



Working Capital Guarantee Program for Community Lenders

Ex-Im Banks Working Capital Guarantee Program (the Program) encourages commercial lenders to make loans to U.S. businesses for various export-related activities, thus facilitating the expansion of U.S. exports. Ex-Im Bank's guarantee covers 90 percent of the loans principal and accrued interest, significantly reducing a lender's risk, and carries the full faith and credit of the U.S. government.

Of particular interest to community lenders, the Program:

- permits higher disbursement rates on both export-related accounts receivable and inventory (including work-in-process as well as raw materials and finished goods), typically 90 percent and 75 percent respectively, thereby providing the exporter with substantially greater borrowing capacity;
- greatly reduces the amount of risk, even on existing lines;
- may allow lenders to exceed legal lending limits depending on state law;
- carries a 20% capital risk weighting;
- may help lenders meet CRA requirements by guaranteeing loans to qualifying exporters; and
- grants qualified lenders, under the Delegated Authority Lender Program, the authority to commit Ex-Im Bank's guarantee to their export-related working capital loans, without submitting an application to Ex-Im Bank for approval. Delegated Authority allows the lender to provide faster turn-around time to its customers and to retain a portion of the Ex-Im Bank Facility Fee.

Lender Criteria

Any bank, provider of commercial credit, or other public or private lender with at least three years' operating history may apply for eligibility under the Program. Ex-Im Bank includes as community lenders those lenders that (1) have assets of \$500 million or less, (2) make commercial loans, (3) are locally owned and operated, and (4) serve a local community.

Lender Criteria

The exporter must be a commercial entity, domiciled in the U.S., that operates as a going concern and currently exports or plans to export. Exporters must have a revenue-producing operating history of at least one year (at least three years for exporters in a service industry) and a positive tangible net worth. Start-up and development-stage entities are ineligible. The exporter must have a demonstrated ability to perform under contract.

Type and Term of the Loan

A loan can support a single export transaction (transaction specific) or multiple export transactions (revolving loan). The term of the loan generally does not exceed one year. On a case-by-case basis, transaction specific loans may be approved for a longer term to allow for extended production cycles.

Use of the Loan

The loan may be used to pay for direct and indirect costs, e.g., design, raw materials, labor and overhead used for the manufacture or purchase of export-related goods or for the provision of export-related services and to support letters of credit serving as bid or performance bonds or payment guarantees. In order to accommodate a refinancing, with Ex-Im Bank's pre-approval, initial proceeds of the loan may be used to repay pre-existing debt of the borrower. The Program also allows the loan to be used to a limited extent to support warranties and retainages.

Collateral Requirements

Guaranteed loans must be fully collateralized at all times. (Letters of credit need only be collateralized at 25 percent of face value, unless serving as a warranty bond.) Primary collateral typically consists of export-related inventory and export-related accounts receivable, and may include export-related costs such as design, engineering, labor and allocable overhead for service-sector businesses. Additional support generally consists of second or junior liens on other assets of the borrower, as well as the guarantee(s) of principal shareholders (over 20 percent).

Ex-Im Bank charges

- A processing fee of \$100 with each application for a final commitment
- AND
- An up-front annual facility fee of 1.0 percent

Delegated Authority

Ex-Im Bank grants delegated authority (DA) to qualified lenders, which allows them to commit Ex-Im Bank's guarantee as soon as they have made their internal credit decision. No further analysis is done by Ex-Im Bank. As an added incentive, Ex-Im Bank allows the DA lender to retain a portion of the facility fee and to separately collateralize the 10 percent unguaranteed portion of the loan.

As a special incentive for qualified community lenders, Ex-Im Bank will give Community DA of \$1 million per exporter and \$10 million per institution. All export sales financed under the Community DA loan must be made on either letter of credit terms or open account with Ex-Im Bank or private export credit insurance. Terms of loans would be limited to one year.

After at least one year, three operative submitted transactions and a satisfactory field examination, the lender's DA level may increase to ABasic@- \$2 million per exporter and \$25 million per institution. To qualify, lenders must demonstrate their experience in monitoring asset-based loans, submit their latest annual report and attend an Ex-Im Bank training session. Applicants should send their information to Ms. Pamela Bowers, Vice President - Business Credit Division, 811 Vermont Ave., N.W., Washington, DC 20571.