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April 6th, 2016 | Written by Elaine Pofeldt



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When credit insurance broker Joel Berman reached out to the Export-Import Bank of the United States to secure \$1 billion worth of coverage for a fire engine manufacturer that wanted to export its vehicles to China, he got a prompt reply: “Do you want \$1 billion or two?”

The fire engine company’s export deal ultimately fell through, but the experience underlined for Berman what it can be like to work with Ex-Im Bank under the right circumstances. “My standard commercial markets would have choked at \$1 billion,” says Berman, founder of Credit Insurance International Risk Management in Smithtown, New York. “They couldn’t handle that kind of exposure.”

Most [small and midsize exporters](#) don’t need quite as much coverage as the fire engine maker, but for companies that need export credit insurance or who are seeking export financing, the agency can be a useful partner. Although Ex-Im Bank is known for helping big companies such as Boeing, Ex-Im says that more than 90 percent of its transactions—a total of more than 2,300 in fiscal year 2015—were with small businesses. And it is back up and running after its reauthorization in December, following its much-discussed shutdown after Congress let the agency’s lending authority expire in July 2015.

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Ex-Im isn’t the only export credit agency that offers financial help to small and midsize exporters. U.S. firms that do business overseas can also get support from the [U.S. Small Business Administration \(SBA\)](#), the U.S. Department of Agriculture (USDA) or the Overseas Private Investment Corporation (OPIC), the U.S. government’s development financing institution. The support that export credit agencies provide ranges from insurance to loan guarantees, depending on the agency.

Is [export credit agency financing](#) right for you? That’s not always an easy question to answer. Here are some tips from experts to help you determine if it will be a good fit, if so which agency you should choose and how to make the most of the relationship.

FIND A WILLING GUIDE TO THE INSURANCE MAZE

If you’re shopping for export credit insurance, navigating the alphabet soup of agencies that help insure exporters can be very time consuming if you’re unfamiliar with them. Finding a good broker

of trade credit insurance can make the process easier. A good place to start is Ex-Im Bank’s list of brokers that offer its trade credit insurance, available at [exim.gov](#). Ex-Im’s insurance offers protection against commercial risks like nonpaying customers and political risk such as war.

While Ex-Im offers competitive rates, Ed Marsh, export adviser to American Express, notes that a number of private insurers such as Coface and Euler Hermes offer their own products. “Often, the insurance underwriting requirements are easier with private carriers,” says Marsh.

The Overseas Private Investment Corp. (OPIC) also provides insurance to protect American firms from political risk associated with overseas development projects—such as a country nationalizing a facility like a bottled water plant a U.S. firm has built there. It offers coverage in 150 developing countries, among them high-risk countries such as Iraq, Afghanistan and Pakistan. A specialized product like this may be important if you are doing business in a country that is facing a lot of turmoil. “It’s really hard to measure political risk,” says James Howard, an adjunct assistant professor of mathematics at the University of Maryland University College.

A good broker can help you determine if an export credit agency’s products are the best ones for you or if you should go with a commercial policy. “It’s about price and coverage: What is it going to cost me and am I going to get the coverage I want on what I want to sell,” says Gary Kirshenbaum, a vice president with Chicago-based Alper Services and director of the agency’s Alper Global Trade Risk Management division.

EXPLORE ALL OF YOUR FINANCING OPTIONS

Your hunt for export financing will be easier if you work with a bank that is experienced in working with exporters. Ex-Im Bank’s Lender Locator tool on its website can be a good place to start. Ex-Im guarantees working capital loans and finances purchases by foreign buyers, among a variety of other services.

Many cities also have district export councils that can point you toward banking professionals who can help you and offer other guidance, notes Bill Prout, a Houston, Texas-based commercial banker with Bank of Texas, a division of BOK Financial, and chair of the Houston District Export Council. To find a district export council in your area, go to [districtexportcouncil.org](#).

“The key is connecting with an experienced banker as well as someone who understands the international side of banking,” says Prout. “If you just walk into your local branch, I don’t know that you will necessarily get the right person.”

Bear in mind that Ex-Im Bank doesn’t work with every exporter. If you run a business that has less than one year of operating history, is selling to military and defense clients overseas, or makes a product that does not include more than 50 percent of U.S. made content, you will not qualify for the agency’s programs, according to Gayle Roenbaugh, senior trade sales manager, Global Trade and Receivables Finance with HSBC Bank USA, NA.

In such cases, your bank may suggest you work with the SBA, instead. The SBA's Export Express Loan Program offers expedited financing up to \$500,000. The SBA also provides working capital loans up to \$5 million and international trade loans of up to \$5 million that can be used for purposes such as building or expanding facilities in the U.S. that will be used to produce goods and services involved in international trade.

What if you're involved in exporting an agricultural commodity? The USDA may be able to help you. The Foreign Agricultural Service of the U.S. Department of Agriculture offers several programs to help [U.S. agricultural exporters compete in foreign markets](#). The U.S. Commodity Credit Corp., for instance, runs programs that give United States agricultural exporters or financial institutions a guarantee that they will be repaid for short- and intermediate-term commercial export financing to foreign buyers.

Understand that while export credit agencies perform some bank functions, they are guarantors to banks and don't provide bank services, so you cannot do all of your banking through them. "There is always a private sector financial institution doing the funding providing traditional bank services such as letters of credit, depository accounts, etc.," says Roenbaugh. By viewing export financing as a team sport, you'll be able to keep all of your bases covered.

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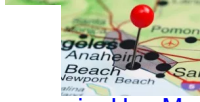
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