

Export Loan Programs Transcript

Introduction



Click Begin to learn more about Export Loan Programs offered by the SBA.

How do SBA loan guarantees work?



Small businesses often need capital to grow and succeed - to buy real estate, equipment, refinance debt, and get the working capital they need to operate. To help businesses get this kind of financing, the SBA offers *loan guarantees*

to business lenders. It works like this: A commercial lender like a bank or credit union makes and services the loan, while the SBA supports this by guaranteeing a portion of the loan against loss. With this added protection, lenders are able to make loans that they might otherwise not be able to justify and to offer better rates and terms to the business borrower. The SBA offers loan guarantees for domestic businesses, but it has an enhanced set of loan guarantee programs to support businesses that sell to foreign buyers. One of the big advantages of SBA export programs is that they typically offer the lender a 90% loan guarantee. That compares to a 75% guarantee offered on standard SBA loan guarantees and a 50% guarantee on Express guarantees.

Why do Export Loans exist?



Many small businesses think they are too small to compete in the world market. In fact, 97 percent of all global exporters are small businesses. With the growing global middle class, 96% of the world's consumers and 2/3rds of the world's buying power is now outside the US. The traditional US business strategy of focusing solely on the domestic market is rapidly changing. Despite this, lenders are sometimes hesitant to make loans to businesses that depend on foreign sales. The SBA offers the higher level of guarantee with its export loans because exporting is so important to the US economy and this can help overcome lender reluctance.

The SBA wants to be sure exporting companies have access to capital to meet all of their needs. Consequently, the SBA has developed three specialized 7(a) loan guarantee programs for exporters.

International Trade Loan Program

90% up to **\$5 million**
guarantee

- Real Estate
- Equipment
- Debt Refinancing
- Permanent Working Capital
- Business Acquisition

International Trade Loan Program

ITL Loans:
Always a term loan
Cannot be revolving line of credit
Fully amortized over time, up to 25 years

Qualifications:
Must be an exporter
Developed export plan
Set export sales target

The first SBA export program that lenders and businesses will want to know about is the International Trade Loan. An ITL provides a 90% guarantee on business loans up to \$5 million. An ITL guarantee can support term loans that finance real estate acquisition and development, equipment, debt refinancing, or permanent working capital. It cannot be used for business acquisition.

An ITL loan is always a term loan. It cannot be a revolving line of credit. Instead it is a fully amortized loan that is paid back over a period of time, with maturities of up to 25 years.

In order to qualify for an ITL, the business must be an exporter. There is no absolute amount of foreign sales required to qualify as an exporter. Instead, the business must have developed an export plan and set itself an export sales target. If the proposed ITL will improve the business's competitive position and help it achieve its export goals, then an ITL is possible even if exporting represents only a portion of the company's overall sales.

Export Working Capital Loan Program

The graphic features a white background with a blue horizontal bar in the center. Above the bar, the text '90% guarantee' is on the left, 'up to' is in the middle, and '\$5 million' is on the right. Below this, a line of text reads 'Provides exporters working capital to fulfill foreign purchase orders and contracts'. The blue bar contains the text 'Export Working Capital Loan Program' flanked by double arrows. Below the bar is a list of bullet points and a small circular icon with a right-pointing arrow.

90% guarantee up to **\$5 million**

Provides exporters working capital to fulfill foreign purchase orders and contracts

Export Working Capital Loan Program

- Capital purchases
- Domestic customers
- Typically 12 month revolving line of credit
- Carefully managed credit line
- Sometimes utilizes a monthly "borrowing base"
- SBA has a team of export loan officers
- Keep up with foreign demand for US products

The Export Working Capital Program does just what it says - it guarantees loans that provide exporters with working capital to fulfill foreign purchase orders and contracts. EWCP provides a 90% guarantee on working capital loans up to \$5 million. It cannot be used for capital purchases and it cannot be used for any domestic customers (unless the domestic customer is exporting the product). Normally, EWCP loans have a term of 12 months and are set up as a revolving line of credit. Typically, an EWCP line is set up as a carefully managed credit line, with the lender advancing loan funds against foreign transactions and collecting the proceeds as they are paid.

Sometimes the lender will set up a monthly "borrowing base" to control how much working capital can be loaned out; sometimes the lender will carefully monitor the costs of completing the export order and advance only the funds necessary to complete the order, with repayment coming from the successful collection of the order from the foreign buyer.

The SBA has a special team of export loan officers who work one-on-one with lenders on EWCP loans. Their focus is on carefully evaluating foreign buyers, export sales terms, and risk mitigation. By paying attention to these details, the default rate on export working capital loans is actually among the lowest of all loan guarantee programs.

And exporters gain access to the capital they need to keep up with the

foreign demand for quality US products.

SBA Export Express Loan Program

Not to exceed **\$500,000**

Gives lenders maximum flexibility in approving smaller loans to help businesses develop export activities

SBA Export Express Loan Program

- Lenders use their own forms, processes, underwriting standards, and collateral requirements
- Near-immediate approval from SBA (must be specially-approved by SBA)
- Real estate, equipment, debt refinancing, working capital, export marketing costs
- May be term loan or revolving line of credit

 • Must have export plan and sales target

• Must finance export development activity (at least 70% for exporting)

The graphic is a white rectangular box with a blue horizontal band across the middle. The top section is white and contains the text 'Not to exceed \$500,000' and a smaller line of text below it. The blue band contains the title 'SBA Export Express Loan Program' in white, flanked by double arrow symbols. Below the band, the box is white again and contains a bulleted list of program details. At the bottom left, there is a small circular icon with a star and a checkmark, followed by two more bullet points.

Lastly, the Export Express loan guarantee offers a financing solution that gives lenders maximum flexibility in approving smaller loans to help a business develop its export activity. The principle behind Export Express is that the loan will be a relatively small one - not to exceed \$500,000 - so the SBA is comfortable allowing the lender to use its own forms, processes, underwriting standards, and collateral requirements. With this kind of delegated authority, the lender can obtain nearly immediate approval from the SBA.

Only lenders who have been specially approved by the SBA can use the Export Express program. Export Express loans are also helpful because they will support nearly any need that a business involved in exporting has. They can be used for real estate, equipment, debt refinancing, working capital, and even export marketing costs. They can be structured as either a term loan or a revolving line of credit. Just as with the International Trade Loan, an Export Express borrower must have an export plan and export sales target. And the Export Express loan must finance an export development activity. For Export Express general lines of credit, it's expected that at least 70% of the loan will be used for exporting.

SBA Export Express Loan Program



Export Express Loans

International Trade Loans  Export Working Capital Loans

How else does the SBA support small business exports?

State Export Trade Promotion (STEP) Grant
Helps fund the cost to attend foreign trade shows

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These programs are part of a suite of US Government services to help small businesses engage and grow in global markets. Besides offering loan guarantees, the SBA funds a grant program to states that helps defray the cost of small businesses attending foreign trade shows. It's called the State Export Trade Promotion (or STEP) grant.

And the SBA has partners in the US Department of Commerce and other government agencies who can guide small businesses on what foreign markets are most promising and who good foreign partners are.

For More Information



More information about SBA Export Loan Programs:

Export Loan Programs

SBA.gov

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If you want more information about Export Loan programs, contact one of the SBA's export loan officers in a US Export Assistance Center. You can find their contact information on [SBA.gov](https://www.sba.gov). You can also check out the other resources on the Partner Training Portal!