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CAPITAL EQUIPMENT FINANCING

Medium-Term Export Credit Insurance for U.S. Exporters and Banks

Managing risk is crucial to a company's ability to grow its business abroad. Without it, many businesses hesitate to enter the global market, despite the clear opportunities for sales growth.

EXIM's Medium-Term Export Credit Insurance safeguards international capital equipment and related service sales against the risk of international buyer nonpayment. This policy provides 100% coverage for commercial and political risks to the insured amount. To qualify, the sale must include extended credit terms of 1 to 5 years (or, in some cases, up to 10 years) and an invoice amount of up to \$25 million. Both U.S. exporters and financial institutions could benefit from this type of insurance under certain circumstances.

With the security of Export Credit Insurance,
exporters can increase global competitiveness by
offering buyers the financing needed to win sales.



HOW IT WORKS

To understand the process involved with Medium-Term Credit Insurance, consider the following hypothetical scenario. An agricultural equipment manufacturer based in the U.S. is interested in selling its products to a buyer in a foreign country.

This U.S. manufacturer would like to offer competitive credit terms to its foreign buyer and is considering EXIM's trade finance products as a solution. Its sales price is \$9 million, and it will offer a five-year loan repayment term with semi-annual payments of principal plus interest at current U.S. rates. Assuming certain terms, conditions, and requirements are met, the manufacturer could pursue a Medium-Term Credit

Insurance policy because the financed loan amount is less than \$25 million and the foreign buyer's loan repayment tenure is greater than one year. If U.S. content is at least 85%, the loan amount would equal to 85% of the CIF invoice value for the equipment (after a 15% down payment by the buyer) plus the EXIM insurance premium.

As the application for Medium-Term Credit Insurance can be submitted by either the exporter or its bank, the steps involved (detailed on the following page) differ based on whether the exporter or the bank is the applicant.

POLICY PROCEDURES

Common Buyer Documentation

Each transaction is unique, so each one is underwritten by EXIM based upon the creditworthiness of the borrower and accounts for the specific market conditions of the deal. In some cases, a perfected security interest in the agricultural equipment to be financed may be required. Other common structures include requiring personal guarantees from the owners of the foreign company purchasing the equipment.

Selling a Loan to a Commercial Bank

If the exporter seeks to sell the loan to a commercial bank, the exporter will execute a Note Purchase Agreement and assign EXIM's Medium-Term Insurance policy to the commercial bank before selling the loan. As part of this arrangement, the exporter assigns the policy to the lender and the lender becomes the EXIM-insured. The exporter is expected to assist the lender in the policy compliance process and provide exporter certificates and other documents as needed by the lender to fulfill EXIM policy requirements. After buying the loan, the commercial bank will collect loan payments and service the loan.



LOAN STEPS	SUPPLIER CREDIT STRUCTURE (Exporter is the applicant)	BUYER CREDIT STRUCTURE (Exporter's bank is the applicant)
		<i>The exporter:</i> Refers the opportunity to a commercial bank.
1	<i>The exporter and foreign buyer:</i> Agree on terms and conditions of financing.	<i>The bank and foreign buyer:</i> Agree on terms and conditions of financing.
2	<i>The exporter or EXIM-registered broker:</i> Submits a Medium-Term Insurance application and all required credit information.	<i>The bank:</i> Submits a Medium-Term Insurance application and all required credit information.
3	<i>EXIM:</i> Reviews the application and conducts due diligence.	<i>EXIM:</i> Reviews the application and conducts due diligence.
4	<i>EXIM:</i> Renders a decision; if approved, a policy is issued.	<i>EXIM:</i> Renders a decision; if approved, a policy is issued.
5	<i>The foreign buyer:</i> Executes an EXIM-formatted Promissory Note and any other requirements.	<i>The foreign buyer:</i> Executes an EXIM-formatted Promissory Note and any other requirements.
6	<i>The exporter:</i> Receives down payment (15% of contract value) from the buyer.	<i>The exporter:</i> Confirms receipt of down payment (15% of contract value) from the buyer.
7	<i>The exporter:</i> Ships the goods.	<i>The exporter:</i> Ships the goods.
8	<i>The exporter:</i> Provides an exporter invoice, buyer purchase order, and bill of lading.	<i>The bank:</i> Requests an exporter invoice, buyer purchase order, and bill of lading.
(Optional)		<i>The foreign buyer:</i> Provides written record of receipt, inspection, and acceptance of goods if requested by the bank.
9	<i>The exporter:</i> Retains financing on its books and collects loan payments from the buyer, or sells the loan to a commercial bank.	<i>The bank:</i> Disburses funds to exporter, services the loan, and receives loan payments throughout the life of the loan.

LEARN MORE

U.S. government agencies have a wealth of resources to help you grow your business through exporting. EXIM works hand-in-hand with the Small Business Administration (SBA) and Department of Commerce (DoC) to meet your small business exporting needs. You can:



Share The Success

EXIM has helped many businesses of all sizes begin exporting. Read about their success stories.

grow.exim.gov/customer-success



Protect Your Business

Export Credit Insurance empowers you to safely sell products and services abroad.

grow.exim.gov/export-guide



Unlock Your Business's Cash Flow

Learn how EXIM works with your lender to provide access to working capital.

grow.exim.gov/wclg-guide



This is a descriptive summary to be used only as a general introductory reference tool. The complete terms and conditions of the policy are set forth in the policy text, applications, and endorsements.