

## Chapter 11

# Government Assisted Foreign Buyer Financing

The international sales of high-value capital goods or services or exports to large-scale projects, which require medium- or long-term financing, often pose special challenges to exporters as commercial banks may be reluctant to lend large sums to foreign buyers, especially those in developing countries, for extended periods. One viable solution to these challenges is foreign buyer financing offered by the Export-Import Bank of the United States (Ex-Im Bank). As the official U.S. export credit agency, Ex-Im Bank supports the purchases of U.S. goods and services by creditworthy foreign buyers who are unable to obtain financing they need through traditional commercial sources. Ex-Im Bank does not compete with commercial banks but provides products that fill gaps in trade financing by assuming country and credit risks that the private sector is unable or unwilling to accept. With Ex-Im Bank's foreign buyer financing, U.S. exporters can turn their business opportunities into real transactions and get paid cash on delivery and acceptance of the goods or services.

### Key Points

- Helps turn business opportunities, especially in emerging markets, into real transactions for large U.S. exporters and their small business suppliers.
- Enables creditworthy foreign buyers to obtain loans needed for purchases of U.S. goods and services, especially high-value capital goods or services or exports to large-scale projects.
- Provides fixed-rate direct loans or guarantees term financing offered by commercial banks.
- Available for medium- (up to five years) and long-term (generally up to ten years) transactions.

### Key Common Features of Ex-Im Bank's Loan Guarantees and Direct Loans

Ex-Im Bank assists U.S. exporters by providing direct loans or guaranteeing commercial loans to creditworthy foreign buyers for purchases of U.S. goods and services. They are generally used to finance the purchase of high-value capital equipment or services or exports to large-scale projects that require medium- or long-term financing. Ex-Im Bank's foreign buyer financing is also used to finance the purchase of refurbished equipment, software, and certain banking and legal fees, as well as some local costs and expenses.

### CHARACTERISTICS OF GOVERNMENT ASSISTED FOREIGN BUYER FINANCING

#### Applicability

Suitable for the export of high-value capital goods or services or large-scale projects that require extended-term financing.

#### Risk

Commercial bank and/or Ex-Im Bank assume all risks.

#### Pros

- Buyer financing as part of an attractive sales package
- Cash payment upon shipment of the goods or services

#### Cons

- Subject to certain restrictions per U.S. foreign policy
- Possible lengthy process of approving financing

There is no minimum or maximum limit to the size of the export sale that may be supported by the Bank's foreign buyer financing. Ex-Im Bank requires the foreign buyer to make a cash payment to the exporter equal to at least 15 percent of the U.S. supply contract. Repayment terms up to five years are available for exports of capital goods and services. Transportation equipment and exports to large-scale projects may be eligible for repayment terms up to 10 years and for certain sectors up to 12-15 years. Military items are generally not eligible for Ex-Im Bank financing nor are sales to foreign military entities. In addition, goods must meet the Bank's foreign content requirements. Finally, Ex-Im Bank financing may not be available in certain countries and certain terms per U.S. foreign policy.

### **Key Features of Ex-Im Bank Loan Guarantees**

- Loans are made by commercial banks and guaranteed by Ex-Im Bank.
- 100 percent principal and interest cover for 85 percent of U.S. contract price.
- Negotiated interest rate, usually floating and lower than fixed rate.
- Fully transferable, can be securitized and available in certain foreign currencies.
- Faster documentation process with the assistance of commercial banks.
- Promotes cash payment financing.
- No U.S. vessel shipping regulations under \$20 million.

### **Key Features of Ex-Im Bank Direct Loans**

- Provides fixed-rate loans directly to creditworthy foreign buyers.
- Supports 85 percent of U.S. contract price.
- Exporter will be paid in full upon disbursement of a loan to the foreign buyer.
- Generally, the goods must be carried exclusively on U.S. vessels.
- Best used when the buyer insists on fixed rate.

### **Fees and Ex-Im Bank Contact Information**

**Letter of Interest:** \$100.

**Preliminary Commitment:** 0.1 of 1 percent of the financed amount up to \$25,000.

**Guarantee Commitment:** 0.125 percent per annum on the undisbursed balance of the loan.

**Direct Loan Commitment:** 0.5 percent per annum on the undisbursed balance of the loan.

**Exposure Fee:** Varies, depending upon tenor, country risk, and buyer credit risk.

**For more information:** Visit [www.exim.gov](http://www.exim.gov) or call **1-800-565-EXIM**.