



# Financing Small Business Exports

## A Workshop for Financial Institutions

May 16, 2013

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# Topics to be Covered



- Why OCC Is Interested in Trade Finance
- Regulatory Benefits of Loan Guarantees
- Risk Considerations
- CRA Considerations



# Why the OCC is in the Trade Finance Space



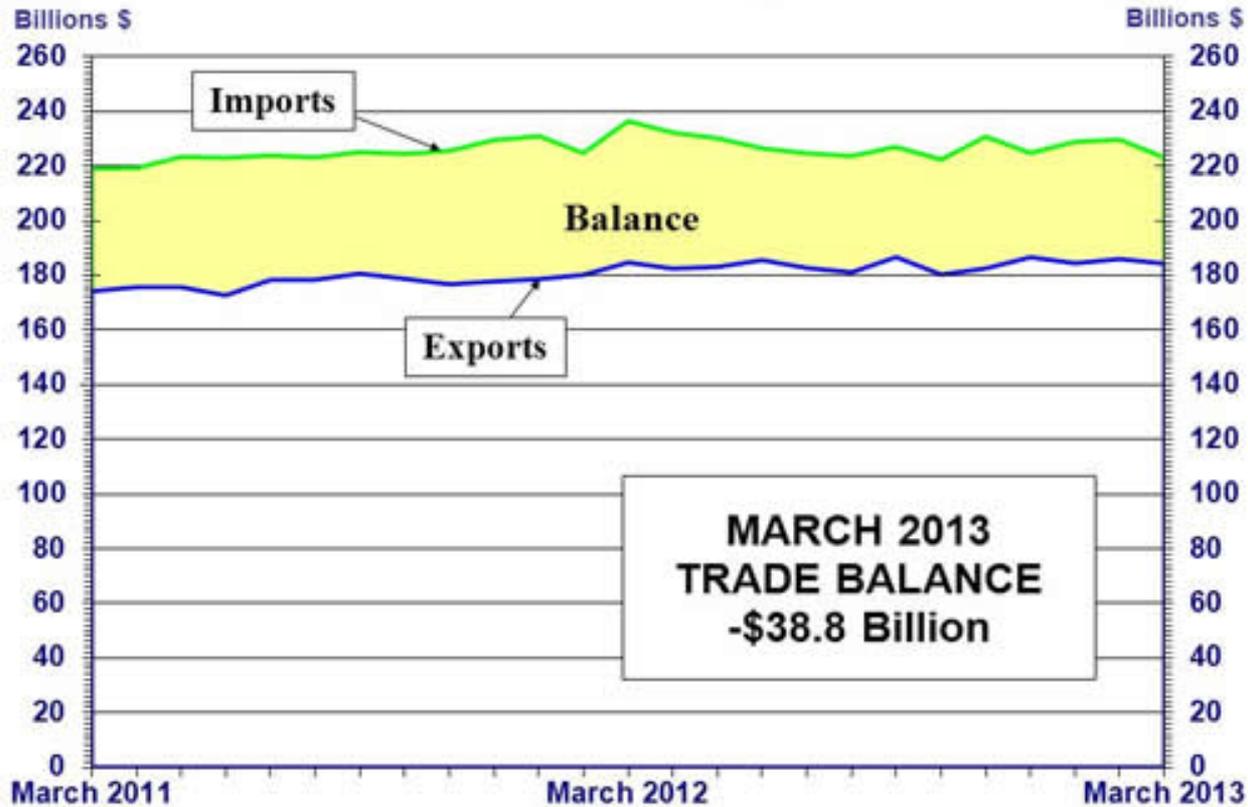
- SBA and Ex-Im Guaranteed Loans are good business for National Banks
- Support for the National Export Initiative
- SSBCI is a new tool for Community Banks



# Balance of Trade Data from U.S. Department of Commerce



## U.S. International Trade in Goods and Services



# Setting the Stage: Large Number of U.S. Firms Export



- Survey indicates that exporters account for well over 20% of total U.S. employment
- On average, exports constitute about 10% of total sales for those firms
- Small/medium size companies account for 30% or more of U.S. exports
- Small exporting firms tend to be more reliant on exports to support total sales
- Banks not always aware of current borrowers direct and indirect export activity



# Regulatory Benefits



Loans guaranteed by U.S. government or its agencies:

- Excluded from legal lending limit calculation (12 CFR 32)
- Portion of the loan that is guaranteed would receive a preferential capital risk weight (see 12 CFR Part 3 Appendix A Section 3(a)(1)(iv))



# Risk Issues—Export Lending



As with any new product or service, consideration should be given to ALL risks associated with offering export financing products and government working capital guarantee programs to customers. These may include:

- Credit Risk
- Operational Risk
- Compliance Risk



# Risk Issues—SBA and Ex-Im Bank



- SBA serves borrowers who may not qualify for conventional loans, so default rates may be higher (SBA “credit elsewhere” test)
- Ex-Im Bank loans require financed products to have more than 50 percent domestic content and to exclude defense articles and defense services



# State Small Business Credit Initiative



## SSBCI Products

- Capital Access Programs
- Loan Participation Programs
- Collateral Support Programs
- Loan Guarantee Programs
- Venture Capital Programs

## Key Features

- Use only for qualifying businesses
- 10:1 leverage requirement
- Funds are time sensitive



# CRA Consideration



- **Loan to small business**

- *Original amount of \$1 million or less*
- *Reported in Part I of the Call Report as either “Loans secured by nonfarm or nonresidential real estate” or “Commercial and industrial loans”*

**-OR-**

- **Community development loan**

- *Has as its primary purpose “community development”*
- *Is not reported as a home mortgage, small business or consumer loan*
- *Benefits the bank’s assessment areas or a broader statewide or regional area that includes the assessment area*



# CRA Consideration (continued)



- **Community development defined to include, among other things:**
  - *Activities that “promote economic development” by financing businesses that meet the size eligibility standards of the SBA’s SBDC or SBIC programs or have gross revenues \$1 million or less*
- **To be considered to “promote economic development,” activities must support permanent job creation, retention, and/or improvement for:**
  - *Persons who are currently low- or moderate-income*  
*OR*
  - *Businesses located in low- or moderate-income areas or areas targeted for redevelopment by federal, state, local or tribal governments*



# CRA Consideration (continued)



- **Other loan data**

- *Commitments*
- *Letters of credit*

- **References**

- *Interagency CRA Interpretive Letter #762*
- *Interagency CRA Questions and Answers*



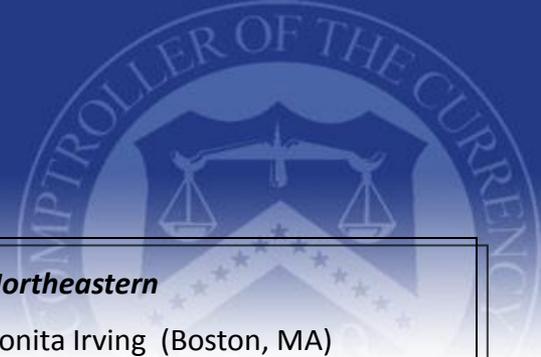
# Summary



- Additional Resources
- Speak with Supervisory Office



# OCC Community Affairs Field Locations



## Western

Susan Howard (Glendale, CA)  
(818) 240-5175

Michael Martinez (Denver, CO)  
(720) 475-7670

Dave Miller (Kansas City, MO)  
(913) 384-6005 x224

## Central

Paul Ginger (Chicago, IL)  
(312) 360-8876

Norma Polanco-Boyd (Cleveland, OH)  
(216) 274-1247 x275

Timothy Herwig (Chicago, IL)  
(312) 660-8713

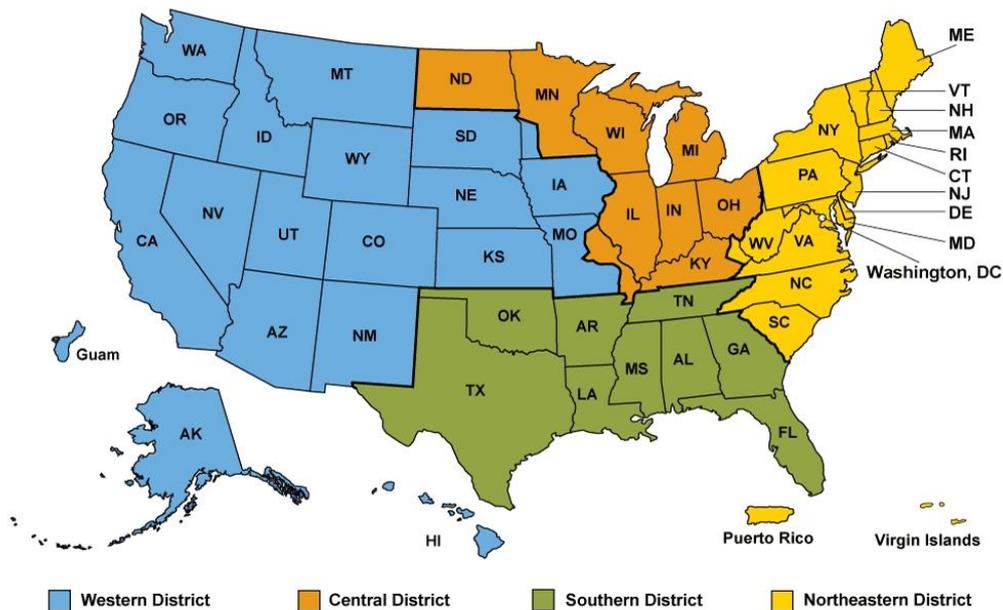
## Northeastern

Bonita Irving (Boston, MA)  
(617) 482-1643 x223

Denise Kirk-Murray (New York, NY)  
(212) 790-4053

Vonda Eanes (Charlotte, NC)  
(704) 350-8377

Francis Baffour (Jersey City, NJ)  
(201) 413-7343



E-mail and telephone information for the OCC's District Community Affairs Officers is available at [www.occ.gov/cacontacts](http://www.occ.gov/cacontacts)

## Southern

Karol Klim (Atlanta, GA)  
(404) 974-9630

Scarlett Duplechain (Houston, TX)  
(832) 325-6952

Aaron Satterthwaite (Dallas, TX)  
(214) 720-2844

Nancy Gresham-Jones (Tampa, FL)  
(813) 664-1006



# Resource Guide



- Export – Import Bank of the U.S. : <http://www.exim.gov/portals/lender/index.cfm>
  - Working Capital Guarantee Program: [http://www.exim.gov/products/work\\_cap.cfm](http://www.exim.gov/products/work_cap.cfm)
  - Export-Import Bank Country Limitation Schedule:  
List of countries in which the Export-Import Bank has placed limitations on the extent to which it will support transactions. [http://www.exim.gov/tools/country/country\\_limits.cfm](http://www.exim.gov/tools/country/country_limits.cfm)
- Small Business Administration (SBA):  
<http://www.sba.gov>
  - Export Working Capital Program:  
[http://www.sba.gov/financialassistance/borrowers/guaranteed/7alp/EXP\\_WORK\\_CAPITAL\\_7A-LOAN-PROG.html](http://www.sba.gov/financialassistance/borrowers/guaranteed/7alp/EXP_WORK_CAPITAL_7A-LOAN-PROG.html)
- National Export Initiative
  - Obama Administration plan to double U.S. exports over the next five years. Details may be found at: <http://www.export.gov/nei/index.asp>



# Resource Guide (continued)



- US Export Assistance Centers
  - US Export Assistance Centers (USEACs) can help exporters set up export operations. They are staffed by representatives from SBA, Ex-Im Bank and other government institutions involved with supporting US exporters. Lenders can use USEACs as a resource for their customers working to initiate or expand their export operations.
  - <http://www.sba.gov/aboutsba/sbaprograms/internationaltrade/useac/index.html>
- OCC's Small Business Resource Guide
  - <http://www.occ.gov/topics/community-affairs/resource-directories/small-business/index-small-business.html>
- OCC's BSA Web Resources: <http://www.occ.gov/BSA/BSAmain.htm>
  - BSA High Risk Designations, OCC Alerts, FinCEN Advisories, and OFAC Lists: Includes BSA guidance and lists of countries and individuals identified by government agencies as associated with terrorism, illegal drug trafficking, money laundering or other issues. <http://www.occ.gov/BSA/BSAHighRisk.htm>
- FFIEC BSA Anti-Money Laundering Handbook: This handbook is a useful source of information on developing an appropriate BSA/AML program, conducting effective risk assessments, and managing risk. It provides clear explanations of terms commonly used when speaking about BSA and anti-money laundering activities. [http://www.ffiec.gov/bsa\\_aml\\_infobase/default.htm](http://www.ffiec.gov/bsa_aml_infobase/default.htm)

