Export-Import Bank Financing Programs

The Export-Import Bank of the United States (Ex-Im Bank) is the official export credit agency of the United States. Ex-Im Bank assists in financing the export of U.S. goods and services to international markets through a variety of methods, including direct loans, loan guarantees, and other credit enhancements. Ex-Im Bank does not compete with private-sector lenders but provides export financing to fill gaps in trade financing.

The Environmental Exports program was established in 1994 to increase support for exports of environmentally beneficial goods and services. Today, it is a highly active portfolio exceeding $3 billion that includes financing for exports of renewable energy equipment, energy efficiency technologies, wastewater treatment projects, air pollution technologies, waste management services, and other goods and services. Through a variety of financing programs, Ex-Im Bank serves as an intermediary between U.S. exporters, lenders, and international buyers, helping to mitigate the risks of exporting to certain markets.

Direct Loans and Loan Guarantees to International Buyers. Ex-Im Bank can provide direct loans and loan guarantees to international buyers, enabling them to purchase U.S. goods and services they may not otherwise be able to finance. Because many U.S. banks have been hesitant to lend, Ex-Im Bank’s transactions recently have involved more direct loans than loan guarantees. Going forward, it is likely that Ex-Im Bank will have a preference for structuring transactions with loan guarantees, given the added administrative and processing burdens that direct loans impose on the agency.

Eligibility. Ex-Im Bank will guarantee medium- and long-term loans to international creditworthy buyers. This financing is available to support international buyers for the following:

- Purchases of U.S. capital equipment and services
- Purchases of refurbished equipment
- Software
- Certain banking and legal fees
- Certain local costs and expenses

Military or defense items generally are not eligible, nor are sales to military buyers (with certain exceptions). Goods eligible for Ex-Im Bank financing must be shipped from the United States to an international buyer.

Loan Size and Terms. There are no size requirements for direct loans or loan guarantees to international buyers. Ex-Im Bank’s loan guarantee will typically cover 85 percent of the U.S. content of
the transaction. The international buyer is required to make a payment of at least 15 percent of the supply contract, for which payment can be borrowed from a lender or from the exporter, or paid with cash.

Repayment terms are determined by several variables, including the borrower’s financial condition, common repayment terms for such products in the market, specific industry practices, industry and country conditions, and useful life of the products, among other things. Repayment terms up to five years are generally available for exports of capital equipment and services. Terms of up to 10 years may be available for exports to large-scale projects.

As part of Ex-Im Bank’s goal to create jobs through the increase of renewable energy and energy efficiency exports, certain renewable energy transactions are eligible for enhanced terms. For example, certain renewable energy projects are eligible for up to 18-year repayment terms. Clean energy projects also are eligible for capitalized interest during construction and up to 30 percent local cost support.

For example, in 2009 Ex-Im Bank made a $102 million direct loan to a U.S. wind turbine manufacturer to finance the export of 27 wind turbines for a wind farm in Mexico. The bank also approved a $4.86 million, 15-year loan guarantee to finance the export of U.S.-based environmental engineering services to a geothermal power plant in Turkey.

**How to Apply.** If discussions regarding an international sales order are underway or the contract order has been awarded, the international borrower or lender may submit an application to Ex-Im Bank. Pre-qualified commercial lenders maintain delegated authority from Ex-Im, and therefore often can expedite transactions.

If the contract has not been awarded, then a lender, an exporter, or an international borrower may request a nonbinding letter of interest (LOI) containing Ex-Im Bank terms for the specific transaction. The LOI is processed within seven working days, is valid for six months, and can be renewed. In exceptional cases, Ex-Im Bank will accept an application for a preliminary commitment (PC). A PC is a non-binding expression of interest from Ex-Im Bank that the borrower's needs, as outlined in the application, generally meet Ex-Im Bank’s financing requirements.

The fees associated with applying for an Ex-Im loan or loan guarantee are the same. Ex-Im charges a nominal application processing fee for letters of interest ($100) and for preliminary commitments (.001 percent of the financed amount). Ex-Im Bank also requires the applicant to pay an exposure fee, which is identical to the Credit Subsidy Cost reference in the DOE Loan Guarantee Programs. However, this fee is not as problematic for borrowers because Ex-Im Bank does allow the borrower to finance the exposure fee, payable over the life of the loan (not upfront at closing, as required at DOE).

**Working Capital Financing Support to U.S. Exporters.** Domestic manufacturers often need working capital financing to support the expansion or establishment of their businesses. In cases where a U.S. company will be exporting goods, Ex-Im Bank will guarantee a loan issued by a pre-qualified commercial lender for working capital financing. This financing may be used to:
• purchase finished products for export;
• pay for raw materials, equipment, supplies, labor, and overhead need to produce goods for export;
• finance foreign receivables; and
• cover standby letters of credit serving as bid bonds, performance bonds, or payment guarantees.

Eligibility. Exporters must (i) be located in the United States; (ii) have at least a one-year operating history; and (iii) have a positive net worth. For applicants who meet these criteria, Ex-Im Bank will typically guarantee 90 to 95 percent of a bank loan (including principal and interest) used for working capital. The guaranteed amount, however, depends on whether the exported good meets the threshold U.S. content requirements.

Eligible exports must (i) be shipped from the U.S. to a foreign buyer; (ii) contain at least 50 percent U.S. content; and (iii) any service-based exports must be performed by U.S.-based personnel. The criteria for determining eligible U.S. content are different depending on whether an applicant/exporter is a small business or a non-small business.

• For small businesses, applicable U.S. content includes direct costs (e.g., labor, materials, and direct overhead) as well as indirect costs (e.g., domestic marketing, research, and development) associated with the production of the exported good.
• For non-small businesses, only direct costs associated with the exported good are eligible.

Ex-Im Bank also relaxes some requirements for small businesses relative to where exported goods are originally manufactured.

• For small businesses, if the product or the aggregate of exported products in a single invoice meets the 50 percent U.S. content eligibility threshold, the entire gross invoice value (sales price) is typically eligible for coverage. This means that domestic processing of a foreign-manufactured good is eligible for Ex-Im Bank support, as long as the U.S.-added content exceeds the 50 percent threshold.
• For non-small businesses, all products itemized on the invoice must be produced or manufactured in the U.S. Therefore, even if the non-small business adds value to the good that exceeds the 50 percent U.S. content threshold, the value of those exported goods is not eligible for Ex-Im support.

Regardless of an applicant’s size, any value added to the good after export from the U.S., including foreign import duties, taxes, or freight, is excluded.

Loan Sizes and Terms. Ex-Im Bank does not impose any minimum or maximum financing amount requirements. As a short-term financing mechanism, guaranteed working capital loan terms typically
last for one year but can cover up to three years. The loans can be either transaction-specific or revolving.

Ex-Im Bank also offers higher advance rates so that exporters can increase their borrowing capacity. For example, exporters can borrow based on a 75 percent advance rate on their inventory (including work-in-process), and up to a 90 percent advance rate for foreign accounts receivables.

Guaranteed working capital loans are secured by export-related accounts receivables and inventory (including work-in-process) tied to an export order. For letters of credit issued under the guaranteed loan, Ex-Im Bank only requires collateral for 25 percent of the face value of the letter of credit. On a case-by-case basis, the collateral requirement may be reduced to 10 percent of the face value of the letter of credit.

**How to Apply.** Exporters may apply for a working capital guarantee either through a pre-qualified commercial lender or directly to Ex-Im Bank for a preliminary commitment. Pre-qualified commercial lender partners have already obtained Ex-Im Bank’s delegated authority, which expedites the loan process because the lender can commit Ex-Im Bank’s guarantee by using such delegated authority. Most of Ex-Im Bank’s working capital guarantees are provided through these pre-qualified lenders.

**Export Credit Insurance.** Ex-Im Bank’s export credit insurance enables exporters to limit risks associated with nonpayment from international buyers, extend competitive credit terms to international buyers, and improve cash flows.

For the risk of buyer nonpayment, it provides coverage for exporters for a variety of commercial risks (e.g., bankruptcy) and certain political risks (e.g., war or the inconvertibility of currency). Ex-Im Bank’s credit insurance can replace the need for cash-in-advance terms and letters of credit, and guarantees accounts receivables so that lenders will be more likely to provide advances against these receivables, and thereby increase working capital cash flows.

**Eligibility.** Ex-Im Bank can insure exports to markets, but may be limited or unable to offer financing in certain countries. The eligibility requirements for short-term and medium-term insurance products are as follows:

- **Short-Term Insurance** – Products must be shipped from the United States and have at least 50 percent U.S. content (excluding mark-up). The same U.S. content rules as discussed previously for the working capital guarantee apply for short-term insurance.

- **Medium-Term Insurance** – Ex-Im Bank will insure up to 85 percent of the net U.S. contract value. If there is less than 85 percent U.S. content in the contract value (i.e., foreign content is more than 15 percent), Ex-im Bank will support only the amount of the U.S. portion.

**Available Policies and Benefits.** Ex-Im Bank offers a variety of insurance policies to enhance U.S. exporters’ access to international markets, and to protect both exporters and lenders from the various
risks associated with exporting. Short-term insurance policies cover a wide range of goods, raw materials, spare parts, components, capital goods, and bulk agricultural commodities. Short-term credit insurance policies often can replace bank financing and payment with letters of credit, enabling exporters to offer Ex-Im Bank-guaranteed credit to their customers. In some cases, this offers the exporter a competitive advantage over others who may be competing for those sales.

Medium-term insurance also is available for exporters and lenders who want to protect longer-term financing to international buyers. Medium-term policies can cover capital equipment or services, in one or even a series of shipments. Below are several examples of available policies.

- **Multi-Buyer Policy:** This policy allows exporters to insure all sales to eligible international buyers on “open account” credit terms. This simplifies and streamlines sales for exporters in that in a single policy they receive 90-95 percent commercial and 95-100 percent political coverage against buyer payment defaults. For qualifying small businesses that have export credit sales of less than $5 million, enhanced terms are available.

- **Single-Buyer Policy:** This policy provides credit protection for short-term credit sales made by an exporter to a single international buyer during a 12-month period. It provides 90 percent coverage against buyer payment defaults with no first-loss deductible, and increases an exporter’s borrowing base by allowing for the assignment of an exporter’s receivables to a lender.

- **Bank Letter of Credit Policy:** This policy protects U.S.-based banks against losses (i.e., the failure of a foreign issuing bank to make payments or reimbursements) on irrevocable letters of credit opened to finance U.S. exports.

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