



EXPORT-IMPORT BANK
of the UNITED STATES

Jobs Through Exports

Latin America Overview – Trade and Markets

Los Angeles Area Chamber of Commerce

July 2009



Who We Are

- Ex-Im Bank is an independent agency of the United States
 - Established in 1934
 - Exports only since 1950
 - Headquartered in Washington, DC
 - Offices in NYC, Miami, Chicago, Houston, Dallas, San Francisco, Los Angeles, San Diego

- Mission: Facilitate the **finance** of U.S. exports in order to sustain U.S. jobs.
 - Since inception, supported more than \$420 billion
 - 2008: \$466 million in support for minority- and woman-owned businesses



What We Do

- **Ex-Im Bank** assumes **foreign/non-U.S.** credit and country risks that U.S. exporters, banks, or insurers may not be willing to take.
 - Loan Guarantees &
 - Export Credit Insurance
- **Ex-Im Bank** levels the playing field, so you can compete internationally



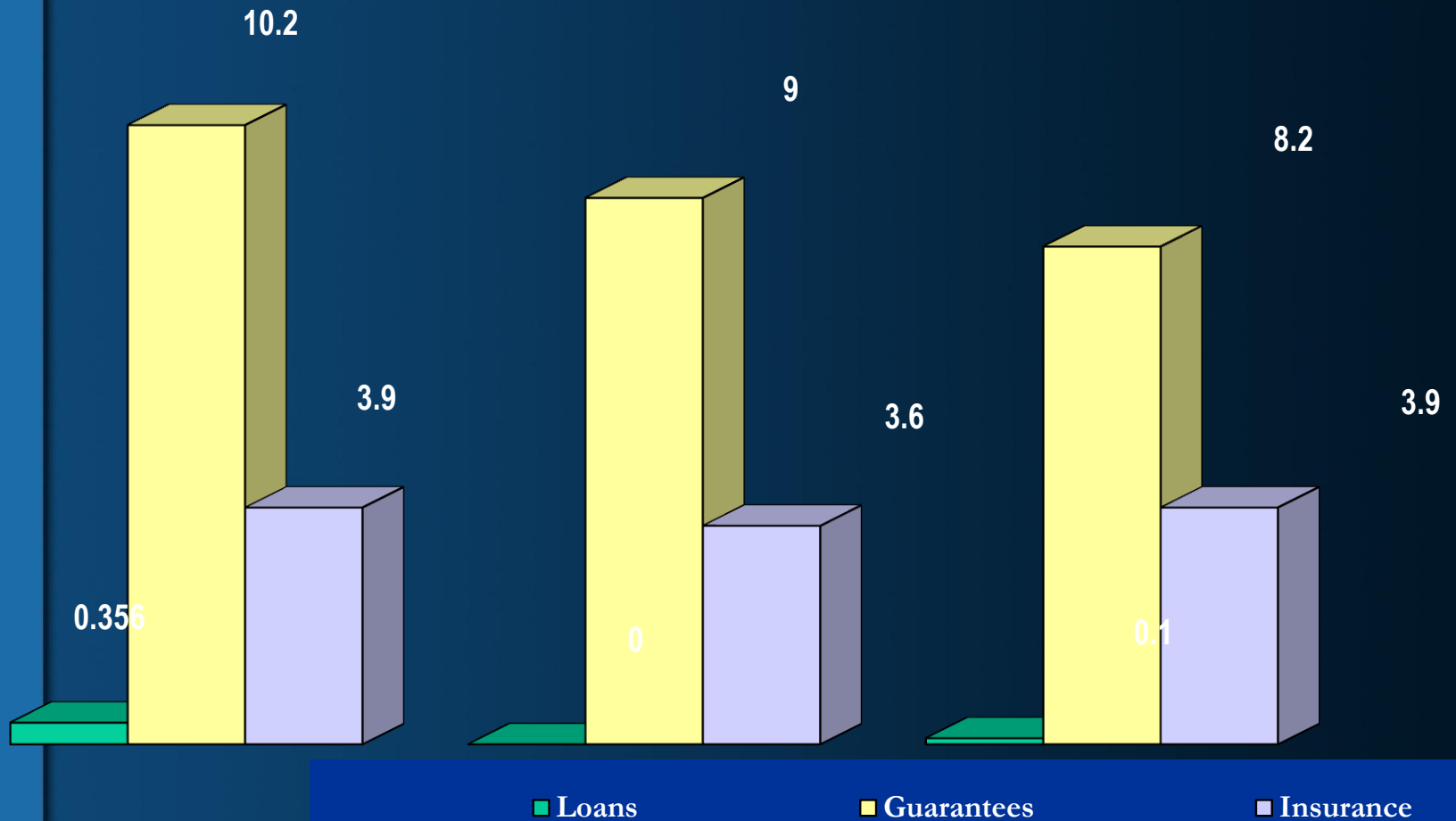


Total Transactions in \$ Billions

FY 08: \$14.4

FY 07: \$12.6

FY 06: \$12.2





Ex-Im Bank Financing

Pre-Export

Post-Export

**Working Capital
Guarantees**

**Credit Risk Protection
Insurance**

**Foreign Buyer Credit
Loan Guarantees
Direct Loans**



Public Policy Constraints

- **Military Exports** – can't do them
- **Foreign Content** – 49% maximum
- **Medium & Long Term** – 15% cash down payment; 85% remaining must be all U.S. content to get full loan coverage*
- **Restricted Countries** – posted on web CLS
- **Economic Impact**
- **No grants...commercial risk/reward situation**



Working Capital Guarantee

Available to assist US exporters access financing for export purposes

- Provides a 90% guarantee of repayment (principal & interest) on loans made to exporters
- No limitations on loan amount
- Median amount about \$500,000
- Loan supports advances made against export-related inventory and foreign A/Rs:
 - Up to 75% advance rate on inventory
 - Up to 90% on foreign A/Rs



WCG increases borrowing ability.

		Your Working Capital Facility without Ex-Im Bank		Your Working Capital Facility with Ex-Im Bank	
<u>Collateral (Inventory)</u>	<u>Amount</u>	<u>Advance Rate</u>	<u>Borrowing Base</u>	<u>Advance Rate</u>	<u>Borrowing Base</u>
<i>Export Inventory</i>					
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
<i>Export/Foreign Accounts Receivable</i>					
Open Account/Foreign Account Receivable	\$400,000	0%	0	90%	\$ 360,000
L/C Backed A/R	600,000	70%	<u>420,000</u>	90%	<u>540,000</u>
Total Borrowing Base			<u>\$760,000</u>	vs.	<u>\$ 1,650,000</u>



Working Capital Example:

- 40-year old firm at Los Angeles Harbor – scrap metals dealer; has always sold on cash or short-tenor letters of credit or cash against documents
- In current liquidity crisis, his major clients in Korea, China, Taiwan ask for 45-day terms to pay for shipments.
- Local Bank finances his scrap crushing equipment and trucks; won't take any foreign receivables.
- Calls Regional Office; we introduce him to a bank who will take foreign a/r.
- Bank gets inter-creditor agreement with existing bank; sets up \$1,000,000 line of credit **90% guaranteed by Ex-Im Bank (U.S. government)**
- Line of Credit is collateralized with first priority lien on all export-related accounts receivable and inventory



TRADE TERMS AS A SPECTRUM OF RISK

Exporter Risk

Trade Terms

Importer Risk

High

Open Account

Low



Documents Against Acceptance

Documents Against Payment

Time Letters of Credit

Sight Letters of Credit

Payment in Advance



Low

High



Credit Insurance Benefits

- Reduce nonpayment risk
 - Commercial (90% to 98% coverage)
 - Political (90% to 100%)
- Extend competitive credit terms to buyers
- Export to new markets with confidence
- Increase ability to obtain additional financing
- Two Options:
 - Single-Buyer
 - Multi-Buyer (Small Business or Standard Multi-Buyer)
- Low cost, “pay as you go” premium, easily passed to buyer



S/T Insurance Example

- Major scrap paper exporter in California with sales of >\$50 million to eight paper mills in China
- Has \$700,000 multibuyer policy with a \$15,000 deductible, and premium of \$.30 per \$100.00 of insured invoices.
- Policy \$50,000/\$100,000 credit/ledger discretionary credit limits
- Exporter finances with a national U.S. bank



Financial Institution Buyer Credit Insurance

- Insures banks who provide lines of credit to foreign buyers of U.S. exports
- Short-term usage, frequent buyers
- 90% principal and interest are insured by Ex-Im, 100% if sovereign buyer
- Policy usually issued for one-year period, renewable
- Premium rate determined by country, buyer class, tenor of finance



FIBC Example

- Insured: Miami branch of a Colombian Bank
- Buyer/Borrower: Auto parts importer/distributor in San Pedro Sula, Honduras
- Revolving Line of Credit \$300,000 for one year, 90-day terms, on Promissory Note
- Usage: Frequent purchases during the year from U.S. auto parts man'fs.
- Bank gets 90% P&i insured by Ex-Im



Letter of Credit Confirmation Insurance (for banks)

- Insures the commercial bank that confirms an incoming (export) letter of credit from a foreign bank.
- Provides the confirming bank 95% insurance, 100% if foreign issuer is a sovereign bank, and 98% if the exported commodity is bulk agricultural.
- Usage has increased **500%** during the current international credit “crisis”



L/C Confirmation Ins. Example #1

- husband and wife, minority-owned, private firm, 35 employees. Man's small-scale, portable, skid-mounted power generation systems with inputs either diesel, methane or natural gas.
- Sought advice from Western Regional Office since 2005, re letters of credit from Belize, Iraq, et. al.
- 2007 received a \$62 million order from the Government of Benin for multiple power generation systems to be used in remote parts of the country.
- Western Regional Office brought in four banks for consultations. Final solution: a letter of credit for the entire amount of the project, confirmed by Citibank New York and insured by Ex-Im.
- Work is in progress on the contract. Company estimates they will increase employment from 35 to 60 employees, and they will be moving to a new 30,000 sq ft location in Corona.



Medium-Term Insurance and Guarantees

- When buyer is seeking extended credit terms over one-year (generally, 2 to 5 years)
- **100%** coverage on both principal and interest on loans made to foreign buyers
- **Capital equipment** and related services
- Buyer must be located in an **emerging market**
- Exporter is paid shortly after presentation of export documents to a lender



Eligible Buyer Loan Amounts

A) Supply Contract	\$2,000,000
B) (shipped from 3rd country)	(\$300,000)
C) Local Costs	<u>(\$300,000)</u>
D) NET Contract Price	\$1,400,000
E) NOT made USA/incorporated	<u>\$200,000</u>
F) U.S. Content	\$1,200,000
G) Cash: 15% of D; or E, greater	(\$210,000)
H) Local Costs, to 30% of D	<u>\$300,000</u>
I) Loan Amount, D-G+H	\$ 1,490,000



Med. Term Insurance Example

- San Diego Bank extends \$1.5 million loan to Mexican pharmaceutical company for purchase of laboratory and bio-medical equipment.
- Bank gets 100% interest and principal insurance coverage from Ex-Im
- Mexican company gets five-year loan.
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MT Example, cont.

Transaction Breakdown:

Contract Price: \$1,507,88.00

Cash Payment: \$226,183.00

Net Loan Req'mt: \$1,281,700.00

**Insurance Premium Financed:
\$22,301.58 (1.74% flat fee)**

**(Total) Financed Portion:
\$1,304,002.00**



Long-Term Financing

➤ Generally used for buyer financing of very large items, or very large amounts, or project finance:

- Amounts over \$10 million
- Repayment term: 7 to 10, 12, or 14 years (15 years for environmental exports)
 - Guarantees
 - Direct Loans
 - CGF





Long Term Finance Example #1

- Ex-Im Bank approved a **\$200 million loan guarantee** under a small-business facility that will support Pemex's purchases of goods and services from U.S. small businesses of 500 employees or fewer. The Bank estimates that, over time, approximately 52 percent of the transaction will support U.S. small-business exports. The guaranteed lender is JP Morgan Chase of New York, N.Y.



Long-term Finance Example #2

- **U.S. EXPORTERS TO BENEFIT FROM A \$2 BILLION EX-IM BANK PRELIMINARY COMMITMENT TO BRAZIL'S PETROBRAS**
- Ex-Im Bank anticipates that this preliminary commitment will give Petrobras the opportunity to identify potential U.S. exporters for its projects over the next two years. Upon conversion of the preliminary commitment to a final commitment, the financing could be used to support U.S. exports on repayment terms of up to 10 years, including a potential conversion of part of the financing to establish a medium-term (one to seven years) credit guarantee facility.



Long-term Finance Example #3:

Ex-Im Bank's board of directors has approved nine Indian Financial Institutions - FIs for credit facilities totaling **\$2.4 billion** under the India Infrastructure Facility (the Facility). The Facility provides for medium- and long-term financing of guaranteed, dollar loans to Indian borrowers, where Ex-Im Bank's primary source of repayment will be one of the nine FIs. The support covers 100 percent of commercial and political risks. Rupee financing for local project costs is also available for up to 30 percent of the value of the U.S. exports. Fixed interest rate options are available under Ex-Im Bank direct and guaranteed loans.



Call Us, If You...

- ...have a foreign buyer that wants credit terms...
- ...export routinely but your growth in foreign sales is limited because of fears of non-payment?
- ...are losing export opportunities because you will only accept a L/C or cash upfront?
- ...can't find a lender to finance your overseas purchase orders?
- ... are encountering cash flow problems due to increased foreign sales?
- ...couldn't get your lender to confirm a L/C from your buyer's bank?
- ...have a buyer that needs several years to pay for a capital good?



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