



TRADE FINANCE WITH EX-IM BANK OF THE U.S.

EXPORT-IMPORT BANK
of the UNITED STATES

Jobs Through Exports

The Americas Business Forum

UCLA

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Who We Are

- Official export credit agency of the USA
- Continuously operating since 1934
- EXPORTS only since the 50's
- 1700+ US exporting companies insured for foreign receivables losses
- 97 Delegated Authority lenders in the USA
- Dozens of US and foreign banks insured/guaranteed on loans or leases to foreign buyers



What We Do

- **Ex-Im Bank** has a Theme: it's U.S. jobs.
- **Ex-Im Bank** (i) takes the foreign risk on an export transaction; or, (ii) we support the U.S. Exporter with loan guarantees; (iii) sometimes, the Foreign Buyer





Selected States: Ex-Im Involvement

STATE of	Companies	Towns	Amount	Example
ALABAMA	43	17	\$340m	TM Jemison Construction (Bayou La Baitre, AL)
ALASKA	5	5	\$41m	Kenai River Seafoods (Kenai, AK)
FLORIDA	542	79	\$4B	Biomedical International Corp (Miami, FL)
GEORGIA	135	52	\$1.5B	Panther Systems Inc (Lawrenceville, GA)
KANSAS	43	20	\$221m	Grundfos Pump Corp (Olathe, KS)
KENTUCKY	32	11	\$168m	Pizzaovens Inc (Nicholasville, KY)
MISSISSIPPI	22	16	\$61m	Eaton Aerospace Inc (Jackson, MI)
NEBRASKA	38	14	\$186m	Good Life Foods Inc (Lincoln, NE)
OHIO	193	73	\$1.3B	Sara Lee Foods US (Cincinnati, OH)
TEXAS	1100	135	\$10.4B	Dril-Quip Inc (Houston, TX)
UTAH	29	9	\$88m	Pacific Tristar Equip. (Ogden, UT)
WASHINGTON	139	44	\$26B	JD Walker Trading (Ellensburg, WA)



What we did in 2009

- \$21B total transactions, 75-year record high, 50% increase over FY08
- \$4.4B for Small Businesses, 38% increase over '08
- 2,891 approvals, 88% for Small Businesses
- No transaction was too small, too large
- 400 Small Bus. utilized Exim first-time in '09
- \$1B guarantees covered Korean Banks
- 100% increase in applications
- 15% premium reductions, affecting 50%



What we can't do, by law (U.S. Congress):

- Credit/guarantee authority legislated by US Congress
- No exports of anything to military buyers
- No exports of munitions to anybody
- Exporters and buyers need to be “arm’s length”
- No adverse impact on U.S. economy
- No grants, no subsidies
- no start-up risk, no rescues



Cannot do, by law, p.2:

- No business in some countries, e.g., Bolivia, Burma, Cuba, Iran, Iraq, N Korea, Somalia, Sudan, Tajikistan, Venezuela
- NOT legislated, but very political: 50% “US content” needed for short-term cover
- 15% cash down payment required for Ex-Im *medium-term* cover, and amount of cover only on the U.S. content
- Environmental impact and economic impact will always be factors in approval process



CREDIT/FINANCE PRODUCTS

- export credit insurance (**exporters**)
- export working capital loan guarantees (**exporters and banks or finance co's**)
- *Medium-term* export credit insurance (**exporters and banks**)
- *Medium-term* loan guarantees (**exporters and banks**)
- Project finance/structured finance (**exporters and foreign projects**)



Export Credit Insurance Benefits

- Reduce nonpayment risk
 - Commercial (90% to 95% coverage)
 - Political (90% to 100%)
- Extend competitive credit terms to buyers
- Export to new markets with confidence
- Increased ability to finance foreign a/r
- Two Options:
 - Single-Buyer
 - Multi-Buyer (Small Business or Standard Multi-Buyer)
- Low cost, “pay as you go” premium, easily passed to buyer



Small Business Multi-Buyer Policy

- One-year policy, renewable
- Insures ALL export credit sales
- Coverage: **95%** commercial and political
- Exporter must qualify as “Small Business” by SBA def.
 - Export credit sales (aver. over last 3-yrs) < \$7.5 million
- In same line of business for at least 3 years
- Refundable advance deposit: \$500
- No deductible, no application fee, “pay-as-you-go”, no minimum premium requirement



Small Business Multi-Buyer Premium Rates

Term	Sovereign	Financial Institutions	Private
Sight L/Cs	\$0.03	\$0.03	N/A
1-60 days	\$0.16	\$0.20	\$0.55
61-120	\$0.27	\$0.33	\$0.90
121-180	\$0.35	\$0.43	\$1.15
181-270	\$0.43	\$0.54	\$1.45
271-360	\$0.53	\$0.65	\$1.77

Per \$100 of the gross invoice amount

25% rate reduction if used with Ex-Im / SBA Working Capital Guarantee product!



Single-Buyer Insurance Policy

- Insures a single sale or multiple sales to **one** buyer
- **90%** coverage, both commercial and political
- Maximum policy period: 1 year (renewable)
- No deductible, no application fee
- Premium based on country, type of buyer, and length of credit term extended (see rates on www.exim.gov)
 - Charged on sales volume (not credit limit)
 - “Pay-After-You-Ship” Premiums
 - Minimum premium: \$500 for SBEs / \$2,500 other



Single-Buyer Rates (Private-Sector)

Country	Up to 60 days	61-120 days	121-180 Days
Mexico	\$0.65	\$1.06	\$1.35
Brazil	\$0.65	\$1.06	\$1.35
Japan	\$0.34	\$0.56	\$0.72
India	\$0.65	\$1.06	\$1.35
UAE	\$0.48	\$0.79	\$1.00
China	\$0.48	\$0.79	\$1.00
UK	\$0.34	\$0.56	\$0.72

Per \$100 of the gross invoice amount



Exporter Working Capital Guarantee

- 90% (principal & interest) on loans made to exporters
- No limitations on loan amount
- 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>



Medium-term Insurance and Guarantees **(BUYER FINANCE)**

- 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



Long-Term Financing

- Amounts over \$10 million
- Repayment term: 7 to 10, 12, or 14 years (15 years for environmental exports)
- 15% down payment: 85% financed amount
 - Guarantees
 - Direct Loans





Call Ex-Im, 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 capital equipment?



How to Apply

Contact one Ex-Im's Regional Office

➤ Exporter Qualifications:

- Minimum 3-year operating history
- At least 1-year exporting experience

➤ Buyer qualifications:

- Minimum 3-year operating history
- Located in a country where Exim is open
- Must meet Ex-Im's Short-Term Credit Standards



Whom To Contact

For further information contact :

David Josephson (949) 660-1341 ext 400

Nearest Exim Regional Offices, by State coverage:

<http://www.exim.gov/contact/contactus.cfm>