



U.S. Small Business Administration

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U.S. Small Business Administration

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Small Business is Driving Economic Growth in the United States!

- Small businesses have provided virtually all of the nearly 20 million net new jobs added to the economy since 1992
- The approximately 25 million small businesses in the U.S. represent 99.7 percent of employers and employ 53 percent of the private workforce



Small Business is Driving Economic Growth in the United States!

- Small business accounts for approximately 50 percent gross domestic product and 55 percent of technological innovations
- Small business is especially concentrated in services and technology, the fastest growing business sectors in the country (Is that just a coincidence?)



How has Small Business fared in the International Marketplace?



Small Business Exports are **Exploding!**

- Nearly 97 percent of exporters are small businesses
- The number of small business exporters tripled in the 10-year span between 1987 and 1997, from approximately 60,000 to 202,185



Small Business Exports are **Exploding!**

- The value of small business exports increased by 300 percent between 1992 and 1997
- Businesses that employ 20 or fewer employees are the fastest growing exporters, representing 65 percent of all exporting firms in 1997



**What are the prospects for
increased growth of Small
Business Exports?**



Consider this:

- Currently, Small Businesses account for 47 percent of total domestic sales, but only 31 percent of total export sales
- Two-thirds of small business exporters export their products to just one country
- **ONLY** approximately 1 percent of the 25 million small businesses in the U.S. are currently exporting!
- 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!



CONCLUSION:

The growth potential for U.S. small businesses in the international marketplace is enormous, and arguably the most likely and effective route for the continued strength and prosperity of the U.S. economy!

Export Working Capital Program (EWCP)

A Program To:

- **Provide working capital to small businesses to perform on export orders or contracts**
- **Finance existing export receivables and inventory**

Loan Structures:

Single transaction

Transaction based line of credit

Asset based line of credit

How It Works: Transaction

- **Advances are made against a foreign contract or purchase order**
- **Supported by Letter of Credit or foreign receivables insurance**
- **Strong buyers can be approved for open account sales**

How it Works: Asset Based

- Advances made against a borrowing base certificate and aging of foreign accounts receivable and an export inventory schedule
- Receivables usually must be supported by foreign receivables insurance

Lender sets up a control account for collection of the receivables and to insure the line of credit revolves

Maturity for line of credit is 12 months

Fees are .25% of guaranty portion

Lines can be renewed with an abbreviated application

Lender fees and interest rates are unregulated

EWCP lines of Credit do not require onerous monitoring:

- **Agings and borrowing base, or Contract/purchase order**
- **Verify insurance or letter of credit**
 - **Set up control account**

Eligibility:

A business must:

- **Meet SBA's industry size standards**
- **Have been in business for at least 12 continuous months**

Collateral

- **Receivables and Inventory**
- **Assignment of proceeds from:**
 - Letter of credit
 - Contact if applicable
 - Foreign receivables insurance
- **Other assets as necessary**
- **Personal guarantees of owners**

Fees and Rates

Guarantee Fee

**1/4% (maturities
of 12 months or
less)**

**Interest Rates/
Lender Fees**

Negotiable

Risk?

- **Primary risk is borrowers ability to perform and buyer payment risk**
- **Buyer payment risk mitigated by L/C or receivables insurance.**
- **90% SBA Guaranty -Best SBA has to offer**

International Trade Loan Program





Helps small businesses that are -

- 1) engaged in exporting,**
- 2) preparing to engage in exporting, or**
- 3) adversely affected by import competition**



Maximum SBA guarantee is \$1.25 million, however no more than \$1 million can be used for fixed assets, and no more than \$1 million can be used for working capital.

Maximum Guarantees:

International Trade Loan (IT) - \$1.25 Million

Export Working Capital Loan (EWCP) - \$1 Million

Combination IT and EWCP - \$1.25 Million

Proceeds may be used for:

- Working Capital
- Fixed Assets

Fixed Assets include:

- purchasing land and buildings;
- building new facilities;
- renovating, improving or expanding existing facilities;
- purchasing or reconditioning machinery, equipment and fixtures; and
- making other improvements that will be used in the U.S. for producing goods and services for export.



Proceeds may not be used to
repay existing debt.



**All of SBA's PLP lenders
are authorized to do
International Trade Loans
under their PLP authority!**



Small Business Trade Finance

SBA Export *Express*



SBA Export *Express*

Use of Proceeds

- **Finance export development activities such as trade show participation.**
- **Transaction-specific financing.**
- **Revolving lines of credit for export purposes.**
- **Acquire or renovate facilities or equipment used in the U.S. to produce goods or services for export.**

SBA Export *Express*

Key Features

- **SBA Export *Express* guaranty is 85% on loans up to \$150,000 and 75% over \$150,000 up to \$250,000.**
- **Maximum loan amount is \$250,000.**
- **Open to all *SBAExpress* lenders.**
- **Export Express is a subprogram of *SBAExpress*.**
- **The last 3 pages of *SBAExpress* Program Guide covers Export Express**

SBA Export *Express*

Eligibility Issues

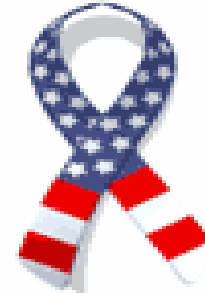
- **Business must have been in operations for at least 12 months at the time of application.**
- **Proceeds are to be used to develop or expand applicant's export markets.**
- **Lender to obtain 1 or 2 page narrative from applicant with financial projections which show how firm will use loan proceeds to either enter a new export market or expand an existing export market.**

SBA Export *Express* Eligibility Issues

- **Proceeds may not be used to finance overseas operations.**
- **If loan proceeds are being used to finance specific export transactions, lender must review the Ex-Im Bank Country Limitation Schedule to verify that Ex-Im Bank is open for business in that foreign country.**

SBA Export *Express*

- Participating lenders use the same forms and procedures for SBA Export *Express* as they do for regular SBA *Express* loans.
- When completing the “Loan Number Request” form, check “SBA Export *Express*” box, check the “Exporter?” box, insert the projected export sales, and insert the guarantee percentage .
- Check “Loan is under Export *Express*” on the “Eligibility Form” and answer the questions



UNITED WE STAND

THANK YOU