



## EXPORT FINANCING PROGRAMS – for small business exporters and their lenders

### US Small Business Administration (SBA)

SBA supports **access to capital for small businesses** by providing loan guarantees to commercial lenders. SBA offers a robust suite of programs which designed to help exporters get the financing they need.

☞ **SBA programs are lender-driven.** SBA guarantees the loan rather than lending directly.

### Type of Assistance

SBA provides a federal guarantee for lenders on their business loans to small business exporters: Typically **90% guarantee** on cumulative loans to a single borrower **up to \$5 million**; no minimum loan size. (Note this compares favorably to the 75% guaranty offered by SBA's standard 7(a) program.)

### What is a “small” business?

The borrowing business (including any affiliates) must not exceed SBA's “small business” definition. SBA's “alternate size standard” provides a simple threshold for determination:

- Tangible net worth of ≤ \$15 million, and
- 2-year-average net income after taxes (excluding carryover losses) of ≤ \$5 million.

### What is the “export” requirement?

The business need not be exporting currently; but exporting must be planned. The business must have an export plan and annual export sales target. See program criteria below for more detail. Exports may be either goods or services, as are tourist businesses that target foreign visitors.

**Indirect exporters** – i.e., firms that sell goods/services to a domestic customer who in turn uses them in an export – are eligible. The firm's customer must certify that their product is exported. There is no minimum US content requirement. Defense exports with proper licensing are permitted.

### International Trade Loan (ITL) – “Positioning competitively for export success”

ITL supports up to \$5 million commercial loans to **improve the competitive position of a business that is expanding or developing export markets**. There is no quantitative or percentage threshold required for the export operation of the borrower or project. It is sufficient that export expansion is projected and the ITL loan will help achieve it.

ITL proceeds may be used for facilities and equipment, permanent working capital, refinancing of business debt, and costs and fees associated with the loan.

ITL loans are term loans up to 25 years for real estate; 10 years for equipment or working capital.

### Export Working Capital Program (EWCP) – “Working capital to fulfill the export order”

EWCP supports up to \$5 million **lines of credit that will be used 100% for export orders**.

EWCP proceeds can be used for inventory & working capital needed for export orders, including support for any required standby letters of credit.

EWCP can be set up as either (a) single, transaction-specific term loan, (b) transaction-based revolving line of credit, or (c) asset-based loan (ABL) with a monthly borrowing base certificate.

EWCP term is typically 1 year (3 years max); 1-year EWCP's may be reissued annually at low fee.

EWCP loans are only available from lenders who have received EWCP Lender status.

### EXPORT EXPRESS – “Low-doc, fast-track approvals for smaller export-related loans”

EXPORT EXPRESS allows streamlined application and underwriting with expedited approvals for smaller loans to exporters. Loans may be used for anything that **supports export development activity**. 90% guaranty on loans up to 350,000; 75% guaranty on loans between \$350,001-\$500,000. (Note this compares favorably to the 50% guaranty on loans ≤ \$350,000 with the “SBA Express” program.)

EXPORT EXPRESS may be used for facilities, equipment, working capital (at least 70% must be export-related), international marketing efforts (trade shows, translation, etc.), refinancing business debt, and associated loan costs & fees.

EXPORT EXPRESS loans may be structured as a line or credit or term loan. Not to exceed 25 years for real estate; 10 years for equipment & working capital. If a line of credit, 7 years max.

EXPORT EXPRESS loans are only available from lenders who have received EXPORT EXPRESS Lender status.

### **CAPLine Working Capital Program – “Working capital to fulfill the export order”**

CAPLine gives a **75% guarantee** on revolving lines up to \$5 million used for inventory & working capital **to fulfill BOTH domestic AND export orders**. CAPLines are structured either as asset-based loans or more flexible lines fully-secured by fixed assets – with term ≤10 years & annual renewals.

#### **Borrower Eligibility**

Must be a “small business” (above) with a business plan that includes exporting.

All types of enterprises qualify – manufacturing, wholesale, retail, service, farm

Typically must have been in operation for 12 months; newer firms may qualify based on expertise.

Proprietorships, partnerships, corporations, LLC's, trusts. Producer coops (if all members are “small”).

Business located in US; operates primarily in US; and loan exclusively benefits domestic operations.

Majority ownership by US citizens is *not* required if US management, fully-secured, and not a start-up.

There must be a **demonstrated need** for SBA help, but injection of owner liquid assets is *not* required.

#### **Ineligible businesses:**

Passive businesses – where the primary purpose is limited to owning and operating real property

Nonprofits (though for-profit affiliates may qualify); consumer & marketing cooperatives

Public bodies or government-owned entities (though tribally-owned businesses are eligible)

Lending, loan packaging, investment, and insurance companies

Businesses engaged in promoting religion; engaged in political/lobbying activities

Gambling (1/3 of gross income), speculative, prurient sexual, pyramid, or illegal businesses

Principal “of poor character” – indicted; jailed; on probation/parole for felony or moral turpitude

**Personal/corporate guaranties:** All owners with a 20%-or-greater interest must provide full guaranties. There always must be at least one guarantor providing a full guaranty.

#### **Underwriting and Security Requirements**

The proposed operation must have realistic **repayment ability**. The business and its owners must have a **good credit** history. The business must have **adequate equity** based on business category and project.

**Collateral:** SBA will not decline a loan solely on the basis of inadequate collateral, but the loan must be collateralized to the extent possible at least up to the loan amount.

Only if business assets are insufficient to fully secure the loan, available personal assets must be considered. (Owner's home need not be pledged if < 25% equity is available.)

For WC loans, export-related A/R & inventory is generally considered sufficient collateral.

First lien on all assets being financed is typically required; junior lien with additional justification.

**Hazard insurance** on collateral is typically required.

**Export insurance** may be required if loan is for export order. (25% discount on Ex-Im multi-buyer policy.)

**Key person life insurance** when loan is not fully secured and owner is critical to project success.

#### **Interest Rate, Term, Payment Structure, and Fees**

Interest rate is negotiated by lender & business subject to SBA limits. Balloons are not permitted.

SBA charges a 1-time guarantee fee and a monthly 0.473% ongoing fee (the latter is paid by the lender). Loans with ≤ 1-year term have the lowest guarantee fee (0.25% of guaranteed principal).

Note: For loans approved in FY2016, there are **no SBA fees on loans of \$150,000 or less!**

#### **What lenders use the SBA program?**

The decision to use SBA loan guarantees is up to the lender. All federally regulated lenders – banks, credit unions, Farm Credit – in good standing with their regulator are eligible to use SBA programs.

SBA offers several means for lenders to access SBA programs:

- **Standard 7(a)**. Lender underwrites, then submits for SBA concurrence.
- **Small Lender Advantage (SLA) 7(a)**. Streamlined, credit-scored process for loans ≤ \$350,000.
- **Express** (SBA Express and EXPORT EXPRESS). Underwriting largely delegated to lender.
- **Preferred (PLP) Lender Program**. PLP lenders are experienced SBA lenders, authorized to make a credit decision on loans of all sizes without prior SBA review.

#### **Application Process**

The exporter applies to their lender, who underwrites loan, then requests loan guarantee from SBA.

Depending on lender's SBA credential level, approval Authorizations are issued in 1-6 business days.

The lender closes their loan and undertakes all loan servicing as they would with any business loan.

**For more information**, contact Lee Gibbs, SBA Regional Export Finance Manager, [leland.gibbs@sba.gov](mailto:leland.gibbs@sba.gov)