



WORKING CAPITAL LOAN GUARANTEE

An Exporter's Guide

WHAT IS A WORKING CAPITAL LOAN GUARANTEE?

International markets can represent both tremendous opportunities and special challenges for U.S. exporters. A primary obstacle is the inability to secure financing.

The risks associated with international sales can prevent lenders from providing the working capital needed to fulfill export orders. A Working Capital Loan Guarantee from the Export-Import Bank of the United States (EXIM) often gives these lenders the confidence to provide U.S. exporters with the financing to take on new business abroad.

EXIM works with a U.S. company's lender to provide a loan guarantee that backs the exporter's debt. With this guarantee in place, the lender can extend a working capital loan to improve the company's cash flow.



TIP: The funds from this EXIM-guaranteed working capital loan can be used to cover the costs of labor, materials, overhead, and other items required to fulfill export sales.



BENEFITS FOR YOUR BUSINESS:



Including Export-Related Assets

Lenders may be unwilling to use export-related assets as a borrowing basis because the foreign market risk would be beyond the lender's comfort level. An EXIM Working Capital Loan Guarantee allows U.S. businesses to borrow against assets that lenders would otherwise be unwilling to include as collateral. Assets such as foreign accounts receivable and export-related inventory including raw materials, work-in-progress, and finished goods can become part of the borrowing base.



Increasing Advance Rates

When an EXIM Working Capital Loan Guarantee is in place, the advance rates (the percentage of the collateral value a lender is willing to extend for a loan) are higher. These increased advance rates give the U.S. company a larger borrowing base and more access to the funds the company requires.



Supporting Standby Letters of Credit

Exporters can find themselves in need of standby letters of credit serving as a bid bond, performance bond, or advance payment guarantee. Supporting these standby letters of credit requires cash collateral. An EXIM Working Capital Loan Guarantee enables exporters to get a loan from their lender to support these bonding needs at 25 percent collateralization.

The ability to provide foreign buyers with bid bonds, performance bonds, or advance payment guarantees can give the U.S. exporter an advantage over the competition.

INCREASE YOUR BORROWING POWER

Below is an example of how a lender may evaluate export-based collateral. When a working capital loan is guaranteed by EXIM, lender advance rates tend to be higher. This creates a larger borrowing base.

A larger borrowing base means more borrowing power for your company!



<i>Export Inventory</i>	<i>Value</i>	<i>Without EXIM Guarantee</i>		<i>With EXIM Guarantee</i>	
		<i>Advance Rate</i>	<i>Borrowing Base</i>	<i>Advance Rate</i>	<i>Borrowing Base</i>
Raw Materials	\$200,000	20%	\$40,000	75%	\$150,000
Work-in-Progress Inventory	\$200,000	0%	\$0	75%	\$150,000
Finished Goods	\$600,000	50%	\$300,000	75%	\$450,000
<i>Export Accounts Receivable</i>					
On Open Account	\$400,000	0%	\$0	90%	\$360,000
By Letter of Credit	\$600,000	70%	\$420,000	90%	\$540,000
Total	\$2,000,000		\$760,000		\$1,650,000

Source: Trade Finance Guide, U.S. Department of Commerce

HOW DOES WORKING CAPITAL LOAN GUARANTEE **WORK?**



Step 1:

You export and want to grow export sales, but need to finance export accounts receivable & inventory destined for export.



Step 2:

You apply for a working capital loan, but your lender won't approve it because your collateral is export-related.

Step 3:

Lenders with delegated authority process your working capital loan under established EXIM criteria.

Step 4:

Your lender loans you the money. You use the funds to fulfill your export sale.

APPLICATION PROCESS

Basic Eligibility Requirements:

- ✔ Must be a U.S. company with at least one-year of operating history and a positive net worth
- ✔ Exports must be shipped from the United States
- ✔ Exports have a minimum of 50 percent U.S. content based on all direct and indirect costs (e.g. labor, materials, administrative costs)
- ✔ Services must be performed by U.S.-based personnel
- ✔ EXIM cannot support exports of military/defense products and services (with some exceptions), or purchases made by military buyers

How to Apply:

A small business exporter may apply through any [lender that has been granted delegated authority](#) from EXIM.

Most lenders with whom we have established working relationships have been granted discretionary pre-approved credit status (after rigorous screening) known as delegated authority—allowing them to process your working capital loan under established criteria without pre-approval from EXIM.



WHAT'S NEXT?

EXIM is here to support you on your exporting journey. We offer a wide range of financing tools for your company's unique needs, as well as free consultations, educational material, exporter resources, and more. You can:



Talk to an Expert

EXIM specialists are ready and waiting in your area to give you a free consultation:

grow.exim.gov/consultationrequest



Get Helpful Advice

Do you have questions about account terms and financing for exporters? Our experts are here to assist:

grow.exim.gov/export-financing-faqs



Learn Exporting Basics

Our free eBook, The Basic Guide to Exporting, will teach you everything you need to get started:

grow.exim.gov/export-guide



Protect Your Business from Risk

Avoid the danger of buyer nonpayment with Export Credit Insurance:

grow.exim.gov/eci-guide

