



SBA Information Notice

TO: All SBA Employees

CONTROL NO.: 5000-1241

SUBJECT: Revisions to Export Working Capital Program, Export Express and International Trade Loan Programs -- Changes Incorporated into SOP 50 10 5(E)

EFFECTIVE: 5/25/2012

The Office of Capital Access announced the issuance of an update to the Standard Operating Procedure (SOP) 50 10 5. The update to the SOP is known as SOP 50 10 5 (E) and is effective on June 1, 2012 for all applications received by SBA on or after that date.

The following is a summary of the key changes made to the Export Working Capital (EWCP), Export Express (EE) and International Trade Loan (ITL) Programs administered by the Office of International Trade.

1. Exception to Policy Requests for EWCP, EE and ITL Loans

The Small Business Jobs Act (SBJA) amended the Small Business Act by providing that the head of the Office of International Trade will be the Associate Administrator for International Trade (AA/IT) and that this individual shall be responsible to the Administrator. In addition to filling the position of AA/IT, SBA has made the Office of International Trade a stand-alone department reporting directly to the Administrator. The AA/IT has also appointed a Director of International Trade Finance (D/ITF), who reports to the AA/IT. Consistent with the changes to the Office of International Trade, the SOP has been revised to reflect that requests for an exception to policy concerning EWCP and ITL loans may be approved by the Director of International Trade Finance (D/ITF), rather than the Director of the Office of Financial Assistance. In addition, requests for an exception to policy concerning Export Express loans may be approved by the D/ITF with the concurrence of the Director, Office of Credit Risk Management (D/OCRM). A request for an exception to policy for EWCP, ITL and EE loans must be submitted to the Loan Guaranty Processing Center (LGPC). The LGPC will analyze the request and make a recommendation to the D/ITF, or individual acting in that capacity, who will make the final decision (with the concurrence of the D/OCRM for Export Express loans). (SOP 50 10 5(E), Subpart A, Chapter 1 and Subpart B, Chapter 1, introductory paragraphs.)

2. Export Express Supplemental Guaranty Agreement

Removed language that stated existing SBA Express lenders had until December 31, 2011 to execute an Export Express Supplemental Guaranty Agreement. At this point in time, all lenders must have an executed Export Express Supplemental Guaranty Agreement to make Export Express loans. (SOP 50 10 5(E), Subpart A, Chapter 1,

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Paragraph IV.E.1.a.)

3. Clarification of Delegated Authority for ITL Program

Clarified the information on the chart providing a summary of ITL and EWCP loans, including, among other things, that ITL loans can be processed under a lender's PLP authority when there is a first lien on the collateral. (SOP 50 10 5(E), Subpart B, Chapter 1, Paragraph IV., Chart titled "7(a) Loans International Trade.")

4. Indirect Exporting under ITL and EE Programs

Eligibility for the ITL program includes, in part, that the small business must increase or begin exporting as a result of the use of the loan proceeds. EE loan proceeds must be used by a small business for an export development activity. The SOP clarifies that indirect exports are considered "exports" for purposes of determining eligibility for ITL loans and the eligible use of proceeds for EE loans. (SOP 50 10 5(E), Subpart B, Chapter 2, Paragraph III.K for ITL and Paragraph IV.J for EE.)

The term "indirect export" applies to situations where, although the borrower's direct customer is located in the United States, that customer will be exporting the items/services it purchased from the borrower to a foreign Buyer. In such cases, the Borrower must provide certification to the Lender from the Borrower's domestic customer (typically in the form of a letter, invoice, purchase order or contract) that the goods or services are in fact being exported. For all of the borrower's exports (including indirect exports), the Lender must determine if U.S. companies are authorized to conduct business with the country to which the goods or services will be shipped, pursuant to the Ex-Im Bank Country Limitation Schedule. A loan may not be made to a business that exports, whether directly or indirectly, to a foreign country that is listed as a prohibited country (Note # 7) on the Country Limitation Schedule.

5. Eligible Uses of Loan Proceeds for EE Loans

SBA requires the lender to obtain information from the borrower pertaining to the use of EE loan proceeds and the projected impact on the borrower's export sales and maintain it in the lender's file. The SOP has been revised to clarify the specific documentation the lender is required to obtain, including the following:

- a. The applicant must answer affirmatively on question 8 of SBA Form 1919 and provide an estimate of annual export sales; and
- b. The applicant must provide documentation regarding the following four items (this may be in the form of a general business plan, an attachment to the loan application or on a lender-developed questionnaire):
 - 1) A brief description of the business' product or service which will be exported;
 - 2) An explanation of how the loan proceeds will enable the business to enter a new export market or expand in an existing export market;
 - 3) The countries to which the business will export; and

- 4) An estimate of the borrower's export sales for the 12 month period following the date of the loan application.

In addition, the SOP reinstates the provision permitting the borrower to use portions of a line of credit for domestic purposes, provided that at least 70% of the proceeds of the general line of credit will be used for export purposes. (SOP 50 10 5(E), Subpart B, Chapter 2, Paragraph IV.J.)

6. EWCP Advance Rates for Uninsured Receivables

SOP language has been added to incorporate longstanding Agency policy to allow advance rates of up to 90% for uninsured receivables in EWCP if:

- a. The receivables are from financially sound corporations or multinational companies located in countries with minimal political risk;
- b. The receivables are from highly-rated governmental entities in countries with minimal political risk; or
- c. The exporters can provide favorable ledger experience with specific accounts over a significant period of time (e.g., three years).

If the lender is a PLP-EWCP lender, the lender may advance up to 90% and must document its loan file with the analysis and justification to allow the higher advance rate. (SOP 50 10 5(E), Subpart B, Chapter 7, Paragraph IV.G.4.)

7. Maximum Maturity for Export Express Loans

In order to be consistent with SBA Express and Patriot Express program requirements, SBA revised the paragraph describing the maximum maturities for the three programs by removing additional language concerning "term-out" periods on Export Express loans. (SOP 50 10 5 (E), Subpart B, Chapter 3, Paragraph III.D.)

8. Refinancing Under Export Express

Refinancing of non-SBA guaranteed debt is an eligible use of proceeds for the Export Express program, provided the refinancing meets the requirements for refinancing under SBA Express and the applicant provides documentation that the new loan or line of credit will help to develop a market or support sales outside of the United States. (SOP 50 10 5 (E), Subpart B, Chapter 2, Paragraph IV. B)

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