

Riverside College of Foreign Trade: Seminar 2
April 29, 2015 – Canada & Mexico



Export Financing Solutions from the
Export-Import Bank of the U.S.

Who We Are

Ex-Im Bank is the official Export Credit Agency (ECA) of the United States Government

Mission: To support the **financing** of US exports to help create and sustain US jobs.

- Established in 1934
- Headquartered in Washington, DC
- 12 Regional Offices nationwide

What We Do

Loan Guarantees

- Lender applies

Export Credit Insurance

- To cover risk of nonpayment by international buyers
- Policies for both exporters and lenders

Direct Loans (if lender can't be found)

Your Competitors Abroad Have Similar Support!

EDC

Canada

Export-Import Bank of China

China

ECGD

UK

Coface

France

Hermes

Germany

JBIC

Japan

Short-Term Export Credit Insurance

Need: Buyers want credit, while exporter wants to make sure they are paid

Solution: Export Credit Insurance

Benefits

- **Risk Protection (90% or 95% coverage)**
- **Sales Tool**
- **Financing**
- **Inexpensive (approx. \$0.50)**

Various Options Available:

Single-Buyer Policy: Buyer-Specific; **90%** coverage

Multi-Buyer (3 options): **95%** coverage

Terms: Up to 180-days (max. 360-days for capital equipment exports)

Cost: No application fee, **no minimum premium**, most policies carry no deductible. Premium varies by policy, generally ranges around 0.50%, payable monthly (“as-you-go”)

Example: \$100,000 export sale to Mexico = \$650

Exporter’s Primary Responsibility: Evidence of export (bill of lading) and payment of monthly premium

Success Story: MBC USA, Inc.

- Small business; exporter of dairy products, flour and powder blends
- Policyholder since 2009 when it had two employees
- Pursued for competitive and financing purposes
- Also has a line of credit supported by EXIM Bank
- Mexico represents its top market
- Its exports to Mexico have doubled with EXIM's insurance coverage, and the company now employs



Working Capital Guarantee (WCG)

- Short-term (generally 12-months) line of credit **90% guaranteed** by EXIM Bank
- Supports firm export orders only
- No minimum or maximum amounts, but most lenders set their own minimum criteria (typically \$1 or \$2 million)
- ABL structure: supports advances made against export-related inventory (including WIP) and foreign receivables
- Up to **75%** advance rate on inventory, and up to **90%** on foreign receivables

Expand Your Borrowing Base!

		Your Working Capital Facility without Ex-Im Bank		Your Working Capital with Ex-Im Bank	
		<u>Advance Rate</u>	<u>Borrowing Base</u>	<u>Advance Rate</u>	<u>Borrowing Base</u>
Collateral (Inventory)	<u>Amount</u>				
<i>Export Inventory</i>					
Raw Materials	\$200,000	20%	\$ 40,000	75%	\$ 150,000
WIP	200,000	0%	0	75%	150,000
Finished Goods	600,000	50%	300,000	75%	450,000
<i>Export/Foreign Accounts Receivable</i>					
Open Account/Foreign Account Receivable	\$400,000	0%	0	90%	\$ 360,000
L/C Backed A/R	600,000	70%	<u>420,000</u>	90%	<u>540,000</u>
Total Borrowing Base			<u>\$760,000</u>	vs.	<u>\$ 1,650,000</u>

Global Credit Express

- **Direct loan** from Ex-Im Bank structured as a 12-month revolving line of credit
- Maximum amount: \$500,000
- For small business exporters with at least a 3-year history, a minimum of one-year exporting experience and a favorable credit score
- Requires collateral and personal guarantees of owners
- Pricing: \$500 application; 2% Exposure Fee; Legal Fees \$2,500-\$3,000; Interest Rate: CIRR* + 3.25%

*(*CIRR is currently 2.02%)*

Success Story: Sabia, Inc.

- Small business in San Diego, engaged in the designs and mfg. of equipment used to analyze the composition of materials.
- In April 2014 the company was experiencing export growth but could not access the necessary financing to support it. They had approached their Bank for a line of credit, but were declined.
- In June 2014 a \$350,000 loan was approved by Ex-Im Bank, which later was increased to \$500,000.



“Expanding our global reach is essential for meeting our growth goals as well as meeting customer needs. Export-Import Bank has provided funding to make this a reality.” - Ken Walker, CFO

Contact Us

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