

# Small Business Exporters Need to Preserve Access to Working Capital

## Solution: SBA Export Express & Export Working Capital Programs

U.S. small businesses competing for lucrative foreign contracts are often required to provide a bid bond as part of their proposal. The bid bond assures the foreign contractor financial security if the small business is unable to deliver. The small business's bank issues **Standby Letters of Credit** for these types of bonds. Banks typically require that the small business deposit an amount equal to the face amount of the letter of credit. The full amount of the bond commitment secures the letter of credit, but the small business loses access to important working capital to fulfill the foreign contract. Providing 100% cash collateral is not a viable solution for many small businesses.

SBA export loan guarantees offer another alternative. **SBA Export Express** and **Export Working Capital** programs give a 90% loan guarantee to lenders on their letter of credit commitments, while only requiring the lender to take a collateral deposit equal to 25% of the face amount of the letter of credit. This frees up the remaining 75% of the commitment for use by the exporter as working capital to complete the order.

Standby Letters of Credit backed by **Export Express** or **Export Working Capital** are a powerful export finance tool that allow a U.S. exporter to provide the bid bonds needed to win foreign sales without tying up a large amount of the exporter's working capital. Export performance bonds and advance payment guarantees can also be supported in a similar manner.

To learn about SBA programs supporting U.S. small business exporters, contact an SBA office near you or visit [SBA.gov/InternationalTrade](https://www.sba.gov/InternationalTrade).

All SBA Programs and services are extended to the public on a nondiscriminatory basis. (11/2019)

## Example

### Company:

Telecommunications and GPS broker, 20 years in business, annual sales of \$1.8 million

### Order

Multiple purchase orders to the Egyptian Armed Services for GPS equipment, projected total of \$5 million

### Transaction: Support Performance Bid Bond

#### Foreign buyer provides:

Confirmed letter of credit through National Bank of Egypt in New York  
50% shipment 50% on Delivery

#### U.S. small business exporter provides:

10% Standby Letter of Credit performance bid bond on all contracts

### Working Capital Need

**Loan Amount:** \$500,000

*\*\$5 million maximum*

**Use of Proceeds:** Support letter of credit for performance bid bond, 90% SBA guarantee

**Term:** 12 months

**Collateral:** 25% of total bid bond per contract

#### Benefit to Business Owner:

**\$375,000 of working capital now available to fulfill contract award**



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