

SMALL BUSINESS AND THE INTERNATIONAL MARKETPLACE



A Report by the U.S. Small Business Administration- Office of International Trade



Small Business Exports are Exploding!

- In 2008, SBA reported 3,305 loans for \$1.07 billion to small business exporters. Surpassing \$1 billion mark for the 3rd time
- SBA not only set a record in export financing, it also:
 - Supported \$2.4 billion in export sales
 - Counseled and trained close to 10,000 small business; and Trained 2,853 export lenders
- During 2006, small business exported a record \$375 billion more than \$1 billion a day, which means that exports grew three times as fast as the overall economy. U.S. production shifting to export sector

California Small Business Opportunities?: Know this....

- Largest export markets for U.S. goods in 2008 were Canada \$261.4B, Mexico \$151.5B, China \$71.5B, Japan \$67.0B and Germany\$54.7B
- Number one state for attracting foreign direct investment. Top investing countries are Japan, UK and Netherlands. Foreign affiliate employment accounts for over 700,000 jobs in California.
- Export Opportunities? More than 95 percent of the world's population and two thirds of the world's purchasing power is located outside of the United States.

Separating Facts from Fiction....

PERCEPTION:

- Small businesses do not export.....

FACT:

- 259,000 exporters today vs 108,000 in 1992
- 72% of all exporters have fewer than 20 employees up from 59% in 1992.
- Small and medium-sized enterprises (SMEs) share of U.S. merchandise exports is about 30 percent or - \$500 billion annually

Separating Facts From Fiction...

- LENDER PERCEPTION:
- I don't have any customers in my portfolio that export and export is too risky.
- FACT:
- California is the Global Export Leader reporting in 2008, \$145 billion in Exports!!!
- Exporters grow 22% faster than non-exporting companies—exporters are winners
- Risky?: Out of all of the SBA sub-program codes, the Export Working Capital loan program has the lowest loss and default rates-- Why? All are short-term, tightly structured and typically self-liquidating.

SBA Export Finance Assistance Programs:

- Export Working Capital Program
- SBA Export *Express*

SBA Export *Express*

Use of Proceeds

- Funds may be used for nearly any business purpose which directly or indirectly supports international trade or export-related endeavors



SBA Export *Express*

Use of Proceeds

- **Finance Export Development activities such as participation in a foreign trade show or translation of product literature for use in foreign markets.**
- **Transaction-specific financing for overseas orders**
- **Revolving lines of credit for export purposes**
- **Acquiring, constructing, renovating, improving or expanding facilities or equipment used in the U.S. to produce goods or services for export**
- **Leasehold improvements**
- **Financing standby letters of credit used as bid or performance bonds on foreign contracts**

SBA EXPORT EXPRESS ELIGIBILITY

- Applicant in business for at least 12 months
- Proceeds are to be used to develop or expand applicant's export markets
- Lender to illustrate how loan proceeds will allow company to either enter a new export market or expand an existing export market

Export Working Capital Program



- Pre-Shipment Guarantee Loan proceeds to acquire/produce goods or services for export
- Post-Shipment Guarantee Discounting accounts receivable

Export Working Capital Program Features



- Single Transaction or Revolving Credit Line.
- In either case, all disbursements must be linked to specific export transaction, contract, PO, LC, invoice, etc.
- Maximum gross loan limit \$2,000,000. Maximum 90% Guarantee up to \$1,500,000 SBA exposure.

EXPORT WORKING CAPITAL PROGRAM

Advance rates

- Pre-shipment working capital advances not to exceed the exporter's costs
- Post shipment working capital 80% - 85% of insured foreign accounts receivable

Export Working Capital Program Interest Rates & Fees



- Negotiable between applicant and lender
- SBA fee is one quarter of 1.00% of the SBA guaranteed portion for 12 months or less

- Example:

\$1,000,000 loan

x 90% SBA guaranty

= \$900,000 SBA guaranteed portion

x 0.25%

= \$2,250 fee due from borrower

Export Working Capital Program Eligibility & Features



- Exporter must demonstrate ability to perform / i.e. in business 12 months (Note other “non-export” SBA loans are available)
- SBA Size standards
- Service & Trading companies are eligible
- Country limitation schedule / Credit Insurance
- SBA will prepare the Loan Authorization
- Forms www.sba.gov/banking

Differences in SBA Program vs Exim program

- SBA: Asset Based or Transaction Based
- EXIM: Asset Based only

- SBA EWCP allows for financing against transaction

- Advances authorized against paper contract, LC, PO, etc.
“Evidence of a Sale”

- No hard collateral borrowing base required

- Guaranty fees vary

Differences in SBA program vs Exim program

**•“TRANSACTION” PHILOSOPHY-NEGATIVE NET
WORTH-OK, WEAK CASH FLOW-OK, LOSSES-OK**

•NO MILITARY RESTRICTIONS

•NO U.S. CONTENT RESTRICTIONS

**•USE REASONABLE JUDGEMENT TO PROMOTE U.S.
EXPORTS, SUPPORT U.S. JOBS & SMALL BUSINESS**



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