

How to access working capital for exports and become a global player

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International expansion is a great way to grow as the U.S. economy slowly recovers, and the population and per capita gross domestic product of countries such as India and China continue to rise. But finding funding for exports can be difficult, unless you leverage a government-backed program.

"Why turn away sales when you can get working capital assistance through government programs to penetrate red hot foreign markets?" says Alfred Ho, vice president and enhanced credit specialist at [California Bank & Trust](#).

Smart Business spoke with Ho about the benefits of leveraging [guaranteed export financing](#).



Alfred Ho, vice president, enhanced credit specialist, California Bank & Trust

What is the working capital guarantee program?

U.S. manufacturers were struggling to compete overseas, as foreign sales and receivables are generally excluded from traditional lending programs. So, to spur exports and domestic hiring, the federal government offers guaranteed financing programs administered by the Small Business Administration (SBA) and the Export-Import Bank of the United States (Ex-Im Bank).

The loan proceeds under these programs can be used to purchase supplies and equipment, hire staff or, in the case of the SBA's Export Express program, even attend an overseas trade show. And because the terms are flexible, owners can use the loan proceeds to fulfill a large contract or several small deals.

How do the programs help small businesses?

The programs encourage banks to lend to small businesses by guaranteeing 90 percent of the loan amount and allow loan officers to consider foreign receivables and work-in-progress during the underwriting process.

Plus, if a standby letter of credit is required to support a bid bond, advance payment guarantee or performance bond, the collateral requirement to have one issued is only 25 percent, instead of the 100 percent in traditional cases. This provides an edge for a U.S. company in its quest for overseas contracts.

How much can companies borrow and what does it cost?

The SBA export working capital program permits loans below \$5 million. It charges an upfront fee of 0.25 percent of the loan amount and an annual utilization fee of 0.55 percent, which is assessed monthly.

There's no limit to how much you can borrow from Ex-Im Bank, and its upfront fees range from 1 to 1.5 percent of the loan amount. The loan interest rate is based on the prime lending rate plus a spread. Interest rates for larger loans are based on the London Interbank Offered Rate,

which is currently hovering around a 52-week low.

What are the eligibility requirements?

Requirements differ among the programs but they all require a firm purchase order prior to advance and, minimally, shipment from a U.S. port to a country acceptable to Ex-Im Bank. Goods and services shipped must have at least 51 percent U.S. contents. Certain products are excluded from the programs. A company must also have a positive net worth and be profitable for the last three years to qualify.

For other qualifications and restrictions, talk to your lender or visit the SBA or Ex-Im Bank websites.

How can business owners find a participating lender?

Your local SBA or Ex-Im representative can provide referrals, but you can look for a Delegated Authority Lender who has the ability to expedite your loan.

Your banker can walk you through the lending process and share helpful ideas. The banker should be able to suggest ways to lower the risk of international commerce.

The important thing is: Don't venture into the international marketplace alone. Find a competent banker to serve as your guide.

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