

SBA Export Financing

Grow your exports with financing



Small Business

Who are you calling small?

Defined at 13 C.F.R. 121 (Explained at SBA.gov)

Industry Code (NAICS) Size Standards (examples)

- Manufacturing
<500 Employees
- Wholesale
<100 Employees
- Retail or Services
<\$7m in Annual Receipts

Alternative Size Standards

- The Applicant's Maximum Tangible Net Worth is Not More Than \$15,000,000
AND
- Average Net Income after Federal Income Taxes is Not More Than \$5,000,000

Consider affiliated groups and “control”



SBA Lending Programs

Big and small – term and revolving -

7(a) Loans

\$5 Million Max Loan

- 7(a) Loan Program
- **International Trade Loan**
- CAPLine Program
- **Export Working Capital**

\$500,000 or Lower Max Loan

- 7(a) Small Loan Program
- SBA Express
- **Export Express**
- SBA Veterans Advantage
- Community Advantage

504 Loans (CDC's)

Microloans

Disaster Loans



SBA Export Loan Requirements

Is an SBA guaranty worth my time and money?

- Personal guaranties for all >20 percent owners
- Corporate guaranties for all affiliates
- Products must leave the U.S.
- No sales to foreign subsidiaries



SBA Export Loan Advantages

Is an SBA guaranty worth my time and money?

- Indirect exports qualify
- No US content requirements
- Military sales qualify
- No pre-determined ratio requirements
- No semi-annual audits
- Discounts on ExIm Bank Insurance
- Low guaranty fees



International Trade Loans

Term loans for exporters

- Features and Terms
 - Fixed-asset financing for terms up to 25 years
 - A portion of the loan may be used for working capital up to 10 years
 - Refinance existing loans
 - **90 percent SBA guaranteed**
 - Guaranty fee – one-time – 2% - 3.75%
- Eligibility
 - Collateral must reside in the U.S.
 - Borrowers must document how the loan proceeds will enable the borrower to:
 - Initiate or expand export activity OR respond to import competition



International Trade Loans

An example

- Borrower – A 20-year old machine shop with \$2.1 million in sales
- Order - Contract to sell seat brackets & other assemblies to Boeing and Cessna
- Transaction
 - \$750,000 term note to expand the manufacturing plant and purchase new equipment
 - 10-year term with no balloon or prepayment penalty
 - **Collateral** – Second-position UCC on all business assets – Second deed of trust on commercial property – First UCC lien on all new business equipment purchased with loan proceeds.
- Use of Proceeds
 - \$200,000 to add new warehouse space to the existing facility
 - \$550,000 to purchase new manufacturing equipment



Export Working Capital Program

I need pre-export working capital

- Features and Terms

- Revolving line of credit
- Financing costs associated with EXISTING export orders is the ONLY eligible use of proceeds
- Guaranty fee – annual - 0.25% - for terms of 12 months or less

- Eligibility

- In business and operating continuously for at least one year
- Collateral may consist of:
 - Assignment of proceeds from letters of credit, documentary collections and foreign receivables
 - First lien on financed inventory
 - Owner(s) personal guarantees



Export Working Capital Program

Structures

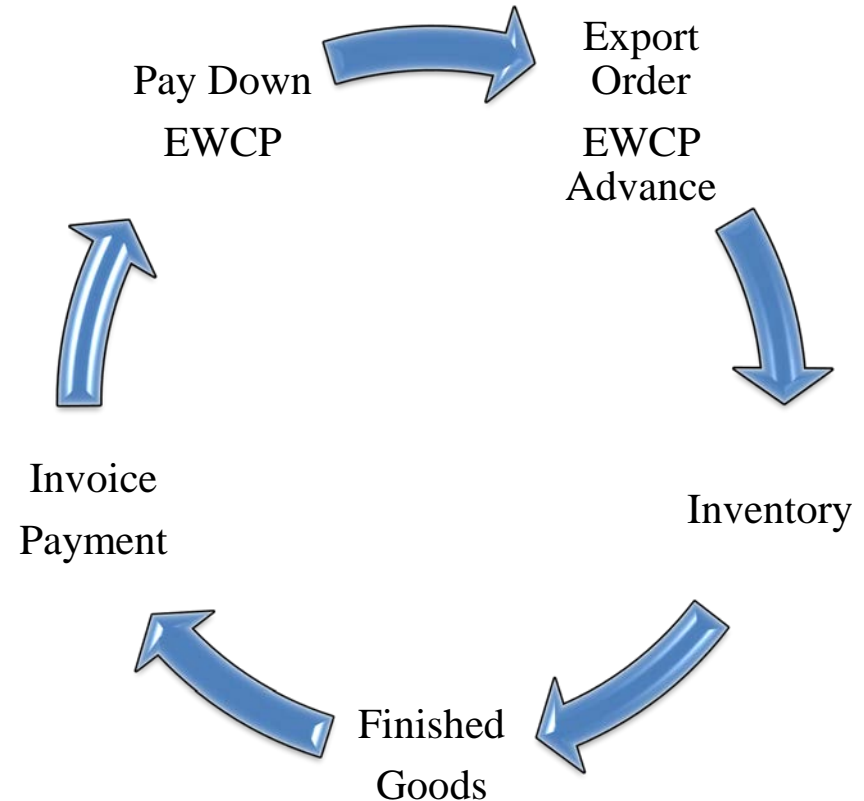
- Single Transaction-specific Loan
 - Non-revolving loan that supports a single export transaction
 - Loan terms up to 36 months depending on the production cycle
- Transaction-based revolving line of credit
 - Multiple export transactions OR a specifically-identified export transaction on a continuous basis
 - Renewed annually (see: .25% guaranty fee)
- Asset-based revolving lines of credit
 - Supported by a monthly Borrowing Base Certificate
 - Usually renewed annually



Export Working Capital Loan

Transaction-based structure

- Purchase order financing
- Used for single transactions or on a revolving basis
- Secure payment method required
 - Credit insurance
 - L/C – possibly confirmed
- Finance up to 90 percent of the order production costs



Export Working Capital Program

A transaction-specific example...

- Borrower – Ten-year old HVAC equipment manufacturer – Sales ~\$1.2m
- Order – \$500,000 for a raised floor ductwork system in a museum in Egypt
- Single Transaction
 - Buyer provides
 - \$100,000 advance payment
 - \$400,000 insured sight-payable letter of credit
 - Seller provides
 - Shipment within 60 days and installation on-site
- Working Capital Need
 - Six-month \$400,000 loan for pre-shipment working capital
- Collateral - First UCC line on contract proceeds and control account



Export Working Capital Program

An Asset-based example...

- **Borrower** – Thirty-year-old livestock and ag products supplier with ~\$8.5 million in annual sales
- **Order** – Nearly \$6 million in open account invoices to distributors in CHN, MEX
- **Transaction** -
 - Buyer provides - Assignment of discounted ExIm credit insurance policy
 - Seller provides - Net 60 day terms
- **Working Capital Need**
 - \$4.75 million line of credit
 - Annual renewal – $\$4.75\text{m} * 90 \text{ percent} * 0.25\% = \$10,688$ SBA Guaranty Fee
- **Collateral** –
 - Foreign A/R – 85 percent advance rate
 - All business assets – 80 percent max



Export Working Capital Loan

Asset-based structure

Maximizing the Borrowing Base

	<u>Amount</u>	<u>% Advance</u>	<u>Collateral</u>	<u>% Advance</u>	<u>Collateral</u>
<u>Exportable Inventory</u>			<u>Without USG Guaranty</u>		<u>With USG Guaranty</u>
Raw Materials	\$200,000	40	\$80,000	75	\$150,000
Work-In-Progress	200,000	0	0	75	150,000
Finished Goods	600,000	50	300,000	75	450,000
Subtotal	\$1,000,000		\$380,000		\$750,000
<u>Foreign Accounts R'cvable</u>					
Open Account	\$400,000	0	\$0	90	\$360,000
L/C Backed A/R	600,000	70	420,000	90	540,000
Subtotal	\$1,000,000		\$420,000		\$900,000
Total Borrowing Base	\$2,000,000		\$800,000		\$1,650,000

Line Increases from \$800,000 to \$1,650,000 (+106%)



Export Working Capital

Advanced Payment Guarantees and Standby Letters of Credit

Order

- \$660,000 for 9 modular pumping units in Chile

Transaction:

- 50% Advance Payment (\$330,000)
- 20% Final Shipment
- 20% Delivery to Mine Site
- 10% Withheld for 12-month warranty period

Working Capital Need:

- \$330,000 to support Standby Letter of Credit for advance payment
- Three months



Export Express

I have many and various but small financing needs.

- Features and Terms
 - Faster processing when SBA allows lenders to use their own forms
 - Loan amounts up to \$500,000
 - Revolving lines of credit of up to seven years – term loans up to 25 years
 - Guaranty fee – one-time – 2-3%
- Eligibility
 - In business for at least one year
 - Borrowers must document how the loan proceeds will enable the borrower to:
 - Enter a new export market OR
 - Expand an existing export market
- 70:30 Export to Domestic Use of Proceeds



Export Express

I have many and various but small financing needs.

- Company – Scrap yard facility with \$700,000 in annual sales
- Order - \$550,000 purchase order to sell diesel engines to an ag implement dealer in Australia
- Transaction –
 - \$500,000 line of credit with a 60-month term with a 75% SBA guaranty
 - 60 month term
 - No borrowing base requirements
- Collateral
 - 2nd position UCC lien on all business assets
 - 1st position lien on all A/R, inventory and WIP



Other Export Financing Assistance

Export-Import Bank – Overseas Private Investment Corp – USTDA - MCC

- Export-Import Bank
 - Export credit insurance
 - Buyer financing
 - Working capital lines of credit – no size limit
- Overseas Private Investment Corporation
 - Supporting US-owned facilities in developing countries
- US Trade and Development Agency
 - Reverse trade missions
 - Feasibility studies for foreign projects
- Millennium Challenge Corporation
 - Government contracts to supply developing countries



SBA International Trade Contact

Let's talk!

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Thank You!

