



EXPORT-IMPORT BANK
of the UNITED STATES

Jobs Through Exports

The Disbursement Process

For Guarantee and Loan Programs



Overview

- Credit Administration, a unit of the Operations & Data Quality Division, is responsible for:
 - Approving and auditing medium-term guarantee disbursements.
 - Approving disbursements under Credit Guarantee Facilities.
 - Approving L/Cs and reimbursements for loans and long-term guarantees.
 - Acting as “Gatekeeper” on foreign content policy and U.S. Maritime Administration shipping requirements.



Disbursement Basics

- Transaction must be operative before a disbursement can occur for all loans and guarantees.
- Important operative documents for loans and L/T guarantees:
 - Acquisition list approved by Ex-Im Bank's engineer.
 - Evidence of borrower authority to operate the guarantee or loan.
- Medium- and long-term guarantees and loans operate on principle of disbursements against documents.



Disbursement Basics

- Standard required exporter documents are:
 - U.S. commercial invoice for sale of goods or services, or
 - Progress payment invoice for goods prior to export
 - Progress payments must be specifically authorized by Ex-Im Bank.



Disbursement Basics

- Proof of payment to U.S. exporter:
 - Paid stamp on invoice signed by exporter
 - Copy of commercial bank's advice of payment to exporter
 - Copy of both sides of a cancelled check made payable to the exporter
 - Letter from the exporter confirming payment of invoices



Disbursement Basics

- Evidence of export:
 - Signed, clean onboard ocean, truck, air or railway bills of lading.
 - Freight forwarder's receipts are not acceptable.
- Ex-Im Bank Exporter's Certificate:
 - Issued by a U.S. company with a U.S. street address.
 - Completely filled out.
 - Original signed by an authorized officer or employee of the U.S. company.



Disbursement Basics

- An Anti-lobbying Certificate:
 - Completed by U.S. exporters and local cost and ancillary service providers
 - Required under direct loans and project finance credits with a direct loan take-out only
- Other documents that Ex-Im Bank might reasonably request.



Ex-Im Bank Foreign Content Policy

- Ex-Im Bank cover is for the lesser of 85% of the net contract price or 100% of the U.S. Content for M/T MGA guarantees, M/T insurance, L/T guarantees and direct loans:
 - Aggregate content per US exporter's supply contract(s).
 - Foreign items or components must be shipped from the U.S. to be considered as eligible foreign content.



Foreign Content Reporting

- Content Report: description and value of US goods/services and foreign content
 - submitted with M/T application or with initial Exporter's Certificate under L/T
- Annual Foreign Content Cause Report: reason(s) for sourcing outside of the US
- Not a required disbursement document
- Report forms are on Ex-Im Bank's website
- Call Ex-Im Bank's Policy and Planning Division, 202.565.3760 with any questions



Exporter's Certificate - Part A: Content

- U.S. exporter discloses foreign content included in the supply contract(s) in the Exporter's Certificate.
- If U.S. content is 100%, exporter only needs to check a box!
- If U.S. content is less than 100%, exporter must complete the table to determine the U.S. Content and Disbursement Percentage.
- The Disbursement Percentage is applied to all invoices relating to that exporter's supply contract(s).



Exporter's Certificate - Part A: Content

- Amended Exporter's Certificate is required if material changes –
 - Foreign content increases by more than 5% and exceeds 20% of the Net Contract Price.
 - Part A is recalculated using the Disbursement Calculator at <http://www.exim.gov/tools/disbcalc.cfm>
 - New Disbursement Percentage applies to all of exporter's invoices going forward.



Exporter's Certificate – Part B

- Disclosures related to the certifications in Part B of the Exporter's Certificate require prior Ex-Im Bank approval.
- Changes to Part B of the Exporter's Certificate require an amended Exporter's Certificate and additional disclosures require prior Ex-Im Bank approval.



Medium-Term Guarantees

- Guarantee transactions that are:
 - Less than or equal to \$10 million (excluding Exposure Fee)
 - Less than or equal to 7 years repayment.
- Medium-term guarantees are operated under the Medium-Term Master Guarantee Agreement (MGA-M).
- MGA-M - (Annex C) - Conditions Precedent sets out conditions that must be met with each disbursement by the guaranteed lender.



Medium-Term Guarantees

- 3 Methods of Disbursements:
 - Reimbursement – to the borrower for the financed portion of payments to an exporter.
 - L/C Payment – drawings by the exporter under a letter of credit for the financed portion of goods and services.
 - Direct Disbursement – direct payments by the lender to an exporter for the financed portion of goods and services.
- Disbursements may not occur before Ex-Im Bank declares the transaction operative!



Medium-Term Guarantees

- Electronic Compliance Program (ECP) provides for electronic disbursement approval.
 - Required documents are invoice, Exporter's Certificate, promissory note, evidence of payment and shipping documents.
 - Lender submits disbursement information electronically via secure website.
 - Exposure Fee must be wired to Ex-Im Bank at the time of disbursement unless paid upfront.



Medium-Term Guarantees

- Credit Administration reviews ECP checklist and approves disbursement electronically.
- **No guarantee certificates or legends**
- PEFCO's programs have been modified for the ECP.
- Lenders required to hold documents for 10 years following repayment of the financing.
- Credit Administration conducts random audits of disbursement documents.



Ex-Im Bank Loans & L/T Guarantees

- L/T guarantees are greater than \$10 million or greater than 7 years repayment.
- Most L/T guarantees are operated under an Ex-Im Bank Long -Term Master Guarantee Agreement (MGA-L).
 - Some L/T transactions between \$10-\$20 million now operate under the M/T MGA and use the ECP disbursement procedures
- For loans and L/T guarantees, Ex-Im Bank Credit Agreement contains Annex B, Utilization Procedures



Ex-Im Bank Loans & L/T Guarantees

(Cont)

- U.S. Maritime Administration Shipping Requirement
 - Public Resolution 17 (PR 17) – Requirement to ship on ocean vessels of U.S. registry
 - Applies to all Ex-Im Bank loans
 - Applies to L/T guarantees over \$20 million authorized after 10/26/04 and some L/T guarantees under \$20 million depending on term and program



Ex-Im Bank Loans & L/T Guarantees

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- Waivers may be obtained from the U.S. Maritime Administration (MARAD).
 - MARAD Contact: Mr. Mike O'Rear, 202.366.5510, or
 - www.marad.dot.gov
- Shipping costs from ocean shipments on non-U.S. carriers are considered eligible foreign content if MARAD has issued a waiver (as applicable) and the shipping is covered by a U.S. exporter's contract.



Ex-Im Bank Loans & L/T Guarantees (Cont)

➤ Two Methods of Disbursement:

- Letter of Credit - U.S. exporter is beneficiary.
- Reimbursement - U.S. exporter has been paid by the foreign purchaser/borrower who is seeking funding against the payment(s).



Ex-Im Bank Loans & L/T Guarantees

(Cont)

➤ Letters of Credit

- Requires Borrower's "Request for Letter of Credit Approval" together with a pro forma L/C and Exporter's Certificate.
- L/C must be issued, confirmed, or advised by a commercial bank in the U.S.
- L/C must cover Acquisition List goods and services.
- L/C must use L/C proviso language incorporating Ex-Im Bank requirements including payment of the exposure fee.
- L/C proviso language available on the Ex-Im Bank web site.



Ex-Im Bank Loans & L/T Guarantees

(Cont)

- Letter of Credit Disbursements for L/T Guarantees:
 - Ex-Im Bank issues “Certificate Approving Letter of Credit” which is equivalent to Ex-Im Bank’s guarantee.
 - L/C bank is required to submit drawing documents to Ex-Im Bank with an advice of payment within three days of drawing.



Ex-Im Bank Loans & L/T Guarantees

(Cont)

- Each drawing under the L/C is a disbursement of the Ex-Im Bank guaranteed loan.
- The L/C drawing also includes payment of the Exposure Fee to Ex-Im Bank if the Exposure Fee is financed.
- Minor L/C amendments may not require Credit Administration's prior approval.



Ex-Im Bank Loans & L/T Guarantees (Cont)

- Letter of Credit Disbursements for Loans:
 - L/C bank acts as Ex-Im Bank's paying agent per the Master Reimbursement Agreement.
 - Ex-Im Bank issues its "Reimbursement Undertaking" to the L/C bank.
 - L/C bank is reimbursed with interest at FRB-NY discount rate + $\frac{3}{4}\%$.
 - The Ex-Im Bank Exposure Fee, if financed, is charged against the loan on Ex-Im Bank's books.



Ex-Im Bank Loans & L/T Guarantees

(Cont)

➤ Reimbursement Disbursements:

- Export has taken place and U.S. exporter has been paid.
- Borrower submits “Request for Reimbursement” to Ex-Im Bank or guaranteed lender with required export documents.
- For an Ex-Im Bank loan, if documents are satisfactory, Ex-Im Bank disburses funds to the borrower at an account with a U.S. bank and charges the loan for Exposure Fee, if financed.



Ex-Im Bank Loans & L/T Guarantees

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- For a guaranteed loan, lenders must conduct a thorough review of the documents.
- If documents are satisfactory, lender submits borrower's original "Request for Reimbursement" and required disbursement documents to Ex-Im Bank for review and approval.
- Ex-Im Bank issues "Certificate Authorizing Reimbursement" which is equivalent to Ex-Im Bank's guarantee.
- Guaranteed lender disburses to borrower at a U.S. bank account and pays Exposure Fee (if financed) to Ex-Im Bank.



Ex-Im Bank Loans & L/T Guarantees

(Cont)

➤ Other Points Regarding Disbursements

- Reimbursement and Letter of Credit methods are not mutually exclusive.
- “Certificate(s) Approving Letter of Credit” and “Certificate(s) Authorizing Reimbursement” can be exchanged for Ex-Im Bank’s guarantee legend on a note.
- Ex-Im Bank’s Exposure Fee is usually financed and paid/charged with each disbursement.
- Other Exposure Fee options may be selected at time of application.



Credit Administration Contacts

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Information on the Web

- Ex-Im Bank Web Site www.exim.gov
- Click on Apply, then Credit Administration & Operations for more information including:
 - the Disbursement Calculator
 - the L/C proviso language
 - the Ex-Im Bank Exporter's Certificate
 - the Electronic Compliance Procedure