

HOW CAN I FINANCE SOME OF MY COSTS RELATED TO EXPORTING?

There are two types of financing programs that help exporters finance their costs related to exporting:

Working Capital Programs

The Export-Import Bank (Ex-Im) of the United States and U.S. Small Business Administration (SBA) offer the Export Working Capital Loan Guarantee Program (EWCP). The EWCP was developed to help businesses obtain private sector loans to meet their transaction financing needs through short-term working capital. EWCP guarantees are transaction specific, to be used to finance actual orders that companies have received from overseas customers, however they can be used for single or multiple transactions.

The SBA and Ex-Im's Export Working Capital Guarantee Program may be used to finance the manufacturing costs of goods for export, the purchase of goods or services, foreign accounts receivable and standby letters of credit (used for performance bonds, bid bonds or payment guarantees to foreign buyers). The collateral is the inventory and receivable associated with the transaction. EWCP loan guarantees cover a private lender up to 90 percent of a loan's principal and accrued interest. SBA can guarantee repayment of up to \$1.5 million or 90% of a loan amount (whichever is less). Ex-Im does not have a minimum guarantee amount, but usually covers larger loans.

Exporters can access Ex-Im Bank guaranteed working capital loans locally through pre-qualified private lenders without prior approval by Ex-Im. A list of lenders can be obtained from Ex-Im's website <http://www.exim.gov> (click on partners). For a slightly higher fee, exporters may also apply for a Preliminary Commitment, a letter from Ex-Im Bank outlining the terms and conditions under which it will provide a guarantee, which can be used to obtain the best financing terms from a private lender. The lender itself also may apply directly for a final authorization.

In addition, Ex-Im started the City/State Partners Program as a joint effort between Ex-Im Bank and state and local entities around the country to bring Ex-Im Bank's financing services to small and medium-sized U.S. companies that are ready to export. Ex-Im Bank has formed partnerships with 42 state and local government offices and private sector organizations to bring its programs to the exporter. State and local representatives have the staff and the knowledge of how to get financing in the local market. A list of partners is available at the Ex-Im website.

SBA programs can be accessed by contacting personnel located at many of the U.S. Export Assistance Centers nationwide or through delegated lenders. A list can be found at SBA's website <http://www.sba.gov>.

International Trade Loan Program

The SBA International Trade (IT) Loan Program assists small businesses that are engaged in exporting, prepared to engage in exporting or adversely affected by competition from imports. Under this program, SBA can guarantee as much as \$1.25 million in combined working capital and facilities and equipment loans. The fixed asset portion may be used for 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 within the United States for producing goods or services. Any working capital portion of the loan guarantee will be made according to the EWCP or as a permanent working capital loan (permanent working capital loans typically have a repayment schedule of 5 – 7 years). To be eligible, a business must establish that the loan proceeds will significantly expand existing markets or develop new export markets, or that the business is adversely affected by import competition. A loan for facilities and equipment may have a maximum maturity of 25 years, while the working capital portion of the loan has a maximum maturity of 10 years. The maximum maturity is blended proportionately between the working capital portion and fixed asset uses. Additional loan programs are available for small businesses. For more information contact the SBA or visit their website.e.

CAN I INSURE MY EXPORT AGAINST POLITICAL OR COMMERCIAL RISK?

The Ex-Im Export Credit Insurance Program helps U.S. exporters develop and expand their overseas sales by protecting them against the risks of non-payment for political or commercial reasons. Political risks of default include events beyond the control of the buyer, caused by government action including political violence or war, government intervention, cancellation of an export or import license, transfer or

inconvertibility of risk. Commercial risk is the buyer's inability, due to financial difficulty, to pay when an obligation is due. Policies can cover single or repetitive export sales and leases. Short-term policies generally cover 100 percent of the principal for political risks and 90 - 95 percent for commercial risks, plus specified amount of interest. The policies are used to support the sale of consumer goods, raw materials and spare parts on terms of up to 180 days, and bulk agricultural commodities, consumer durables and capital goods on terms of up to 360 days. Capital goods may be insured for up to five years, depending on the contract value, under the medium-term policy, which covers 100 percent of principal (up to 85 percent of the contract price) and interest on the financed portion up to \$10 million. In general, insurance policies cover 90 to 98 percent of the commercial risk and 90 to 100 percent of political risk..

WHAT TYPE OF FINANCING IS AVAILABLE TO ENCOURAGE FOREIGN BUYERS TO PURCHASE MY GOODS AND SERVICES?

The Guarantee Program at Ex-Im provides repayment protection to lenders for private sector loans to creditworthy buyers of U.S. exports. The guarantee covers the repayment risk on the foreign buyer's debt obligations. The guarantees cover 100 percent of principal and interest against both political and commercial risks of nonpayment. Medium term guarantees cover the sale of capital items such as trucks and construction equipment, scientific apparatus, food processing machinery, medical equipment, or project-related services. Long-term guarantees are available for major projects, large capital goods and/or project related services.

In addition to the guarantee, Ex-Im Bank offers a Direct Loan Program. This program offers fixed rate loans directly to foreign buyers of U.S. goods and services to help US exporters compete against foreign suppliers offering officially supported export credits. Eligible exports include capital equipment and large-scale projects and related services. Ex-Im offers a fixed rate loan covering up to 85% of the U.S. export value. The buyer must make cash payment to the U.S. exporter of at least 15% of the U.S. export value.

IS THERE A PLACE TO GET FINANCING FOR MY OVERSEAS INVESTMENT? WHERE CAN I FIND LOAN GUARANTEES FOR INVESTMENT?

The Overseas Private Investment Corporation (OPIC) finances the investment portion of an overseas transaction for U.S. businesses interested in a long-term investment in developing markets including equity, debt (institutional, inter-company and private), management agreements, and technical assistance. Typical projects include manufacturing and distribution, power generation, telecommunications, mining, agri-business, hotels, banking, etc.

Working with private capital, OPIC-supported funds make direct equity and equity-related investments in new, expanding, and privatizing companies in emerging market economies. OPIC-supported funds operate in a wide variety of markets, including sub-Saharan Africa, India, the New Independent States, Latin America, and Asia. Sector specific funds operate worldwide and include investments in environmental, water, and small business projects.

OPIC Financing offers direct loans and loan guaranties for medium and long term private investment. Loans range from \$100,00 to \$250 million for projects sponsored by U.S. companies, and financing can be provided on a project finance or corporate finance basis. The U.S. sponsor is expected to contribute at least 25 percent of the equity in the project, have a track record in the industry, and have the means to contribute to the financial successes of the project.

Building on OPIC's outreach efforts to the small business community, OPIC's Small Business Center (SBC) assists businesses with annual revenues of less than \$35 million by offering a streamlined approval process, flexible coverage, and enhanced customer service. Loan amounts range from \$100,00 to \$10 million. Businesses receiving SBC loans can utilize OPIC's "insurance wrap," which provides political risk insurance at a reduced rate.

CAN I INSURE MY INVESTMENT AGAINST POLITICAL RISK?

OPIC's insurance program guards U.S. companies against the political risks of investment. These include expropriation, currency inconvertibility, and political violence. OPIC provides business

income coverage to protect the investor's share of income losses resulting from damage to the assets of the foreign enterprise caused by political violence. Assets coverage compensates for loss of or damage to tangible property caused by political violence. OPIC can insure up to \$250 million per project and has no investment size requirement.

Special thanks to Paul Kirwin at SBA, Gus Grace at Ex-Im and Lawana Gray at OPIC.

Contacts:

For more information about SBA, please contact them directly at:

U.S. Small Business Administration

409 3rd Street S.W.

Washington, D.C. 20416

1-800-827-5722

<http://www.sba.gov>

For more information about Ex-Im, please contact them directly at:

The Export Import Bank of the United States

811 Vermont Avenue, NW

Washington, DC 20571

Phone and fax on demand system (800) 565-3946

<http://www.exim.gov>

For more information about OPIC, please contact them directly at:

Overseas Private Investment Corporation

1100 New York Avenue, NW

Washington, DC 20527

(202) 336-8799

<http://www.opic.gov>