

# EXIM SHORT TERM CREDIT STANDARDS

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# INTRODUCTION TO SHORT-TERM CREDIT STANDARDS

## DEFINITION OF STCS

Short Term Credit Standards (STCS) are the requirements you must meet in order to apply, and the criteria that your underwriter will use to make a decision on your application. Some of the terms in the STCS may be unfamiliar to you. Please click on the hyperlinked words to be directed to their definition.

## HOW TO READ THIS DOCUMENT

This document serves as a guide to applying for the short term policies offered by the Export-Import Bank of the U.S. (EXIM). Start with the [decision trees](#) on the following two pages to determine which product best suits your export credit insurance needs. Click on the product's hyperlink to be directed to the corresponding section describing the product.

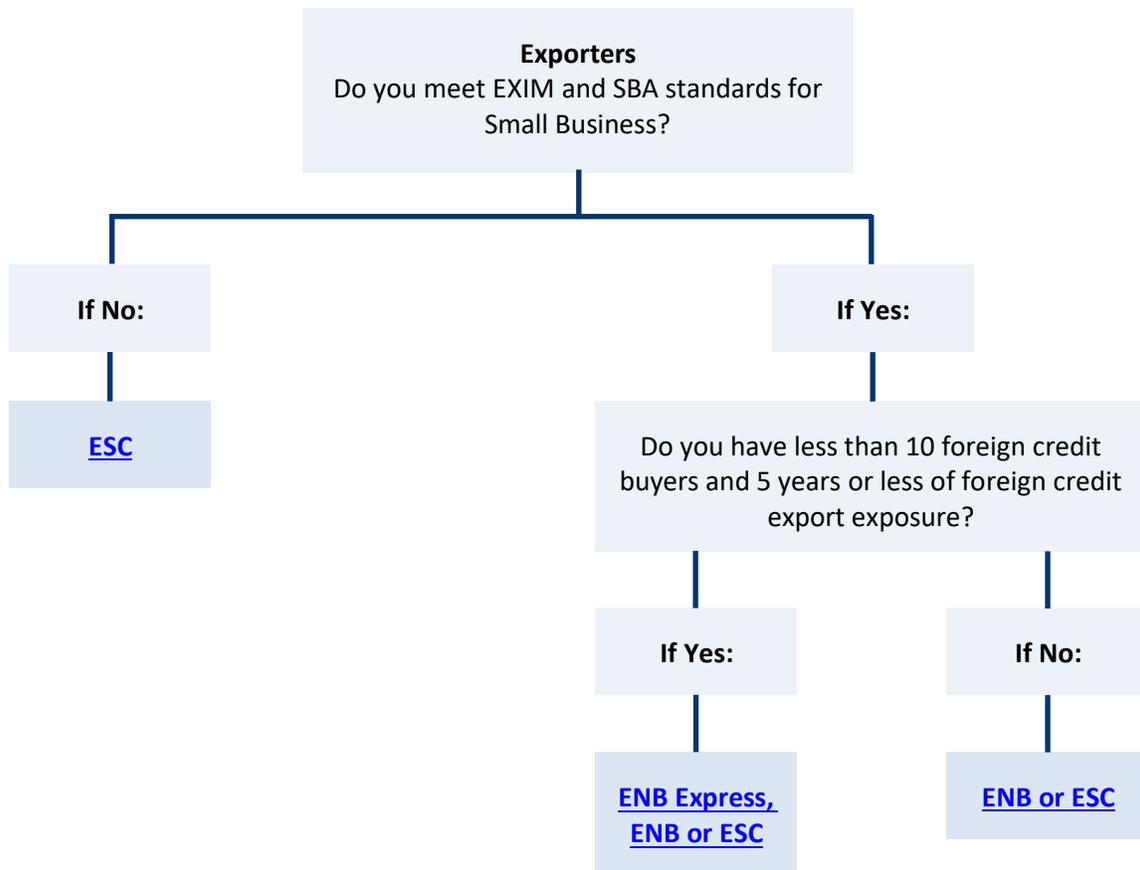
## THE PROCESS TO EXPECT

1. Begin an application for your chosen product at [EXIM Online](#), where it is easy to create a new user account if you do not already have one. Please see [this user manual](#) for additional information or contact your broker if you have any issues.
2. We strongly encourage you to use an insurance broker. A broker can assist you in the application process, maintenance of the policy, and filing claims, all at no cost to you. A list of brokers registered with EXIM is found on [EXIM's website](#).
3. Before you submit your application, double-check the STCS for your chosen product to ensure that all of the necessary supporting documents are attached to your application, as the STCS will guide your underwriter's decision making.
4. If your application is incomplete, you may a) receive an email from your underwriter or broker asking for the necessary documents, b) be approved for a lower amount or c) receive notice that your application is withdrawn or denied.
5. Even if your application is complete, you may receive an email from the underwriter seeking clarification on the information provided. Please note that EXIM will consider approval of an application that does not entirely meet the standards if mitigating credit factors exist. Some standards, particularly performance criteria (i.e., financial ratios), include a degree of flexibility. However, even if mitigating factors can be found, EXIM reserves the right to withdraw or decline your application.
6. If your application is approved, you will be notified via email and will be prompted to accept your quote at [EXIM Online](#) and pay the minimum premium if required.
7. Certain transactions may require additional processing time because specialized information or analysis is required to determine if the transaction is eligible for consideration:
  - a. Exports of [nuclear sector](#) products or services;
  - b. Buyers in markets with restrictions dictated by EXIM's [Country Limitation Schedule \(CLS\)](#);
  - c. Products that may create (i) [potential environmental hazards](#), (ii) [potential adverse economic impact](#) to U.S. industries, or (iii) be [potentially inconsistent with U.S. trade measures](#);
  - d. [Material adverse issues](#);
  - e. Sales to the [military](#); and/or
  - f. Missed STCS. EXIM will perform additional due diligence to consider approval of applications not entirely meeting credit standards if mitigating factors exist.

## HOW TO KNOW WHAT POLICY IS RIGHT FOR YOU: EXPORTERS

If you **do** want [whole turnover](#) coverage of your export credit portfolio:

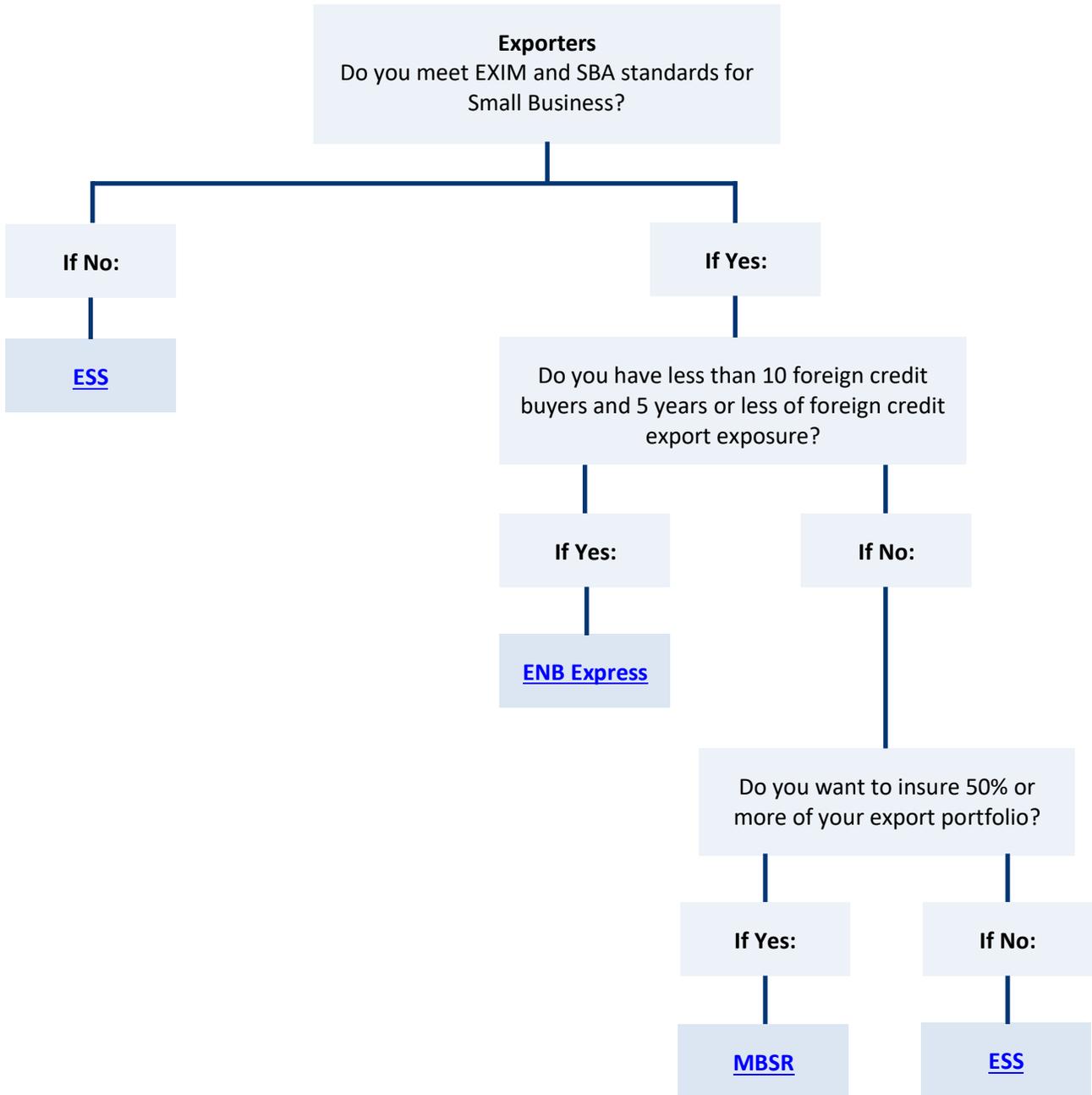
([I don't want whole turnover coverage.](#))



\*Please contact your broker or the Regional Offices for special programs for Environmental Exports and political-only coverage.

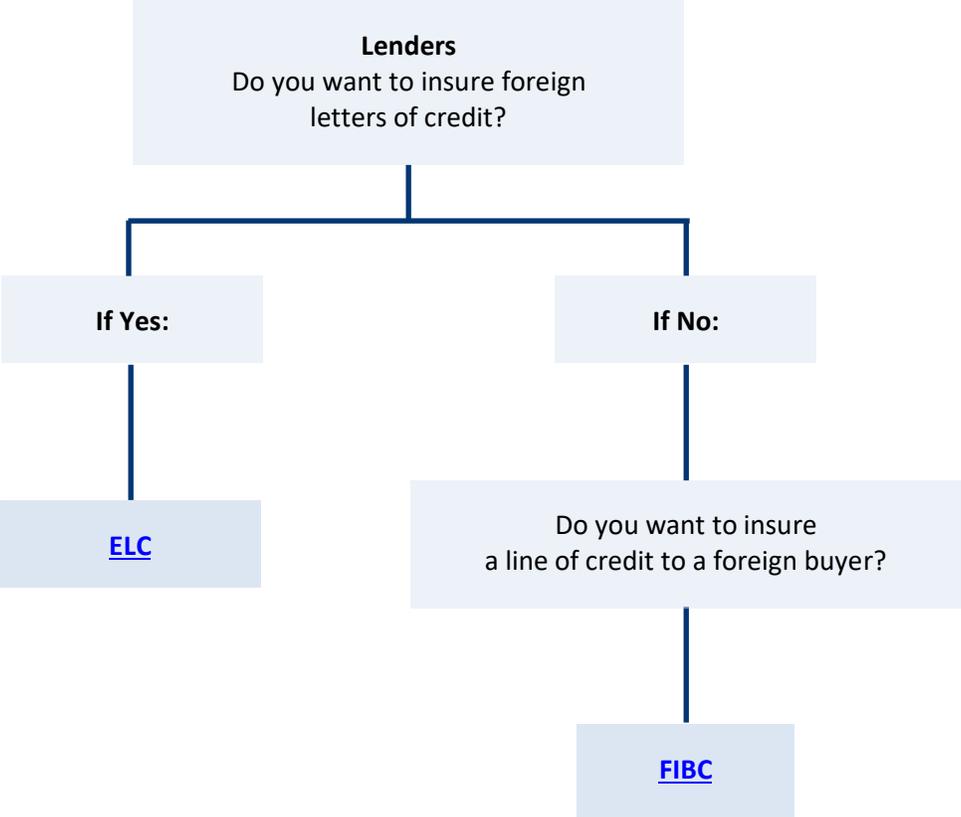
If you *do not* want [whole turnover](#) coverage of your export credit portfolio:

([I do want whole turnover coverage.](#))



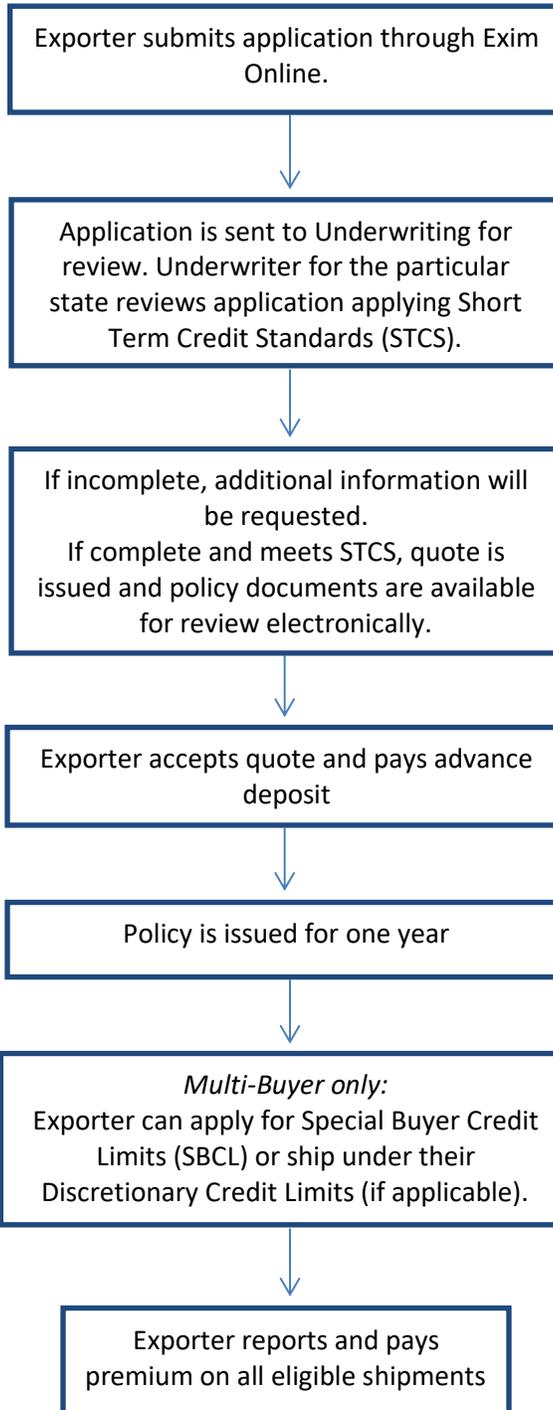
\*Please contact your broker or the Regional Offices for special programs for Environmental Exports and political-only coverage.

# HOW TO KNOW WHAT POLICY IS RIGHT FOR YOU: LENDERS



## POLICY APPROVAL PROCESS

### MULTI-BUYER & ESS



## CREDIT STANDARDS FOR SHORT-TERM MULTI-BUYER POLICIES

Short-term policies have a duration of 12 months or less. Short-term transactions involve exports of consumer goods, raw materials, spare parts, commodities, and capital equipment with a repayment term of 180 days or, exceptionally, 360 days for capital equipment, consumer durables, bulk agricultural commodities, and fertilizer.

Products shipped under the policy must be a minimum of 50% US content, shipped from the US and within the Country Limitation Schedule (CLS). Sales to or for use by military entities and security agencies, sales of military equipment or defense related products are not eligible for coverage under the policies.

### MULTI-BUYER POLICIES: ENB, ENV, EXP, ESC, ESP, MBSR

Multi-buyer export credit insurance policies require the insured to report and pay premium on all of their eligible short-term credit transactions (“whole turnover<sup>1</sup>”), or those which provide a reasonable spread of risk. EXIM multi-buyer insurance provides 95% comprehensive coverage for political and commercial risks, discretionary credit limit (DCL) authority for many policyholders who qualify, and premium payments due after shipments.

This section outlines the different multi-buyer policy types, how an exporter may qualify for a policy, and the information about foreign buyers that you will need to submit with applications—these are called the foreign buyer credit standards.

In order to understand the different multi-buyer policy types available, it is important to first understand what a standard exclusion is, how EXIM determines if a company qualifies as a Small Business (a status which comes with certain benefits), and the definition of a Discretionary Credit Limit.

### STANDARD EXCLUSIONS

The following standard exclusions to eligible transactions are options on all multi-buyer policy types. Please note that sales to affiliates are never eligible, except for ESP policies (political risk only).

- Sales to Canada
- Sales of product samples
- Invoices less than \$10,000
- Confirmed and un-confirmed letters of credit
- Other secured terms such as cash against documents (CAD) and sight draft documents against payment (SDDP).

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<sup>1</sup> Whole Turnover” means all eligible sales are to be reported under the policy unless there is a standard exclusion, coverage is unavailable in the buyer’s country per the Country Limitation Schedule ([www.exim.gov/](http://www.exim.gov/)), EXIM is prohibited from supporting the products or services, or the buyer has been declined by EXIM

## SMALL BUSINESS REQUIREMENTS

In order to qualify as an EXIM small business, exporters must meet the following standards:

- SBA Small Business - Meet [SBA industry size standards](#), which are based on either number of employees or annual revenues. This consideration includes not only the company, but also all their domestic and international affiliated and related companies.
- EXIM Small Business - Have average annual export credit sales for the last 3 years of less than \$7,500,000, after subtracting the standard exclusions mentioned above.

## DISCRETIONARY CREDIT LIMIT

Discretionary Credit Limit (DCL) authority is a per-buyer maximum credit limit issued to qualified exporters authorizing them to commit insurance coverage without prior EXIM approval. This authority is endorsed to the exporter's policy with the "Discretionary Credit Limit Endorsement." The amount of DCL is determined by an exporter's credit practices, experience, industry, receivables quality, and size of typical credit offered to most buyers. EXIM reserves the right to approve, modify or decline any DCL authority based on its evaluation of the exporter's credit management risk, or to request additional information to justify DCLs.

## MULTI-BUYER POLICY TYPES OFFERED BY EXIM

EXIM currently offers six different kinds of multi-buyer policies, each of which incorporates some aspect of Standard Exclusions, Small Business designation, and/or Discretionary Credit Limits. The most common policy types are ENB, ENB Express, and ESC.

1. **Small Business Policy (ENB):** EXIM's standard, whole turnover policy with no deductible and fixed premium rates determined by the transaction type and terms of sale. Exporters must meet the Small Business Administration (SBA) and EXIM guidelines for Small Business. An exporter can be graduated out of this policy into the standard (ESC) policy if they no longer meet either SBA or EXIM Bank small business guidelines at subsequent policy renewals. The 3-year average total credit sales criterion applies at original quotation and "rolls" through the life of the policy.
2. **Small Business Environmental Policy (ENV):** a whole turnover policy for exporters that meet the Small Business Administration (SBA) and EXIM guidelines for Small Business and whose products meet EXIM Bank [environmental eligibility requirements](#), though final decisions on eligibility are made by EXIM's engineers. Applicants deemed environmentally beneficial may retain their ENV policy structure regardless of the amount of EXIM sales volume generated as long as they remain SBA small. The ENV policy does not require a deductible for the policyholder's first loss and has fixed premium rates determined by the transaction type and terms of sale.
3. **Small Business Express Insurance Policy (ENB Express):** a variant of the ENB policy for Small Business exporters that does not allow for a DCL. There is no deductible and the premium rates are per rate schedule. The applicant cannot be an existing EXIM Bank multi-buyer policyholder, have more than ten (10) existing export credit buyers (after the standard exclusions) and cannot have in excess of five (5) years of export credit experience at quotation. After three years, Express policies are graduated to a standard Small Business Policy (ENB), Standard Deductible Policy (ESC), or may opt for separate ESS policies for their buyers. Please note, applicants are not required to submit a credit report for foreign buyers on SBCL applications under the ENB Express policy type, as it is obtained by EXIM, if needed.

4. **Standard Deductible Policy (ESC):** a whole turnover policy with a deductible requirement and risk-based premium rates. Exporters are not required to be an SBA or EXIM small business to qualify.
5. **Multi-Buyer Select Risk Policy (MBSR):** a variant of the ESC policy type with a deductible and premium rate based on the portfolio risk. It is endorsed to allow the policyholder to formally exclude certain longstanding, highly creditworthy customers or entire markets from coverage, thereby relaxing the whole turnover provision of the standard ESC policy. The excluded volume should generally not exceed 50% of the policyholder's total eligible export credit sales after all exclusions.
6. **Political risk only coverage option (ESP):** a variant of the ESC policy with no deductible. It requires whole turnover reporting but only provides coverage against government actions that prevent the buyer from repaying their debt, also known as political risk. There is no coverage for a buyer defaulting for other reasons.

The table below summarizes the Multi-Buyer policy options.

|                                       | ENB                        | ENB Express                | ENV                        | ESC                             | MBSR                            | ESP                             |
|---------------------------------------|----------------------------|----------------------------|----------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>Whole turnover</b>                 | Yes                        | No                         | Yes                        | Yes                             | No                              | Yes                             |
| <b>Deductible</b>                     | No                         | No                         | No                         | Yes                             | Yes                             | No                              |
| <b>DCL Eligibility</b>                | Yes                        | No                         | Yes                        | Yes                             | Yes                             | No                              |
| <b>Premium Rates</b>                  | <a href="#">Rate table</a> | <a href="#">Rate table</a> | <a href="#">Rate table</a> | Based on portfolio risk profile | Based on portfolio risk profile | Based on portfolio risk profile |
| <b>Small business requirement?</b>    | Yes                        | Yes                        | Yes                        | No                              | No                              | No                              |
| <b>Commercial or Political Risks?</b> | Both                       | Both                       | Both                       | Both                            | Both                            | Political only                  |

## HOW AN EXPORTER QUALIFIES FOR MULTI-BUYER POLICIES

When analyzing an exporter's application for a multi-buyer policy, EXIM's analytical focus is on the exporter's business acumen, credit management, financial viability, and commercial integrity. Exporters that meet the Small Business criteria for a Small Business (ENB) policy may only be quoted a Multi-buyer deductible (ESC) policy depending on the risk factors associated with the application. The addition of special coverages such as services exports, adding affiliates as Additional Named Insureds, sales out of consignment or overseas warehouses, or pre-shipment cover will require additional supporting information. EXIM Bank reserves the right to return incomplete applications, decline applications based on adverse risk issues, or approve policy liability limits that are less than requested.

The credit standards for new applications are detailed in the table below. The hyperlinked key words are defined in the [Appendix](#) to this document.

| <b>Exporter Credit Standards for a NEW Multi-buyer Application</b>  |
|---|
| 1. In the same line of business for at least three years  |
| 2. EXIM will obtain a credit report based on the exporter's <a href="#">DUNS number</a> , which must be favorable |
| 3. Dun & Bradstreet <a href="#">Paydex</a> of 50 or higher and <a href="#">no derogatory information</a>          |
| 4. Have at least one year of exporting experience   |
| 5. Signed financial statements reflect an operating profit in the most recent fiscal year                         |
| 6. Positive net worth in their most recent fiscal year is at least 10% of requested policy limit                  |
| 7. No <a href="#">material adverse issues</a>   |

The credit standards for exporters applying for a new Small Business Express Insurance Policy (ENB Express) described below, are slightly different.

| <b>Exporter Credit Standards for a NEW ENB Express Application</b>  |
|---|
| 1. In the same line of business for at least three years  |
| 2. EXIM will obtain a credit report based on the exporter's <a href="#">DUNS number</a> , which must be favorable |
| 3. Dun & Bradstreet <a href="#">Paydex</a> of 50 or higher and <a href="#">no derogatory information</a>          |
| 4. Cannot have in excess of five (5) years of export credit experience at quotation                               |
| 5. Financial figures reflect an operating profit in the most recent fiscal year                                   |
| 6. Positive net worth in the most recent fiscal year is at least 10% of requested policy limit                    |
| 7. Not an existing multi-buyer policyholder   |
| 8. Meet <a href="#">SBA and EXIM</a> small business requirements  |
| 9. Exporting on credit terms to a maximum of 10 foreign buyers  |
| 10. No <a href="#">material adverse issues</a>  |

**HOW LONG IT TAKES**

Standard processing times are listed below, but a decision may take more time if the credit standards are not met, [material adverse issues](#) exist, or extensive policy customization is required.

| <b>Application Type</b>                                  | <b>Maximum Standard Turnaround Time</b> |
|--|---|
| ENB, ENV, ESC, ESP, MBSR, ENB Express (New & Amendments) | 10 calendar days                        |
| Renewal, any type of multi-buyer                         | Renewed before policy expiration        |

**DISCRETIONARY CREDIT LIMIT AUTHORITY FOR MULTI-BUYER POLICYHOLDERS**

As explained above, the Discretionary Credit Limit (DCL) authority is a per-buyer maximum credit limit(s) issued to qualified exporters that authorizes them to commit insurance coverage without prior EXIM approval. Use of the DCL must comply with the Declarations, Short Term Credit Standards (STCS) and County Limitation Schedule (CLS). The following table delineates the requirements for approval of discretionary authority.

| <b>Exporter Credit Standards Discretionary Credit Authority</b>  |
|--|
| 1. New exporters must meet <a href="#">STCS</a> for new multi-buyer application                          |
| 2. Prior experience exporting on credit terms  |
| 3. Person responsible for export credit decisions has at least one full year of export credit experience |

|   |
|---|
| 4. Total export credit amounts overdue by more than 90 days are less than 25% of the total credit amounts outstanding, supported by an Accounts Receivable aging report dated within 30 days of the application |
| 5. Any export credit losses will be evaluated in the context of the exporter's industry, portfolio and experience extending foreign credit  |

## QUALIFYING BUYERS USING EXPORTER DCL AUTHORITY

**Credit Discretionary Limit Authority (CDCL)** – the maximum amount of credit that the insured can extend to new buyers (no prior credit experience) or to a foreign issuing bank based on supporting credit information.

To use the “credit” DCL, the transaction must meet the conditions of EXIM’s Country Limitation Schedule, and the exporter must obtain the following credit information prior to shipment:

### ***For buyers:***

Either one of the following, which must be dated within six (6) months prior to the date of shipment:

- A favorable credit agency report from a credit agency that appears as an “approved credit agency” on EXIM’s website at [exim.gov](http://exim.gov) containing no derogatory information or outstanding judgments against the buyer. The report should not indicate any payments received from the buyer more than 60 days after the due date during the past 12 months; or
- A trade reference from another supplier verifying that during the last 12 months, the buyer made all payments within 60 days after the due date, and that the credit repaid by the buyer is at least half of the amount of your credit DCL. In addition, payment terms to the buyer must not exceed the supplier’s longest credit term by more than 60 days.

### ***For issuing banks:***

- Credit can be extended to an issuing bank if its short-term hard currency debt rating is equivalent to or better than A-3 from Standard & Poor’s, P-3 from Moody’s, or F-3 from Fitch; OR its long-term hard currency debt rating is equivalent to or better than B from Standard & Poor’s and Fitch, or B2 from Moody’s.

**Ledger Discretionary Limit Authority (LDCL)** – the maximum amount of credit that the insured can extend to existing buyers or foreign issuing banks based on the exporter’s favorable ledger history.

To use the “ledger” DCL, the transaction must meet the conditions of EXIM’s Country Limitation Schedule, and your payment experience with your buyer or issuing bank must meet the following conditions:

- Prompt payment: Your customer must have a record of paying you promptly on all shipments made on similar terms within the 12 months preceding the date of shipment. Prompt payment means that all of the buyer’s or issuing bank’s payments were made within 90 days of the due date.
- Similar payment terms: Your payment terms to the buyer must not exceed your longest previous payment terms granted to the buyer over the twelve months preceding the date of shipment by

more than 60 days.

- Shipments made on secured terms (such as letter of credit, cash against documents or sight draft documents against payment and excluding cash on delivery) can be used only to justify other secured term shipments. Prior shipments made on unsecured terms (such as sight draft documents against acceptance, date drafts documents against acceptance or open account terms) must be used to justify “ledger” DCL shipments made on unsecured terms. You cannot use sales made on secured terms to justify using your “ledger” DCL for unsecured sales.
- Similar amounts: You can extend credit to a buyer or issuing bank up to twice the highest credit amount given to that buyer by you over the twelve months preceding the date of shipment and repaid promptly (in accordance with our definition, above), up to the maximum DCL endorsed to your policy. Shipments made on secured terms (such as letter of credit, cash against documents or sight draft documents against payment and excluding cash on delivery) can be used only to justify other secured term shipments. Prior shipments made on unsecured terms (such as sight draft documents against acceptance, date drafts documents against acceptance or open account terms) must be used to justify “ledger” DCL shipments made on unsecured terms. You cannot use sales made on secured terms to justify using your “ledger” DCL for unsecured sales.

## EXCEEDING DISCRETIONARY AUTHORITY WITH SBCLs AND IBCLs

Credit limits or terms exceeding the exporter's Discretionary Credit Limit (DCL) Authority or restricted by EXIM's Country Limitation Schedule must be approved by EXIM. In order to gain approval, the exporter must submit a Special Buyer Credit Limit Application (SBCL) when the foreign buyer is not paying with a Letter of Credit, or an Issuing Bank Credit Limit Application (IBCL) when the buyer is paying with a Letter of Credit. Each of these applications must be supported by favorable prior payment experience or current credit information.

## HOW LONG IT TAKES: SBCLs AND IBCLs

Standard processing times are listed below, but a decision may take more time if the credit standards are not met, [material adverse issues](#) exist, or extensive customization is required. Please note that for ENB Express policyholders, additional time may be required for EXIM to order and receive a credit report. During this time, the application will be placed into a “hold” status awaiting arrival of the report.

| Application Type                              | Maximum Standard Turnaround Time  |
|---|---|
| SBCLs ≤ \$500,000 (New, Amendments, Renewals) | 7 calendar days   |
| All SBCL transactions > than \$500,000        | Turnaround time determined at time of application, based on complexity and completeness of application. |
| All IBCLs (New, Amendments, Renewals)         | 7 calendar days   |

## FOREIGN BUYER CREDIT STANDARDS FOR SPECIAL BUYER CREDIT LIMIT (SBCL)

The foreign buyer under an SBCL must meet the following credit standards, which are based on EXIM's [total potential buyer exposure](#). This means that if EXIM has other exposure to your foreign buyer or issuing bank, your application may require additional information.

### **Foreign Buyer Credit Standards for SBCL Applications of \$500,000 or less:**

| Up to \$100,000   | \$100,001 to \$500,000   |
|---|--|
| 1. Foreign buyer is in the same general line of business for at least three (3) years   | 1. Foreign buyer is in the same general line of business for at least three (3) years  |
| 2. No <a href="#">material adverse issues</a>   | 2. No <a href="#">material adverse issues</a>  |
| n/a   | 3. Favorable <a href="#">credit report</a>   |
| 3. Either a favorable <ul style="list-style-type: none"> <li>a. <a href="#">Credit report</a> OR</li> <li>b. <a href="#">Trade reference</a> (preferably from a U.S. supplier) OR</li> <li>c. Applicant's <a href="#">ledger experience</a> OR</li> <li>d. Buyer's signed financial statements for two (2) most recent fiscal years, showing EXIM's <a href="#">total potential exposure</a> is not greater than 50% of the foreign buyer's <a href="#">tangible net worth</a> at the end of the last fiscal year.</li> </ul> | 4. Either a favorable <ul style="list-style-type: none"> <li>a. <a href="#">Trade reference</a> (preferably from a U.S. supplier) OR</li> <li>b. Applicant's <a href="#">ledger experience</a> OR</li> <li>c. Buyer's signed financial statements for two (2) most recent fiscal years, showing EXIM's <a href="#">total potential exposure</a> is not greater than 50% of the foreign buyer's <a href="#">tangible net worth</a> at the end of the last fiscal year.</li> </ul> |

**NOTE 1:** For SBCL renewals up to \$300,000, the applicant may only need to provide their favorable [ledger experience](#). Additional information may be requested depending on the circumstances of a particular credit.

**NOTE 2:** Standards above mirror those for [ESS](#) applications of the same amounts.

**Foreign Buyer Credit Standards for SBCL Applications over \$500,000:**

| <b>\$500,001 to \$1,000,000</b>  | <b>\$1,000,001 to \$10,000,000</b>  |
|--|---|
| 1. Foreign buyer is in the same general line of business for at least three (3) years  | 1. Foreign buyer is in the same general line of business for at least three (3) years   |
| 2. No <a href="#">material adverse issues</a>  | 2. No <a href="#">material adverse issues</a>   |
| 3. Favorable <a href="#">credit report</a>   | 3. Favorable <a href="#">credit report</a>  |
| 4. Either a favorable <ul style="list-style-type: none"> <li>a. <a href="#">Trade reference</a> (preferably from a U.S. supplier) OR</li> <li>b. Applicant's <a href="#">ledger experience</a></li> </ul>              | 4. Either a favorable <ul style="list-style-type: none"> <li>a. <a href="#">Trade reference</a> (preferably from a U.S. supplier) OR</li> <li>b. Applicant's <a href="#">ledger experience</a></li> </ul>   |
| 5. Audited or signed unaudited financial statements with notes for the last two (2) fiscal years, which adequately disclose financial condition and afford a reasonable basis for reliance on the information provided | 5. Audited financial statements for the last three (3) fiscal years complete with notes and auditor's opinion. Interim financial statements are also required if the most recent fiscal year statements predate the application date by nine (9) or more months |
| 6. EXIM's <a href="#">total potential exposure</a> is not greater than 50% of the foreign buyer's <a href="#">tangible net worth</a> at the end of the last fiscal year  | 6. EXIM's <a href="#">total potential exposure</a> is not greater than 50% of the foreign buyer's <a href="#">tangible net worth</a> at the end of the last fiscal year   |
| 7. <a href="#">Operating profit</a> and <a href="#">net profit</a> in the most recent fiscal year  | 7. <a href="#">Operating profit</a> and <a href="#">net profit</a> in the most recent fiscal year   |
| 8. <a href="#">Total liabilities/Tangible net worth</a> ratio in the last fiscal year is equal to or less than 2.5.  | 8. <a href="#">Total liabilities/Tangible net worth</a> ratio in the last fiscal year is equal to or less than 2.5  |
| 9. <a href="#">Current ratio</a> in the last fiscal year is equal to or greater than 1.25  | 9. Positive <a href="#">net cash from operations</a> in the most recent fiscal year   |
| n/a  | 10. <a href="#">EBITDA/Debt Service</a> of at least 1.5 in the most recent fiscal year  |

**NOTE 1:** An [acceptable market rating](#) may substitute for standards 7-10 above.

**NOTE 2:** Applications for more than \$10,000,000 will be subject to further credit analysis. The underwriter processing the application will contact you for any supplemental credit information that may be needed.

**NOTE 3:** Standards above mirror those for [ESS](#) applications of the same amounts.

## FOREIGN ISSUING BANK CREDIT STANDARDS FOR ISSUING BANK CREDIT LIMIT (IBCL & ESS)

### **Issuing Bank Credit Standards for IBCL Applications (ELC, ENB, ENV, ESC and Express ENB)**

#### **For \$5,000,000 or less:**

1. Either
  - a. An [acceptable market rating](#) OR
  - b. Most recently published fiscal year end or interim statements, a ratings agency report, or statement spread from a reliable source (accessed by EXIM staff) indicating:
    - i. Equity of at least \$50,000,000
    - ii. Net income for the period
    - iii. EXIM's [total potential exposure](#) is not greater than 50% of issuing bank's [tangible net worth](#) at the end of the last fiscal year
2. No [material adverse issues](#)

#### **For Greater than \$5,000,000 with Acceptable Market Rating:**

1. Foreign buyer is in the same general line of business for at least three (3) years
2. EXIM's [total potential exposure](#) is not greater than 25% of the issuing bank's tangible net worth at the end of the last fiscal year

#### **For Greater than \$5,000,000 without Acceptable Market Rating:**

*In addition to the two (2) standards described above for Greater than \$5,000,000 without Acceptable Market Rating, the following standards apply:*

1. Audited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
2. Auditor's opinion is either unqualified OR qualified with respect to amounts and circumstances not considered material to creditworthiness.
3. [Net income](#) in the last fiscal year is at least 1% of average [total assets](#) over the past two years
4. [Liquid assets](#) are at least 10% of last fiscal year's [total assets](#) at last fiscal year end
5. [Non-performing loans](#) are less than 7% of [gross loans](#) at last fiscal year end
6. [Loan loss reserves](#) are at least 80% of [non-performing loans](#) at last fiscal year end
7. [Net loans](#) are less than 100% of [customer deposits](#)
8. [Tier 1 ratio](#) is at least 8.5%. If tier 1 ratio is not available, then [equity](#) is at least 8% of last fiscal year's [total assets](#).
9. No [material adverse issues](#).

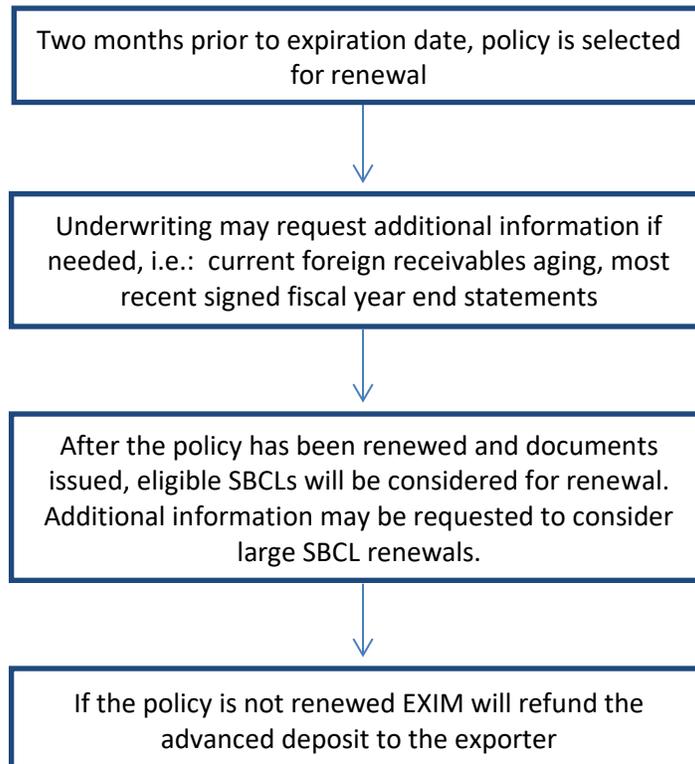
## THE RENEWAL PROCESS FOR MULTI-BUYER POLICIES

Sixty (60) calendar days before the policy expiry date, EXIM will determine whether the exporter meets renewal standards, detailed in the table below. Exporters that do not meet the standards will promptly receive a written request stating what additional information is required in order for EXIM to complete the renewal on or before their current multi-buyer policy's expiry date. EXIM staff may reach out for additional information as they consider the renewal. Barring unusual circumstances, EXIM will approve renewals and issue the policy renewal documents before the expiry date.

Policies with no reported activity for twenty-four (24) consecutive months are not selected for renewal by EXIM Online.

| Exporter Credit Standards for a Renewal Multi-buyer Application |  |
|---|--|
| 1.  | Dun & Bradstreet <a href="#">Paydex</a> of 50 or higher and <a href="#">no derogatory information</a>                        |
| 2.  | Total claims (paid and pending) over the last five years are less than 100% of premiums paid during the same period          |
| 3.  | No adverse risk issues such as policy non-compliance, abrupt changes in the risk portfolio or exporter's financial condition |
| 4.  | Updated signed financial statements must be provided every five years  |

### POLICY RENEWAL PROCESS



## RENEWAL/GRADUATION PROCESS FOR EXPRESS POLICIES

At the time of third renewal (i.e., going into the fourth year under the Express policy), Express policies will convert to either:

- Whole-turnover policy (ESC or ENB)
- Multi-Buyer Select Risk policy (MBSR)
- Single Buyer policy (ESS)

The policy number will remain unchanged if the Express policy is converted to a Multi-Buyer policy and the insured will be asked to provide the following information.

- Signed financial statements for the most recent fiscal year end.
- Aging report of foreign accounts receivables
- Export credit sales projections by country, terms of sale

If the insured wishes to convert to a Single Buyer policy (ESS), a new application will need to be submitted through Exim Online with all the required credit information.

## RENEWAL PROCESS FOR SPECIAL BUYER CREDIT LIMITS (SBCL)

Exim Online also determines which SBCLs are selected for renewal based on reported shipment activity. After the policy renewal is processed and the renewal documents are issued; the selected SBCLs are started automatically by Exim Online. It is important to note the following:

- Inactive SBCLs are not selected for renewal.
- For SBCL renewals that exceed \$300,000, underwriters will request the requisite credit information as per STCS.
- If the shipment activity can be managed under the exporter's DCL authority and there are no CLS restrictions for that particular market, the SBCL renewal will withdraw allowing the exporter to use their DCL authority.

## CREDIT STANDARDS FOR SHORT-TERM SINGLE BUYER POLICIES (ESS)

A Short Term Single Buyer (ESS) policy is export credit insurance for transactions with one buyer, and is used when the exporter does not want to insure its entire eligible export credit portfolio. An ESS policy provides comprehensive coverage, while an ESS-P policy covers only political events.

### HOW AN EXPORTER QUALIFIES

The analytical focus for ESS applications is the creditworthiness of the foreign buyer, which is usually a corporation. It is also possible to cover a foreign bank issuing a letter of credit on behalf of the foreign buyer if the exporter is unable to locate a bank willing to confirm letter of credit payment terms. If the sale is supported by a letter of credit, please see the [credit standards for IBCLs](#).

Although the foreign buyer is the primary focus of EXIM's analysis of ESS applications, exporters must also meet the following credit standards:

| Exporter Credit Standards for an ESS Application   |
|--|
| 1. In the same line of business for at least three years   |
| 2. EXIM will obtain a credit report based on the exporter's <a href="#">DUNS number</a> , which must be favorable  |
| 3. Dun & Bradstreet Paydex greater than or equal to 50   |
| 4. Reasonable assurance that the proposed transaction is not disproportionate in scope and scale relative to the exporter's financial resources and business operations. |
| 5. No <a href="#">material adverse issues</a>  |

### HOW LONG IT TAKES

Standard processing times are listed below, but a decision may take more time if the credit standards are not met, [material adverse issues](#) exist, or extensive policy customization is required.

| Application Type                   | Maximum Standard Turnaround Time  |
|------------------------------------|---|
| ESS ≤ \$500,000 (New & Amendments) | 10 calendar days  |
| ESS > \$500,000 (New & Amendments) | Turnaround time determined at time of application, based on complexity and completeness of application. |
| ESS Renewal                        | Renewed before policy expiration  |

### THE RENEWAL PROCESS

Sixty (60) calendar days before the policy expiry date, EOL will automatically prompt a renewal application and staff will review it to determine if it meets the credit standards. EXIM staff will reach out for additional information that may be required. First year renewals will be renewed even if no shipments were reported in the first ten months, but if no shipments were reported by the time the second renewal is prompted, the policy will be canceled. Barring unusual circumstances, EXIM will approve renewals and issue the policy renewal documents before the expiry date.

## FOREIGN BUYER CREDIT STANDARDS FOR ESS APPLICATIONS

The foreign buyer under an ESS must meet the following credit standards, which are based on EXIM's [total potential buyer exposure](#). This means that if EXIM has other exposure to your foreign buyer or issuing bank, your application may require additional information.

### **Foreign Buyer Credit Standards for ESS Applications of \$500,000 or less**

| Up to \$100,000   | \$100,001 to \$500,000   |
|---|--|
| 1. Foreign buyer is in the same general line of business for at least three (3) years   | 1. Foreign buyer is in the same general line of business for at least three (3) years  |
| 2. No <a href="#">material adverse issues</a>   | 2. No <a href="#">material adverse issues</a>  |
| n/a   | 3. Favorable <a href="#">Credit Report</a>   |
| 3. Either a favorable <ul style="list-style-type: none"> <li>a. <a href="#">Credit report</a> OR</li> <li>b. <a href="#">Trade reference</a> (preferably from a U.S. supplier) OR</li> <li>c. Applicant's <a href="#">ledger experience</a> OR</li> <li>d. Buyer's signed financial statements for two (2) most recent fiscal years, showing EXIM's <a href="#">total potential exposure</a> is not greater than 50% of the foreign buyer's <a href="#">tangible net worth</a> at the end of the last fiscal year.</li> </ul> | 4. Either a favorable <ul style="list-style-type: none"> <li>a. <a href="#">Trade reference</a> (preferably from a U.S. supplier) OR</li> <li>b. Applicant's <a href="#">ledger experience</a> OR</li> <li>c. Buyer's signed financial statements for two</li> <li>d. (2) most recent fiscal years, showing EXIM's <a href="#">total potential exposure</a> is not greater than 50% of the foreign buyer's <a href="#">tangible net worth</a> at the end of the last fiscal year.</li> </ul> |

**NOTE 1:** For ESS renewal applications up to \$300,000, the applicant may only need to provide their favorable [ledger experience](#). Additional information may be requested depending on the circumstances of a particular credit.

**NOTE 2:** An [acceptable market rating](#) may substitute for the above standards.

**NOTE 3:** Standards above mirror those for [SBCLs](#) of the same amounts.

## Foreign Buyer Credit Standards for ESS Applications over \$500,000

| <b>\$500,001 to \$1,000,000</b>  | <b>\$1,000,001 to \$10,000,000</b>  |
|--|---|
| 1. Foreign buyer is in the same general line of business for at least three (3) years  | 1. Foreign buyer is in the same general line of business for at least three (3) years   |
| 2. No <a href="#">material adverse issues</a>  | 2. No <a href="#">material adverse issues</a>   |
| 3. Favorable <a href="#">credit report</a>   | 3. Favorable <a href="#">credit report</a>  |
| 4. Either a favorable <ul style="list-style-type: none"> <li>a. <a href="#">Trade reference</a> (preferably from a U.S. supplier) OR</li> <li>b. Applicant's <a href="#">ledger experience</a></li> </ul>              | 4. Either a favorable <ul style="list-style-type: none"> <li>a. <a href="#">Trade reference</a> (preferably from a U.S. supplier) OR</li> <li>b. Applicant's <a href="#">ledger experience</a></li> </ul>   |
| 5. Audited or signed unaudited financial statements with notes for the last two (2) fiscal years, which adequately disclose financial condition and afford a reasonable basis for reliance on the information provided | 5. Audited financial statements for the last three (3) fiscal years complete with notes and auditor's opinion. Interim financial statements are also required if the most recent fiscal year statements predate the application date by nine (9) or more months |
| 6. EXIM's <a href="#">total potential exposure</a> is not greater than 50% of the foreign buyer's <a href="#">tangible net worth</a> at the end of the last fiscal year  | 6. EXIM's <a href="#">total potential exposure</a> is not greater than 50% of the foreign buyer's <a href="#">tangible net worth</a> at the end of the last fiscal year   |
| 7. <a href="#">Operating profit</a> and <a href="#">net profit</a> in the most recent fiscal year  | 7. <a href="#">Operating profit</a> and <a href="#">net profit</a> in the most recent fiscal year   |
| 8. <a href="#">Total liabilities/Tangible net worth</a> ratio in the last fiscal year is equal to or less than 2.5.  | 8. <a href="#">Total liabilities/Tangible net worth</a> ratio in the last fiscal year is equal to or less than 2.5  |
| 9. <a href="#">Current ratio</a> in the last fiscal year is equal to or greater than 1.25  | 9. Positive <a href="#">net cash from operations</a> in the most recent fiscal year   |
| n/a  | 10. <a href="#">EBITDA/Debt Service</a> of at least 1.5 in the most recent fiscal year  |

**NOTE 1:** An acceptable market rating may substitute for standards 7-10 above.

**NOTE 2:** Applications for more than \$10,000,000 will be subject to further credit analysis. The Loan Officer processing the application will contact you for any supplemental credit information that may be needed.

**NOTE 3:** Standards above mirror those for [SBCLs](#) of the same amounts.

## CREDIT STANDARDS FOR FINANCIAL INSTITUTION BUYER CREDIT POLICIES (FIBC)

A Financial Institution Buyer Credit (FIBC) policy is held by a financial institution and insures a revolving line of credit to a single foreign buyer. This policy allows the foreign buyer to make purchases from multiple U.S. exporters.

### HOW TO QUALIFY: LENDER APPROVAL

Like the ESS, the analytical focus for FIBC applications is the creditworthiness of the foreign buyer purchasing U.S. goods and services or the guarantor, if any. However, in the first transaction that a lender submits, EXIM staff will also evaluate the applicant's lender's ability to perform under the terms of the policy. The Approved Finance Provider Application is no longer required for this application type. Required supplemental information is listed below. Please also note that even after a lender's first application is approved, EXIM staff has the right to request updated information at any time.

1. A minimum of three years of experience in structuring, documenting, and servicing international trade finance transactions.
2. A brief memo containing the following information on the applicant lender's institution:
  - a. Description of the lender's organization, including type of lending institution (commercial bank, finance company, etc.), type of organization (corporation, partnership, etc.) and business activities.
  - b. Full names and city and country of residence of each of the lender's (i) owners or shareholders in excess of 10% and (ii) members of the Board of Directors.
  - c. Description of Applicant's trade finance experience and a description of the trade finance experience of each member of senior management and each person who will be responsible for the EXIM Bank relationship.
  - d. Description of the lender's target market(s) and transaction origination plans, including whether the lender will employ third parties to originate transactions and the process used to compensate such parties.
  - e. Description of the lender's due diligence and "know-your-customer" processes. Please note Applicant is expected to conduct due diligence in accordance with good industry practices. EXIM Bank encourages each lender to review and consider EXIM's [Due Diligence Standards](#).
3. Certificate of Good Standing or other similar document issued by the lender's regulating entity or chartering authority.
4. If the lender is an unregulated financial institution or an institution domiciled in an [OECD Category II Country](#), the following additional information should be included in the memo referenced:
  - a. Description of how the lender plans to fund transactions. If the lender does not plan to fund the transactions from internal sources, specify how insured transactions will be funded and by whom. EXIM may require evidence of agreements demonstrating the availability of outside funding.
  - b. State whether the lender intends to retain or sell EXIM insured transactions. If the lender intends to sell the transactions, identify the purchaser. Note that EXIM may require evidence of purchase agreements.
  - c. Description of the lender's loan servicing and loan monitoring capabilities and experience. If an outside entity will service the transactions, identify this entity and its experience.

- d. Credit report from an [approved credit report agency](#) dated within six (6) months of the date of the transaction application.

## HOW LONG IT TAKES

Given that extensive policy customization is often required for these policies, EXIM does not have a standard turnaround time for application completion. Please keep in contact with the Loan Officer evaluating your application regarding a reasonable timeframe.

## THE RENEWAL PROCESS

If an FIBC policyholder desires to renew their coverage on a buyer, they must submit a new FIBC application in [EXIM Online](#) and the requisite materials per the credit standards outlined below.

## FOREIGN BUYER CREDIT STANDARDS FOR FIBC APPLICATIONS

The foreign buyer is responsible for repaying the revolving line of credit that the lender wants to insure and must meet the following credit standards, which are based on EXIM's [total potential buyer exposure](#). This means that if EXIM has other exposure to your foreign buyer or issuing bank, your application may require additional information.

| <b>Foreign Buyer Credit Standards for FIBC Applications</b>   |
|---|
| 1. Foreign buyer is in the same general line of business for at least three (3) years   |
| 2. Favorable <a href="#">credit report</a>  |
| 3. Two (2) favorable <a href="#">trade references</a> , preferably from U.S. suppliers  |
| 4. Favorable <a href="#">bank reference</a>   |
| 5. Audited financial statements for the last three (3) fiscal years complete with notes and auditor's opinion. Interim financial statements are also required if the most recent fiscal year statements predate the application date by nine (9) or more months |
| 6. EXIM's <a href="#">total potential exposure</a> is not greater than 50% of the foreign buyer's <a href="#">tangible net worth</a> at the end of the last fiscal year   |
| 7. <a href="#">Operating profit</a> and <a href="#">net profit</a> in the most recent fiscal year   |
| 8. Positive <a href="#">net cash from operations</a> in the most recent fiscal year   |
| 9. <a href="#">EBITDA/Debt Service</a> of at least 1.5 in the most recent fiscal year. 10 % of all outstanding short term financial institution debt (including the proposed EXIM line for new applications) should be added to debt service                    |
| 10. <a href="#">Total liabilities/Tangible net worth</a> ratio in the last fiscal year is equal to or less than 2.5   |
| 11. <a href="#">Minimum average sales growth</a> of 10 % over the two most recent fiscal years  |
| 12. <a href="#">EBIT/Gross Interest Expense</a> of at least two (2) in the most recent fiscal year  |
| 13. <a href="#">Average accounts receivable days</a> have not worsened by 10% over the two most recent fiscal years.  |
| 14. <a href="#">Average inventory days</a> have not worsened by 10% over the last two fiscal years  |
| 15. Applicant's credit memorandum on the foreign buyer  |
| 16. No <a href="#">material adverse issues</a>  |

**NOTE 1: Corporate Guarantees**

1. If the buyer is a start-up company, a guarantor that meets applicable standards is required.
2. If the buyer's ability to service its debt is materially dependent on cash flow from a major expansion or a new line of business, a guarantor that meets applicable standards is required.
3. If more than 25% of the buyer's sales in the last fiscal year were to a related or commonly-owned company, a guarantee of the related or commonly-owned company is required.
4. If more than 25% of the buyer's purchases in the last fiscal year were from a related or commonly-owned company, a guarantee of the related or commonly-owned company is required.

**NOTE 2: Personal Guarantees**

For buyers with sales revenue of less than \$50 million in last fiscal year, personal guarantees are required of (a) individuals with ownership interest exceeding 50% and (b) if no individual owns more than 50%, any individual with ownership interest of at least 20%. Personal financial statements are not required.

**NOTE 3: Collateral Requirements**

In order to ensure that EXIM is at least pari passu with the Foreign Buyer's other lenders, EXIM requires the following:

1. If the Foreign Buyer has no other lenders providing short term credit to the foreign buyer, a negative pledge is required for facility amounts up to \$1 million. If the transaction is over \$ 1 million, EXIM requires a first priority security interest (typically in the related accounts receivable and inventory).
2. If there are other lenders providing short term credit to the foreign buyer and they are secured, then EXIM requires a first priority security interest.
3. If the Foreign Buyer has short term lenders but they are unsecured, then a negative pledge is generally sufficient regardless of facility amount.

## CREDIT STANDARDS FOR BANK LETTER OF CREDIT POLICIES (ELC)

A Bank Letter of Credit (ELC) policy is held by a financial institution that insures confirmations or negotiations of irrevocable letters of credit issued by multiple foreign financial institutions. It mimics the structure of an exporter-held multi-buyer policy.

### HOW TO QUALIFY

The analytical focus of ELC applications is the financial institution's experience confirming and/or negotiating foreign letters of credit. Additionally, applicants for a new ELC policy must meet the following credit standards.

| Financial Institution Credit Standards for a New ELC Application  |
|---|
| 1. Financial institution has a minimum three (3) years processing letter of credit transactions   |
| 2. Financial statements and market rating reports (if available) indicate that the financial institution is in satisfactory financial condition and will be able to perform under the policy. These documents are obtained, if possible, by EXIM. |
| 3. No <a href="#">material adverse issues</a>   |

### HOW LONG IT TAKES

EXIM does not have a standard turnaround time for application completion. Please keep in contact with the Loan Officer evaluating your application regarding a reasonable timeframe.

Standard processing times for IBCLs filed under an ELC are listed below, but a decision may take more time if the credit standards are not met, [material adverse issues](#) exist, or extensive policy customization is required.

| Application Type             | Maximum Standard Turnaround Time |
|------------------------------|----------------------------------|
| All IBCLs (New or Amendment) | 7 calendar days                  |

### THE RENEWAL PROCESS

The renewal of ELC policies is supported by EXIM's online system. If experience under the policy is satisfactory and there are no [material adverse issues](#), the policy may be renewed without additional information from the insured. Forty-five (45) days prior to the expiry date, EXIM will request any additional information required to complete the renewal. EXIM staff may reach out for additional information as they consider the renewal. Barring unusual circumstances, EXIM will approve renewals and issue the policy renewal documents before the expiry date.

## FOREIGN ISSUING BANK CREDIT STANDARDS FOR IBCL APPLICATIONS

Once approved for an ELC policy, the policyholder is able to file an IBCL application for each letter of credit that it wants to insure. If a policyholder anticipates wanting to insure multiple letters of credit from the same issuing bank over the period of a year, only one application may be necessary. The issuing bank must meet the following credit standards, which are based on EXIM's [total potential bank exposure](#). This means that if EXIM has other exposure to your foreign buyer or issuing bank, your application may require additional information.

### ***Issuing Bank Credit Standards for IBCL Applications***

#### **For \$5,000,000 or less:**

1. Either
  - a. An [acceptable market rating](#) OR
  - b. Most recently published fiscal year end or interim statements, a ratings agency report, or statement spread from a reliable source (accessed by EXIM staff) indicating:
    - i. Equity of at least \$50,000,000
    - ii. Net income for the period
    - iii. EXIM's [total potential exposure](#) is not greater than 50% of the foreign buyer's [tangible net worth](#) at the end of the last fiscal year
2. No [material adverse issues](#)

#### **For Greater than \$5,000,000 with [Acceptable Market Rating](#)**

1. Foreign bank is in the same general line of business for at least three (3) years
2. EXIM's [total potential exposure](#) is not greater than 50% of the issuing bank's tangible net worth at the end of the last fiscal year

#### **For Greater than \$5,000,000 without [Acceptable Market Rating](#)**

1. Audited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
2. Auditor's opinion is either unqualified OR qualified with respect to amounts and circumstances not considered material to creditworthiness.
3. [Net income](#) in the last fiscal year is at least 1% of average [total assets](#) over the past two years
4. [Liquid assets](#) are at least 10% of last fiscal year's [total assets](#) at last fiscal year end
5. [Non-performing loans](#) are less than 7% of [gross loans](#) at last fiscal year end
6. [Loan loss reserves](#) are at least 80% of [non-performing loans](#) at last fiscal year end
7. [Net loans](#) are less than 100% of [customer deposits](#)
8. [Tier 1 ratio](#) is at least 8.5%. If tier 1 ratio is not available, then [equity](#) is at least 8% of last fiscal year's [total assets](#).
9. No [material adverse issues](#)

**NOTE:** Standards above mirror those for [Multi-Buyer IBCLs](#).

## APPENDIX: EXPLANATION OF TERMS

### Favorable Credit Report

- **Current:** dated within six months of the application date.
- **No derogatory information:** buyer & owners have clean histories, no protested bills, material suits, federal liens, or outstanding material judgments.
- **Satisfactory credit history:** current sources do not indicate any payments received in excess of 60 days slow during the last 12 months.
- **Source:** Provided from an [approved credit report agency](#).
- **Contains the following minimum information:**

|                        |  |
|------------------------|--|
| Date of Report         | Name/Address of buyer  |
| Date buyer established | Description of business activities                               |
| Present ownership      | Management antecedent information                                |
| Legal status           | Number of employees  |
| Bank relationship(s)   | Description of business facilities and financial size indicators |

**Paydex:** Dun & Bradstreet Paydex is the numerical value assigned to the weighted average payment experience reported recently by the exporter's suppliers. A Paydex of 50 corresponds to an average payment of 30 days slow. Higher values reflect payments made more promptly.

**Total Potential Exposure:** The sum of all Short Term of EXIM's potential exposure to a given buyer, including both approved insurance policies and pending applications. For example, if EXIM has \$100,000 of exposure on any existing policies and the potential exposure for two separate applications that are pending is \$50,000, then EXIM's total potential exposure is \$200,000.

### Favorable Trade Reference (recommended [form](#) available at EXIM's website)

- **Current:** dated within six (6) months of the application date.
- **Verifiable source:** should include contact name, title, company, and phone number; reference date; and the full buyer name and address. EXIM prefers that the source be a U.S. independent third-party supplier.
- **Similar amount:** reference's highest credit over the last 12 months must be at least 50% of the application's requested credit amount. For example, if the requested amount is \$100,000, the high credit must be at least \$50,000.
- **Similar terms:** Secured terms (i.e., Irrevocable Letters of Credit, Cash Against Documents, Sight Draft Documents Against Payment) only justify use of the same secured terms. Unsecured terms (i.e., open account, drafts, notes) justify secured or unsecured terms. The applicant's requested terms cannot exceed the reference's unsecured terms by more than 60 days.
- **Payment Experience:** Contains no derogatory opinions and no payments over 60 days slow over the last 12 months.
- **Contains the following credit history items**

|                                  |                            |
|----------------------------------|----------------------------|
| Years credit experience w/ buyer | Terms of sale              |
| Annual sales to buyer            | Date of last sale          |
| Recent high credit               | Current outstanding amount |

|   |               |
|---|---------------|
| Past due amount (if any)  | Days past due |
| Buyer payment history (i.e., prompt, 30 days slow, 60 days slow or 90+ days slow) | .             |

- **Additional Trade Experience:** Credit Agency Reports containing current supplier references from verifiable sources and including the above items may also satisfy one (1) trade reference requirement.

#### **Favorable Ledger Experience**

- Applicant's ledger (trade) experience must be completely provided as requested in the EXIM Bank credit application.
- Applicant has received payment from buyer over the last 12 months on at least one invoice of similar amount and similar terms.
- No buyer payments in excess of 60 days slow over the last 12 months.
- No amounts now past due from buyer in excess of 60 days.

#### **Favorable Bank Reference**

- **Current:** dated within six (6) months of the application date.
- **Verifiable source:** the bank reference must contain the following:
  - Appear on the bank's letterhead.
  - Date reference made.
  - Name of the foreign buyer or bank with which the bank referenced has a relationship.
  - Clearly indicate the professional title of the "duly authorized representative" of the bank which is providing the reference.
  - Provide the duly authorized representative's signature.
- **An explicit "favorable" opinion must be stated:** the bank being referenced must state that its relationship with the foreign buyer or bank has been satisfactory, or use other similar terminology (i.e., the buyer has paid "as agreed," or within "all required terms"). A bank reference that is silent on the character of its relationship with the buyer or bank and does not give an explicit "favorable" opinion is not acceptable to EXIM.
- **Relationship Form:** The bank writing the reference must state what type of credit relationship it has with the foreign buyer; specifically, whether the relationship only entails a depository relationship, or if actual credit facilities are extended to the foreign buyer. If credit facilities are extended, the amount of such facilities should be provided in the bank reference.

**Material Adverse Issues** may relate to either the exporter or the buyer and include, but are not limited to, the following

#### **For Foreign Buyer or Financial Institution Obligor:**

##### *Credit History*

- Negative (unresolved) prior credit experience with EXIM
- Past dues/slow payments (60 days or more)
- Highly derogatory credit history or credit information

##### *Financial Information*

- Poor financial condition (extreme illiquidity, high debt, insolvency) of buyer or parent
- Unexplained financial statement accounts and significant discrepancies (unreliable) in the

#### financial information

- Large off-balance sheet exposure
- Published news reports indicate significant financial difficulties facing the obligor or its industry
- Large off-balance sheet exposure

#### *Country Conditions*

- Significant deterioration in the political or economic conditions of the country which may impact the buyer's operations

#### *Other*

- Ineligible transaction structure or products
- Adverse news involving the buyer's industry
- Rapid growth
- Significant concentration risk
- High reputational risk

#### **For Exporter:**

- Unreliable financial statements
- Highly derogatory credit history, credit information or poor policy management
- Poor financial condition (extreme illiquidity, high debt, insolvency, uncertainty over remaining a going concern) of exporter/parent/affiliates
- Request appears beyond scope of exporter
- Weak credit procedures
- Nuclear, defense industry products
- Adverse economic impact
- Loss history
- Heavy concentration of receivables in high risk countries
- EXIM has poor prior experience
- High reputational risk

#### **For Financial Institution Applicant:**

- Questionable due diligence/underwriting practices and/or experience with the applicant on prior transactions which need to be further reviewed by EXIM in connection with a current transaction
- Weak financial condition and or other credit issues which warrant further EXIM review
- High reputational risk

#### **Acceptable Market Rating**

- Dated within six (6) months of the application date.
- Long-term hard currency debt rating equivalent to or better than "B" from Fitch, "B" from Standard & Poor's, or "B2" from Moody's.

## Financial Terms for Non-Financial Institutions

*Please note that all ratios are calculated based on the most recent fiscal year-end financial statements.*

**Average Accounts Receivable Days:**  $(\% \text{ change in Accounts Receivable Days on Hand between Year 1 and Year 2}) + (\% \text{ change in Accounts Receivable Days on Hand between Year 2 and Year 3}) / 2 = \text{Average Accounts Receivable Days}$

**Average Inventory Days:**  $(\% \text{ change in Inventory Days on Hand between Year 1 and Year 2}) + (\% \text{ change in Inventory Days on Hand between Year 2 and Year 3}) / 2 = \text{Average Inventory Days}$

**Current Ratio:**  $\text{Current Assets} / \text{Current Liabilities} = \text{Current Ratio}$

**EBITDA:**  $\text{Net Profit before tax} + \text{Gross Interest Expense} + \text{Depreciation} + \text{Amortization} = \text{EBITDA}$

**EBITDA/Debt Service for an ESS application:**  $\text{EBITDA} / (\text{Interest} + \text{Current Portion of Long Term Debt}) = \text{EBITDA/Debt Service}$

*Note: If CPLTD is not broken out in the financial statements or notes, it can be provided separately. CPLTD must be calculated at fiscal year-end.*

**EBITDA/Debt Service for an FIBC application:**  $\text{EBITDA} / (\text{interest expense} + \text{CPLTD} + 10\% \text{ of short term bank debt balance} + 10\% \text{ of EXIM debt} + 10\% \text{ of application amount}^*) = \text{EBITDA/Debt Service}$

*Note: 10% of the application amount is only added if the line supported by EXIM is not reflected in the financial statements, as with most renewal applications.*

**Minimum Average Sales Growth:**  $(\% \text{ change in sales between Year 1 and Year 2}) + (\% \text{ change in sales between Year 2 and Year 3}) / 2 = \text{Minimum Average Sales Growth}$

**Net Cash from Operations:** As defined using the [FASB 95 Indirect Method](#) under U.S. GAAP

**Net Profit:** As reported in financial statements. This may also be referred to as net income

**Operating Profit:**  $\text{Gross Profit} - \text{Total Operating Expenses} + \text{Other Operating Income} = \text{Operating Profit}$

**Tangible Net Worth:** Tangible Net Worth is Shareholders' Equity, as reported, minus intangible assets such as goodwill, patents and licenses

**Total Liabilities:**  $\text{Current Liabilities} + \text{Non-Current Liabilities} = \text{Total Liabilities}$

**Total Liabilities/Tangible Net Worth Ratio:**  $(\text{Current Liabilities} + \text{Non-Current Liabilities}) / (\text{Net Worth} - \text{Intangible Assets}) = \text{Total Liabilities/Tangible Net Worth Ratio}$

## Financial Terms for Financial Institutions

**Customer Deposits:** As reported in the financial statements

**Equity:** As reported in the financial statements

**Gross Loans:** As reported in the financial statements

**Liquid Assets:** Cash plus short-term marketable and trading securities plus government securities plus due from banks

**Loan Loss Reserves:** General and specific reserves available to absorb loan and other credit losses

**Net Income:** As reported in the financial statements, after income tax expense

**Net Loans:** Loans and advances minus general and specific loan loss reserves

**Non-Performing Loans:** Loans that are not producing current income plus loans with a high probability of restructuring or loss of principal

**Shareholders' Equity:** As reported in the financial statements

**Tangible Net Worth:** Shareholders' equity (as reported) minus intangible assets such as goodwill, patents, and license

**Tier 1 Ratio:** Tier 1 Ratio consists of the numerator being Tier 1 Capital and the denominator is Risk-Weighted Assets. Both Tier 1 Capital and Risk-Weighted Assets are reported in the notes to the financial statements

**Total Assets:** As reported in the financial statements

## EXIM SOURCES FOR MORE INFORMATION

Please note that the best point of contact for an application that has already been filed is either your broker or the EXIM Loan Officer assigned your application, as noted in EXIM Online.

| EXIM Headquarters     | Contact Information   |
|-----------------------|---|
| U.S. Toll Free Number | (800) 565-EXIM  |
| Worldwide Number      | (202) 565-3946  |
| TDD                   | (202) 565-3377  |
| E-Mail                | <a href="mailto:info@exim.gov">info@exim.gov</a>                      |
| Website               | <a href="http://www.exim.gov">http://www.exim.gov</a>                 |
| EXIM Online           | <a href="https://eximonline.exim.gov">https://eximonline.exim.gov</a> |

| EXIM Regional Offices                | Phone          | Fax                 |
|--------------------------------------|----------------|---------------------|
| Northeast & Mid-Atlantic - New York  | (212) 809-2650 | Fax: (212) 809-2687 |
| Southeast – Miami                    | (305) 526-7436 | Fax: (305) 526-7435 |
| Midwest – Chicago                    | (312) 353-8081 | Fax: (312) 353-8098 |
| <i>Satellite</i> -Minneapolis        | (612) 348-1213 | n/a                 |
| Southwest – Houston                  | (281) 721-0465 | Fax: (281) 679-0156 |
| West – Orange County                 | (949) 660-1341 | Fax: (949) 660-9553 |
| <i>Satellite</i> - San Francisco, CA | (415) 705-2285 | Fax: (415) 705-1156 |
| <i>Satellite</i> – San Diego, CA     | (619) 557-7091 | Fax (619) 557-6176  |

### **More Resources:**

[Regional Exporter Promotion Program](#)

[Insurance Brokers](#)