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<http://www.sbtdc.org>

The U.S. Export-Import Bank & The NC SBTDC

The Export-Import Bank of the United States (Ex-Im Bank) is an independent U.S. government agency that helps finance the overseas sales of U.S. goods and services. In over 60 years, Ex-Im Bank has supported more than \$300 billion in U.S. exports.

The NC Small Business and Technology Development Center (SBTDC), an inter-institutional program of the University of North Carolina partially funded by the Small Business Administration, is the **state partner** for the Ex-Im Bank. The SBTDC represents the bank locally in a business development role. **Mike Seibert**, Director of the SBTDC's Export Financing Services program, assists with Ex-Im's export financing services and can be reached in Raleigh at 919/715-7272 or 800/258-0862 in North Carolina. The Director travels to the various regions of NC on a regular basis, calls on companies, and schedules appointments with Ex-Im Bank representatives who visit the state approximately every six weeks.

What is Ex-Im Bank's Mission?

Ex-Im Bank's mission is to create jobs through exports. It provides guarantees of working capital loans for U.S. exporters, and guarantees the repayment of loans or makes loans to foreign purchasers of U.S. goods and services. Ex-Im Bank also provides export credit insurance that protects U.S. exporters against the risks of non-payment by foreign buyers for political or commercial reasons. Ex-Im Bank does not compete with commercial lenders, but assumes the risks they cannot accept. It must always conclude that there is reasonable assurance of repayment on every transaction financed.

When Can Ex-Im Bank Help?

Ex-Im Bank provides a level playing field for U.S. exporters by countering the export credit subsidies of other governments. It also provides financing to creditworthy private and sovereign foreign buyers when private financing is unavailable. To qualify for Ex-Im Bank support, the exported product or service must have at least 50 percent U.S. content and must not affect the U.S. economy adversely.

Ex-Im Bank supports the sale of U.S. exports worldwide. In recent years, its focus has shifted to the developing nations whose economies are growing at twice the rate of the industrial nations.

Ex-Im Bank will finance the export of any type of goods or services, including commodities, as long as they are not military-related. Two of its major goals are to increase the export of environmental goods and services in strong demand among the developing nations and to expand the number of U.S. small businesses using Ex-Im Bank programs.

While Ex-Im Bank is not a foreign aid or development agency, its programs often help U.S. exporters participate in development projects. Ex-Im Bank has co-financed projects with the U.S. Agency for International Development, the World Bank, and other multi-lateral development banks.

What Programs Does Ex-Im Bank Offer?

1. **Working Capital Guarantees** cover 90 percent of the principal and interest on commercial loans to creditworthy small and medium-sized companies that need funds to buy or produce U.S. goods or services for export. Exporters may apply for a Preliminary Commitment – a letter from Ex-Im Bank outlining the terms and conditions under which it will provide a guarantee – which can be used to obtain the best financing terms from a private lender. The lender also may apply directly for a final authorization. Guarantees may be for a single transaction or a revolving line of credit. Guaranteed loans generally have maturities of 12 months and are renewable. Certain lenders, experienced in the program, have been given delegated authority, which enables them to commit Ex-Im Bank's guarantee.

2. **Export Credit Insurance** policies protect against both the political and commercial risks of a foreign buyer defaulting on payment. Policies may be obtained for single or repetitive export sales and for leases. Short-term policies generally cover 100 percent of the principal for political risks and 90-95 percent for commercial risks, as well as a specified amount of interest. They are used to support the sale of consumer goods, raw materials and spare parts on terms of up to 180 days, and bulk agricultural commodities, consumer durables and capital goods on terms of up to 360 days.

Capital goods may be insured for up to five years, depending upon the contract value, under the medium-term policy which covers 100 percent of principal and interest on the financed portion.

Ex-Im Bank's credit insurance allows exporters to finance receivables more easily by assigning the proceeds of the policy to their lender.

3. **Guarantees** of commercial loans to foreign buyers of U.S. goods or services cover 100 percent of principal and interest against both political and commercial risks of nonpayment. Medium-term guarantees cover the sale of capital items such as trucks and construction equipment, scientific apparatus, food processing machinery, medical equipment, or project-related services – including architectural, industrial design, and engineering services. Long-term guarantees are available for major projects, large capital goods and/or project-related services. Ex-Im Bank's Credit Guarantee Facilities also can be used to extend medium-term credit to buyers of U.S. capital goods and services through banks in certain foreign markets.

4. **Direct Loans** provide foreign buyers with competitive, fixed-rate financing for their purchases of U.S.-made goods. Direct loans are usually for amounts greater than \$10 million.

Ex-Im Bank's loans, guarantees and medium-term insurance cover 85 percent of the contract price (100 percent of the financed portion). The foreign buyer is required to make a 15 percent cash payment. Ex-Im Bank fees are based on the risk assessment of the foreign buyer or guarantor, the buyer's country, and term of the credit. Ex-Im Bank's fees are highly competitive with those charged by the export agencies of other exporting countries.

Exporters can obtain an Ex-Im Bank Letter of Interest (LI) to assist in negotiations with a potential foreign buyer. The LI indicates the Bank's willingness to consider financing the transaction if a sale is completed. An LI can be issued within seven days of a request for financing and remains in effect for six months.