

FACT SHEET
WORKING CAPITAL GUARANTEE PROGRAM
FOR COMMUNITY LENDERS

Ex-Im Bank's Working Capital Guarantee Program (the Program) encourages commercial lenders to make loans to U.S. businesses for various export-related activities, thus facilitating the expansion of U.S. exports. Ex-Im Bank's guarantee covers 90 percent of the loan's principal and accrued interest, significantly reducing a lender's risk, and carries the full faith and credit of the U.S. government.

Of particular interest to community lenders, the Program:

- permits higher disbursement rates on both export-related accounts receivable and inventory (including work-in-process as well as raw materials and finished goods), typically 90 percent and 75 percent respectively, thereby providing the exporter with substantially greater borrowing capacity;
- greatly reduces the amount of risk, even on existing lines;
- may allow lenders to exceed legal lending limits depending on state law;
- carries a 20% capital risk weighting;
- may help lenders meet CRA requirements by guaranteeing loans to qualifying exporters; and
- grants qualified lenders, under the Delegated Authority Lender Program, the authority to commit Ex-Im Bank's guarantee to their export-related working capital loans, without submitting an application to Ex-Im Bank for approval. Delegated Authority allows the lender to provide faster turn-around time to its customers and to retain a portion of the Ex-Im Bank Facility Fee.

Lender Criteria: Any bank, provider of commercial credit, or other public or private lender with at least three years' operating history may apply for eligibility under the Program. Ex-Im Bank includes as community lenders those lenders that (1) have assets of \$500 million or less, (2) make commercial loans, (3) are locally owned and operated, and (4) serve a local community.

Exporter Criteria: The exporter must be a commercial entity, domiciled in the U.S., that operates as a going concern and currently exports or plans to export. Exporters must have a revenue-producing operating history of at least one year (at least three years for exporters in a service industry) and a positive tangible net worth. Start-up and development-stage entities are ineligible. The exporter must have a demonstrated ability to perform under contract.

Type and Term of the Loan: A loan can support a single export transaction (transaction specific) or multiple export transactions (revolving loan). The term of the loan generally does not exceed one year. On a case-by-case basis, transaction specific loans may be approved for a longer term to allow for extended production cycles.

Use of the Loan: The loan may be used to pay for direct and indirect costs, e.g., design, raw materials, labor and overhead used for the manufacture or purchase of export-related goods or for the provision of export-related services and to support letters of credit serving as bid or performance bonds or payment guarantees. In order to accommodate a refinancing, with Ex-Im Bank's pre-

approval, initial proceeds of the loan may be used to repay pre-existing debt of the borrower. The Program also allows the loan to be used to a limited extent to support warranties and retainages.

Collateral Requirements: Guaranteed loans must be fully collateralized at all times. (Letters of credit need only be collateralized at 25 percent of face value, unless serving as a warranty bond.) Primary collateral typically consists of export-related inventory and export-related accounts receivable, and may include export-related costs such as design, engineering, labor and allocable overhead for service-sector businesses. Additional support generally consists of second or junior liens on other assets of the borrower, as well as the guarantee(s) of principal shareholders (over 20 percent).

Ex-Im Bank Charges:

- A processing fee of \$100 with each application for a final commitment
AND
- An up-front annual facility fee of 1.0 percent.

DELEGATED AUTHORITY

Ex-Im Bank grants delegated authority (DA) to qualified lenders, which allows them to commit Ex-Im Bank's guarantee as soon as they have made their internal credit decision. No further analysis is done by Ex-Im Bank. As an added incentive, Ex-Im Bank allows the DA lender to retain a portion of the facility fee and to separately collateralize the 10 percent unguaranteed portion of the loan.

As a special incentive for qualified community lenders, Ex-Im Bank will give Community DA of \$1 million per exporter and \$10 million per institution. All export sales financed under the Community DA loan must be made on either letter of credit terms or open account with Ex-Im Bank or private export credit insurance. Terms of loans would be limited to one year.

After at least one year, three operative submitted transactions and a satisfactory field examination, the lender's DA level may increase to "Basic" - \$2 million per exporter and \$25 million per institution. To qualify, lenders must demonstrate their experience in monitoring asset-based loans, submit their latest annual report and attend an Ex-Im Bank training session. Applicants should send their information to Mr. Sam Zytcer, Vice President - Business Credit Division, 811 Vermont Ave., N.W., Washington, DC 20571.

ALTERNATIVE FUNDING SOURCE

Lenders may also participate in the Private Export Funding Corporation's (PEFCO) programs which include (1) a liquidity facility which enables the sale of the guaranteed portion of the loan and (2) Ex-Im Bank's Underserved Markets Program which may provide a 100 percent guarantee to companies that are minority- or women-owned, environmental companies, or those located in a rural area, or in an urban economically depressed area.

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