



U.S. Small Business  
Administration

# **WCP Introduction & 120-Day Performance Summary**

December 11, 2024

# Introducing the Working Capital Pilot (WCP) Program

- The WCP is a **new pilot loan program** that launched on August 1, 2024, and is available to all SBA lenders as part of the 7(a) Loan Program
- As the first new 7(a) program since 2012, WCP was designed to serve as the SBA's premier working capital program, engineered to meet the needs of modern small businesses
- Offering a new **annual fee structure** modeled after the Export Working Capital Program (EWCP), the SBA guaranty fee is assessed in annual increments, allowing Lenders the ability to tailor the loan to the specific need of their clients
- The WCP will provide **75%** guaranteed lines of credit **up to \$5 million** that can support both domestic **and** international transactions
- Lenders will be able to use the WCP to issue revolving lines of credit with the flexibility to structure both asset-based **and** transaction-based facilities
- WCP is fully supported by the SBA's team of Export Finance Managers

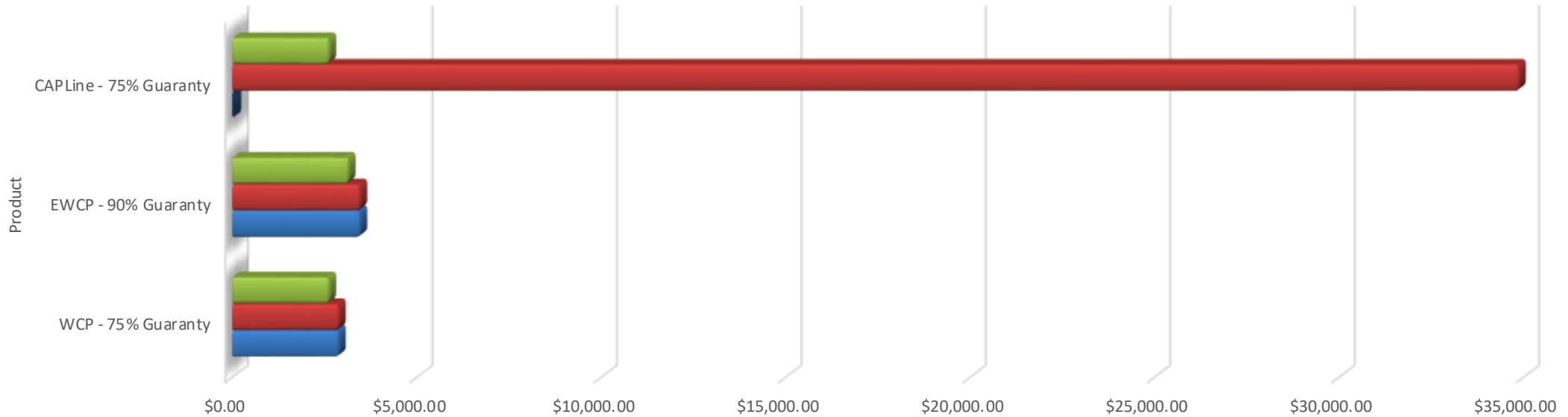
# 7(a) Working Capital Pilot Overview

<b>Maximum Loan Amount</b>	\$5,000,000
<b>Loan Guarantee</b>	85% \$150,000 or less 75% Greater than \$150,000
<b>Loan Maturity</b>	Maximum term of 60 months Lenders may reissue (refinance) WCP loans at any point during the loan, including at the end of the 60-month term
<b>Processing</b>	Non-delegated Authority Preferred Lender Program (PLP)-WCP Delegated Authority
<b>Base Rates</b>	Prime & SOFR + 3.0% (New)
<b>Interest Rates</b>	WCP follows the interest rate schedule for the 7(a) Program:  \$50,000 or less: Cannot exceed base rate + 6.5% \$50,001 - \$250,000: Cannot exceed base rate + 6.0% \$250,001 - \$350,000: Cannot exceed base rate + 4.5% \$350,001 and greater: Cannot exceed base rate + 3.0%

# SBA 7(a) Guaranty Fee Cost Comparison

- This chart outlines the SBA guaranty fee for the CAPLine, EWCP and WCP loan programs based on an average facility size of \$1.4 million (the average size of a CAPLine & EWCP loan) during the sample period
- The CAPLine program utilizes the standard 7(a) guaranty fee (upfront fee), which causes a substantial increase in the annual guaranty fee in year two

\$1,400,000 Line of Credit



	WCP - 75% Guaranty	EWCP - 90% Guaranty	CAPLine - 75% Guaranty
■ Year 1	\$2,625.00	\$3,150.00	\$2,625.00
■ Year 2	\$2,887.50	\$3,465.00	\$34,875.00
■ Year 3	\$2,887.50	\$3,465.00	\$0

■ Year 1 ■ Year 2 ■ Year 3

# WCP Loan Maturities

- In FY21, the SBA established an annual guaranty fee structure for the Export Working Capital Program (EWCP)
- Under this new structure, the SBA guaranty fee for the EWCP program is now assessed in annual increments, avoiding the need to reissue a new loan annually
- The annual guaranty fee is the foundation of the WCP, allowing lenders the means to structure revolving lines of credit in 12-month increments
- The WCP has a maximum loan term of 60 months which represents the total period for which a commitment can be issued for
  - The Lender may set independent loan maturities (typically on an annual basis) during the loan term which will coincide with the annual review process
  - Lenders may issue a new WCP loan at the end of the 60-month maximum term, or at any other point during the loan term, as proceeds from the new WCP can be used to pay off the initial facility
- Standby Letters of Credit issued under a WCP loan must expire before both the loan maturity date **and** maximum loan term

# WCP SBA Guaranty Fee (Upfront Collected Fee)

[WCP Guaranty Fee](#) have been published

- FY25 WCP Guaranty Fee Structure:
  - Loans <\$1 million with loan term up to 60 months = 0% fee
- For WCP Loans >\$1 million, the following fee schedule applies if the Lender collects the total fee at the time of origination:
  - Loan term of  $\leq 12$  months = 0.25% of the guaranteed portion
  - Loan term of 13-24 months = 0.525% of the guaranteed portion
  - Loan term of 24-36 months = 0.80% of the guaranteed portion
  - Loan term of 36-48 months = 1.075% of the guaranteed portion
  - Loan term of 48-60 months = 1.35% of the guaranteed portion

**SBA guaranty fees are subject to change annually**

# WCP SBA Guaranty Fee (Annually Collected Fee)

- For WCP Loans >\$1 million, the following fee schedule applies if the Lender collects the guaranty fee in annual increments:
  - Initial loan term of  $\leq 12$  months = 0.25% of the guaranteed portion
  - Extension of loan term for period of 13-24 months = 0.275%
  - Extension of loan term for period of 24-36 months = 0.275%
  - Extension of loan term for period of 36-48 months = 0.275%
  - Extension of loan term for period of 48-60 months = 0.275%
- When collecting the SBA Guaranty Fee annually, the lender conducts a servicing action in E-Tran to extend the term from one year to the next
  - This action will generate an amount owed for the next term of the WCP loan

**SBA guarantee fees are subject to change annually**

# WCP Fee Information

- Fees the Lender may charge the Borrower:
  - Service and packaging fees
  - Extraordinary servicing fee up to 2.0% of the loan amount annually
  - Out-of-pocket expenses, including field exam fees
    - Field examiners are not considered Agents
- Use of Agents and fees Agents may charge:
  - SBA permits a third party to charge an Applicant fees for packaging and other services
  - SBA regulations at 13 CFR [Part 103](#) and SOP 50 10 7.1, govern the activities of Agents, the disclosure of fees, and SBA's expectations of 7(a) Lenders in exercising due diligence and prudent oversight of their third-party vendors, including LSPs, and other loan agents



# Secured Overnight Funding Rate (SOFR)

- The WCP introduces the Secured Overnight Funding Rate (SOFR) as a new base rate
- Administered by the Federal Reserve Bank of New York, SOFR is the successor rate to the London Interbank Offered Rate (LIBOR) and is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities
- **At this time, SOFR is only available for use on WCP loans** and the base rate has been set at SOFR + 3.0%
- As an SBA base rate, SOFR follows the 7(a) interest rate schedule meaning that the maximum interest rate for a loan greater than \$350,000 would be SOFR + 6.0%

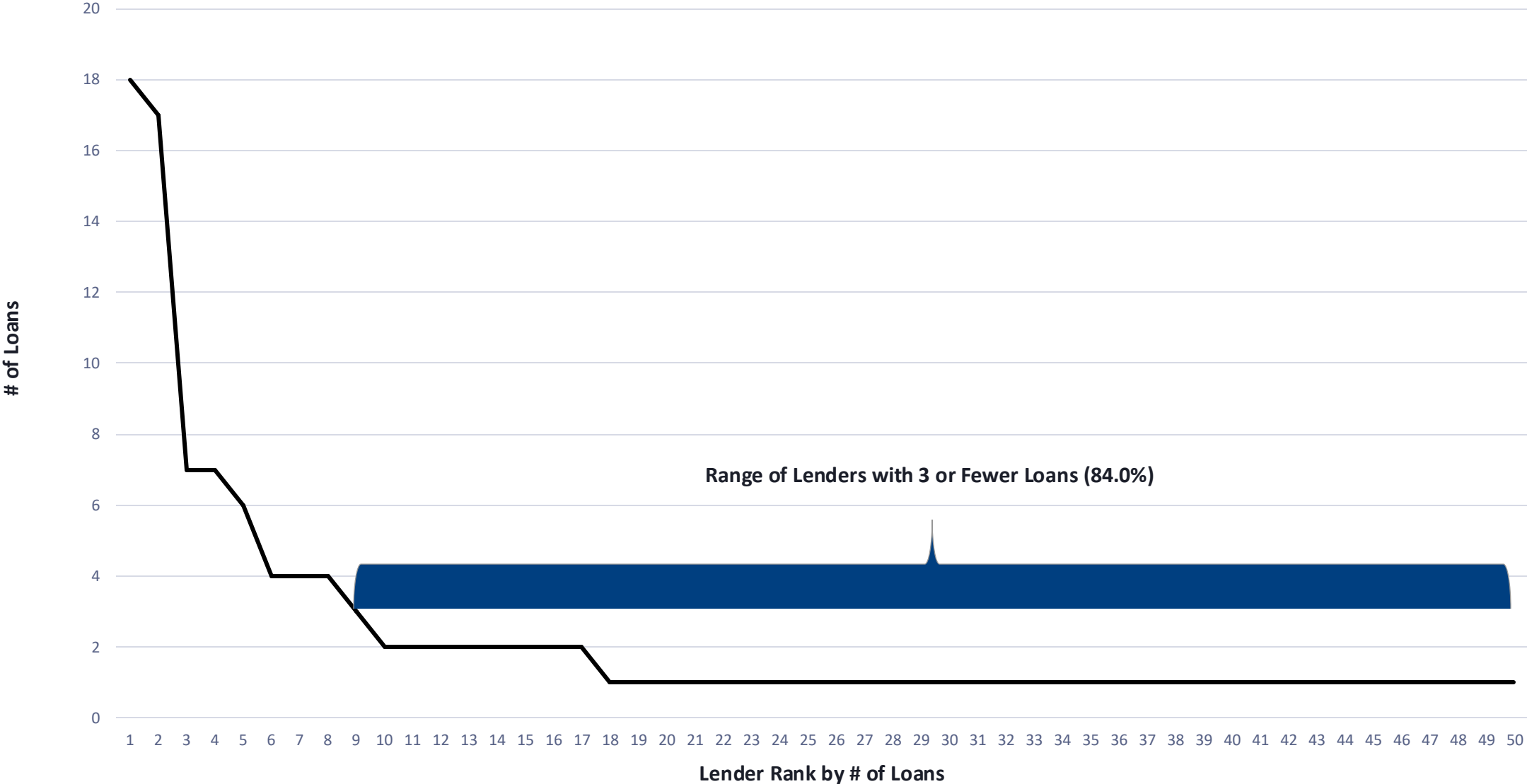
# Secured Overnight Funding Rate (SOFR)

- The SBA recognizes that financial institutions use a range of SOFR products to deliver an equivalent reference rate, including 30-day term SOFR
- As a result, SBA allows Lenders to use their established SOFR reference rates
- The amount of interest SBA will pay to a Lender following default of a WCP loan will be calculated based on the daily SOFR rate as reported by the [Federal Reserve Bank of New York](#) on the first business day of the month in which the WCP loan was approved by SBA (i.e., the date the loan received and SBA loan number)



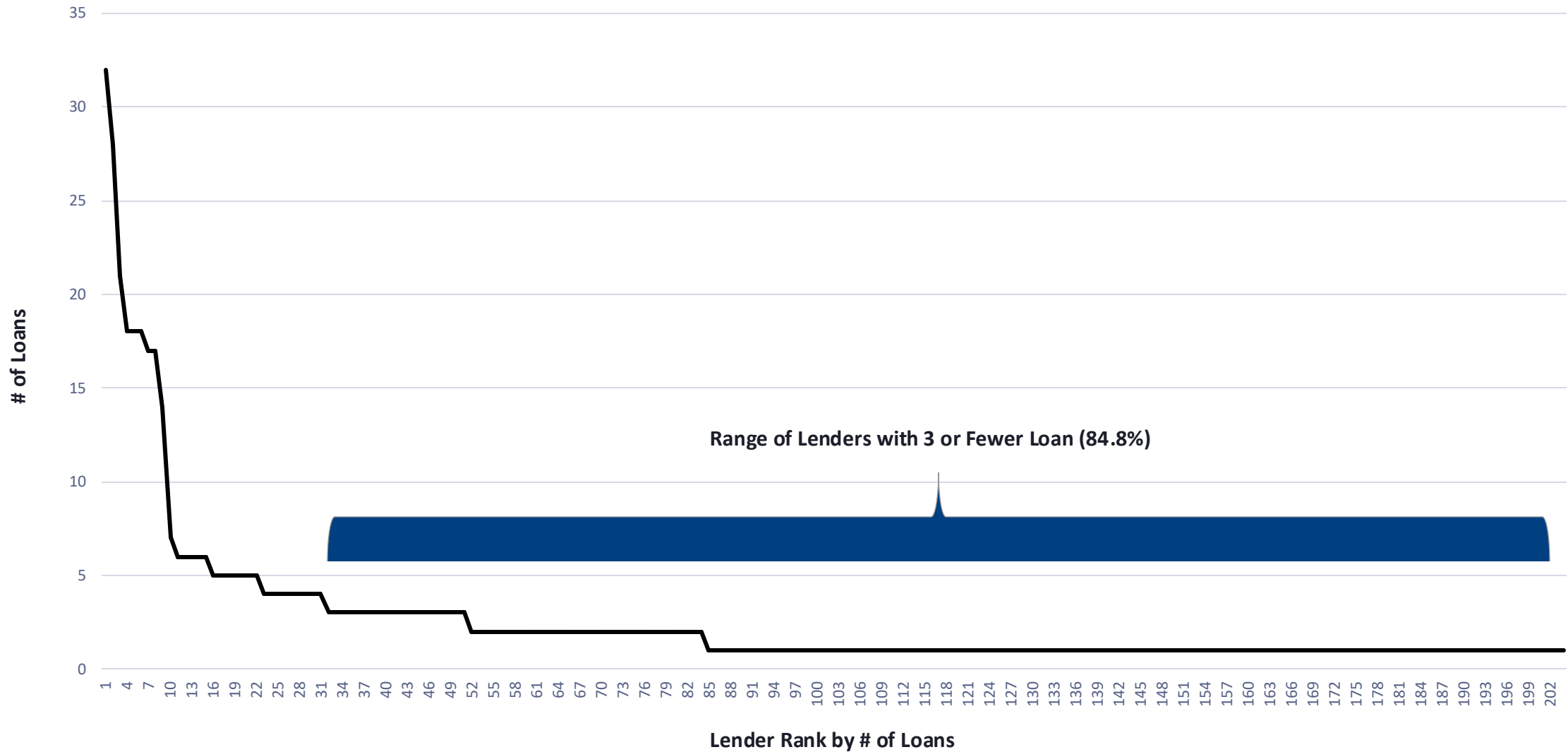
# Why Was WCP Necessary?

# Export Working Capital Program (EWCP) Utilization



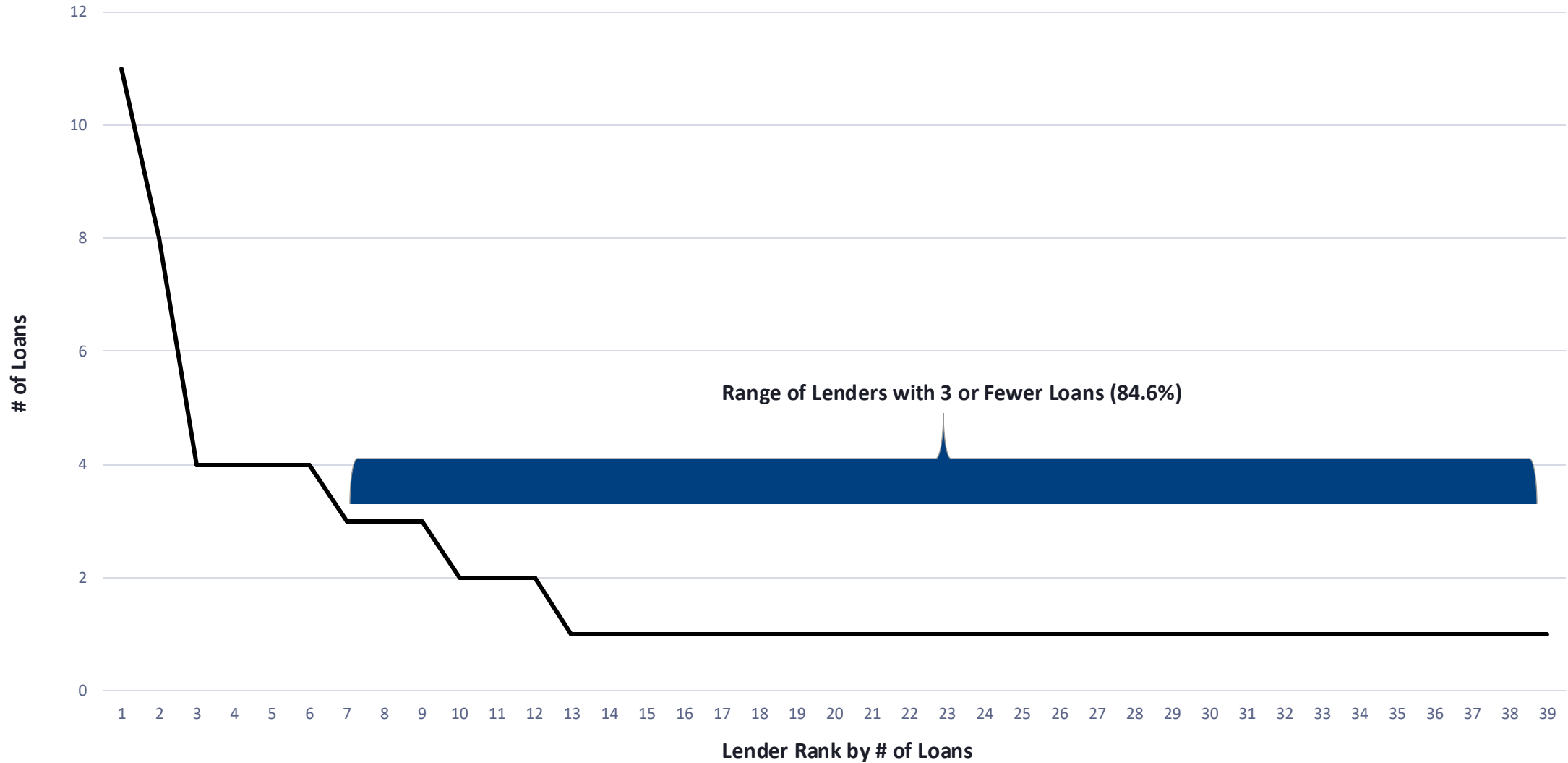
• Dataset comprises all active EWCP loans originated between FY21 and FY25

# Working Capital CAPLine Utilization



- Dataset is a sample of active Working Capital CAPLines originated between FY20 and FY25.

# Contract CAPLine Utilization



- Dataset is a sample of active Contract CAPLines originated between FY20 and FY25.



# 120-Day Performance Summary

# Working Capital Pilot Program – First 120 Days

Working Capital Pilot (WCP)			
Week	Loans	\$ Value	Average
8/5	0	\$ -	-
8/12	0	\$ -	-
8/19	0	\$ -	-
8/26	4	\$ 4,250,000	\$ 1,062,500
9/2	1	\$ 330,000	\$ 330,000
9/9	0	\$ -	-
9/16	2	\$ 3,250,000	\$ 1,625,000
9/23	3	\$ 7,500,000	\$ 2,500,000
9/30	2	\$ 3,624,000	\$ 1,812,000
10/7	3	\$ 3,350,000	\$ 1,116,667
10/14	0	\$ -	-
10/21	0	\$ -	-
10/28	1	\$ 3,000,000	\$ 3,000,000
11/4	0		
11/11	1	\$ 1,000,000	\$ 1,000,000
11/18	5	\$ 5,200,000	\$ 1,040,000
11/25	1	\$ 4,000,000	\$ 4,000,000
	<b>23</b>	<b>\$ 35,504,000</b>	<b>\$ 1,543,652</b>

Working Capital CAPLine			
Week	Loans	\$ Value	Average
8/5	0	\$ -	-
8/12	2	\$ 4,500,000	\$ 2,250,000
8/19	3	\$ 2,450,000	\$ 816,667
8/26	4	\$ 3,054,500	\$ 763,625
9/2	1	\$ 1,000,000	\$ 1,000,000
9/9	2	\$ 3,000,000	\$ 1,500,000
9/16	2	\$ 3,000,000	\$ 1,500,000
9/23	4	\$ 2,416,000	\$ 604,000
9/30	3	\$ 1,300,000	\$ 433,333
10/7	0	\$ -	-
10/14	2	\$ 450,000	\$ 225,000
10/21	3	\$ 1,700,000	\$ 566,667
10/28	1	\$ 120,000	\$ 120,000
11/4	4	\$ 2,100,000	\$ 525,000
11/11	5	\$ 2,550,000	\$ 510,000
11/18	0	\$ -	-
11/25	1	\$ 750,000	\$ 750,000
	<b>37</b>	<b>\$ 28,390,500</b>	<b>\$ 767,311</b>

Contract CAPLine			
Week	Loans	\$ Value	Average
8/5	2	\$ 1,900,000	\$ 950,000
8/12	0	\$ -	-
8/19	0	\$ -	-
8/26	1	\$ 2,200,000	\$ 2,200,000
9/2	0	\$ -	-
9/9	2	\$ 1,600,000	\$ 800,000
9/16	0	\$ -	-
9/23	1	\$ 1,600,000	\$ 1,600,000
9/30	0	\$ -	-
10/7	2	\$ 950,000	\$ 475,000
10/14	0	\$ -	-
10/21	0	\$ -	-
10/28	2	\$ 2,600,000	
11/4	0	\$ -	-
11/11	0	\$ -	-
11/18	1	\$ 2,000,000	
11/25	0	\$ -	-
	<b>11</b>	<b>\$ 12,850,000</b>	<b>\$ 1,168,182</b>

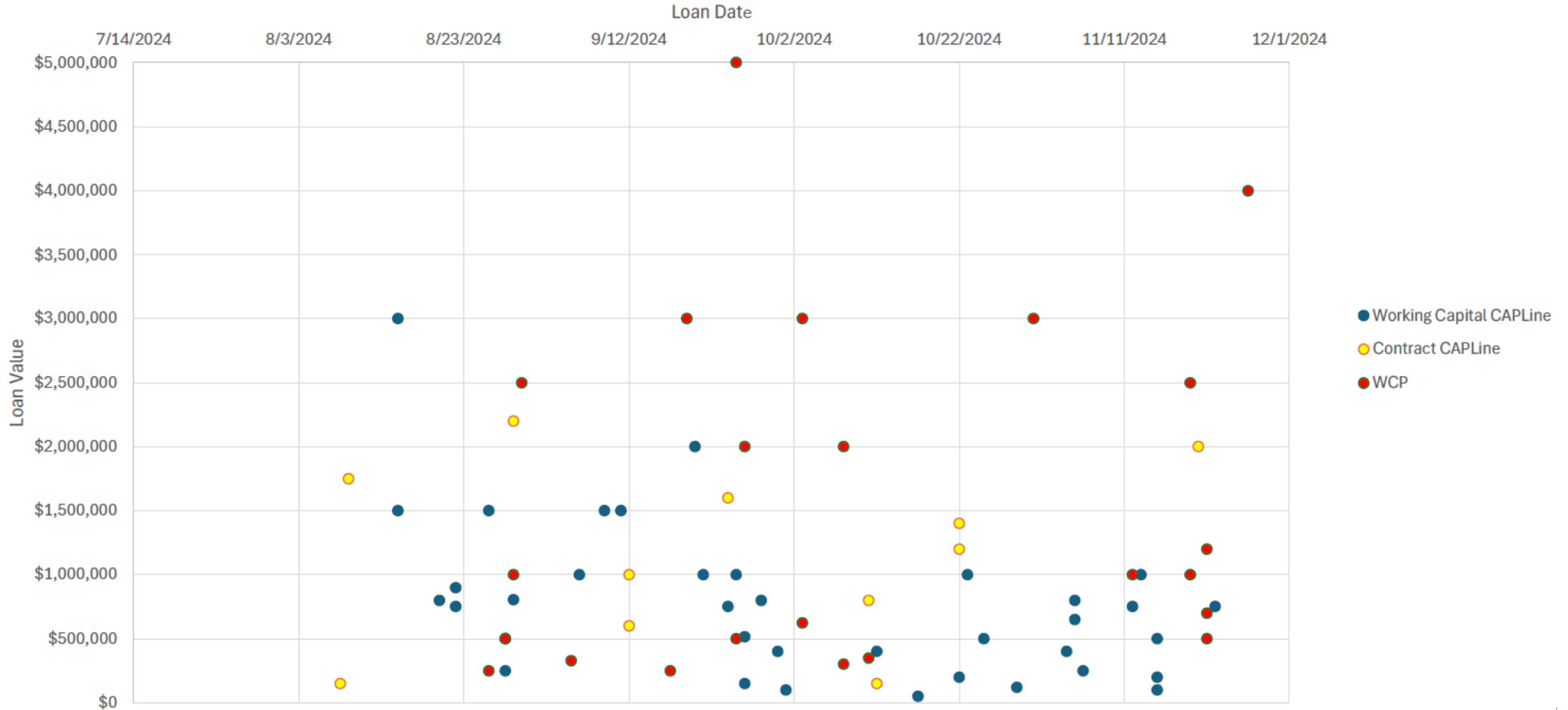
Largest Loan: \$ 5,000,000  
 Smallest Loan: \$ 250,000  
 Median Loan Amount: \$ 1,000,000  
 Unique Lenders: 14  
 Loans Per Lender: 1.64 :1

Largest Loan: \$ 3,000,000  
 Smallest Loan: \$ 50,000  
 Median Loan Amount: \$ 750,000  
 Unique Lenders: 33  
 Loans Per Lender: 1.12 :1

Largest Loan: \$ 2,200,000  
 Smallest Loan: \$ 150,000  
 Median Loan Amount: \$ 1,200,000  
 Unique Lenders: 9  
 Loans Per Lender: 1.22 :1



# Working Capital Pilot Program – First 120 Days



# SBA Working Capital Portfolio – As of 11/30/24

	Export Working Capital Program (EWCP)	Working Capital CAPLine	Contract CAPLine	Working Capital Pilot (WCP)
Sample Size	Active Loans FY21-FY25	Active Loans FY20-FY25	Active Loans FY20-FY25	Active Loans 8/1/24 - 11/30/24
Total Dollar	\$256,200,000	\$569,698,400	\$105,101,600	\$35,504,000
Total Loans	120	543	77	23
Total Lenders	48	214	38	14
Loans Per Lender	2.50	2.54	2.03	1.64
Largest Loan	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Smallest Loan	\$300,000	\$10,000	\$25,000	\$250,000
Median	\$1,500,000	\$800,000	\$1,000,000	\$1,000,000
Average	\$2,135,000	\$1,049,168	\$1,364,956	\$1,543,652



# Transaction-Based WCP

# WCP Delivery Methods: Transaction-Based

## Transaction-Based Loan:

- A line of credit that can support a single or multiple transactions during the term of the loan
- A Transaction-Based WCP may be established on a revolving or non-revolving basis based on the needs of the business
- Monitored pre-shipment financing allows a business to purchase materials, components, or other related expenses necessary to start a project
- Lender establishes a cash collateral account in the name of the Borrower to monitor for payment, applying all receipts against the outstanding principal balance

# Key Benefits of Transaction-Based Lending

## For the Lender

- Transaction-based allows lenders to extend capital at an earlier point than they would using traditional lines of credit
- Transaction-based lending allows lenders to advance in support of upcoming projects or orders before any asset or billing is created

## For the Borrower

- Ability to access working capital to fund the direct costs (materials and labor) related to a project or order
- Can support significant increases in working capital needs that are not otherwise supported by existing assets

# Transaction-Based WCP: Line Cycle



# Transaction-Based WCP: WCP Loan #3 August 2024

This example highlights two of the challenges facing a small business engaged in a large contract that the Transaction-Based WCP can help solve:

1. The need to access funding before billing revenue is received
2. A small business contract that has a large concentration on a single contract

## **Business Need:**

A masonry contractor has won the bid to perform the brick work on a stadium renovation and expansion. Their current line of credit is not large enough to support early part of the project which is also the most capital intensive due to the need to purchase the materials and supplies before construction begins

## **Loan Solution:**

**The Lender structured a Transaction-Based WCP line of credit**, to fund the initial materials purchases and labor related to the project. The Lender who issued the WCP is active with the CAPLine program but found the fee for an 18-month commitment to be too expensive for the borrower.



# Asset-Based WCP



# Key Benefits of Asset-Based Lending

## For the Lender

- Asset-based loans allow Lenders to extend working capital against a pool of assets while monitoring using a Borrowing Base Certificate to ensure the loan always remains in margin
- With the support of a BBC to monitor the facility, the Lender can issue larger lines of credit with increased advance rates on accounts receivable and inventory

## For the Borrower

- Asset-based loans allow the borrower to obtain a greater amount working capital than what is typically available under an open revolving facility
- Asset-based loans provide the flexibility to meet the current and future needs of a business
- An ABL loan allows borrowers to monetize their otherwise illiquid assets (account receivables and inventory) to help fund upcoming purchases and overhead expenses

# WCP Delivery Methods – Asset-Based

## Asset-Based Loan (ABL):

- ABL loans are revolving lines of credit supported by a Borrowing Base Certificate (BBC) which measures the collateral position, accounts receivable and inventory, of the loan
- ABL loans are typically committed for 12 months and then renewed or re-issued annually
- The Lender must obtain updated financial statements on the Borrower annually and perform a full credit analysis annually, coinciding with any applicable renewal
- The SBA guaranty on the WCP helps lenders support enhanced advance rates:
  - Domestic Accounts Receivable:
    - Maximum advance rate is 85%, 90% if insured
  - Foreign Accounts Receivable:
    - Maximum advance rate is 90% if insured or backed by a letter of credit
    - Lenders may advance 70% on open account foreign accounts receivable (capped at 15% of the line)
  - Inventory:
    - Maximum advance rate is 60%

# Asset-Based WCP: WCP Loan #19 November 2024

This example highlights two of the challenges facing a growing service firm that the Asset-Based WCP can help solve:

1. Growing concentrations among the Borrower's two largest customers
2. A conventional facility that restricted individual buyers and suppressed availability

## **Business Need:**

A service company has a growing concentration with their two largest customers which now represent more than 50% of their outstanding accounts receivable. The company has had a \$1.5 million conventional asset-based line in place that can no longer support their growing business. The previous lender was willing to increase the line but would not raise the cap on their largest customers.

## **Loan Solution:**

**The Lender structured an Asset-Based WCP line of credit**, to help support the growth with the Borrower's largest customers, allowing a new lender to offer a \$2.5 million facility with increased concentration caps. To mitigate the risks associated with the concentrations, the Lender implemented daily monitoring of the line with a cash collateral account. Based on the concentration and size of the line, annual field exams provide insight into those relationships as well.



# Training Opportunities & Contact Information

# Office of International Trade Contact Information

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U.S. Small Business Administration

# Working Capital Training & Support

## December 2024

Wednesday, December 4, 2024, at 3:00 PM Eastern – WCP Overview Training

## January 2025

Wednesday, January 8, 2025, at 3:00 PM Eastern – WCP Transaction Based Training

## February 2025

Wednesday, February 5, 2025, at 3:00 PM Eastern – WCP ABL Training

Additional training videos can be found on the 7(a) Training on Demand page.

Questions on the WCP can be emailed to [7aWCP@sba.gov](mailto:7aWCP@sba.gov).

Registration for the events is now open  
and can be found on the [OIT LinkedIn page](#)

