

## **FACT SHEET**

*April 15, 2021*

### **EXIM Temporarily Expands Working Capital Guarantee Program**

#### **Background on the Working Capital Guarantee Program**

EXIM's Working Capital Guarantee Program (WCGP) facilitates loans from commercial lenders to creditworthy U.S. businesses that export over the term of the loan. It is an asset-based lending program where the amount the borrower/exporter can borrow is determined by availability on a borrowing base. Borrowing base availability is calculated based on export-related inventory and accounts receivable based on formula advance rates.

WCGP is a conditional product where the Guaranteed Lender must demonstrate compliance with certain requirements mostly related to the asset-based lending structure. The WCGP covers 90 percent of the principal and accrued interest on a Working Capital Loan Facility (WCLF), and carries the full faith and credit of the U.S. Government. The WCGP primarily helps small and medium-sized businesses that have the potential to export but lack sufficient funds to support export efforts.

The vast majority of the guarantee authorizations issued under the WCGP are done through Delegated Authority (DA) lenders. These lenders have authority given by EXIM to close loan facilities with our guarantee without prior EXIM consent. These lenders have DA at various levels up to \$10 million.

#### **Need to Broaden EXIM Working Capital Guarantee Program**

The program was implemented by EXIM in the 1980s and is currently an active program with 49 active DA Lenders. Recently, interest in the program has increased due to EXIM's seven-year reauthorization and EXIM expects that interest from lenders to continue. In addition, several lenders have also shown interest in the Supply Chain program created in 2010 with promising transactions in the pipeline.

EXIM has engaged in numerous discussions with all DA lenders. Each expressed the need for working capital financing support given the significant and growing liquidity pressure on suppliers and exporters.

Based on these conversations, EXIM will temporarily modify the WCGP to make it more flexible for borrowers. The following modifications to the WCGP should make it substantially more accessible to the exporter community considering recent economic stresses. These temporary measures underscore the agency's commitment to help small business exporters weather the unprecedented challenges brought on by the COVID-19 global pandemic, while being good stewards of taxpayer funds. The recommended modifications are as follows:

- Temporarily expand the definition of eligible inventory from only export-related inventory to all inventory that could potentially be exported. This will expand the borrowing availability for U.S. exporters that use an EXIM guaranteed loan facility. The exporter will make a representation on the monthly borrowing base certificate provided to the lender that the inventory they are borrowing against could be exported. This will also be verified by periodic field audits that are conducted as part of program compliance. Also, please note that the Working Capital Program permits a lender to include indirect exports (i.e., goods sold by the borrower to a domestic buyer, which ultimately exports the goods to a foreign buyer). In order to include indirect exports in the borrowing base for a facility, the lender must obtain verifiable evidence of intent to export such goods from the United States and the ultimate foreign buyer for the items must be located in a country in which EXIM is not legally prohibited from doing business. Example: U.S. small business manufacturer of electrical equipment sells to a large U.S. exporter. The large exporter will incorporate the equipment into a mobile power transmission unit that will be exported primarily to developing countries. The small business manufacturer of the equipment needs EXIM

Working Capital support because it takes a long time to manufacture the products and get paid from the large exporter and the private sector is unwilling to finance such a long trading cycle.

- Expedite the implementation of a revised Working Capital Guarantee fee structure. The fee schedule has been revised and distributed to the lenders with an effective roll out date of May 1, 2020.
- Temporarily allow for an increased guarantee coverage option to 95%, which is an increase from the standard 90% guarantee. Lenders who elect the 95% coverage, will be charged a guarantee fee of at least 2.13%. Guarantees under the 95% program require prior consent of EXIM and cannot be authorized under delegated authority. Guarantees under the 95% program are not to exceed 1 year from the effective date of the financing. In order to be eligible for a 95% guarantee, the lender is required to have a non-EXIM guaranteed credit relationship with the borrower or a borrower that has demonstrated satisfactory performance on an EXIM-only credit facility. No separate collateralization of the unguaranteed 5% portion is allowed. The fee is calculated per annum on the maximum commitment amount of the loan and is due and payable to EXIM upfront in full.

**This measure will take effect and be available immediately, subject to the final determination of policies and procedures, as applicable, and will remain in place through April 30, 2022.**

**By modifying the WCGP in the manner set forth above, EXIM will:**

- Increase access to capital for U.S. exporters by expanding their available borrowing base;
- Entice lenders to make more loans to U.S. exporters by reducing their credit risk; and
- Make the program more affordable for U.S. exporters.