

## A Good Yarn... International Trade Finance / PO Funding



A North Carolina exporter of yarns and textiles was one of our first export deals – our thanks remain with the Business Development Officer for the deal, which required some “hand holding” right from the start.

This prospect, which first came across the BDO’s desk in January of ’09, in need of money as his main export customer in Egypt was increasing in volume and wanted credit terms instead of paying cash against shipping documents. Here are some of the challenges he faced:

They had no credit insurance on their export accounts and the Credit Insurance company declined our limit requests. We suggested an ExIm bank policy and we worked with Ex-Im Bank to get the necessary debtor coverage in place with the ExIm enhanced assignment to us on the policy.

We needed subordination from our client’s bank who we helped navigate the transition to an accounts receivables funding facility.

The prospect also had significant IRS arrears.

These obstacles were all overcome and the client was delighted to be funded in March. If the bank had co-operated quicker we could have had them funded in February!

Neebo Capital was able to place this client with the right lender to help with these specific situations; here is how the lender was able to help.

Scrutiny of the Exlm bank policy to ensure the limits and premiums are all in order prior to funding.

Working with the IRS to direct the advances towards the tax arrears position.

Helping the client understand the different shipping terms available to him and the back up documentation that is required and what affect all these have on the timing of the funding advance.

Dealing with the verification of overseas customer balances.

When you have significant challenges like this to sort out you are not talking about regular factoring. The ops team with this lender are all familiar with credit insurance, shipping documentation and working with overseas debtors. They manage the expectations of the clients to help them understand that just sending a copy of the invoice when dealing with export accounts just isn't enough for any funding facility.

We have to work hard to gain their trust and understanding that the need for close involvement in their export transactions is not designed to hinder them but to ensure that the lender can deliver them a smooth funding process. We know we have achieved this goal when the client picks up the phone and calls us for help or advice prior to just sending the invoice schedules over.

As you can see from this client situation, sometime we really do have to go above and beyond in order to get the client funded. We now have a client that is grateful to us for having helped him with his tax situation and on going cash flow need. He is confident in his ability to export securely with the operational resources available here to assist him through this process.