



The U.S. Small Business Administration's resources and programs targeting small businesses provide an advantage necessary to help small businesses effectively compete in the global marketplace and strengthen the overall U.S. economy.

Working in partnership with the Alabama International Trade Center (part of the Alabama SBDC Network), the U.S. Commercial Service and the Export-Import Bank of the United States, SBA staff provide potential and existing exporters with financing programs that facilitate expansion and job growth.



THE UNIVERSITY OF ALABAMA



Export Working Capital Program for Small Businesses

Most banks in the U.S. do not provide working capital advances to small businesses on export orders, export receivables or letters of credit. Because of that, some small businesses may lack necessary export working capital to support their export sales. That is where an SBA program can make the difference. SBA provides lenders with a 90% guaranty on export working capital loans to small businesses as a credit enhancement, so that the lenders will make the necessary export working capital available.

Exporters can apply for Export Working Capital Program (EWCP) loans in advance of finalizing an export sale or contract. With an approved EWCP loan in place, exporters have greater flexibility in negotiating export payment terms—secure in the assurance that adequate financing will be in place when the export order is won.

Benefits of the EWCP

- Financing for suppliers, inventory or production of export goods
- Export working capital during long payment cycles
- Financing for stand-by letters of credit used as bid or performance bonds or advance payment guarantees
- Reserves domestic working capital for the company's sales within the U.S.
- Permits increased global competitiveness by allowing the exporter to extend more liberal sales terms
- Increases sales prospects in under-developed markets which have high capital costs for importers
- Contributes to the growth of export sales
- Low fees and quick processing times

Program Features

- **Guaranty Coverage**
 - Maximum loan amount is \$5 million
 - 90% of principal and accrued interest up to 120 days
 - Low guaranty fee of ¼% of the guaranteed portion for loans with maturities of 12 months or less
 - Loan maturities are generally for 12 months or less, but extend out 36 months
- **Use of Proceeds**
 - To acquire inventory
 - To pay for the manufacturing costs of goods for export
 - To purchase goods or service for export
 - To support Standby Letters of Credit to act as bid or performance bonds or an advance payment guaranty
 - for pre-shipment working capital
 - To finance foreign accounts receivable

- **Advance Rates**

- Up to 90% on Purchase Orders or costs of goods, whichever is less
- Up to 90% on Documentary Letter of Credit payment terms
- Up to 90% on Foreign Accounts Receivable (typically insured)
- Up to 75% on eligible export inventory located within the U.S.
- In all cases, not to exceed the exporter's costs.

- **Interest Rate**

- The SBA does not establish or subsidize interest rates on EWCP loans.
- The interest rate can be fixed or variable and is negotiated between the borrower and the participant lender.

- **Collateral**

- The export-related inventory and the accounts receivable generated by the export sales financed with EWCP funds generally will be considered adequate collateral, and the borrower must provide the lender with a first lien.
- The SBA requires the personal guarantee of owners (20 percent or more ownership).

How to Apply

Application is made directly to lenders. Interested small businesses are encouraged to contact an Export Finance Specialist at the Alabama International Trade Center, or SBA staff to discuss whether they are eligible for the EWCP program and whether it is the appropriate tool to meet their export financing needs.

Lenders who have participated in the program during the previous fiscal year can be found at: <https://www.sba.gov/managing-business/ex-porting/export-lenders/export-working-capital-program-lenders>.