



Creative Ways to Finance Your Working Capital Needs

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Trade Finance Tools

- **Classic Trade Products:** Letters Of Credit, Collections, Open Account
- **Enhanced Trade Products:** Export Credit Insurance (private or public)
- **Structured Trade Solutions:** Export Working Capital, Medium Term Financing

Features & Benefits of using these tools

- **Marketing-** offering terms to foreign buyers increases ability to sell more.
- **Risk Mitigation-** by using certain trade finance products, you can reduce your companies exposure to loss.
- **Financing-** some trade finance products can be used to increase your company's ability to receive additional financing

Pre-Export Financing

Post -Export Financing



SBA
Export Working Capital Program
or Export Express Program

Eximbank
Working Capital
Guarantee

Account Receivable Financing
Transactional/Borrowing Base

Financing International Sales

- **EWCP or WCG Pre-shipment financing** (advances made on receipt of foreign purchase order-using SBA's EWCP program or on ABL borrowing base using Eximbank)
- **SBA Export Express** (loan provided to grow one's export business-finance equipment/shows etc. usually a term loan)
- **STAR** (Single Transaction (foreign) AR financing. Financing one sale or many, advances made against assigned credit insurance)
- **Traditional ABL** (commercial loans using insured foreign AR and export inventory as part of borrowing base. Field Exam and min. Reviewed F/S's required)

Types of Exporters



Manufacturing



Services



Trading



Wholesaler
Distributor

SBA Export Working Capital Program (EWCP) – Pre-shipment Financing

- **Features**

- transactional or revolving line of credit
- only type of bank line of credit to advance against eligible foreign purchase orders/L/C's
- may be used for non-U.S. content as long as goods are shipped from the U.S.
- may be used to finance sales to military buyers (Colombian/Peruvian Air Force)
- much higher advance rates than traditional lending lines

EWCP Program

- Use of Proceeds
 - Working Capital
 - Foreign Accounts Receivable financing
 - Finance labor and materials used to manufacture goods for export
 - Purchase finished goods or inventory for export
 - Finance Standby letters of credit used for bid or performance bonds*

EWCP -continued

- **Eligibility**

- 51% or more ownership must be U.S. permanent resident or U.S. Citizen

- All owners with 20% or more equity must provide personal guarantee

- Business should be in business at least 12 months- with one year of tax returns

- Must meet SBA size standards (usually under 500)

- Must provide supporting material to show need for loan and ability to repay

Collateral and Credit Enhancements

- UCC 1 on all assets
- Export Inventory-tied to signed PO's
- Export accounts receivables (invoice, BOL)
- Maybe a second lien on collateral of other loans
- Personal guarantees of all owners $\geq 20\%$
- Occasionally a CD to support weaknesses

SBA vs Eximbank WCG

- SBA is limited to max. loan limit of \$5mm
- Exim does not require US ownership
- Exim does not have a personal resource test
- Exim is preferred by larger lenders that have establish WCG departments

How do I start?

- Find an interested and knowledgeable lender- ask SBA or Eximbank for referrals
- Try to ascertain what all in costs will be compared with other methods of financing
- Provide complete business file/application to lender- be clear and transparent of needs
- Open business accounts with lender to make sure payments are directed to that lender

STAR- Single Transaction (foreign) AR Financing

- **Features**

- One buyer in one country can be approved
- Invoices of \$50,000 or more can be financed
- Terms up to 180 days for repayment are allowed
- Non U.S. goods and drop shipments can be insured.
- Simple documentation packet required at each advance
- Bank monitors credit line and assists with collection and claim filing if needed

Why Credit Insured Open Account “STAR” may be best option

- Foreign Buyer would like longer terms
- Seller is interested in expanding into new markets and int’l sales are growing
- Market conditions change (ex: recent economic crisis) or order size is larger than normal
- Seller’s credit policy changes to require credit insurance on all credit sales

How does it work?

- Seller can “piggyback” on my bank’s policy or
- Seller can obtain their own policy and assign it to lender
- First step is to get buyer(s) approved for a credit line- usually only name, address and credit amount is needed
- If buyer can be approved, lender sets up credit facility in order to advance on A/R

Key Benefits of Foreign Receivable Financing with Credit Insurance

- Seller
 - Sells more
 - Pays less fees
 - Gets payment faster
- Buyer
 - Buys more
 - Pays less interest
 - Gets goods faster



Getting Started with Trade Finance Department

- 3 years corporate tax returns and financial statements
- Most recent interim financials, current AR and AP
- Articles of Inc, Company registration information
- Foreign Buyer information, address, high credit amt
- Lender will require at min. a UCC/subordination agreement
- Personal credit score on owners
- Copy of credit insurance policy-assignment

Customer Example

- **Example One:** Exporter of printing machinery needs to provide advance payment guarantee to buyer for 50% down payment on order.

Solution: Instead of using up 100% of D/P for Stand By L/C (which is the typical requirement for a lender), exporter can use 25% cash collateral and free up remaining 75% cash to use for mfg costs. Plus if exporter has further borrowing needs, some of the remaining 50% of the contract can be used as additional collateral.

Customer Example

- **Example Two:** U.S. distributor (Trading Co.) must pay supplier at shipment but then gives up to 90 day payment terms to buyers. This has created a cash flow dilemma. How can they remain competitive and have enough cash flow to grow the business?

Solution: EWCP/Export express program can be used by the lender to advance against signed purchase orders (which is collateral for the advance). Lender pays vendor, who releases order. Exporter takes the discount from vendor. Ships goods overseas and includes a charge to buyer for extended terms. Buyer repays at maturity and exporter is charged interest on the length of the advance. Grows its business thanks to adequate capital.

First American Bank Trade Finance

- Staff of ten (over 120 years of experience)
- HQ in Elk Grove Village, IL
- Int'l footprint across the U.S.- customers in IL, IN, Florida, New York
- Full service Int'l capabilities

Who to Contact

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