



## Fighting Export Finance Programs?

business customers international

**Summary:** Export finance might seem risky to some bankers, yet it can benefit your bank and your international business customers. We walk you through it.

Maybe this year is the year to get a flu shot. Look no further than last year's data from the Centers for Disease Control that found last season's flu epidemic is estimated to have killed 80,000 Americans. That is the highest level in 40Ys. No matter what, protect yourself and your family this flu season by frequently washing your hands with soap and water, just in case.

While not as bad, there are plenty of risks in banking too, so preparation is important. For example, export finance might seem risky to some bankers, yet, done properly it can benefit your bank and your international business customers. While it comes with a learning curve and extra paperwork, the risk can be much less than that of domestic transactions. What's more, offering export finance can help your bank perhaps gain and keep clients.

Though not totally apparent, community banks issue between 10% and 15% of the certified letters of credit in the US and play an important role in international trade. Small and medium size manufacturing companies will heavily lean on bank financing.

In offering financing to this or any other industry, community bankers are often taking on less risk than they would by offering similar domestic financing. In contrast to loans here at home, international transactions are typically supported by letters of credit and/or credit insurance. That gives them backing that domestic loans usually lack.

Moreover, community bankers have the option of working with export financing programs that include government guarantees, through the Small Business Administration (SBA) or the Export-Import Bank of the United States (EXIM). Most community banks are already familiar with the SBA, so it may make sense to choose that route to get started perhaps.

The SBA offers a variety of programs to make export lending less risky and more potentially profitable. The SBA Export Working Capital Program (EWCP) for instance, guarantees up to 90% of an export loan, to a maximum of \$5M. Financing is tied to a particular set of contracts or receivables of a single transaction.

The SBA also offers the Export Express and International Trade Loan (ITL) programs. Export Express is the smaller of these, capping loans at \$500,000. Lenders get a guarantee of 90% on loans up to \$350,000, or 75% on loans up to \$500,000. ITL is a good bit larger, with credit capped at \$5M and a 90% guarantee on all loans. This program provides term loans, usually to fund fixed assets.

Some borrowers buy credit insurance, either from EXIM or through private firms too. This provides an extra cushion against the risks involved in exporting. If a transaction fails, insurance can pay 98% of value.

For extra help in ramping up an export finance program, the [SBA's 68 district offices](#) and 21 US Export Assistance Center offices can walk you through the process and explain how to protect your transactions.

In addition to giving you low-risk loan income, backed and/or insured export financing can also help you find new business customers and keep those expanding into international markets.

Not every bank offers export financing, so businesses that want to export their products have a reason to seek you out if you do.

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