



Small Business Multi-Buyer Export Credit Insurance

The policy is a special product for small, financially viable businesses that are new to exporting, or have only occasionally exported. It can help increase an exporter's international sales by extending competitive credit terms while minimizing risks, and is valuable as a:

- Risk Mitigation Tool → insure receivables against nonpayment by foreign buyers
- Marketing Tool → extend competitive credit terms to foreign buyers
- Financing Aid → arrange attractive financing with the exporter's lender by using insured foreign receivables as additional collateral

Coverage Parameters

- Exports of U.S. goods and services (products must have at least 51% U.S. content, including labor but excluding mark-up)
- All shipments on credit terms (including documentary credits, unconfirmed letters of credit and open account) to all eligible countries during the policy period, generally one year. The policy may be renewed annually.
- Repayment terms up to 180 days; exceptionally up to 360 days for qualifying transactions.
- Excluded from coverage are confirmed letters of credit, cash-in-advance sales, and certain military and defense-related items.
- Special program for small business exporters of specified environmentally related products and services.

Types and Percentage of Losses Covered

- Commercial losses due to insolvency, bankruptcy and default are covered at 95%
- Political losses due to war, revolution, cancellation of an import or export license, currency inconvertibility are covered at 95%
- No first-loss deductible

How to Qualify

Together with any parent company, subsidiaries, or affiliates, the exporter must:

1. Be a small business as defined by the Small Business Administration
2. Have export credit sales (average from the preceding 3 years) not exceeding \$7.5 million
3. Have at least one year operating history and a positive net worth

Premium Rates and Payments

- Premiums are paid according to a rate schedule and depend on the credit term extended and the buyer type.
- Shipments may be reported anytime after the shipment is made, but no later than 30th of the month following the month of shipment.
- A one-time, refundable advance premium of \$500 is required to issue this policy.

Small Business Policy Rates

One-time sales are fine; however, if you want to build a long-term relationship with good buyers in over 155 countries, Ex-Im Bank may be the right tool for you.

This small business export credit insurance policy has the same rate applied to any covered country. In the table below, a rate of \$0.55 per \$100 is charged for 60 days credit. Note that the rate is the same, regardless of invoice amount.

<u>Transaction Amount</u>	<u>Rate @ 60 days open account</u>	<u>Private Sector Buyer Premium</u>
\$ 10,000 invoice	\$0.55	\$ 55.00
\$ 50,000 invoice	\$0.55	\$ 275.00
\$225,000 invoice	\$0.55	\$1,237.50

Example: A company produces widgets and sells a container load of product (e.g., \$50,000) to a distributor in Mexico. The Ex-Im Bank insurance for political and commercial risk coverage would only cost \$275 the month following the export. Most businesses incorporate the cost of this premium into its sales price. Remember that this amount is much lower cost than letters of credit.

Do not be intimidated by policy paperwork! Exporters can now apply online or have a broker or Ex-Im Bank staff assist with the application. Furthermore, for established exporters with Ex-Im Bank, a credit facility for up to \$50,000 is often obtained with a couple of qualified/good trade references and a qualified/good credit report. This framework is likely similar to most domestic credit procedures.

For more information about this business-building insurance policy, contact a local Ex-Im Bank officer by calling 800.565.3946 and then press option 2.

Credit Limits

- Report monthly all insured buyers past due over 90 days on amounts over \$25,000 for as long as the overdue situation exists, or until a claim is filed.
- Credit limits in the policy allow the exporter to extend insured credit without prior approval from Ex-Im Bank.
- The exporter must obtain credit information on the buyer to show its creditworthiness.
- Limits are granted in accordance with the exporter's experience.
- Ex-Im Bank must pre-approve amounts over the credits limit in the policy and in certain countries (as noted in the Country Limitation Schedule) – see www.exim.gov

Overdue Invoices and Filing Claims

- Report monthly all insured buyers past due over 90 days on amounts over \$25,000 for as long as the overdue situation exists, or until a claim is filed.
- Claims may be filed no earlier than 90 days after the due date, and no later than 8 months after the due date.
- Claims are paid within 60 days of receipt of all required documents (faster when filed on-line).

Policy Assignments

Subject to approval, policy proceeds (claim payments) may be assigned to a financial institution to arrange receivables financing or add insured foreign receivable to the borrowing base.

An enhanced assignment, protecting account receivable lenders from exporter performance risk, is available to qualified small businesses.

This is not a solicitation by the Export-Import Bank of the United States or its employees. It is a descriptive summary only. The complete terms and conditions of the policy are set forth in the policy, applications, and endorsements.