U.S. Small Business Administration

SBA Export Loan Guaranty Programs

David Glaccum

Associate Administrator

Office of International Trade

We live in a Trade Driven Economy

59.4% of the World's $80 Trillion Economy is Trade Related

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This New Economy looks Different than the Old

24% Trade	38% Trade	51% Trade	60% Trade
1960	1980	2000	Today

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And the U.S. Economy is no Different

9% Trade	20% Trade	25% Trade	28% Trade
1960	1980	2000	Today

Small Business Exporters are an Untapped Market Opportunity for SBA Lenders

95%

of Consumers live Outside the United States

98%

of Exporters are Small Businesses

33.3%

of U.S. Export Value is from Small Businesses

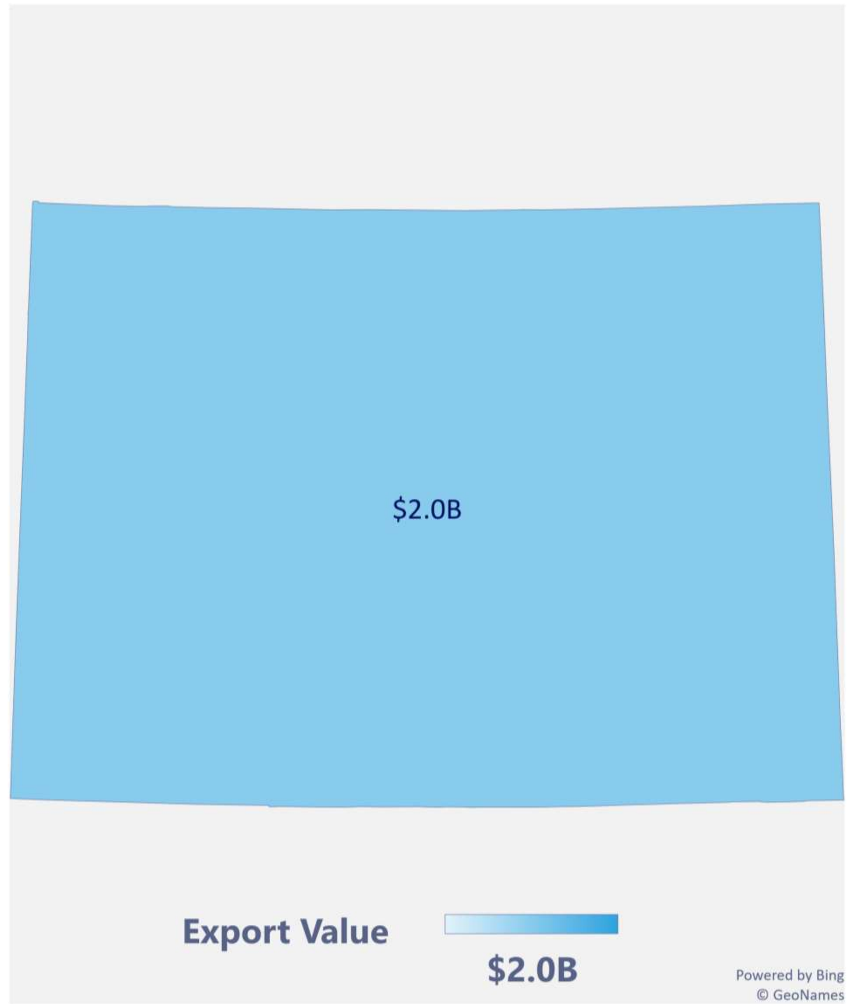
35%

Find it more difficult to finance foreign sales

Colorado is Exporter Dense (known exports)

Total Exports: $1.3 Trillion*

SB Exports: $432.9 Billion*



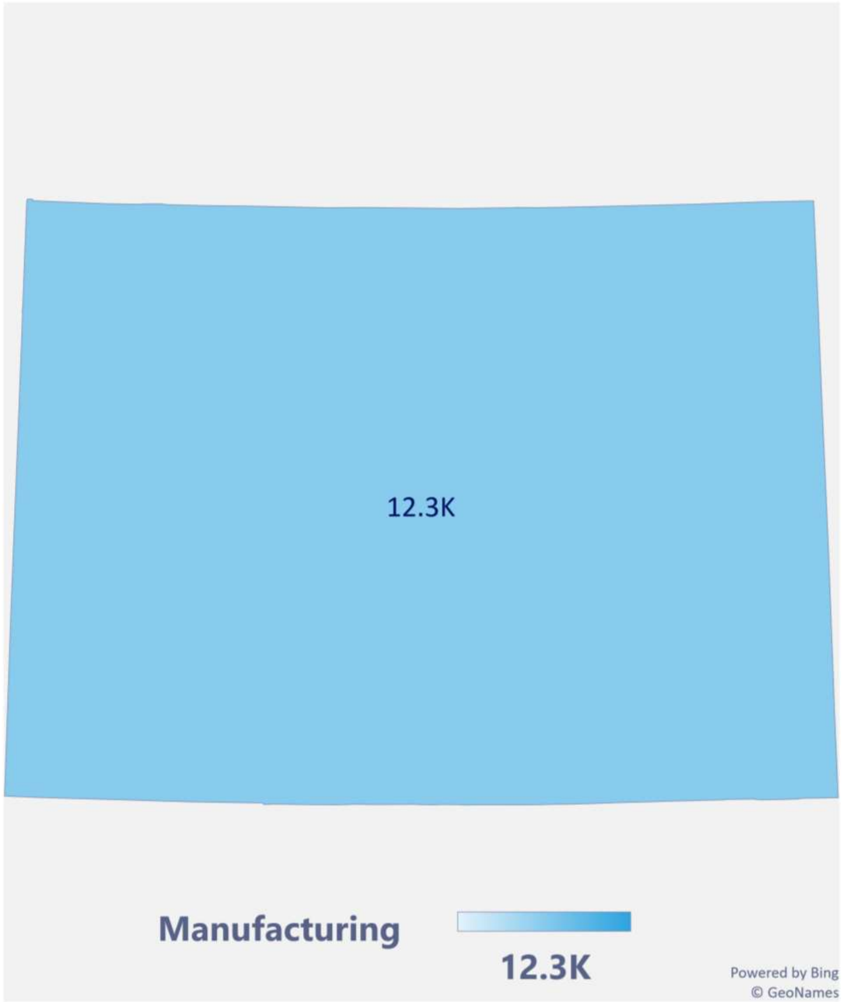
*2019 Small Business Profiles for the States and Territories, SBA Office of Advocacy

Nationally: Small Business Exporters in Key Sectors

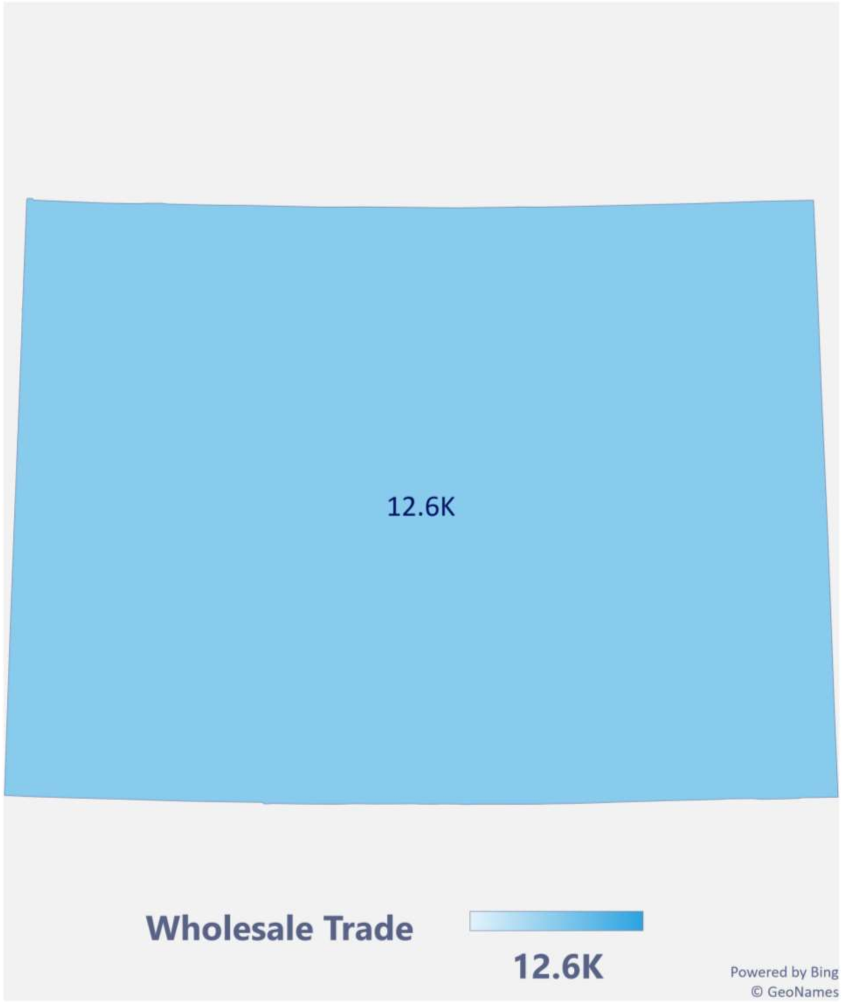
68,286	95,449	17,071	3,286
Manufacturing	Wholesale Trade	Retail Trade	Agriculture

Key Export Sectors in Colorado

SB Manufacturers: 595,271*



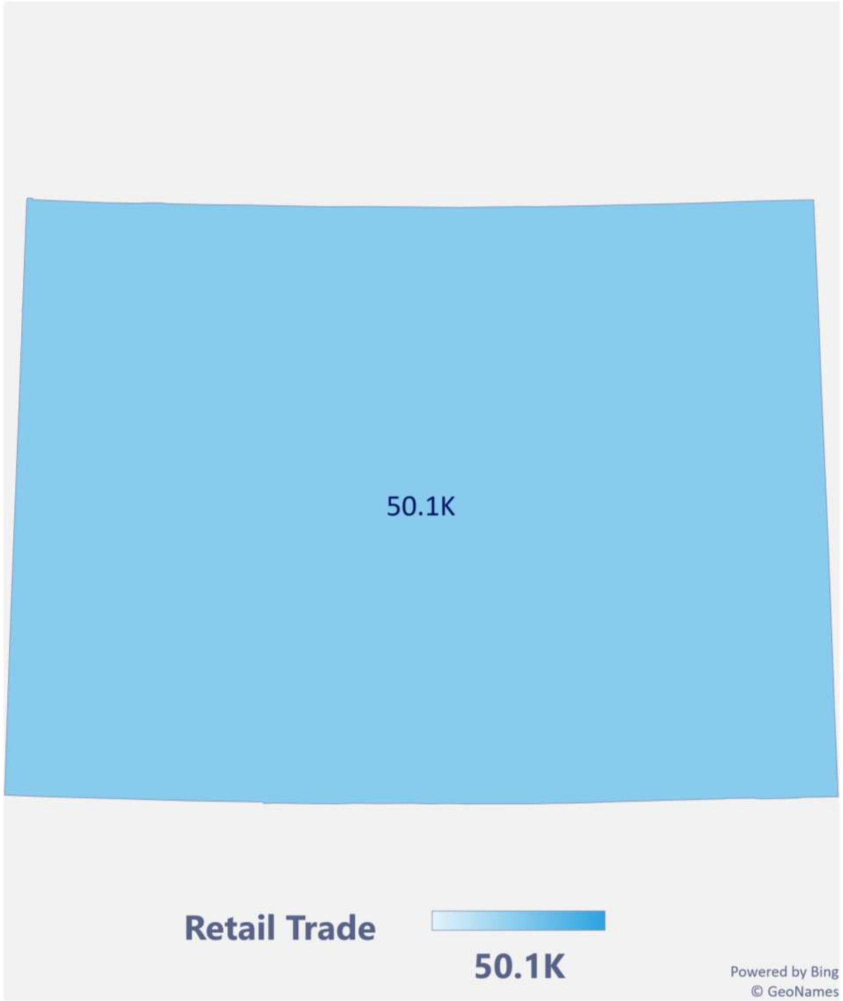
SB Wholesalers: 707,066*



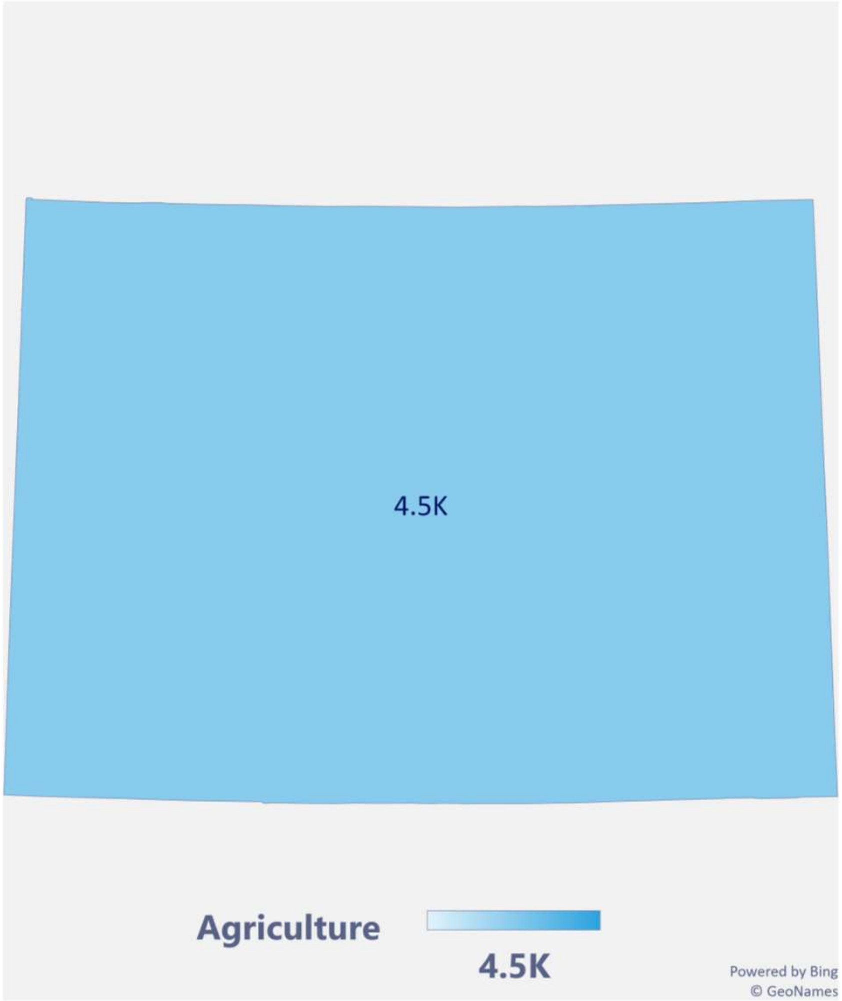
*2019 Small Business Profiles for the States and Territories, SBA Office of Advocacy

Key Export Sectors in Colorado

SB Retail Trade: 2,658,398*



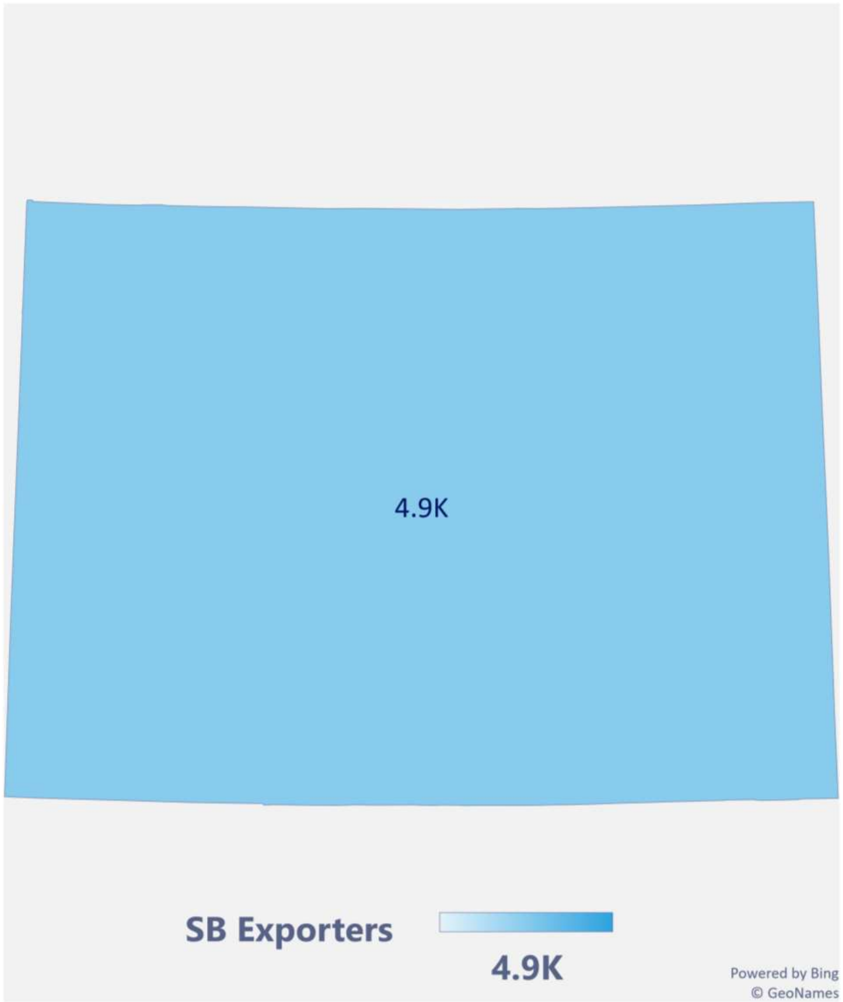
SB Agriculture: 257,958*



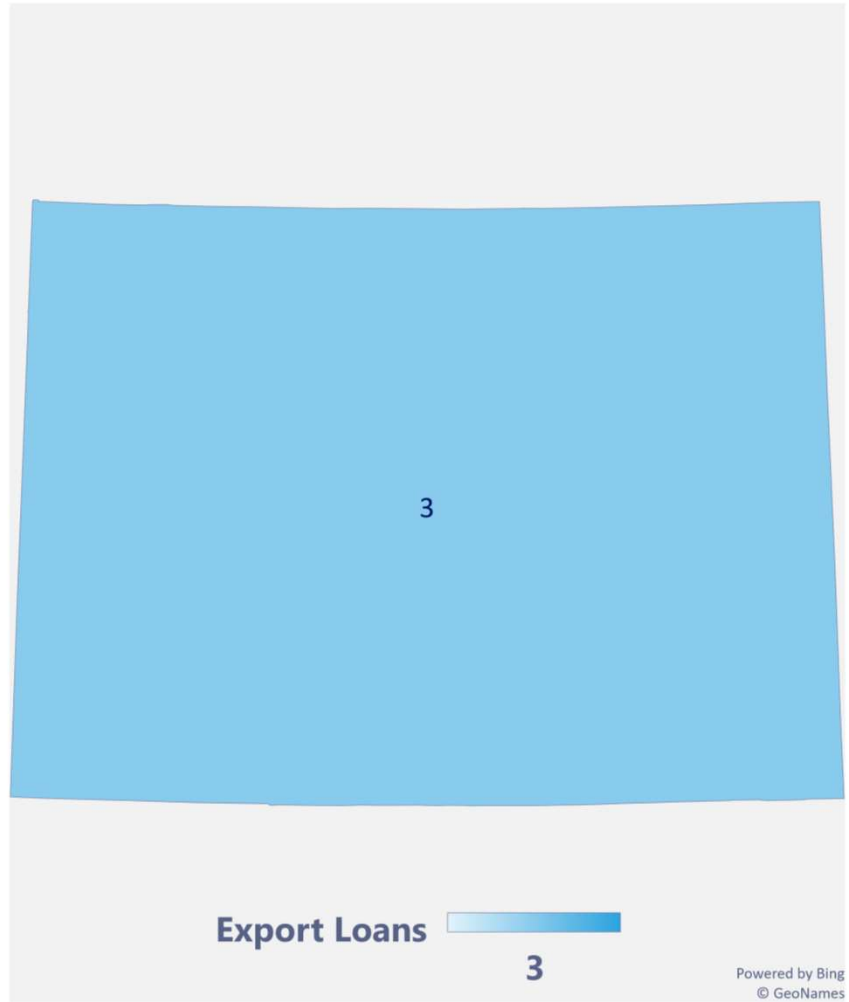
*2019 Small Business Profiles for the States and Territories, SBA Office of Advocacy

Small Business Exporters and Loans

SB Exporters: 280,229*



SBA Export Loans (FY19): 421



*2019 Small Business Profiles for the States and Territories, SBA Office of Advocacy

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There's a Massive Disconnect

4,212,693	280,229	421
Number of Small Businesses in Four Key Export Sectors Nationally	Number Small Business Exporters	Total SBA export loans made Nationally in FY19

OIT Provides Finance Solutions for Lenders

Bryson Patterson

Export Finance Manager

Office of International Trade

Indirect Exports

- Applicants who produce products or services that enter the export channel, but do not directly export their products:
  - Manufacturers using an Export Trading Company
  - Suppliers to other domestic manufacturers that export directly: **supply chain financing solution**

- Can be supported by all **three** of SBA's core export loan programs: EWCP, Export Express, International Trade Loan

SBA Lenders can Serve this Growing Market with SBA's Export Loan Programs

Guarantee of up to 90%, with limits up to $5 million

Working Capital for Export Development:

- Secure CE mark, international patent, or trademark
- Attend trade shows
- Meet potential business partners
- Vet potential buyers, agents or distributors, and purchase foreign credit reports
- Legal fees
- In-country promotions
- Translation of website/product literature and other marketing costs

Working Capital to Finance Export Orders:

- Inventory, materials, labor, other production costs
- Foreign accounts receivable
- Insurance and freight costs
- Bank fees related to the transactions
- Standby letters-of-credit for bid, performance, or advance payment bonds or guarantees

Loans to purchase machinery or equipment to expand production in order to meet foreign demand:

- Retooling expenses necessary for metric production or to meet other foreign product standards or licensing
- Permanent working capital
- Real estate needed as a result of expanding export sales

Export Loan Programs

- Export Express for Export Development
- Export Working Capital to Fulfill Export Orders
- International Trade Loan for Expanding Exporter Capacity

Solution: Export Express

<u>Amounts:</u>

- Maximum Loan Amount: 500,000
- Maximum Guarantee: 90% guarantee on loans ≤ $350,000; 75% on larger loans

<u>Structure:</u>

- Term loan or Revolving line
- Export development activity
  - **working capital** – Inventory, A/R, Marketing
  - **standby letters of credit** – Often required by international buyers
  - **fixed assets** – Equipment and Real Estate
  - **refinancing** – contributing to export growth
- Use lender's own underwriting/collateral standards
- Delegated approval authority

Example: Export Express

Company:

- US/Russian Partnership
- Export of US craft beer

Transaction:

- $22,500 line of credit with a 90% SBA Guaranty ***Max eligible $500,000, 90%= $0-$350,000; 75% =$350,000-$500,000**
- No borrowing base requirements ***Golden Rule of Express Lending: As you would do with your similarly sized non-SBA loans**
- Collateral- 1st UCC on all business assets and first lien on all A/R, and inventory

Use of Proceeds

- $22,500 to fund inventory purchase, shipment, and A/R
- Ex-Im Bank Export Credit Insurance against A/R

Solution: International Trade Loans (ITL)

Amounts:

- Maximum Loan Amount: $5.0 million
- Maximum Guarantee: 90%
- Maximum SBA guaranteed portion: Maximum guaranty portion ($4 Million for working capital)

Structure:

- Term loan credit facility
- Standard 7(a) eligibility requirements, plus
  - The loan proceeds will significantly expand an existing export market or develop new export markets OR The applicant business has been adversely affected by import competition

    AND
  - will improve the applicant's competitive position
  - An Export Business Plan is required

Example: ITL

Company:

- $2.4 million in annual sales machine shop facility

Order

- Expanding international demand requiring additional equipment

Transaction:

- $750K term note to purchase new equipment, refi existing debt, and working capital with a 90% SBA guaranty *** $5 million max, term note financing only (no lines of credit)**
- 10 year term, no balloon or prepayment penalty ***Working capital and Equipment: 10 years; Real Estate: 25 years**
- Collateral- 1st UCC on all business assets, 1st UCC lien on all new business equipment purchased with loan proceeds

Use of Proceeds:

- $450K to purchase new manufacturing equipment
- $169K Working Capital
- $111K Debt refi
- $19K Other

Solution: Export Working Capital Program (EWCP)

<u>Amounts:</u>

- Maximum Loan Amount: $5.0 million
- Maximum Guarantee: 90%
- Maximum SBA guaranteed portion: $4.5 million

<u>Structure:</u>

- Asset-based or transaction-based (purchase order or contract) financing
- Single Project or Revolver for multiple transactions
- Non-PLP: Export Finance Managers underwrite deals with quick turnaround time- 10-day brand promise
- SBA Fee: .25 % per 12 months

Maximize the Borrowing Base

	Amount	% Advance	Collateral	% Advance	Collateral
Exportable Inventory		**W/O Government Guaranty**		**With Government Guaranty**	
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
Foreign A/R					
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%)

Example: EWCP Asset Based Line of Credit

Company:

- Tool manufacturer $3.5 million/year, supplying auto assembly plants in Mexico and Asia
- Employees – 30

Order:

- Open account invoices to assembly plants in totaling roughly $800K
- Supported by Export Credit Insurance

Transaction: ABL borrowing base monitored line of credit

- Seller provides-
    - 90-day terms

Working Capital Need:

- *Loan Amount*: $800,000 ***$5 million maximum** *SBA Fee:* $1,800
- *Use of Proceeds*: asset-based line of credit, **90% SBA guaranty**
- *Collateral*: Foreign accounts receivable- 75%* advance rate, Export Inventory- 0%* Advance Rate (**90% max-75% max***)
- *Working Capital Provided:* $800K revolving line used to finance open account terms on sales. *SBA policy additionally allows for **75% WIP**

Example: EWCP Transaction Based

Company:
- Aircraft parts supplier specialized in African market

Order:
- $800K for aircraft parts for African military

Transaction: Single Transaction
- *Buyer provides-*
  - $800K Letter of Credit
- *Seller Provides-*
  - Invoices and shipping documents to advising bank

Working Capital Need:
- *Loan Amount:* $445K * **$5 million maximum**
- *Use of Proceeds:* Pre-shipment working capital, **90%** SBA guaranty
- *SBA Fee:* $1,01.25 (.**25 of guaranteed amount**)
- *Collateral:* First UCC lien on inventory, confirmed letter of credit, control account established with bank.
- *Working Capital Provided:* $445K

Example: EWCP Standby Letter of Credit

<u>Company:</u>

- Engineering firm specializing in concrete forms

<u>Order</u>

- Provide $2.1M of concrete forms to Italian prime, building damn in Canada

<u>Transaction: Support Standby L/C</u>

- Performance Bond of $324K for 16-month performance period
- Cash secured 25%

<u>Working Capital Need</u>

- *<u>Loan Amount:</u>* **$324K**
- *<u>SBA Fee:</u>* $9.7K
- *<u>Use of Proceeds</u>*: Support Standby L/C for performance bond, **90% SBA guaranty**
- *<u>Collateral:</u>* **25%** of L/C collateral required

Example: EWCP ABL for Indirect Exporter (supply chain finance)

Company:

- Aerospace manufacturing company in business for 15 years with average annual sales of $5 million/year

Order:

- Open account invoices to Spirt AeroSystems. Company makes engine and fuselage components for the Boeing 787 and 737

Transaction: ABL borrowing base monitored line of credit

- Seller provides-
    - 90-day terms

Working Capital Need:

- *Loan Amount*: $1,150,000 ***$5 million maximum** *SBA Fee:* $2,587.50
- *Use of Proceeds*: asset-based line of credit, **90% SBA guaranty**
- *Collateral*: Shared first lien on all Spirit AeroSystems A/R and inventory
- *Advance Rate:* 90% advance rate on *66%* of Spirit AeroSystems open A/R, 75% advance rate on *66%* of Spirit AeroSystems Inventory and WIP (**90% A/R max-75% Inventory max-75% Work in Process max***)
- *Working Capital Provided:* $1,150,000 revolving line used to finance open account terms on sales.

Borrowing Base Certificate Example

Collateral Pledge Summary

(Borrowing Base Certificate)

Accounts Receivable and/or Inventory

Apr-19

	Date:			
Spirt Aero Accounts Receivable as of: 4/30/19			$ 1,155,800	
Less: 90 Days Overdue		(-)	0	
Total EWCP Eligible @ 66 %			$ 762,828	
			Advance Rate	
Loan Value of L/C A/R (Eligible A/R X advance rate)		$ -	100%	$ -
Loan Value ofnon-L/C A/R (Eligible A/R X advance rate)		$ 762,828	90%	$ 686,545
Total Eliglible A/R				**$ 686,545**
Current Inventory:		$ 789,054	75% of 66%	$ 468,698
Total Loan Value of Collateral:				$ 1,155,243
Less Bank Line Balance:				$ 578,950
Availablility (Collateral Exceeding Loan):				$ 576,293

For purpose of securing credit from XXX Bank, we hereby certify that the above schedules are complete and correct. The above accounts receivable, inventory and equipment are assigned and pledged to XXXXX Bank,under that existing security agreement dated ____________. We further certify we are in compliance with terms of the existing loan agreement.

Date: ____________________ Company: ABC Inc.

By: ____________________

Title: ____________________

Thank You!

Bryson Patterson

bryson.patterson@sba.gov

Tel: (303) 844-6622

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