Lender uses their own loan analysis, loan procedures and**
documentation.
- **Foreign Market Promotion**
 - A. **Travel and trade shows.**
 - B. **Translation of product brochures and catalogues.**
 - C. **Other purposes may be available.**

Export-Import Bank of the United States



July 11, 2013: Ex-Im Bank Recognized as
Worlds Best Export Credit Agency By
Trade and Forfaiting Review - London

Export Credit



- Refer to Country Limitation Schedule
- Who is your customer?
 - A. Government Entity
 - B. Private Entity
- Does your product have at least 51% U.S. content?

Loan Guarantees

- Check country limitation schedule.
- Terms exceeding one year; normally up to 7 years.
- Usually paid with letter of credit and seller is paid at sight.
- U.S. bank or PEFCO (Private Export Funding Corporation) holds the credit for term.

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<http://aitc.ua.edu>

<http://aitc.ua.edu/export-finance/>



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