

Content Policy for Short-Term Programs

Ex-Im Bank's mission is to support U.S. jobs through exports. The U.S. content in Ex-Im Bank supported exports helps ensure that U.S. jobs benefit from Ex-Im Bank programs.

Ex-Im Bank offers two short-term programs -- export credit insurance and Working Capital Guarantee. Consistent with the Bank's Charter to consider the "unique business requirements of small businesses" in formulating its policies, Ex-Im Bank has two separate short-term content policies for: (1) small business exporters as defined by SBA¹ and (2) non-small business exporters.

I. SMALL BUSINESS ELIGIBILITY CRITERIA

In determining eligibility of goods and services exported by small businesses, applicable U.S. content consists of direct costs (i.e., labor, materials, and direct overhead) and indirect costs (e.g., research and development) associated with the production of the U.S. export.

To be eligible for Ex-Im Bank support:

- Each product must be **shipped from the U.S.** to a foreign buyer; and
- Each product must have more than 50% U.S content based on all direct and indirect costs, including but not limited to labor, materials, research and administrative costs, exclusive of profit; or
- The aggregate content of all products in an invoice² must be more than 50% U.S. based on all direct and indirect costs, including but not limited to labor, materials, research, and administrative costs, exclusive of profit.; or
- If the U.S. content of any product or aggregate U.S. content of all products in an invoice is 50% or less, only the U.S. content is eligible.

[Note: Value added after export from the U.S., as well as foreign charges such as import duties, taxes, and inland freight are **excluded** from Ex-Im credit support, or cover.]

Level of Support

If the product or the aggregate products in a single invoice meets the more than 50% U.S content eligibility threshold described above, the entire gross invoice value (sales price) is normally eligible for coverage at the applicable percentage. If the U.S. content of the product or aggregate products in a single invoice is 50% or less, Ex-Im may only support the value of the U.S. content at the applicable percentage. Based on the program (i.e., Working Capital Guarantee or Export Credit Insurance), standard percentages of coverage are 90 to 95%.

II. NON-SMALL BUSINESS ELIGIBILITY CRITERIA

In determining eligibility of goods and services exported by non-small businesses, applicable U.S. content consists of direct costs (i.e., labor, materials and direct overhead) associated with the production of the U.S. export.

¹ The Small Business Administration has established "size standards" to determine whether a business is classified as a small business. The North American Industry Classification System (NAICS) defines industry size standards, which is usually stated in the number of employees or average annual receipts over the past three years. <http://www.sba.gov/contractingopportunities/owners/start/defineyourbusiness/index.html>

² If the small business exporter opts to aggregate multiple products in a single invoice, a Content Report is required.

To be eligible for Ex-Im Bank support:

- Each product must be **shipped from the U.S.** to a foreign buyer; and
- Each product itemized on an invoice must be produced or manufactured in the U.S.; and
- Each product must have more than 50% U.S. content based on labor, material, and direct overhead, exclusive of any profit).

[Note: Value added after export from the U.S., as well as foreign charges such as import duties, taxes, and inland freight are excluded from cover.]

Level of Support

If the product meets the eligibility criteria summarized above, the entire gross invoice value (sales price) is normally eligible for coverage at the insured percentage that is applicable. Based on the applicable program or policy type chosen, standard percentages of coverage are 90 to 95%.

Example of Short-Term Content Policy for both Non-Small Business and Small Business

Below is an illustrative example of a medical equipment transaction seeking Ex-Im Bank support involving a small business exporter and a non-small business exporter.

Item	Made in	Labor, Materials and Direct Overhead		Total Labor, Materials and Direct Overhead	Indirect Costs (some examples)		Total U.S. Costs	All Costs	Sales Price (incl profit)
		U.S. Labor & Materials	Foreign Labor & Materials		U.S. Marketing	Misc Foreign			
1) stethoscopes	U.S.	\$6,000	\$5,000	\$11,000	\$3,000	\$500	\$9,000	\$14,500	\$17,400
2) oximeters	U.S.	\$2,000	\$8,000	\$10,000	\$1,000	\$500	\$3,000	\$11,500	\$13,800
3) dopplers	Mexico	\$10,000	\$3,000	\$13,000	\$6,000	\$1,000	\$16,000	\$20,000	\$24,000

The following discussion highlights how the eligibility criteria, calculation of eligibility, and the level of support vary for non-small and small business exporters.

Item #1-

Non- Small Business: This item is **eligible** for 100% of the Sales Price (\$17,400) because (i) eligible U.S. content* (\$6,000/\$11,000=55%) is more than 50%; and (ii) the item was produced in the U.S.

Small Business: This item is **eligible** for 100% of the Sales Price (\$17,400) because eligible U.S. content** (\$9,000/\$14,500=62%) is more than 50%.

Item #2-

Non- Small Business: This item is **ineligible** for any Ex-Im support because eligible U.S. content* (\$2,000/\$10,000=20%) is less than 50%.

Small Business: Only the U.S. costs (\$3,000) are eligible for Ex-Im Bank support because eligible U.S. content** (\$3,000/\$11,500=26%) is less than 50%.

Item #3-

Non- Small Business: Even though eligible U.S. content* (\$10,000/\$13,000=77%) is more than 50%, the item is **ineligible** for any Ex-Im support because the core product was produced outside the U.S.

* Non-Small Business Content Eligibility: The content calculation to determine eligibility is limited to labor, material and direct overhead.

** Small Business Content Eligibility: The content calculation to determine eligibility includes all costs.

Small Business: This item is **eligible** for 100% of the Sales Price (\$24,000) because eligible U.S. content** ($\$16,000/\$20,000=80\%$) is more than 50%.

Total Transaction Support-

Non-Small Business: \$17,400

Small Business: \$44,400