

Ex-Im Bank Financing Products

In pursuit of its mission of maximizing support for U.S. exports by matching foreign competition and filling financing gaps, Ex-Im Bank offers 4 financial products: loans, guarantees, working capital guarantees, and insurance. Brief descriptions of these products follow.

Loans: Ex-Im Bank offers fixed-rate loans directly to foreign buyers of U.S. goods and services. Ex-Im Bank will consider extending to a company's foreign customer a fixed-rate loan covering up to 85% of the U.S. export value. The buyer must make a cash payment to the U.S. exporter of at least 15% of the U.S. export value.

Guarantees: Ex-Im Bank guarantees, which commit the full faith and credit of the U.S. government, cover the repayment risks on the foreign buyer's debt obligations. Ex-Im Bank guarantees to a lender that, in the event of a payment default by the borrower, it will repay to the lender the outstanding principal and interest on the loan. Ex-Im Bank's comprehensive guarantee covers 100% of the commercial and political risks for 85% of the U.S. export value. Guarantees covering only specified political risks are also available.

Working Capital Guarantees: Under the Working Capital Guarantee program, Ex-Im Bank provides repayment guarantees to lenders on secured, *short-term* working capital loans made to qualified exporters. The guarantee may be approved for a single loan or a revolving line of credit. If the exporter defaults on the loan, Ex-Im Bank will cover 90% of the principal of the loan and interest if the lender has met all the terms and conditions of Ex-Im Bank's guarantee agreement. Ex-Im Bank can provide 100% cover in some instances. This program protects only the lender from default by the exporter. It does not cover the exporter should the foreign buyer default in its payment.

Insurance: Ex-Im Bank's export credit insurance program helps U.S. exporters sell their goods overseas by protecting them against the risk of foreign buyer or other foreign debtor default for political or commercial reasons. Ex-Im Bank has tailored its insurance policies to meet the insurance needs of exporters and financial institutions. Insurance policies may apply to shipments to one buyer or many buyers, insure comprehensive (commercial and political) credit risks or only specific political risks, or cover *short-term* or *medium-term* sales.

Ex-Im Bank Authorizations by Program

Number of Transactions	FY95	FY96	FY97	FY98	FY99	FY00
Loan Program	34	38	17	5	16	8
Guarantee Program	203	184	268	220	195	259
Working Capital Program	208	286	332	275	330	361
Insurance Program	1,970	1,914	1,731	1,692	1,682	1,901
Totals	2,415	2,422	2,348	2,912	2,223	2,529

Amount Authorized (\$ millions)	FY95	FY96	FY97	FY98	FY99	FY00
Loan Program	1,598.3	1,236.3	1,473.4	86.0	902.8	932.6
Guarantee Program	5,406.2	6,035.5	7,317.0	5,762.0	7,883.0	7,825.1
Working Capital Program	305.8	377.8	443.3	387.7	415.9	588.3
Insurance Program	4,555.0	3,868.1	2,848.8	4,296.3	3,865.9	3,291.1
Totals	11,865.3	11,517.7	12,082.5	10,532.0	13,067.6	12,637.1

Amount of Program Budget Used (\$ millions)	FY95	FY96	FY97	FY98	FY99	FY00
Loan Program	96.4	98.3	43.7	16.5	53.0	11.7
Guarantee Program	382.5	607.1	649.4	559.2	537.2	789.6
Working Capital Program	6.9	9.4	12.2	11.2	12.3	17.3
Insurance Program	147.8	155.2	105.5	129.8	53.4	83.5
Totals	633.6	870	810.8	716.7	655.9	902.1

Linkage Between Ex-Im Bank Products and Ex-Im Bank Strategic Goals

Ex-Im Bank's financing products are designed to address two of its strategic goals. Specifically, the products address the goal of matching financing support for transactions facing competition and providing financing support for exports that cannot obtain private market financing. In both cases, the goals indicate that Ex-Im Bank will provide financing support to two categories of transactions (those facing competition or those facing the unavailability of private financing). Therefore, as long as Ex-Im Bank's financing products provide financing support to both categories of transactions, the goals are being met. In other words, Ex-Im Bank does not need specialized products for each goal; one product could meet both goals.

Goal 1, Match Foreign Competition: By design, Ex-Im Bank's Loan, Guarantee, and Insurance products conform to the OECD guidelines on export credit finance support. Thus, in those areas that are subject to the guidelines (such as maximum allowable repayment terms, minimum interest rates, and minimum risk/exposure fees) Ex-Im Bank's products are competitive. Ex-Im Bank is not competitive in several policy areas (such as foreign content requirements and environmental impact reviews), but these policies are broad based and affect all three financing products.

Goal 2, Filling Financing Gaps: All four of Ex-Im Bank's products (Loan, Guarantee, Working Capital Guarantee, and Insurance) can be used to fill financing gaps. The key to doing that is eligibility testing of applicants. Ex-Im Bank establishes definitions of transactions that generally cannot obtain financing as a result of a financing gap. These definitions include transactions in *high-risk markets* (i.e., non-investment grade markets, specifically a risk-level 7 or higher in the U.S. government Interagency Country Risk Assessment System) and transactions with small U.S. exporters (as defined by the Small Business Administration).

When an application for a financing product is received, it is reviewed to determine if it is facing an officially supported competitive offer or if it is unable to access private market financing, per the definitions described above. If it meets one of the two goals, Ex-Im Bank then proceeds to perform a financial and policy review of the transaction to further determine eligibility for Ex-Im Bank financing support.

Glossary of Terms

- Additional:** Additional exports are those export items that would not have taken place without U.S. government assistance.
- Airbus:** The European manufacturer of large commercial aircraft. During FY00, Airbus became the principal operating company of the newly created European Aeronautic Defence and Space Co. ("EADS"). EADS is the result of mergers among Aerospatiale Matra, a French company, DaimlerChrysler Aerospace AG (Dasa), an indirect subsidiary of the German company DaimlerChrysler and CASA, the Spanish aerospace/defense contractor. EADS owns 80% of Airbus and the remaining 20% of Airbus is owned by Bae Systems, a British company.
- Budget cost level:** An indication of the riskiness of individual transactions supported by Ex-Im Bank. The system Ex-Im Bank uses to determine a budget cost level is approved by OMB and is used to determine the likelihood of default in Ex-Im Bank's subsidy model. The subsidy model is used to determine the amount of program budget needed for each transaction supported by Ex-Im Bank.
- Common Environmental Guidelines:** Ex-Im Bank currently follows guidelines for minimum acceptable environmental standards in assessing transactions. Other *export credit agencies* do not have standards or use different standards. Ex-Im Bank is working to negotiate common environmental guidelines with the foreign *export credit agencies* in order level the playing field for U.S. exporters and have only one set of guidelines that are applied to all transactions regardless of the *export credit agency* approached.
- Credit Standards:** Ex-Im Bank has developed quantitative and qualitative criteria that must be met in order for Ex-Im Bank to consider approving a transaction. Transactions that meet the credit standards are easily approved, while those that do not meet the standards require additional analysis and evidence of mitigants that reduce the risk of the transaction.
- Export credit agencies:** Nationally based organizations whose central purpose is to promote national trade objectives by providing financial support for national exports. Ex-Im Bank is the official export credit agency (ECA) of the United States.
- Final Commitment:** A formal authorization of Ex-Im Bank support, it is issued after the buyer has signed a contract with a U.S. supplier.
- High-risk markets:** Those countries that receive a 5 or higher ranking in the Interagency Country Risk Analysis System (*ICRAS*). Through a concordance with the capital market rating system, 5 or higher is considered to be below investment grade.

ICRAS: The Interagency Country Risk Assessment System was developed to provide a common standard for country risk assessment for all U.S. government agencies and programs providing cross-border loans, guarantees or insurance. Ex-Im Bank serves as the Secretariat for ICRAS and is responsible for preparing recommendations as to the appropriate rating for each country, as well as producing the documentation supporting these recommendations. The Office of Management and Budget chairs the ICRAS working group, which is comprised of representatives from the cross-border financing agencies and other interested government organizations.

LASU Agreement: The Large Aircraft Sector Understanding is a special agreement between governments of those OECD countries that have large aircraft manufacturers. This agreement provides the guidelines for the type of financing support a government can provide in connection with an export sale of a large commercial aircraft.

Letter of Interest: A prompt response to a request for export assistance when a sale is being negotiated. A Letter of Interest is not a financial commitment (i.e., non-binding) and Ex-Im Bank does not perform a comprehensive analysis before it is issued.

Local cost financing: The financing of costs provided by local country suppliers (i.e., non-US suppliers).

Long-term: Repayment terms of greater than 5 years or the financed portion of the export sale is greater than \$10 million.

Medium-term: Repayment terms of 1 to 5 years, exceptionally 7 years, and the financed portion of the export sale is less than or equal to \$10 million.

Multi-buyer insurance: Provides insurance coverage to an exporter for their portfolio of receivables from a variety of buyers. These are revolving facilities and cover multiple transactions during a year's time.

Preliminary Commitment: Outlines the amount, terms, and conditions of the financial assistance that Ex-Im Bank is prepared to offer for a particular transaction. A PC is used only to enable suppliers to provide financing offers in response to transactions requiring financial or other sensitive issues analysis.

Project Finance: The financing of projects dependent on the project cash flows for repayment rather than having recourse to a foreign government, financial institution or established corporation.

SBA: Small Business Administration: The U.S. government agency responsible for providing financing assistance to small U.S. companies. This agency has a program to provide financing support for small U.S. exporters.

Short-term: Financing terms of 180 days or less, exceptionally 360 days.

Single-buyer insurance: Provides insurance coverage to a lender or exporter for the sale of goods or services to one buyer. This typically covers a single transaction.

U.S. content: The amount of components and value-added provided by a U.S. domiciled manufacturer.

Working Capital: Exporter (or Supplier) financing that is used in the production of the goods or services that the company sells.

Distribution of Ex-Im Bank Business for FY00 by Program

