



Reducing Risk. Unleashing Opportunity.

EXPORT FINANCING

Solutions for Your Export Business

The Essentials of Trade Financing

You've found an international trading partner and the buyer has placed a multimillion-dollar order. Now, only one challenge remains—how do you obtain financing?

Manufacturers seeking to sell their products and services in global markets need to be knowledgeable about the full array of financing options that are available.

U.S. manufacturers that may or may not have experience with foreign trade face financing challenges every day. With the huge opportunities for sales in global markets, it's no wonder some manufacturers are reaping up to half—and sometimes more—of their sales through international markets. The catalyst that enables manufacturers to secure many of these overseas deals is trade financing.

The competition to win overseas sales is often intense. The ability to offer attractive payment terms to the buyer can prove the difference between making a sale and losing the business to a competitor. In many cases, government assistance with export financing can offer an attractive solution to the financing challenge.

Why Trade Financing is Essential

Manufacturers seeking to nail down a foreign sale may not have sufficient working capital to handle an unusually large order or a succession of orders from an overseas buyer. Although a manufacturer may be short of working capital, assistance is available via public and private financial institutions.

Extending credit to foreign buyers may, in some instances, be a requirement for a U.S. firm trying to win an overseas contract. In fact, the extension of credit by the seller to the buyer is more common outside the U.S. Thus, manufacturers that are reluctant or unwilling to extend credit to make a sale may lose the deal to a competitor offering more attractive financing arrangements.



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Export Credit Insurance

Trade credit insurance reduces the risk of nonpayment by a foreign buyer, while enabling exporters to offer extended repayment terms.

How It Works

For many U.S. manufacturers, accounts receivable may be the largest uninsured asset on the company's balance sheet. [Export Credit Insurance](#)¹ allows exporters to safeguard their foreign receivables, in effect, by offloading the risk of nonpayment by foreign buyers to the credit insurer.

Similar to any insurance policy, the exporter pays a premium in exchange for protection against default by the foreign buyer. If the foreign buyer, who purchases on credit terms, fails to pay, the credit insurer will pay the exporter a percentage of the invoice value, in some cases up to 95%.



Did You Know?

For small manufacturers, there are special policies that offer up to 95% coverage against nonpayment by foreign buyers on short-term credit sales, with no application fee, no upfront premium, and no deductible.

Eligibility Requirements

- in business at least one year
- at least one full-time employee
- must have a positive net worth
- products/services have more than 50% U.S.-made content/costs
- export content must be non-military in nature
- must ship from U.S. ports
- must be shipped to a [country where EXIM Bank is open for business](#)².

¹grow.exim.gov/eci-ebook

²exim.gov/tools-for-exporters/country-limitation-schedule



Benefits of Export Credit Insurance

Confidence

For one, the protection gives the export business the confidence to enter new markets overseas. [Export Credit Insurance](#)¹ also enables the manufacturer doing business with a foreign buyer to overcome cash flow obstacles by borrowing against its receivables. In addition, having access to a safety net for a business' foreign receivables empower the exporter to take advantage of opportunities that may arise to sell more goods or services through an extension of credit terms or an increase in the credit line offered.

Increased Cash Flow

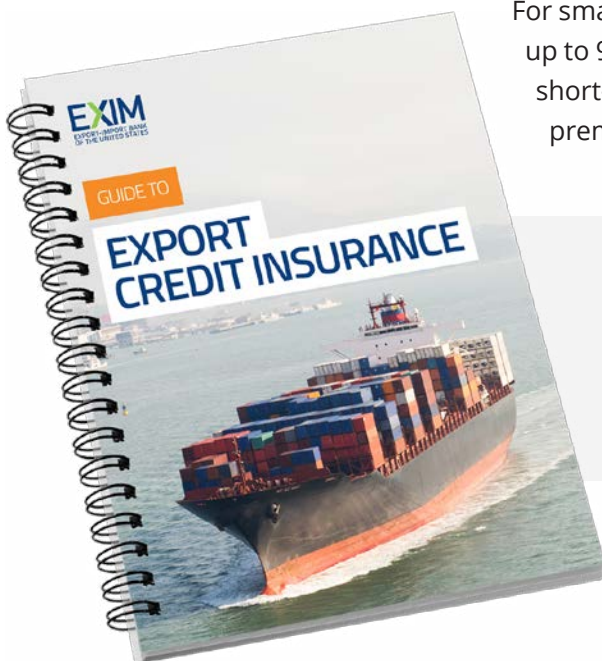
Export Credit Insurance also can help manufacturers access the liquidity they need to fulfill orders and cover the cost of daily operations. Especially for smaller businesses where cash flow is a frequent concern, having an export credit insurance policy in hand affords the insured exporter increased borrowing power.

In some cases, lenders will offer higher advance limits for insured receivables. In this way, Export Credit Insurance enables the same amount of collateral to serve as a greater borrowing base. The end result is that cash flow has been expanded based on the same receivables.

Export Credit Insurance can be used to insure a single buyer or multiple buyers, such as would be the case with an entire export portfolio. Typically, short-term policies insure credit terms of up to 180 days, or in some cases, up to 360 days for capital equipment. Medium-term policies, typically ranging from 1-5 years, protect term financing to overseas buyers of capital equipment or related services for amounts up to \$10 million.

Peace of Mind

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Download the free eBook!

grow.exim.gov/eci-ebook

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Working Capital Loan Guarantees

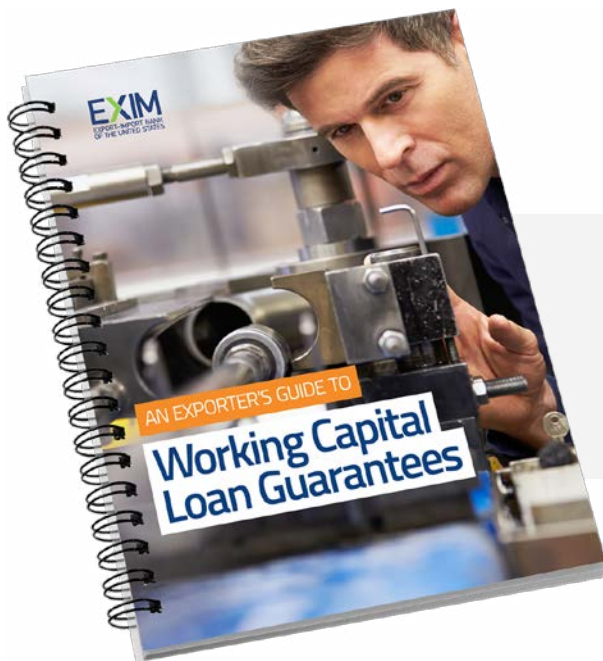
With a working capital loan guarantee, a U.S. manufacturer can obtain such funds to build the products needed to fulfill an international order.

How It Works

Most small businesses typically have limited access to capital, so that obtaining financing to support production of a large order for an overseas buyer looms as a significant hurdle to finalizing any international deal.

Manufacturers seeking to fund exports to foreign buyers look to a [Working Capital Loan Guarantee](#)¹. EXIM Bank works with the exporter's lender, providing a guarantee that backs the borrower's debt in case of nonpayment.

Backed by this guarantee, the manufacturer's lender makes the loan, providing the working capital necessary for the business to produce and ship the order. In the event of default on a loan guaranteed under this program, EXIM reimburses the lender for the guaranteed amount.



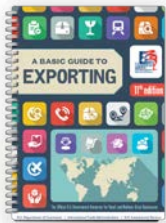
Download the free eBook!
grow.exim.gov/wclg

Ready to Work with EXIM?

U.S. government agencies have a wealth of resources to help you grow your business through exporting. EXIM Bank trade finance directors are located throughout the country and work hand-in-hand with the Small Business Administration (SBA) and Department of Commerce (DoC) to meet all of your small business exporting needs.

Let's get started:

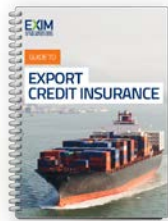
Request a free consultation with an EXIM regional specialist.
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BASIC GUIDE TO EXPORTING

Learn the basic fundamentals of exporting and turn export opportunities into sales.

grow.exim.gov/basic-guide-to-exporting



GUIDE TO EXPORT CREDIT INSURANCE

Learn how to protect your foreign receivables from bad transactions.

grow.exim.gov/eci-ebook



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For more in-depth information about EXIM, visit our website.

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