



U.S. Small Business
Administration

SBA Loan Products

SBA has two primary types of loans for established businesses

- **7(a) loans** – general, multi-purpose loans
 - SBA Express (up to \$350,000)
 - General 7(a) – up to \$5 million
 - Caplines – Builders; Asset-based; Contract
 - Export loans
 - Export Express (up to \$500,000)
 - International Trade Loans (ITL)
 - Export Working Capital Loans (EWCP)
- **504 loans** – fixed asset acquisition

SBA Loan Programs for Exporters

- Export Express
- International Trade Loan
- Export Working Capital Program
 - Collaboration with Ex-Im Bank

Basic SBA Eligibility requires that business be “Small”

Applicant business (including all affiliates) must meet SBA’s size standards:

- NAICS – Rule of thumb for manufacturers: under 500 employees (can be as much as 1500 employees)
- Alternative Size Standard: meet both of the following:
 - Maximum Tangible Net Worth of \$15 million
 - Maximum Net Income of \$5 million (last 2 full fiscal year’s average)

Export Working Capital Indirect Exports

- Applicants who produce products or services that are exported, but who do not directly export their products, are eligible for Export Express or EWCP financing
 - Manufacturers using an Export Trading Company
 - Suppliers to other domestic manufacturers
- Requires certification from domestic customer that goods are being exported.

Export Express

- Lines of Credit and Term Loans up to \$500,000.
- 90% SBA guaranty up to \$350,000
75% on loans between \$350,000 and \$500,000.
- Proceeds may be used for just about any purpose that will promote export activity, including w/c, market and/or materials development, equipment, etc.
- Eligibility includes:
 - Business has been in operation for at least 12 months; or has key personnel with demonstrated export expertise
 - Business provides 12 months export sales projections demonstrating expected new markets and / or expansion of existing markets
 - Proceeds must finance domestic operations except for marketing / distribution of products or services being exported
 - Export activity must comply with any US Government foreign trade restrictions – see www.exim.gov

International Trade Loan (ITL)

The maximum loan is \$5 million with a maximum SBA guarantee of \$4.5 million. Lender receives a 90% guaranty.

Eligibility:

1. The loan proceeds will significantly expand existing export market or develop new export markets; **or**
2. The applicant business has been adversely affected by import competition.

And: Applicant must show how upgrading facilities or equipment will improve the applicant's competitive position.

Use of Proceeds:

- Facilities
- Equipment
- Working Capital
- Debt refinancing is allowed.

Export Working Capital Program

- \$5 million maximum loan amount
- 90% SBA guaranty
- Asset-based or transaction-based financing
- Single Project or Revolving Line
- Eligibility:
 - In business 12 months or proven management expertise
 - No U.S. content requirement
 - Military sales are allowed
- Uses:
 - Working Capital for production of export goods and/or delivery of services
 - Financing export accounts receivable and export inventor
 - May be used to fund Standby Letters of Credit

Transaction Based EWCP Self Liquidating Line of Credit

- Can be utilized for a single export order or multiple orders on a revolving basis.
- Funds are disbursed when there is an export order in place.
 - Funds can be used to finance up to 100% of exporter's direct cost associated with a specific export transaction, not to exceed 90% of the overall export sale amount.
- SBA requires secure payment method from foreign buyer which will be directed to pay down the EWCP.
- Transaction evidenced by Purchase Order, Letter of Credit or signed contract
- Acceptable payment by foreign buyer include: Payment in Advance; Letter of Credit; Documentary Collections; Open Account; (insured); Open Account (no insurance)

Asset Based EWCP

Uses of Proceeds:

- To finance existing foreign accounts receivables. Advance rates up to 90%. Note: Normally, export credit insurance is required (foreign accounts receivable insurance).
- To finance existing export inventory with advance rates up to 75%.
- To support Standby Letters of Credit used as performance or bid bonds.

Insurance – none required if:

- Receivables are from financially sound corporations, multinationals or highly-rated governmental entities in countries with minimal political risk
or
- Exporter can provide favorable ledger experience with specific accounts over a significant period of time.

EWCP Collateral and Fees

Collateral:

- Self-liquidating loan – collection of foreign A/R is the primary means of repayment.
- First lien on all assets being financed (typically export inventory, WIP and foreign accounts receivable)
- Personal guarantees of all owners of 20% or more of the business (if none, a personal guaranty is still required).
- Other collateral on a case-by-case basis

Fees:

- One time guaranty fee of .25% of the guaranteed portion for loans with a 12 month or less maturity.
- Loans initially booked for 12 months or less can be “re-issued” for .25% the following year.
- The business and lender negotiate interest rate and fees (SBA does not restrict servicing fees).

EWCP Loans - How to Apply

- The application is the 84-1, a joint application used by SBA and the Export-Import Bank (Ex-Im Bank).
- EWCP loan applications are submitted to the local lender who submits them to the USEAC.

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Financial Risks Buying and Selling Internationally

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International Trade Finance

International Trade Finance involves commercial transactions between buyers and sellers in different countries. It presents a number of difficulties for the companies involved as there are concerns around the timing of payment and transfer of the title to the goods. Banks offer solutions that bridge the gaps between importers and exporters allowing them to mitigate risk and finance their trade activity at competitive rates.

Different Perspectives

Importer

- Concerned with the receipt of the merchandise; reluctant to pay until they have received the goods.
- Wants the goods and documentary evidence that the goods have shipped on time.
- Wants assurance that documents needed for customers clearance will be provided.

Exporter

- Concerned with receiving payment for their merchandise; reluctant to pass over the title to the goods until they have received payment
- Wants to be paid promptly
- Wants protection from order cancellation

Company Risk

- Company risk is different for importers and exporters.
- For importers, company risk is performance risk, which is the risk that the seller will not provide the goods or services as agreed upon in the sales contract.
- For exporters, company risk is credit risk, which is the risk that the buyer will be unable or unwilling to meet its financial obligation.
- Company Considerations:
 - Recent financial performance
 - Trading history
 - Reputation
 - Payment terms buyer is requesting

Risks Involved in International Trade

Country Risk

- The risk that economic or political events in a foreign country will lead to delayed or non-payment.
- **Country Considerations:**
 - **Open or deregulated?**
 - **Free from political interference?**
 - **Free from stringent embargoes, tariffs, or other quotas?**
 - **Free from import or export restrictions?**
 - **Is there poor regulation that allows financially unsound companies to conceal their losses?**
 - **Are there risks of a natural disaster leading to a weaker economy?**
 - **Is there risk of inconvertibility of the buyer's currency back into seller'?**

Foreign Exchange Risk

- The risk that a foreign currency fluctuation negatively impacts a company's ability to pay.

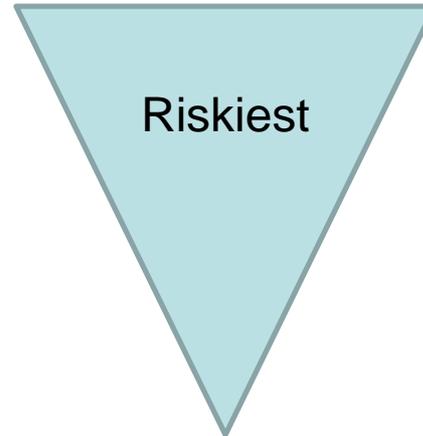
Legal Risks

- The risk that a contract is not legally binding in every country. In some countries, the legal system may differ greatly from that of many developed countries.

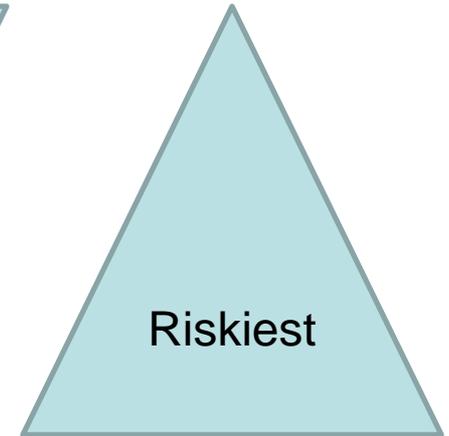
Payment Methods/Risks

- Open Account
- Documentary Collections
- Letters of Credit
- Stand-by Letters of Credit
- Payment in Advance

Risk to Seller



Risk to Buyer



Comparison of Payment Terms

Method of Payment	Timing of Payment to Seller	Goods Available to Buyer	Risk to Seller	Risk to Buyer
Payment in Advance	Prior to shipment	At destination arrival	None	Full reliance on the exporter to ship goods as ordered
Stand-by Letter of Credit	Upon presentation of compliant documentation	N/A	Very little, based on conditions in the Stand-by LC. Note that a Stand-by is a payment guarantee, not a payment instrument.	Bank is obligated to make payment as long as the conditions of the Stand-by Letter of Credit have met.
Sight Letter of Credit	Upon presentation of compliant documentation	Upon settlement of LC	Very little, based on conditions on LC, and provided no discrepancies between documents and LC.	Has assurance of shipments but relies on seller to ship goods as described in the documents.
Usance Letter of Credit	Upon maturity of payment terms, or upon discounting a Bankers' Acceptance	Upon releasing documents of title, unless good cosigned direct to buyer	Very little, based on conditions on LC, and provided no discrepancies between documents and LC.	Actual payment is due after possession of good, but must be made regardless of product quality
Sight Draft for Collection -D/P	Upon presentation of draft and documents to buyer, and payment by buyer	After payment, unless good cosigned direct to buyer.	Possible non-payment by buyer, but buyer would not have possession of the goods before payment.	Has assurance of shipments but relies on seller to ship goods as described in the documents
Usance Draft for Collection - D/A	Upon maturity of usance draft.	Upon acceptance of usance draft, unless good cosigned direct to buyer	Possible non-payment by buyer at maturity of draft, and buyer has possession in the goods.	Buyer undertook obligation to pay when accepted time draft.
Open Account	Upon payment of invoice	Upon Delivery	Full reliance on buyer to pay invoice when due.	None

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