



Global Trade with EXIM Support for Commercial Lenders



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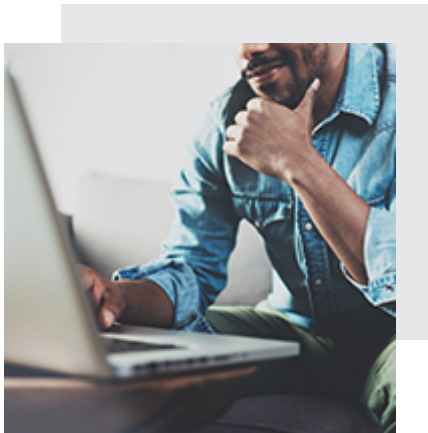


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OPENING REMARKS



Congressman
Michael F.Q. San Nicolas
Delegate to U.S. House
of Representatives



INTRODUCING OUR SPEAKERS



Michael Dwiggins
Lender Account Manager



Sandra Donzella
Deputy Managing Director, Western Region





Global Trade Finance

EXIM Support for Commercial Lenders

EXIM BANK: WHO WE ARE

EXIM is the official Export Credit Agency (ECA) of the U.S. Government.

Mission: To support **U.S. jobs** by facilitating U.S. exports.

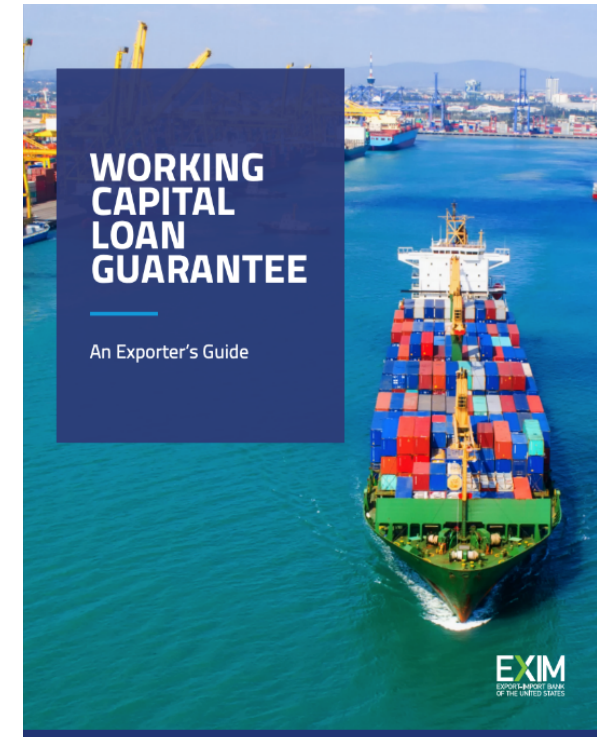
- › Established in 1934
- › Headquartered in Washington, D.C.
- › 12 Regional Offices nationwide
- › Support for all U.S.-based companies who export
- › Nearly 90% **direct** support for small businesses



WORKING CAPITAL LOAN GUARANTEE

- › 90 % guarantee to the Lender on principal and interest for U.S. Exporter's export-related inventory and accounts receivable (A/R)
- › Guarantee also covers certain liquidation costs
- › Generally one year or less
- › Must be fully collateralized
- › Covers exporter performance risk

Note: Provides no protection to exporter against foreign buyer nonpayment



LINES OF CREDIT



- › Transaction Specific
- › Transaction Specific Revolving
- › Revolving Line of Credit
 - Multiple transactions or specifically identified ones
 - May be committed for up to five years with annual reviews



U.S. CONTENT POLICY

- › Goods must have at least 50% U.S. content to guarantee the entire transaction
- › Exports must be manufactured in and shipped from the U.S.





LENDER BENEFITS



- › Expand services to existing customers
- › Attract new customers
- › Increase profit
- › Improve credit's risk rating



EXPORTER BENEFITS



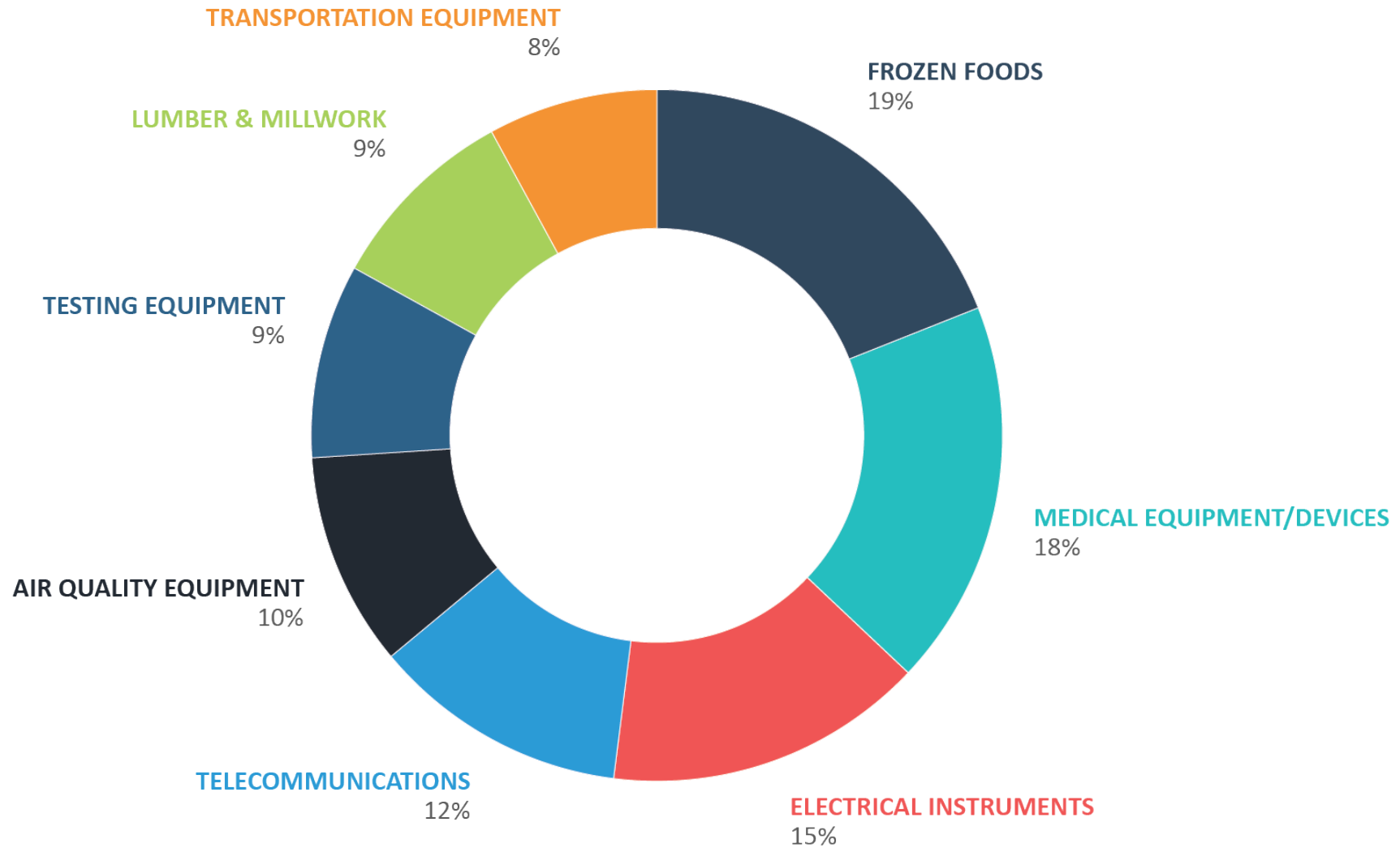
- › Increase sales/profits
- › Expand collateral base
 - Export-related inventory, including raw materials and WIP
 - Supports Standby L/Cs, Bid and Performance Bonds
 - Export-related accounts receivable

EXPANSION OF YOUR CLIENT'S COLLATERAL BASE



Collateral (Inventory) Amount		Your Working Capital Facility <i>without</i> EXIM		Your Working Capital Facility <i>with</i> EXIM	
		Advance Rate	Borrowing Base	Advance Rate	Borrowing Base
<u>Export Inventory</u>					
Raw Materials	\$200,000	20%	\$40,000	75%	\$150,000
WIP	200,000	0%	0	75%	150,000
Finished Goods	600,000	50%	300,000	75%	450,000
<u>Export/ Foreign Accounts Receivable</u>					
Open Account/ Foreign Receivable	\$400,000	0%	0	90%	\$360,000
L/C Backed A/R	600,000	70%	\$420,000	90%	\$540,000
Total Borrowing Base			\$760,000		\$1,650,000

TYPES OF SECTORS SUPPORTED





TYPE OF EXPORTERS



- › Manufacturers
- › Wholesalers/Distributors
- › Service Companies



ELIGIBLE U.S. EXPORTERS



- › Reasonable assurance of repayment
 - Minimum one year operating history
 - Debt service ability
 - Adequately capitalized relative to requested loan amount
- › Business operations in the U.S.
- › Indirect exporters
 - 100% of line of credit



TYPE OF BORROWER PROFILE



- › Minimal net worth; short operating history
- › Large contract in relation to balance sheet
- › Collateral shortfall; WIP financing needed
- › Tight liquidity; long trading cycle

USE OF FINANCING



**Labor/Overhead
Materials**



**LCs, Bid &
Performance Bond**



**Warranties &
Retainages**



**Payoff Existing
Lines**

L/Cs, BID AND PERFORMANCE BONDS



- › Commercial or Standby (Domestic and Foreign)
 - Collateralized at 25% (10% prior approval)
 - Term cannot exceed loan term
- › Warranty Letters of Credit
 - Lender must extend other credit
 - 100% collateralized; 25% must be in cash
 - Maximum Amount: 20% of loan up to \$1,500,000
 - Term cannot exceed loan term



PAYING OFF EXISTING LINES



- › Initial disbursement may take out existing loan, subject to:
 - Borrower's financial condition
 - Sufficient export collateral
 - Additionality guidelines
 - EXIM prior approval



RESTRICTIONS ON USE OF FUNDS



- › No disbursements without export orders unless pre-approved; sampling is required
- › Inventory less than or equal to 75% of outstanding loan on revolving lines
- › Purchase of fixed assets
- › Military exports
- › Off-cover countries
- › Acquisitions

ELIGIBLE COLLATERAL – EXPORT RELATED A/R



- › Export-Related A/R
 - Up to 90% advance rate
 - Remove if >60 days late, 90 days with insurance
 - Sales on terms not to exceed 180 days
- › Retainage A/R have a 25% Rate
- › Receivables must be in U.S. Dollars
 - A waiver can be requested. Unhedged foreign currency has a 70% advance rate.



INELIGIBLE COLLATERAL – EXPORT RELATED A/R



- › No intra-company receivables
- › No receivables from military organizations
- › No receivables from prohibited countries
- › No L/Cs until goods are shipped



ELIGIBLE EXPORT RELATED INVENTORY



- › May include raw materials; work-in-progress and finished goods
- › Must be located in the U.S.
- › Must be valued at lower of actual cost or market value
- › Advance rate up to 75%



COLLATERAL FOR SERVICE COMPANIES



- › Disbursements allowed against contract related-costs
- › Contract and proceeds assigned to lender
- › Demonstrated ability to perform under contract



TERMS OF SALE



Must comply with Country Limitation Schedule:

- › Cash payment prior to shipping
- › Irrevocable L/C (can be confirmed)
- › Receivables insured with export credit insurance (EXIM or other comparable insurance)
- › Uninsured, open account
- › Documentary collections



FEES FOR DELEGATED AUTHORITY & FAST TRACK



- › Fees will no longer be split (fees not shared with lender)
- › Fee is flat and tiered according to the Maximum Loan Amount only, not per tenor.
- › Fee is paid annually
- › Fee is charged on the full amount of the loan and not the guaranteed amount.
- › No Reduced Fees
- › Lender is allowed to charge additional fees for its own sake.

FACILITY FEES FOR DA & FT LOANS



LOAN AMOUNT	FACILITY FEE DUE TO EXIM
Up to \$2,000,000	0.25%
Over \$2,000,000 and up to \$3,000,000	0.50%
Over \$3,000,000 and up to \$4,000,000	0.75%
Over \$4,000,000 and up to \$5,000,000	0.80%
Over \$5,000,000 and up to \$10,000,000	0.85%
Over \$10,00,000 and up to \$25,000,000 (Fast Track)	0.90%

**As of April 1, 2020*



EXIM FEES FOR NON-DA LOANS



- › Application Fee - \$100 (also for Delegated Authority loans)
- › Facility Fee - Annual
 - 1.75%
- › Reduced Facility Fee – Annual
 - 1.25%
 - At least four of seven RMA Median Standard Met or
 - 100% of export receivables are back by L/Cs or insurance



DELEGATED AUTHORITY ACTIVITY



- › Over 90% of our transactions are done by Delegated Authority Lenders
- › Lenders are not required to have to EXIM approval before closing



CHOOSING THE WCG OR INSURED AR FINANCE



- › Factors influencing the Lender's preference
- › Factors influencing the Borrower's preference



EXIM Bank's Short-Term Export Credit Insurance

A Post-Export Financing Solution

Sandra Donzella

Deputy Managing Director

EXIM Bank's Western Regional Office

INSURANCE SOLUTIONS IN THE ABSENCE OF CASH



Read about it

> www.grow.exim.gov/hubfs/ebook/ECI_eBook.pdf



EXPORT CREDIT INSURANCE – BENEFITS



Insurance on receivables generated from export credit sales



Risk Protection

Protects against buyer nonpayment due to commercial risks and political risks.



Sales Tool

Empowers US exporters to offer competitive credit terms, typically 30-60 days or up to 180-days (360-days for equipment or machinery or bulk ag commodities).



Financing Aid

Obtain additional financing. Most banks will finance up to 90% of the invoiced amount, but generally only if insured.

RISKS COVERED



Commercial Risk:

- › Insolvency
- › Bankruptcy
- › Protracted Default

Note: does not cover commercial disputes

Political Risk:

- › Transfer Risk
- › War, Revolution, Insurrection, Expropriation
- › Cancellation of an Import or Export License

YOUR COMPETITION ABROAD HAS SIMILAR SUPPORT!



Over 100 ECAs globally supporting their exporters compete:

ECA	COUNTRY
EDC	Canada
Export-Import Bank of China	China
ECGD	UK
Coface	France
Hermes	Germany

ECA	COUNTRY
JBIC	Japan
Sace	Italy
KEIC, Keximbank	S. Korea
Efic	Australia

EXPORTER-HELD POLICY TYPES



Multi-Buyer*

95% Coverage

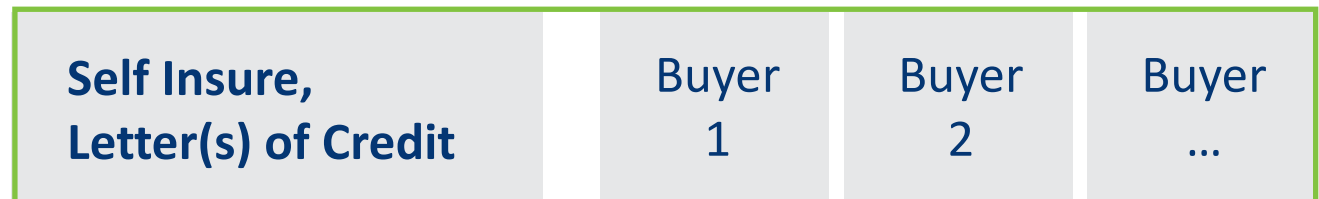
(Discretionary Credit Authority: 0.55%)



Express*

95% Coverage

(Named buyer – 0.65% Rate)



Single-Buyer*

90% Coverage

(One policy per buyer – country risk)



* Premium discount of 25% available when combined with SBA or EXIM Working Capital Guarantee

EXPRESS POLICY KEY FEATURES

- › 12-month policy (renewable) providing **95%** coverage
- › For small businesses with up to 10 buyers and less than 5 years of export credit experience
- › Simple, 3-page application
- › EXIM pre-approves all credit limits requested on each buyer and obtains credit information
- › NO application fee; NO deductible; NO buyer underwriting fee
- › Cost: **0.65%** of the gross invoice value (up to 60-days)...**on a \$30,000 sale**, that's only **\$195 in premium** to insure \$28,500 of exposure (95% of \$30,000)

25% rate discount if exporter also has an SBA or EXIM working capital or SBA Export Express Loan

ELIGIBILITY / RESTRICTIONS



- › Minimum 3-year history (exporter & importer)
- › Exporter must have a Duns # - financial info.
- › Products must be **made in the USA** with a minimum 50% US-content (measured at cost, exclusive of mark-up)
- › Buyer must be located in a country where EXIM is open for support, per the ***Country Limitation Schedule***



-
- › No Military or Defense-related products or obligors (exceptions apply)
 - › No inter-company sales
 - › No adverse economic impact in the US



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