



## **UNDERSTANDING INTERNATIONAL TRADE FINANCE**

### Part VI- Global Credit Express

Part II in this series of articles on financing international trade dealt with pre-export working capital financing. That program is designed specifically to help exporters finance the production of a product or products to be exported. In early 2012, the US Export-Import Bank (Ex-Im Bank) introduced a new program that is similar in function, but quite different by design. Global Credit Express is direct lending by Ex-Im Bank, designed to finance the business of exporting as opposed to specific export transactions.

A traditional export working capital guarantee is a very tightly structured guaranteed line of credit to support only exports. The guarantee is to the exporter's lender who provides the financing. The borrower must have export orders, and advances under the guaranteed line of credit must be used to support the cash flow requirements to fill those orders. It is secured financing based on monthly borrowing base reporting and may require collateral audits.

Global Credit Express is not tied to specific export orders, and does not rely on a borrowing base supported by inventory destined for export or export accounts receivable. The borrower can use the loan proceeds for goods and services necessary to support their export business. That can include things such as translating marketing materials and owner's manuals, staff costs for developing or modifying systems to monitor and account for export sales, product registrations, and business development expenses.

Preliminary qualifications for the borrower include meeting the SBA definition of a small business, having at least 3 years of operating history and one year of exporting experience. The borrower must meet a minimum Fair Isaac small business credit score (FICO) and a due diligence credit evaluation. Security for the loan includes either a first or second perfected security interest in the general assets of the borrower, and the personal guarantee of all shareholders owning 20% or more of the borrower.

The loan is a revolving line of credit with a fixed interest rate. The interest rate is a spread of 2.6% per annum over the current commercial interest reference rate (CIRR), which is published on Ex-Im Bank's website ([www.exim.gov](http://www.exim.gov)). In addition, the borrower is responsible for a \$500 application fee, a \$2,000 origination fee, and an exposure fee of 2.5% of the approved loan amount.

The maximum loan amount is \$500,000, and the maximum term is 12 months. The maximum loan amount is calculated as the lesser of: 50% of the borrower's direct and indirect exports in the previous year; 90% of the borrower's net current assets as per their most recent financial statement; or, \$500,000. The loan amount can be drawn in full or in part at any time during the term of the loan, with a minimum drawing of \$10,000. The loan can be renewed annually, but the borrower must again meet the approval criteria at the time of renewal, including the small business requirement.

Global Credit Express can only be accessed through an Ex-Im Bank approved originating lender or originating broker. Upon approval Ex-Im Bank provides direct lending to the exporter and not a guarantee to their existing lender. The existing lender has little or no involvement in the entire process.

Global Credit Express provides small businesses access to additional capital to finance various components of their export business, not just production. It is a streamlined approval process, with a low fixed interest rate, and no collateral base or reporting requirements. An approved originator can quickly help you determine if this is an appropriate tool for your situation and handle the application process for you.