BANKABLE DEALS

A Question & Answer Guide to Trade Finance for U.S. Small Business

SBA
U.S. Small Business Administration

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This publication is the product of the U.S. Small Business Administration. All SBA programs are extended to the public on a nondiscriminatory basis.

Introduction

Exporting can mean big profits to a small business. For all the opportunities exporting provides, however, it can present as many challenges. Financing exports and fear of not being paid are two of the most often cited barriers to trade. This booklet is designed to take the mystery out of export finance and to answer the questions small businesses ask most. You'll learn about the various types of financing available, how to approach your banker for a loan, where to go if your banker can't or won't provide the credit, how to negotiate low-risk, yet competitive payment terms with your buyers and much more.

As you plan for your trade financing needs, remember to allow enough time for the credit process. To secure the necessary financing, you should prepare thoroughly, following the guidelines suggested in this guide. Your preparedness, along with persistence and commitment, should pay huge dividends.

What's the first step? Where should I go to obtain export financing?

Your first resource for export financing is your local bank. If you cannot receive the necessary credit for your export activities from your own bank, you should shop around for another bank willing to consider your loan proposal. Generally, a bank that has an international department or one that is active in small business lending will be more receptive than others to your proposal. Ask your bank for the name of a correspondent bank that provides international financing assistance. In shopping for a bank, however, keep in mind the distinction between international trade services and international trade lending. Some banks have international divisions that offer international trade services, such as advising and negotiating letters of credit, but these divisions do not lend money. International lenders, on the other hand, have the authority to make loans, as well as provide related services. Be sure to verify that the bank officer with whom you are dealing has the authority to lend for an export transaction or is willing to work with another division that has lending authority.

Before approaching a bank for financial assistance, you should understand the distinction between venture capital and lending. Venture capitalists invest in a business by providing capital in exchange for equity. Venture capitalists expect that, as the business grows, their equity in the business will grow proportionally. Unlike the venture capitalist, the lender does not obtain equity in the enterprise. Lenders simply provide funds to a small business in the form of loans. Lenders make their money on the difference between the rate at which they borrow money and the rate at which they lend to their customers. Lenders, then, are more sensitive to risk; a proposal that looks good to the venture capitalist may not appeal to a lender.

Generally, you should make your financial arrangements well in advance of expected sales. If you wait until you need credit to begin talking to your banker, you'll probably lose the sales. If you are unable to secure a conventional loan from a private lender, your next step should be to contact a government agency that provides export financing. See the resource directory below for information on available assistance programs.

Cardwell Manufacturing Co. of El Dorado, Kansas, won a bid from the Polish Oil & Gas Company, an agency of the Polish government, to furnish workover oil rigs valued in excess of $3,000,000. The company needed short-term financing to fill the order. SBA provided an 85 percent guarantee under its export working capital program on a loan of $850,000 to cover a portion of the manufacturing costs. The following year Cardwell received a contract from the General Petroleum Company of Cairo, Egypt, and requested another advance on its revolving loan guarantee to complete the job. Cardwell used a letter of credit to guarantee payment on this order. Cardwell, also selling to Russia and Syria, has achieved such great success in exporting that its local bank, through correspondent bank relationships, is now providing short-term working capital without SBA's guarantee.

What criteria will bankers use to evaluate my loan proposal? What documents should I take to the bank when I apply for a loan?

Some internationally oriented banks are willing to finance export sales for small businesses that otherwise might not qualify for general working capital financing. In all cases, finding a lender willing to consider your proposal requires that—

- the lender know you and feel confident in your ability to perform,
- the purpose of the loan makes sense for your business and
- the request is for a reasonable amount.

Deals that are the most bankable are ones in which you can show a secondary source of repayment, should your primary source fail. The banker needs to be reasonably assured of receiving payment if your promised source of repayment dries up.

Have these documents ready when you approach your lender:

- History of the business
- Domestic and export business plans
- Purpose of loan
- Export transaction-related documentation, e.g., letters of credit, import licenses, etc.
- Financial statements for past three years (balance sheet and income statements) for existing businesses
- Past three years' tax returns
- Projections of income, expenses and cash flow

- Signed personal financial statements

Your banker will probably also ask to see the following:

- Personal resumé
- Aging of accounts receivable and payable (for existing businesses)
- Schedule of term debts (for existing businesses)
- Lease details, if any

What types of financing are available? Can I secure financing for each stage of the export process?

How you plan to use the proceeds determines the type of financing needed. It is important to keep in mind the difference between general working capital and transaction financing. General working capital financing can be used to acquire materials for work in process or to acquire inventory to satisfy an order. Your ability to qualify for general working capital financing depends on, among other things, the strength of your balance sheet and your prospects for generating sufficient earnings over the life of a loan to repay it.

BGW Systems, Inc. produces professional audio amplifiers for concert halls, auditoriums and other facilities. Just two years after opening its doors, the company, based in Hawthorne, California, began working with Universal Studios to develop the audio system for the movie Earthquake. This contract provided BGW Systems with its first look at the world marketplace. The sound system was used at showings of the movie around the world. In the early 1990s, BGW Systems needed working capital to finance its aggressive expansion into international markets. The company received a $200,000 loan, guaranteed under SBA's regular 7(a) business loan program, to purchase the necessary raw materials, labor and inventory. Today BGW Systems exports to several countries throughout Europe and Asia. Exports account for 60 percent of its sales.

Transaction financing, on the other hand, means financing to support specific transactions that, in most cases, are self-liquidating. With transaction financing, a bank can structure the loan so that a foreign buyer's payment is received by the bank first. The bank then applies the sales proceeds to pay off the exporter's loan before crediting the remainder to the exporter's account. Structuring the loan this way, a bank can virtually eliminate any risk that a borrower will divert the export sales proceeds to a use other than repayment of the loan that helped generate the sale. By eliminating this risk, banks can become more aggressive about the kinds of businesses they finance and the size of loans they support.

Transaction financing is critical to many small, undercapitalized firms. Lenders who may otherwise have reached their lending limits for these businesses may nevertheless finance individual export sales if the lenders are assured that the loan proceeds will be used solely for pre-export production; and any export sale proceeds will first be collected by them before the balance is credited to the exporter. Given the extent of control lenders can exercise over such transactions and the existence of payment mechanisms unique to—or established for—international trade, transaction finance can be less risky for lenders than conventional working capital loans. The weaker the financial position of a company, the stronger the transactional base must be. When making transaction loans to less stable companies, bankers monitor the transactions more closely and must be able to control the outflow of documents and goods and the inflow of monies.

The term trade finance is commonly used to describe three distinct activities: pre-export, accounts receivable and market development financing. Small businesses often need pre-export financing to gear up for specific export sales. Loan proceeds are used to pay for labor and materials or to acquire export inventory. Others may need accounts receivable financing, where a bank lends a variable amount based on the volume and quality of the borrower's foreign accounts receivable. Keep in mind that most U.S. banks will not finance any of a small business's foreign accounts receivable unless the accounts are fully backed by export credit insurance. If so insured, some banks will lend from 50 to 80 percent of the value of the receivable.

Financing for foreign market development activities, such as participation in overseas trade missions or trade shows, is often difficult for small businesses to arrange. Most banks are reluctant to finance these activities because, for many small firms, their ability to repay the loans depends on their success in consummating sales while on a mission—prospects that in many cases are speculative. Although difficult for many small firms to do, the recommended source for financing these activities is through the working capital of the firm. If your working capital is insufficient, then you should apply for a separate bank loan specifically for foreign market development activities. Negotiate with your banker a set repayment schedule that you can service realistically from your company's cash flow.

What payment mechanisms are used in international trade, and how do I select the best method for my export sale?

The primary methods of payment for international transactions, ranked in order from most secure to least secure for the exporter, include—

- Payment in Advance
- Letter of Credit
- Documentary Collection (draft)
- Open Account

In negotiating payment terms, you will need to balance lowering your risks with offering competitive terms to your buyer.

Payment In Advance

Many small businesses will export only when the buyer is willing to make payment in advance. While cash in advance may seem most advantageous to you, insisting on these terms ultimately could cost you sales. Foreign buyers prefer greater security and better cash utilization, just like domestic buyers. Some buyers may even find the requirement insulting, particularly if the buyer is credit-worthy in the eyes of the rest of the world. Advance payments and progress payments may be more acceptable to a buyer, but in highly competitive markets even these terms can result in lost sales.

Letter Of Credit

A letter of credit (LC) is a payment method that, in essence, substitutes the credit-worthiness of a bank for that of a buyer. The importer, or buyer, applies to a bank for the LC. An *irrevocable* LC, once opened, cannot be changed without the express permission of the exporter. If an irrevocable letter of credit is *confirmed* by a U.S. bank, it virtually eliminates the commercial credit risk of an export sale. To some extent, a letter of credit also protects the buyer, because a bank cannot pay the exporter until the exporter presents documents that comply fully with the terms and conditions of the letter of credit.

Payment under an LC can be *at sight*, a certain number of days *after sight*, or by a *date certain. At sight* means payment must be made, generally within 72 hours, upon presentation of the required documents to obtain title to the goods. Payment a certain number of days *after sight* means the exporter will be paid sometime after negotiation or acceptance of the documents. Payment at a *date certain* is sometime after documents are negotiated or accepted, but at a date fixed by the terms of the LC. At sight or date certain means the least risk for the exporter.

When deciding whether to require payment by LC, you should consider the additional cost of bank confirmation and related fees. A typical LC can cost $200-$300, including your bank's examination fee, which can range from $^1/_{10}$ to $^1/_4$ percent. The greater the value of the shipment, the greater the fee.

Another factor to consider is the possibility that your competitors may be willing to offer payment terms more favorable to the buyer. The cost of an LC to an importer can be significantly greater than the cost to an exporter. Some importers may not accept your payment terms because of these higher costs. Check with an experienced international banker to determine which payment method is right for you.

Documentary Collection (Draft)

Payment on *collection* terms is equivalent to COD (cash on delivery) or payment by check. The term *documents against payment* means that a buyer cannot obtain title to a shipment until it reaches its final destination and is paid for. The term *documents against acceptance* means a buyer can take title to a shipment after the shipment arrives and the buyer signs a time draft promising to pay in a certain period of time after receiving the documents.

Sales under documentary collections terms are less risky to a seller than open account because this method creates a written obligation to pay. On the other hand, an exporter faces the risk that a buyer may not acknowledge presentation or accept the documents. If this occurs, the exporter must absorb the costs of finding another buyer for the goods or have the goods returned for sale in the domestic market.

Open Account

Selling on open account carries the greatest risk for the exporter. The open account method should be offered only when you have an established relationship with the buyer. It's also appropriate for transactions between U.S. companies and their foreign subsidiaries. If you must sell on open account, stipulate the number of days from a specific date on which payment is due.

See page 11 to learn more about protecting yourself against the commercial risk of nonpayment by insuring foreign accounts receivable. Also see page 15 for information on Eximbank's export credit insurance programs.

What is a pro forma invoice? Does it play a role in export financing?

The ability to successfully finance an export sale can depend on whether the sale is arranged properly. A detailed, thorough pro forma invoice—or export quotation letter—is one tool that can help to reduce the risks associated with international transactions.

A pro forma invoice essentially is a quotation in an invoice format, but it is not used for payment purposes. A pro forma invoice can facilitate financing because, in addition to describing the product and setting the price and time of shipment, it can be used to establish the terms of sale and payment. The invoice is often used in tandem with a letter of credit. Your pro forma invoice should state that the transaction will be handled by LC and state all the conditions that the importer's bank should include on the LC. The conditions that should be specified include exact cost, shipping costs, payment terms, insurance, banking charges and so forth. See page 8 for a sample pro forma invoice. Providing a detailed pro forma invoice will enable the buyer to open a letter of credit that meets many of the common requirements needed to obtain pre-export financing from a U.S. bank. **By establishing in advance how the buyer and seller will divide the risks and obligations of specific transactions and how payment will be remitted, lenders can make an accurate assessment of the risk inherent to a specific sale.**

Preparing a pro forma invoice also can help you anticipate financing costs, which, in some cases, can be built into the selling price of the export. For example, if you request a *"letter of credit confirmed by a major U.S. bank,"* the bank fee for confirming the letter of credit, which ordinarily is for the account of the seller, can be added to the price of the export. Even if the buyer is unwilling to pay the added cost, you know up front what fees must be absorbed and what the final profit margin will be.

Sample Pro Forma Invoice

Printing International
1500 17th Street, N.W.
Washington, DC 20005

Telephone 202-555-3333 Fax: 202-555-3311

PRO FORMA INVOICE

To: Roberto Rosales
Bogota, Colombia

Your Reference: Ltr., June 8, 2002Aptdo. Postal 77
Our Reference: Col. 61-78

We hereby quote as follows

Terms of Payment: Letter of Credit
Terms of Sale: CIF Buenaventura

Quantity	Model	Description	Unit	Extension
3	2-50	Separators in accordance with attached specifications	$14,750.00	$44,250.00
3	14-40	First-stage Filter Assemblies per attached specifications	$1,200.00	$3,600.00
3	Custom	Drive Units – 30 hp each (for operation of 3-phase 440 v., 50 cy. current) complete with remote controls	$4,235.00	$12,705.00

Total FOB Washington, D.C. domestic packed	$60,555.00
Export processing, packaging, prepaid inland freight to Dulles International Airport & forwarder's handling charges FOB Dulles Airport, Virginia	$63,670.00
Estimated air freight and insurance	$ 2,960.00
Est. CIF Bueanventura, Columbia	$66,630.00

Estimated gross weight 9,360 lbs.	**Estimated cube 520 cu. ft.**
Export packed 4,212 kg.	**Estimated packed 15.6 cu. meters**

PLEASE NOTE

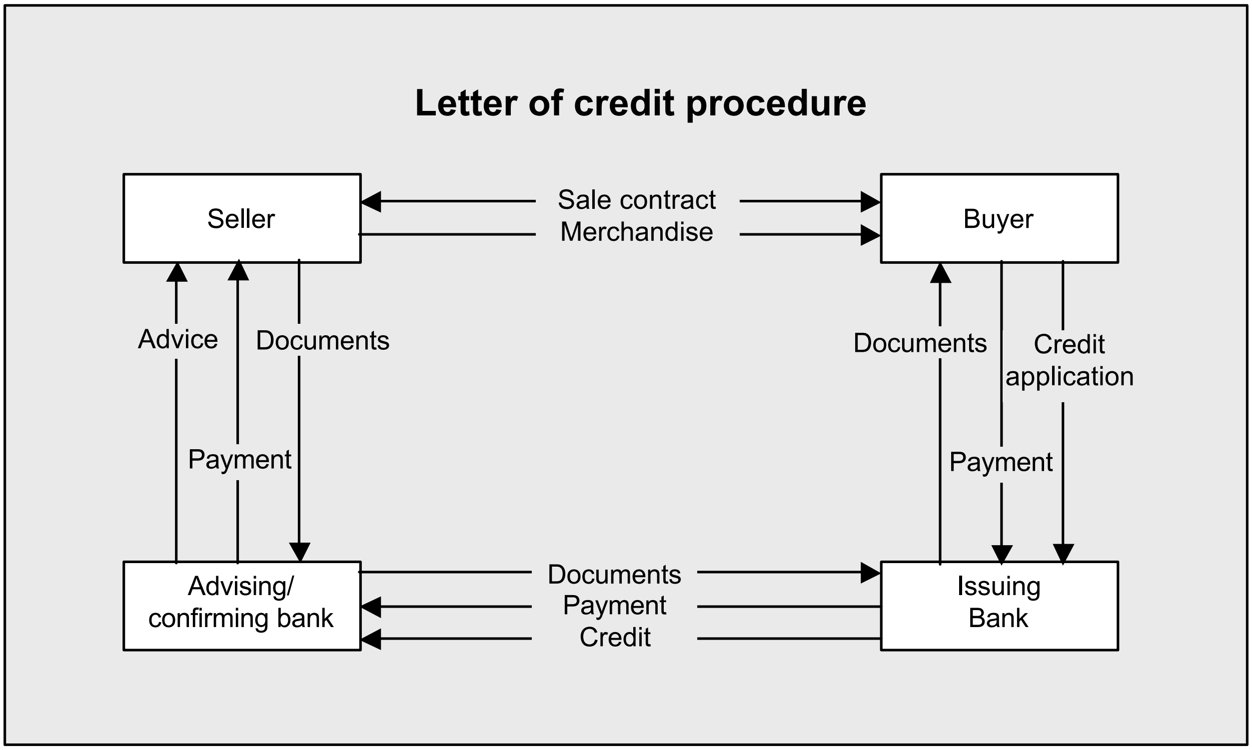
1. All prices quoted herein are U.S. dollars.
2. Prices quoted herein for merchandise only are valid for 60 days from this date.
3. Any changes in shipping costs or insurance rates are for account of the buyer
4. We estimate ex-factory shipment approximately 60 days from receipt here of purchase order and letter of credit.

Specifically, how does a letter of credit work? What steps are involved?

The letter-of-credit process may seem cumbersome and confusing at first, but it is not difficult once you become familiar with it. Letters of credit can take many forms, but a typical transaction might involve these steps:

- The exporter, upon receiving an order for a specified quantity of goods, sends the buyer (importer) a pro forma invoice defining all conditions of the transaction.
- The importer takes the pro forma invoice to the bank and applies for an LC.
- After verifying the terms and reaching the appropriate credit decisions, the importer's bank opens the LC and sends it to the exporter's bank.
- The exporter's bank authenticates the LC, verifying that it was issued by a viable bank, and mails it to the exporter.
- The exporter compares the LC with the original pro forma invoice to ensure that the exporter can ship before expiration and that all conditions were incorporated as intended.
- The exporter prepares, generally with the help of a freight forwarder, an invoice and a packing list. These documents must be completed exactly as specified in the LC. The exporter also prepares a shipper's letter of instruction or SLI and any other specialized documents required, e.g., export license and certificate of origin. (Check with a customs broker to determine what documents are required in your case.)
- The freight forwarder receives the goods along with the completed paperwork in accordance with the terms of the LC.
- After the goods are shipped, the forwarder or exporter submits the LC and documents to the exporter's bank.
- The exporter's bank verifies that all required documents are in compliance with the letter of credit and forwards the documents package with a draft to the importer's bank with wiring (payment) instructions.
- The importer's bank reviews all documentation and, if the documents meet all requirements, credits the exporter's bank.
- The importer's bank simultaneously debits its customer's account.
- The exporter's bank credits the exporter's account.
- At the same time, the importer's bank releases documents to its customer. With documents in hand, the importer picks up the shipment.

The chart below depicts a letter of credit transaction. Your banker and freight forwarder will become important resources during a letter-of-credit transaction. They will help to guide you through these steps.



How can I protect myself against foreign exchange risk?

The best way to protect yourself against foreign exchange risk is to quote prices in U.S. dollars only. Conducting all business transactions in U.S. dollars transfers the exchange risk to the buyer. This strategy may, in some cases, alienate buyers who can receive better payment terms from your competitors. If you must quote in your buyer's home currency, you should take steps to protect yourself against the exchange risk.

When invoicing in foreign currencies, you must consider the effect of foreign currency shifts on the price of the goods and services. There are three different types of foreign exchange risks. Economic exposure is the risk that your costs will rise due to movements in the exchange rate and make your goods uncompetitive in the world market. Transaction exposure is the risk that the exchange rate will move unfavorably from the time the contract is initiated to the point of completion. Thus the amount of money you receive for delivering the goods or services may be more or less than expected due to a change in the exchange rate. Finally, translation exposure is only applicable to firms with facilities overseas. This risk arises from the need to consolidate financial statements in one currency according to predetermined accounting rules. If you simply export goods overseas, you are not exposed to this type of risk.

You can protect yourself from foreign exchange risks in various ways. Again, the simplest strategy is to insist that all business transactions occur in U.S. dollars. This strategy eliminates transaction and translation risk but does not eliminate economic risk.

Some seasoned exporters reduce their exchange risk through factoring. In factoring, the exporter transfers title to its foreign accounts receivable on a discounted basis to a factoring house or factor. The factor assumes responsibility for the credit, collection and record-keeping functions for the client. The cost of factoring will vary depending on the services offered and the risk level of sales transactions but is higher than selling or borrowing on receivables. The higher costs, however, are often offset by the value of services provided.

Another option for protecting yourself against exchange risk is hedging. This ensures a set exchange rate and eliminates the risk of the currency moving in an unfavorable direction. This is accomplished through the use of forward and option contracts. You should consult with an international banker experienced in the currency markets before entering into these contracts.

Will I need foreign credit insurance? Where can I obtain it?

Foreign credit insurance should be used to mitigate the inherent risks of exporting. Foreign credit insurance can be divided into two distinct risks: *commercial* and *country*. Commercial risk insurance offers protection against a buyer's default on payment or bankruptcy. The country, or political, risk insurance protects you in case of war, sovereign acts or currency restrictions.

Foreign credit insurance can be obtained both in the private and public sectors; for many small businesses, however, the private sector market is extremely limited. The Export-Import Bank of the United States' (Eximbank) credit insurance program insures both commercial and political risks. Information on these programs can be obtained by contacting Eximbank. See page 15 for information on Eximbank's credit insurance programs.

Keep in mind, however, that not all risks are covered by export credit insurance. For example, many policies do not cover losses due to disputes between the buyer and seller. Check with Eximbank or a broker specializing in export credit insurance to determine details of the coverage offered. Also, the cost of credit insurance can reduce your profit margin. If you choose to insure your accounts, be sure to consider that cost in the price quoted to your buyer.

Founded in 1983, Marnico Carpet Mills, Inc. of Dalton, Georgia, attributes 100 percent of its sales to exporting. During its first year of operation, Marnico exported to three countries and operated solely on secured terms with overseas buyers. After the second year, the company obtained a "new-to-export" insurance policy from Eximbank and increased exports to seven countries, all in Latin America. The following year Marnico "graduated" to Eximbank's Multi-Buyer Policy and received an export working capital loan guaranteed by SBA. The insurance policies and SBA-guaranteed working capital have allowed Marnico to expand into the Caribbean, the Middle East, the Far East and Europe. Today the company sells to 26 countries around the world.

How is financing service exports different from financing product exports? Are there special tactics to consider?

Financing service exports presents special problems because there often is no tangible asset for a lender to secure. Therefore, small service providers must look to other ways of raising cash to finance their international sales. Among the alternatives are—

- Internal financing, including extended payment terms from suppliers, payment in advance from customers, mortgage refinancing and equipment refinancing
- Equity financing, including investment from venture capitalists, private placements, Small Business Investment Companies and public stock offerings

Service exporters should explore using advance or progress payments when negotiating an international sale. Progress payments not only benefit the exporter's cash flow but can provide assurance to a buyer that the service will be delivered as promised.

Procurement opportunities for small business exporters also are available through Multilateral Development Banks (MDBs):

- World Bank, phone: (202) 477-1234; Internet home page: http://www.worldbank.org
- Inter-American Development Bank (IDB), phone: (202) 623-1000; Internet home page: http://www.iadb.org
- Asian Development Bank (ADB), phone: 011-63-2-632-4444; Internet home page: http://www.adb.org
- African Development Bank (AfDB), phone: 011-225-20-20-44-44; Internet home page: http://www.afdb.org
- European Bank for Reconstruction and Development (EBRD), phone: 011-44-20-7338-6000; Internet home page: http://www.ebrd.com

The U.S. Agency for International Development (USAID) also offers significant bid opportunities. Both USAID and the MDBs provide information on procurement opportunities through seminars and publications. See page 17 for more information on USAID.

Government Export Finance Assistance

Several federal agencies, as well as certain state governments, offer loan guarantee programs and other types of financing assistance for exporters.

U.S. Small Business Administration (SBA)

SBA provides business development and financial assistance to help small businesses complete their export sales. The SBA offers loan guarantees to help businesses obtain the capital needed to explore, establish or expand international markets. As a prospective applicant, you should request that your lender seek SBA participation if the lender is unable or unwilling to make the loan directly.

The financing staff of each SBA office administers the loan guarantee programs. You can contact the finance division of your nearest SBA office for a list of participating lenders. The business development staff of each SBA office can provide counseling on how to request export financing assistance from a lender.

SBA ExportExpress

SBA Export*Express* loans are avaliable to assist small businesses in developing or expanding export markets. Eligible use of proceeds:

- financing export-development activities such as participation in a foreign trade show or translation of product literature;
- translation-specific financing for overseas orders;
- revolving lines of credit for export purposes;
- acquiring, constructing, renovating, improving or expanding facilities or equipment used in the United States to produce goods or services for export; and/or
- financing standby letters of credit used as bid or performance bonds on foreign contracts.

Any lender approved to participate in the domestic SBA*Express* program is automatically authorized to participate in SBA Export*Express*. SBA Export*Express* lenders use streamlined and expedited loan review and approval procedures. They also use their own loan analyses, loan procedures and loan documentation. Completed loan applications are submitted to the SBA for an eligibility review; the SBA typically provides lenders with a response within 36 hours.

The SBA provides its participating lenders with a repayment guaranty on SBA Export*Express* loans up to a maximum loan amount of $250,000. The guaranty of SBA Export*Express* loans of up to $150,000 is 85%. The guaranty for loans over $150,000 (up to a maximum loan amount of $250,000) is 75%.

Export Working Capital Loan Guarantee Program

SBA's Export Working Capital Program can help a small business receive the financing it needs to fill its export orders. The EWCP guarantees up to $1 million or 90 percent of a loan amount, whichever is less, on export working capital loans to qualified small businesses.

Loans can be used to finance the manufacturing costs of goods for export, the purchase of goods or services for export, foreign accounts receivable, and standby letters of credit. The loans may support a single transaction on a non-revolving basis or support a series of transactions on a revolving basis. Loan maturities are generally 12 months, with options to renew.

Applicants must satisfy eligibility criteria established for all SBA loans. Also, the applicant must have been in business—not necessarily exporting—for at least 12 months' continuous operation before filing an application.

Regular Business Loan Program

Small businesses that need money for fixed assets and for working capital may be eligible for the SBA's regular 7(a) business loan guarantee program. The SBA can guarantee up to 85 percent of loans of $150,000 and less, and up to 75 percent of loans above $150,000. A maximum loan amount of $2 million has been established for 7(a) loans. However, the maximum dollar amount the SBA can guaranty is generally $1 million. Loan guarantees for fixed-asset acquisition have a maximum maturity of 25 years. Guarantees for general-purpose working capital loans have a maximum maturity of seven years.

To be eligible, the applicant's business generally must be independently owned, operated for profit and fall within size standards set by SBA. Export trading companies (ETCs) and export management companies (EMCs) also may qualify for the SBA's business loan guarantee program.

The International Trade Loan Program

The International Trade Loan Program provides long-term financing to help small businesses compete more effectively and to expand or develop export markets. No debt payment is allowed. Proceeds may be used for working capital and/or facilities or equipment. The working capital portion of the borrowing could be in the form of either an EWCP or a portion of the term loan.Loan maturities cannot exceed 25 years, excluding the working capital portion of the financing. The SBA's guaranty cannot exceed 85 percent of the loan amount.

Applicants must establish either of the following to meet eligibility requirements:

- Loan proceeds will significantly expand existing export markets or develop new ones.
- The applicant's business is adversely affected by import competition.

Small Business Investment Company Financing

A Small Business Investment Company (SBIC), approved and licensed by the SBA, may also provide equity or working capital exceeding the agency's $750,000 statutory maximum. Unlike the SBA, SBICs can invest in export trading companies in which banks have equity participation as long as other SBIC requirements are met.

Export-Import Bank of the United States

The Export-Import Bank of the United States (Eximbank) is an independent federal government agency responsible for assisting the export financing of U.S. goods and services through a variety of insurance, loan and guarantee programs. Eximbank has undertaken a major effort to reach more small business exporters with improved financing facilities and services.

Information Service

Eximbank's toll-free hotline provides information on seminars and the programs available to finance the sale of U.S. goods and services abroad. The phone number is 1 (800) 565-3946. You can also access Eximbank’s Internet home page at http://www.exim.gov.

Insurance Programs

Export credit insurance programs reduce an exporter's risk and can be obtained through an insurance broker or from Eximbank's Insurance Division. A wide range of policies is available to accommodate many different export credit insurance needs. Insurance coverage—

- protects the exporter against the failure of foreign buyers to pay their credit obligations for commercial or political reasons,
- encourages exporters to offer foreign buyers competitive terms of payment,
- supports an exporter's prudent penetration of higher risk foreign markets, and
- gives exporters and their banks greater financial flexibility in handling overseas accounts receivable.

Two policies designed for small businesses are the new-to-export and umbrella policies. Each is a short-term (up to 180 days) policy, under which, Eximbank assumes 95 percent of the commercial and 100 percent of the political risk involved in extending credit to the exporter's overseas customers. These policies free the smaller exporter from "first loss" commercial risk deductible provisions that are usually found in other insurance policies. This special coverage is available to companies that are just beginning to export, or have an average annual export credit sales volume of less than $3,000,000 and meet the SBA definitions of small business.

Pre-export Program

The Working Capital Guarantee Program assists small businesses in obtaining crucial working capital to fund their export activities. The program guarantees 100 percent of the principal and interest on working capital loans extended by commercial lenders to eligible U.S. exporters. The loan may be used for pre-export activities such as the purchase of inventory, raw materials, the manufacture of a product or marketing. Eximbank requires the working capital loan to be secured with inventory, accounts receivable or by other appropriate collateral.

Direct and Intermediary Loans

Eximbank provides two types of loans: direct loans to foreign buyers of U.S. exports and intermediary loans to fund commercial lenders that extend loans to foreign buyers of U.S. capital goods and related services. Both the loan and guarantee programs cover up to 85 percent of the U.S. export value, with repayment terms of one year or more.

Direct or intermediary loans are offered at the lowest interest rate permitted under the Organization for Economic Cooperation and Development arrangement for the market and term.

Guarantee Programs

Guarantees by Ex-Im bank provide repayment protection for private sector loans to credit-worthy buyers of U.S. capital equipment and services. The guarantee is available alone or may be combined with an intermediary loan.

Most guarantees provide comprehensive coverage of both political and commercial risks but political-risks-only coverage is also available. The guarantee covers 100 percent of principal and interest.

Contact: Business Development
Export-Import Bank of the United States
811 Vermont Avenue, NW
Washington, DC 20571
(202) 565-3900
Fax: (202) 565-3731
E-mail: bdd@exim.gov

U.S. Department of Commerce

The U.S. Department of Commerce provides trade finance counseling through the U.S. & Foreign Commercial Service (US&FCS). This field network of 70 domestic offices and 170 foreign posts provides counseling on federal, state and private trade finance resources and provides assistance in using these resources.

Contact: For more information and/or the telephone number of the US&FCS office nearest you, call the Trade Information Center (TIC) at 1 (800) USA-TRADE (1-800-872-8723). You can also access the TIC's home page at http://www.ita.doc.gov/td/tic.

U.S. Department of Agriculture

The U.S. Department of Agriculture's (USDA) Foreign Agricultural Service (FAS) administers the Market Promotion Program (MPP), which helps U.S. producers and other organizations finance, through funds from USDA's Commodity Credit Corporation (CCC), promotional activities for U.S. agricultural products.

The MPP is intended to encourage the development, maintenance and expansion of commercial export markets for agricultural commodities. Under the MPP, funds from the CCC are used to partially reimburse program participants conducting specific foreign market development projects for eligible products in specified countries. Proposals for MPP programs are developed by trade organizations and private firms and submitted to USDA by a deadline specified in the program announcement USDA publishes annually in the Federal Register.

USDA has approved MPP programs to promote a wide variety of U.S. commodities in almost every region of the world. Activities financed by the program vary by commodity and include activities such as market research, consumer promotions and technical assistance.

Contact: U.S. Department of Agriculture
14th & Independence Ave., SW
Washington, DC 20250
Telephone: (202) 720-2791
USDA Fax number (202) 720-2166
Internet home page: http://www.usda.gov

Agency for International Development

The U.S. Agency for International Development (USAID) is the principal federal agency that implements the U.S. Foreign Economic Assistance Program in nearly 100 countries throughout the developing world. USAID commits loans and awards grants to eligible USAID-recipient countries. From these loans and grants flow technical assistance projects and commodity programs implemented through the provision of services and/or commodities from U.S. suppliers.

USAID's Center for Trade & Investment Services (CTIS) promotes increased business activity between U.S. businesses and foreign entrepreneurs in Asia, the Near East, Africa, Latin America, Eastern Europe and the Newly Independent States of the former Soviet Union. CTIS provides information on USAID-financed procurement opportunities.

Contact: U.S. Agency for International Development
Center for Trade & Investment Services
Washington, DC 20523-0229
(202) 663-2660 or 1 (800) 872-4348

USAID's Office of Small and Disadvantaged Business Utilization/Minority Resource Center (OSDBU/MRC) maintains the USAID Vendor Database. The Vendor Database is an automated catalog that describes the capabilities of U.S. businesses, organizations and institutions that have expressed interest in participating in USAID-financed technical assistance projects. The Office also maintains the mailing list for the USAID Procurement Information Bulletin, which announces intended procurement opportunities of USAID-financed commodities.

Contact: U.S. Agency for International Development
Office of Small and Disadvantaged Business
Utilization/Minority Resource Center
Ronald Reagan Building
1300 Pennsylvania Avenue, NW
Room 7.8E
Washington, DC 20523-7800
(202) 712-1500

Overseas Private Investment Corporation

The Overseas Private Investment Corporation (OPIC) provides project financing, investment insurance and a variety of investor services for U.S. companies in some 140 developing nations and emerging economies throughout the world. To encourage economic growth and investment in the countries in which OPIC programs are available, OPIC offers a multitude of financial services:

- Finance—To foster investment, OPIC offers medium- and long-term project financing. Direct loans are available to projects sponsored by American small businesses. For larger projects, OPIC will guarantee loans to projects sponsored by U.S. investors, up to $200 million per project. OPIC also sponsors several funds offering equity investment.
- Insurance—To mitigate risks of investing overseas, OPIC insures U.S. investments against political violence, inconvertibility of currency and expropriation.

- Investor Services—For companies considering overseas investment, OPIC offers a variety of fee-based services, including feasibility studies, investment missions, a database of business opportunities and business outreach.

Contact: Overseas Private Investment Corporation
1100 New York Avenue, NW
Washington, DC 20527
(202) 336-8799; fax (202) 408-5155
Internet home page: http://www.opic.gov

U.S. Trade and Development Agency

The U.S. Trade and Development Agency (TDA) provides grants to fund feasibility studies and other planning services for major projects that are economic development priorities of recipient countries. TDA-funded studies must be performed by U.S. countries or consortia. A host country plays an active role in developing the scope of work for the study, selecting on a competitive basis the U.S. firm to complete it and monitoring the progress of the study. By carrying out a TDA-funded study, a U.S. company establishes a presence in the country and is able to develop long-term relations with host-country officials and project managers that can lead to additional business opportunities.

TDA operates in developing and middle-income countries. The types of projects TDA funds include energy and natural-resource development, transportation, telecommunications and the environment. TDA reviews project proposals to determine whether or not they meet project criteria, which include development priority, U.S. export potential, funding availability and competition.

Other TDA activities include—

- Definitional Mission—Once a promising project is identified, TDA hires an assessment team made up of U.S. technical experts to conduct a definitional mission (DM). DM studies are performed by small and minority-owned businesses. The purpose of the DM is to compile information critical to TDA's internal selection process. Based on the advice of the DM team, among other factors, TDA determines whether to offer a grant for the feasibility study. DM consultants are precluded from participating in TDA-funded feasibility studies.

  Contact: DM Hotline (703) 875-7447

- Feasibility Studies—TDA funds studies to determine the technical, economic and financial feasibility of major development projects. Feasibility studies provide detailed data that support decisions on whether and how to proceed with project implementation. Feasibility study contractors are selected by host countries using competitive procedures. Requests for proposals are listed in the Commerce Business Daily.

  Contact: For on-line information on Commerce Business

Daily: (202) 482-0632
For subscription information: (202) 783-3238

- TDA Bi-Weekly TDA publishes a newsletter called the TDA Bi-Weekly, which provides U.S. suppliers and manufacturers with up-to-date information on TDA-supported projects. Small businesses may identify subcontracting opportunities through the publication.

  Contact: For subscription information: (703) 875-4246

State Export Financing Programs

A number of state-sponsored export financing and loan guarantee programs are available. Many cities and states have established cooperative programs with the Eximbank and can provide specialized export finance counseling. Details of these programs are available through each state department of commerce or trade office.

Appendix

U.S. Export Assistance Centers

U.S. Export Assistance Centers (USEACs) offer, under one roof, the services and programs of SBA, the U.S. Department of Commerce and the Export-Import Bank of the United States, as well as other public/private trade partners.

ATLANTA

U.S. Export Assistance Center
285 Peachtree Center Avenue, NE
9th Floor
Atlanta, GA 30303
(404) 657-1961
Territory: Kentucky, Tennessee, Georgia, Alabama

BALTIMORE

U.S. Export Assistance Center*
World Trade Center
401 East Pratt Street, Suite 2432
Baltimore, MD 21202
(410) 962-4582
Territory: Maryland, Virginia, West Virginia

**Due to increased security, an appointment is necessary*

BOSTON

U.S. Export Assistance Center
World Trade Center, Suite 307
Boston, MA 02210
(617) 424-5953
Territory: Maine, Vermont, New Hampshire, Massachusetts, Connecticut, Rhode Island

CHARLOTTE

U.S. Export Assistance Center
521 East Morehead Street, Suite 435
Charlotte, NC 28202
(704) 333-2130
Territory: North Carolina, South Carolina

CHICAGO

U.S. Export Assistance Center
Xerox Center
55 West Monroe Street, Suite 2440
Chicago, IL 60603
(312) 353-8065
Territory: Wisconsin, Illinois, Indiana

CLEVELAND

U.S. Export Assistance Center
600 Superior Avenue, Suite 700
Cleveland, OH 44114
(216) 522-4731
Territory: Ohio, Western New York, Western Pennsylvania

DALLAS

North Texas U.S. Export Assistance Center
2000 East Lamar Boulevard, Suite 430
Arlington, TX 76006
(817) 277-0767
Territory: Oklahoma, Texas

DENVER

U.S. Export Assistance Center
1625 Broadway Avenue, Suite 680
Denver, CO 80202
(303) 844-6622 x18
Territory: Wyoming, Utah, Colorado, North Dakota, New Mexico

DETROIT

U.S. Export Assistance Center
211 West Fort Street, Suite 2220
Detroit, MI 48226
(313) 226-3670
Territory: Michigan

SOUTHERN CALIFORNIA

U.S. Export Assistance Center
Territory: Southern California, Nevada, Arizona, Hawaii

WEST LOS ANGELES OFFICE

11150 West Olympic Boulevard
Suite 975
Los Angeles, CA 90064
(310) 235-7203

NEWPORT BEACH OFFICE

305 Irvine Avenue
Suite 305
Newport Beach CA 92660
(949) 660-1688

FLORIDA
U.S. Export Assistance Center
Territory: Florida

NORTHERN FLORIDA OFFICE
(904) 443-1922

SOUTHERN FLORIDA OFFICE
(305) 536-5521 x140

MINNEAPOLIS
U.S. Export Assistance Center
Plaza VII Tower
45 South Seventh Street, Suite 2240
Minneapolis, MN 55403
Territory: Minnesota

NEW ORLEANS
Delta U.S. Export Assistance Center
One Canal Place
365 Canal Street, Suite 1170
New Orleans, LA 70130
(504) 589-6702
Territory: Arkansas, Louisiana, Mississippi

NEW YORK
U.S. Export Assistance Center
U.S. Courthouse
40 Foley Square, Room 3004
New York, NY 10007
(631) 454-0764
Territory: Western New York, Northern New Jersey, Puerto Rico

PHILADELPHIA
U.S. Export Assistance Center
The Curtis Center
601 Walnut Street
Philadelphia, PA 19106
(215) 597-6101
Territory: Eastern Pennsylvania, Central and Southern New Jersey, Delaware

PORTLAND
U.S. Export Assistance Center
121 SW Salmon Street, Suite 242
Portland, OR 97204

(503) 326-5498
Territory: Southern Washington, Oregon, Southern Idaho, Montana

SAN JOSE
U.S. Export Assistance Center
101 Park Center Drive
10th Floor
San Jose, CA 95113
(408) 271-7300 x104
Territory: Northern California

SEATTLE
U.S. Export Assistance Center
4th & Vine Building
2601 4th Avenue, Suite 320
Seattle, WA 98121
(206) 553-0051
Territory: Northern Washington, Alaska, Northern Idaho

ST. LOUIS
U.S. Export Assistance Center
8182 Maryland Avenue, Suite 303
St. Louis, MO 63150
(314) 425-3304 x228
Territory: South Dakota, Nebraska, Iowa, Kansas, Missouri