



U.S. Small Business
Administration

Grow Your Business: Trade Strategies for Small Manufacturers

SBA Program Overview

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Agenda

- SBA Background & Overview
- SBA Exporter Definition
- SBA Export Loans
- Financing Needs & Transaction Examples
- Resources

SBA Background

- SBA was created in 1953 as an independent agency of the federal government to aid, counsel, assist and protect the interests of small business concerns, preserve free competitive enterprise and maintain and strengthen the overall economy of our nation.
- SBA's Office of Manufacturing and Trade's mission is to enhance the ability of small businesses to compete in the global marketplace.
- SBA provides a suite of loan programs designed to meet the needs of exporters and manufacturers.

Requirements for all SBA programs

- Personal guaranty of all 20% owners
- Reasonable assurance of repayment
- Collateralized to the extent possible
- The borrower must have reasonable invested equity to operate on a sound financial basis
- Business must be for-profit and considered small by SBA size standards
- The Applicant must be located and primarily operate in the United States and proceeds must benefit domestic operations
- Not be delinquent on any existing debt obligations to the U.S. government

Benefits of SBA Loans

- SBA does not lend directly but offer loan guaranty to banks.
- Loan guaranty serves as a credit enhancement to incentivize banks to lend to small businesses that are not meeting the banks' requirements.

Examples of Credit Enhancement:

- CHARACTER – Expands acceptable range of credit scores
- CAPACITY – Lower debt-servicing ratio may be possible
- CAPITAL – Lower debt to equity ratio may be possible
- COLLATERAL – Insufficiency but collateralized to the extent possible
- CONDITIONS – Longer maturities, better pricing, types of business, etc.

How the SBA Defines Exporting

SBA Definition: An export transaction is the production and payment associated with the sale of goods or services to a foreign buyer. Eligible transactions include:

- Domestic-to-foreign export: a transaction in which the borrower sells to a foreign buyer and the goods leave a United States port of export. This definition also includes digital, service, and other intangible transactions in which no physical goods are being shipped.
- Foreign-to-foreign export: a transaction in which the borrower sells to a foreign buyer, but the goods do not leave a United States port of export. In foreign-to-foreign transactions, related inventory is ineligible.
- Indirect Exporting: “...situations where, although the Borrower’s direct customer is located in the United States, that customer will be exporting the items/services it purchased from the Borrower to a Foreign Buyer.
(Appropriate documentation is required to evidence the indirect export).
 - Indirect exporting recognizes that many SME’s are integral parts of the global supply chain and thus extends the benefits of the SBA export programs to those companies.

SBA Export Loan Programs

The following programs are designed exclusively for those companies that meet SBA's exporter definition, excluding WCP

- **SBA Export Express Program**
 - Revolving lines of credit and/or term loans up to \$500,000 that will support new or increased export sales. Standby Letters of Credit are also available (75 – 90% guaranty)
- **International Trade Loan Program (ITL)**
 - Term Loan up to \$5,000,000 for qualified business expenses that will help expand exports or compete against imports (90% guaranty)
- **Export Working Capital Program (EWCP)**
 - Monitored lines of credit up to \$5 million for export working capital to support new or increased export sales. Standby Letters of Credit are also available (90% guaranty)
- **Working Capital Pilot Program (WCP)**
 - New pilot loan program developed as part of the 7(a) Loan Program.
 - 75% guaranteed lines of credit up to \$5 million that can support both international and domestic transactions.

Export Loan Restrictions

- Sales to prohibited countries listed in EXIM Bank's [Country Limitation Schedule](#): Cuba, Iran, North Korea, Syria.
- Sales to [OFAC-sanctioned](#) parties.
- In foreign-to-foreign transactions, related inventory is ineligible.

SBA Export Express

- Delegated loan program for loans and lines of credit for under \$500,000 supporting new or increased exports
- Eligibility and credit review delegated to participating banks
 - 90% guaranty on amounts up \$350,000
 - 75% guaranty over \$350,000
- Use of proceeds includes real estate and equipment purchases, debt refinance, permanent working capital, business acquisition, standby letters of credit

Pros

- Flexible
- Quick Turnaround time
- Streamlined processing

Cons

- \$500,000 is Maximum
- Additional documentation pertaining to export sales

International Trade Loan

- Term loan where loan proceeds will expand existing export markets or develop new export markets
- Can support debt refinance, business acquisition, permanent working capital and to acquire, construct, renovate, modernize, improve or expand facilities and equipment to be used in the United States to produce goods or services for export
- Maximum loan amount \$5 Million; 90% guaranty

Pros

- Longer terms/maturities
- New to export start-ups possible
- Enhances the ability to access financing
- \$5 Million maximum

Cons

- Export business plan required
- Higher guaranty percentage will result in larger SBA fee versus regular 7(a)

Export Working Capital Program (EWCP)

- Working capital line of credit to fulfill export orders
- Supports loan needs up to \$5 million
- Revolving Lines of credit with multiple structures
 - Transaction Based - Purchase order financing/Pre-Shipment Financing
 - Asset-Based - Monthly Borrowing Base/Post-Shipment Financing
- Availability on foreign Accounts Receivable up to 90%
- Availability on export inventory up to 75%
- Standby Letters of Credit with just 25% collateral
- Collateral is limited to export-related working assets
- Reasonable assurance or repayment in the EWCP structure
 - Cash in Advance
 - Letter of Credit
 - Documentary collections
 - Insured Open Account
 - Uninsured Open Account exceptionally

Working Capital Pilot Program (WCP)

- The WCP will provide 75% guaranteed lines of credit up to \$5 million that can support both international and domestic transactions.
- The revolving nature of a line of credit provides an efficient means for businesses to manage cash flow and interest expense.
- Banks will be able to use the WCP to issue revolving lines of credit with the flexibility to structure both transaction-based and asset-based facilities
 - Ability to access working capital to fund the direct costs (materials and labor) related to a project or purchase order
 - Enhanced advance rates on A/R & Inventory
 - Finance production costs for 2–10-month manufacturing cycles
 - Bridge the gap between order and payment



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Financing Needs & Transaction Examples

Financing Situations

Large Export Sale

- Manufacturer of equipment secures a large order (\$3,000,000) from a buyer in Germany, payment is by a letter of credit
- The exporter does not have the working capital to cover the costs of manufacturing.
- The sale has 30-day payment terms. Combined with the build time and shipping, the total sales cycle will be 120 days. That is time from when they begin spending money, to when they collect money.

Solution: EWCP, WCP

- A \$2,000,000 line of credit to finance the cost of producing the equipment
- Loan can fund up to 100% of direct and indirect costs, or 90% of the contract value, whichever is less
- Self-liquidating loan that will be paid off with the collection of the foreign receivable

Financing Situations

Equipment Purchase

- Business has growing export sales, and needs to increase its production to meet demand
- They wish to purchase new machinery costing \$400,000.
- This will lead to a 30% increase in capacity
- Borrower only has enough liquidity for a 20% down payment (\$80,000)

Solutions: Export Express, ITL

- A \$320,000 term loan to finance the purchase of the equipment
- 10-year term and amortization

Financing Situations

Standby Letter of Credit (SBLC)

- Business has a \$1,000,000 contract to provide design and engineering services to a company in India
- Sales term call for a 30% down payment from the buyer.
- The buyer accepts these terms but requires a \$300,000 Standby Letter of Credit
- The exporter's US bank can issue the SBLC, but needs \$300,000 in cash as collateral

Solution: Export Express, EWCP

- The \$300,000 Standby SBLC can be supported by an SBA guarantee under Export Express or EWCP
- This reduces the collateral requirement to only 25% of the SBLC amount
- The exporter only needs \$75,000 to secure the issuance of the \$300,000 SBLC

Financing Situations

Large Inventory Purchase

- Demand for the business's products overseas has doubled and they are having trouble maintaining availability.
- They want to make a large purchase of \$180,000 from their suppliers to increase products in stock and meet higher sales levels.
- They do not want to buy this on their line of credit, because this is a permanent increase that will not be repaid quickly.

Solution: Export Express, ITL

- A \$180,000 term loan to finance the purchase of inventory
- 10-year term and amortization

Financing Situations

Accounts Receivable from foreign buyers

- Business has growing exports and needs \$1.5 Million working capital to support the new sales
- Their current line of credit excludes foreign Accounts Receivable (A/R) and Inventory, reducing their availability under the line
- Their capacity to borrow diminishes as their sales grow, creating a cash shortfall

Solutions: EWCP

- A line of credit with availability against foreign A/R and Inv
- Advances on A/R up to 90%
- Advances on Inv up to 75%



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Additional Resources

Make Onshoring Great Again

- Free tool from the SBA helps connect businesses with verified U.S. manufacturers, producers, and suppliers
- Built to support companies that want to onshore operations, strengthen their supply chains, and source the components they need—all proudly Made in the USA.

[Make Onshoring Great Again portal | U.S. Small Business Administration](#)

State Trade Expansion Program (STEP)

- SBA's STEP program awards funds to U.S. states and territories. STEP helps small businesses overcome obstacles to exporting by providing grants to cover costs associated with entering and expanding into international markets.
- Contact your local state or territory to find out how they can help you start or expand your business to reach global customers with the help of a STEP

[Directory of STEP awardees \(sba.gov\)](https://www.sba.gov/step)

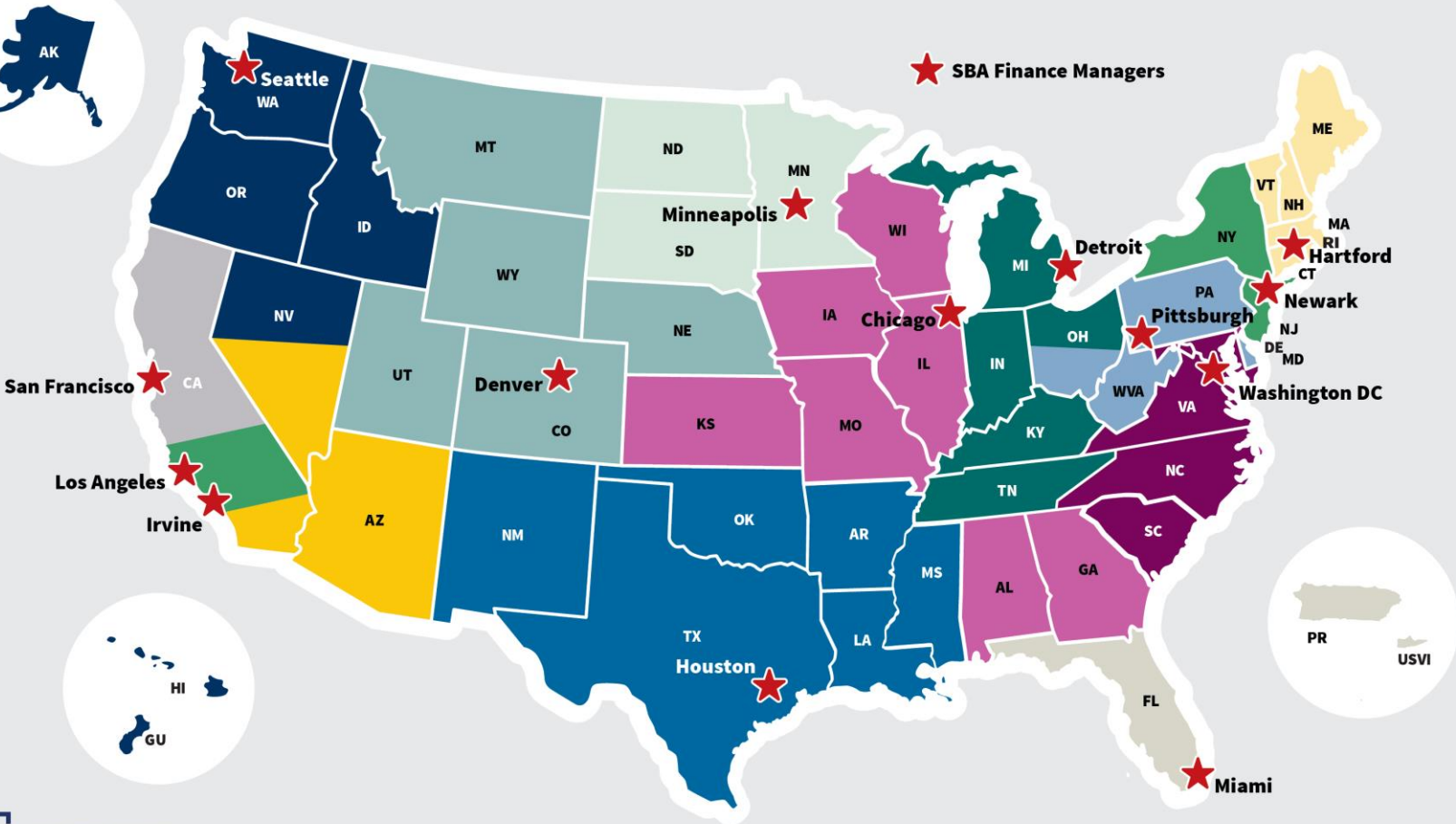
Trade Finance Guide

- The U.S. Department of Commerce International Trade Administration has released its newest Trade Finance Guide, which provides an excellent overview of financing programs available to U.S. Exporters.

[The Trade Finance Guide: A Quick Reference for U.S. Exporters](#)

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★ SBA Finance Managers



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