The Disbursement Process

For EXIM Bank
Guarantee and Loan Programs
Introduction to Credit Administration

Responsibilities of Credit Administration, a unit of the Operations & Management Reporting Division:

• Approves medium-term guarantee disbursements
• Approves L/Cs and reimbursements for loans and long-term guarantees
• Acts as “Gatekeeper” for foreign content and other EXIM Bank policies
• Ensures compliance with U.S. Maritime Administration U.S. flag shipping requirements
• Provides training and assistance to lenders, borrowers and exporters before and after disbursements begin
### Credit Administration Contacts

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
<th>Phone Number</th>
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<tbody>
<tr>
<td>Vice President</td>
<td>Nicole Valtos</td>
<td>202 565 3411</td>
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**Credit Administration Officers:**

<table>
<thead>
<tr>
<th>Name</th>
<th>Phone Number</th>
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<tr>
<td>Kit Arendt</td>
<td>202 565 3480</td>
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<tr>
<td>Christian Piccolo</td>
<td>202 565 3993</td>
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<td>Donna Schneider</td>
<td>202 565 3612</td>
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**Credit Administrator:**

<table>
<thead>
<tr>
<th>Name</th>
<th>Phone Number</th>
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<tr>
<td>Judy McClain</td>
<td>202 565 3482</td>
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**E-mail addresses at EXIM Bank:**

`firstname.lastname@exim.gov`
EXIM Bank Contacts for Transaction Questions

Who to call about transaction questions:

• Prior to operative: contact assigned Loan Officer

• Disbursement questions: contact assigned Credit Administration Officer or Administrator

• Post-operative transaction revisions, except CGFs: contact the Asset Management Division:
  • Examples:
    • Extension of Final Disbursement Date
    • Addition of new U.S. exporter or products
Credit Administration Information on the Web

EXIM Bank web site:  www.exim.gov

Click on Tools for Exporters, then Credit Administration and Operations:

http://www.exim.gov/tools-for-exporters/credit-administration-and-operations

• EXIM Bank Exporter’s Certificate and Disbursement Calculator
• Fact Sheets
• Description of the Electronic Compliance Program
• Presentation on disbursement procedures
• Letter of credit sample proviso wording

Disclaimer: This presentation provides general guidance and may not be applicable to all guarantee and loan transactions. It does not supersede EXIM Bank’s policies, procedures, and other applicable requirements.
Partnership with Lenders

Lenders and documentation agents provide efficiency for Credit Administration by:

• Collecting and reviewing documents for accuracy and compliance before disbursement

• Working directly with exporters, buyers, and borrowers to obtain and correct disbursement documents

• Disbursing funds and Exposure Fees

• Retaining disbursement documents under certain guarantee programs
Presentation Modules

Module 1: Required Disbursement Documents for U.S. Exports

Module 2: Medium-term Guarantee Disbursement Procedures

Module 3: Loan and Long-term Guarantee Disbursement Procedures
REQUIRED DISBURSEMENT DOCUMENTS FOR U.S. EXPORTS
“Disbursements against documents” is the underlying premise of EXIM Bank funding.

Five standard required documents for U.S. exports:

- U.S. invoice
- Evidence of payment
- Evidence of export
- Exporter’s Certificate
- Anti-lobbying Certificate: direct loans only
Invoice requirements:

- Issued by a U.S. exporter approved by EXIM Bank
- U.S. address (P.O. box acceptable)
- Addressed to foreign buyer or end-user approved by EXIM Bank
- Requests payment for U.S. goods/services approved by EXIM Bank
- Commercial invoice not pro forma
- Copies are acceptable
Pre-export Payment Invoices: Additional Requirements

• Invoice for work performed by U.S. exporter prior to export of specialized goods

• Pre-export payments (formerly known as progress payments) must be pre-authorized by EXIM Bank

• Disbursements for pre-export payments prior to export may not exceed percentage set by EXIM Bank

• Value of work performed must equal amount invoiced per certification in Exporter’s Certificate
Why does EXIM Bank require invoices?

- Standard commercial document used worldwide by sellers to claim payment from buyers for goods/services provided
- Confirmation that parties (i.e., U.S. exporter, foreign buyer) and products are the same as approved by EXIM Bank
- Substantiates the origin of the U.S. goods/services
- Basis for calculating the value of the disbursement amount
Acceptable evidences of payment:

- Copy of commercial bank’s advice of payment to exporter
  - Must have exporter’s name and agree with invoice amount(s)

- Copy of both sides of a canceled check made payable to exporter

- Letter from the exporter confirming payment of invoices
  - List of invoices and amounts paid

- Invoice stamped “paid” and paid stamp signed by exporter

- Copies are acceptable
Why does EXIM Bank require evidence of payment of U.S. exporter’s invoices?

- Proof that the U.S. exporter has been paid
- Confirms buyer’s acceptance of the U.S. goods and services
- Shows compliance with the OECD (Organization for Economic Cooperation and Development) requirement for a minimum 15% cash payment
- Along with the invoice, it provides the basis for calculating the value of the disbursement amount
Examples of evidence of export for U.S. goods:

- Signed, dated, clean onboard ocean bill of lading
- Signed, dated air or rail waybill
- Signed, dated truck bill of lading
- For Mexico, truck bill of lading may show delivery to U.S. border city if goods are consigned to Mexican buyer or their freight forwarder
- Copies are acceptable
Helpful information about bills of lading and waybills:

- Must show shipment from the U.S. to buyer’s country approved by EXIM Bank
- Transshipment is acceptable
- Must be signed by third-party: carrier, freight forwarder or shipping agent
  - “Signed” includes manual, electronic, digital signature, or other methods of authentication
- Refer to UCP 600 for Documentary Credits, Article 3, for a useful description
- Freight forwarder’s receipts and customs documents (e.g. pedimentos) are not acceptable
Helpful information about bills of lading and waybills continued:

- Shipment must be on or after the eligibility date approved by EXIM Bank
- Goods description must be consistent with the goods approved by EXIM Bank
Evidence of Export: U.S. Flag Shipping

- Shipment on U.S. flag vessels is required for:
  - All Direct Loans
  - Guarantees over $20 million (excluding EXIM Bank Exposure Fee) or (with some exceptions) repayment period of greater than seven (7) years
  - US Maritime Administration (MarAd) offers facilitation services to assist exporters and foreign buyers with obtaining suitable shipping arrangements on U.S.-flag vessels
  - EXIM Bank strongly encourages exporters/buyers to contact U.S. flag carriers as early as possible to obtain bids for transporting their ocean-bound cargos in order to obtain the most favorable rates and shipping schedule
Evidence of Export: U.S. Flag Shipping

- In some limited circumstances, foreign flag shipping will be permitted under a MarAd certification or determination. For additional information, please refer to http://www.marad.dot.gov/wp-content/uploads/pdf/MAR620.MarAd_US_Flag_Shipping_Guidance_Final.pdf

- More details regarding EXIM Bank’s shipping policy can be found at http://www.exim.gov/policies/us-flag-shipping-requirements

- Contact U.S. Maritime Administration at 202.366.4610 or cargo.marad@dot.gov
Disbursement Documents: Evidence of Export

Why does EXIM Bank require evidence of export?

- Verifies that EXIM Bank financing is for U.S exports as required by EXIM Bank’s Charter
- Establishes U.S. content eligibility as required by EXIM Bank’s content procedures
- Confirms that approved U.S. goods were shipped to the foreign buyer’s country approved by EXIM Bank
- Verifies compliance with U.S. flag ocean shipping policy if applicable
- Confirms goods were shipped on or after the date approved by EXIM Bank
What is the evidence of export for services?

• The value of work performed must be equal to the amount invoiced (refer to certification in the Exporter’s Certificate)

• Services must be performed on or after the date approved by EXIM Bank

• Bill of lading is not applicable for services
The Exporter’s Certificate is a document unique to EXIM Bank

Forms:
- Current Exporter’s Certificate form is EIB 11-05 dated 07/2015: [Form EIB 11-05](#)
- Certifications and Covenants are now on [www.exim.gov](http://www.exim.gov) as form EIB 15-05 dated 10/2015: [Form EIB 15-05](#). These Certifications are incorporated into the Exporter’s Certificate as if fully set forth therein.

Basic Requirements:
- Issued by a U.S. company with a U.S. street address
- No alterations or changes allowed
- Copy of signed original acceptable
- Signed by authorized officer of the U.S. company, including name and title
- Signature must match name of signatory
- Lists U.S. company’s contract(s) covered by loan or guarantee transaction
Why does EXIM Bank require an Exporter’s Certificate?

• To determine the amount and percentage of U.S. content in the U.S. goods and services
• To establish the disbursement percentage applicable to the U.S. exporter’s invoices
• To obtain important representations and certifications required by EXIM Bank and the U.S. Government
EXIM Bank cover is available for the lesser of 85% of the Net Contract Price of the U.S. goods and services or 100% of the U.S. Content

- Foreign content for all goods and services in U.S. exporter’s supply contract(s) is aggregated
- Foreign items or components must be shipped from the U.S. to be considered as eligible foreign content
- Exporters may utilize annual average content certification for recurring export sales in consultation with EXIM Bank Engineering
Examples of Eligible Foreign Content:

- Cost of components of foreign origin incorporated into U.S. manufactured goods
- Foreign manufactured goods imported into U.S. and physically shipped/exported from the U.S.
- Costs of non-US personnel employed directly for performance under the U.S. Supply Contract
- U.S. exporter’s travel on foreign transport carriers
- U.S. exporter’s freight costs for shipment of U.S. goods on vessels or aircraft of non-U.S. registry (in compliance with EXIM Bank’s shipping policy if applicable)
- U.S. exporter’s premiums for marine and transit insurance placed with non-U.S. companies or outside the U.S.
Services Content Policy Eligibility Guidelines:

- A services contract must be signed with U.S. operations of a firm or where connection with U.S. exporter and foreign buyer can be documented.
- Persons performing the service must be legal U.S. workers, as evidenced by an I-9 form on file with employer.
- Foreign-developed technology owned by a U.S. company for one year or more at the time of application is considered U.S. content.
- Tools used either in the U.S. or overseas to execute a U.S. services contract are not required to meet EXIM Bank’s content requirements.
Completion of Part A: Content

• If content is 100% U.S., mark the top box and do not complete the table

• If content is less than 100% U.S, mark the bottom box and complete the table:
  • Aggregate all supply contract amounts (A)
  • Deduct all ineligible/excluded amounts (B) and local costs (C) to obtain Net Contract Price (E)
  • Subtract eligible foreign content (F) to obtain U.S. Content amount (G)
  • Compute US Content Percentage (H) and Disbursement Percentage (I)
  • Disbursement Percentage is applied to each invoice
Material Changes to Part A Content:

- Foreign content increases by more than 5% and exceeds 20% of the Net Contract Price

- Part A: Content table is recalculated using the Disbursement Calculator at http://www.exim.gov/tools-for-exporters/credit-administration-and-operations/disbursement-calculator

- Amended Exporter’s Certificate is required to be submitted

- Revised Disbursement Percentage applies to all of U.S. exporter’s invoices going forward

- At the end of the day, only U.S. content is financed
Disclosures and Amendments

- Disclosures or changes to the Exporter’s Certificate (EIB 11-05) or the Certifications and Covenants (EIB 15-05) may require an amended Exporter’s Certificate and prior EXIM Bank approval

- Please refer to the “Changes” section of each form for specific guidance
Anti-lobbying Certificate:

- Required from U.S. exporters, local cost providers and ancillary service providers under direct loans if contract is $100,000 or greater

- Copy of a signed original is acceptable


Note: Other participants in loan and guarantee transactions must sign an Anti-lobbying Certificate upfront
DISBURSEMENT PROCEDURES FOR MEDIUM-TERM GUARANTEES
Medium-term guarantee transactions are:

- Less than or equal to $10 million (excluding Exposure Fee)
- Less than or equal to 7 years repayment
- Under the Medium-Term Master Guarantee Agreement between lender and EXIM Bank
  - Annex B letter between lender and EXIM Bank summarizes transaction participants and terms including financed amount and any special conditions
  - Annex C (Conditions Precedent) to Master Guarantee Agreement:
    - Lists conditions that must be met with each disbursement
    - Describes the required disbursement documents
Medium-Term Guarantees: Disbursement Methods

Three Methods of Disbursement:

- **Reimbursement** – to the borrower for the financed portion of payments to an exporter

- **L/C Payment** – drawings by an exporter under a letter of credit for the financed portion of goods and services

- **Direct Disbursement** – direct payments by the lender to an exporter for the financed portion of goods and services

- More than one disbursement method can be used under the same transaction

- Disbursements may not occur until EXIM Bank declares the transaction legally effective, i.e. operative!
Electronic Compliance Program-EXIM Online (ECP- EOL) provides for electronic disbursement approval

- Lender collects and reviews required disbursement documents for approved U.S. exporter(s)
- Lender disburses and wires Exposure Fee to EXIM Bank (unless paid upfront)
- Lender submits disbursement information (ECP checklist) for approved U.S. exporter(s) electronically via secure website in EXIM Online
- Electronic system assigns a disbursement identification number
Medium-Term Guarantees: Electronic Compliance Program

- Credit Administration receives electronic disbursement approval request
  - Reviews ECP checklist
  - Confirms receipt of Exposure Fee
  - Approves disbursement electronically
  - Disbursement approval posted on lender’s ECP-EOL page
- Lender required to retain disbursement documents for 7 years beyond final repayment
- PEFCO may purchase disbursements approved under ECP-EOL
- Audit function is managed by the Credit Review and Compliance Division (CRC)
Common lender errors and problems:

- Exposure Fee not paid at the time of disbursement
- Exposure Fee paid but ECP-EOL request not submitted
- Wire transfer fee deducted from Exposure Fee
- Munitions List item checked but not applicable
- Math errors

Password expired or technical assistance needed: contact assigned Credit Administrator
DISBURSEMENT PROCEDURES FOR DIRECT LOANS AND LONG-TERM GUARANTEES
EXIM Bank Loans & L/T Guarantees: Basics

- Long-term (L/T) guarantees are greater than $10 million or greater than 7 years repayment
- Standard L/T guarantees operate under the Long-Term Master Guarantee Agreement
- Some L/T transactions between $10-$20 million operate under the M/T MGA and use ECP-EOL disbursement procedures
- Direct loans: EXIM Bank is the lender
- Note: This module covers direct loans and L/T guarantees that do not operate under the M/T MGA
Important disbursement requirements:

- Ocean cargo must ship on a U.S. flag vessel unless foreign flag shipping has been permitted under a MarAd certification or determination.

- Loans: Exporters, local cost providers and ancillary service providers with contracts greater than $100,000 must submit an Anti-lobbying Certificate.
Loans & L/T Guarantees: Disbursement Methods

Two Methods of Disbursement:

- Letter of Credit Payment
  - Disbursement to U.S. exporter as beneficiary
- Reimbursement
  - Disbursement to borrower for the financed portion of previously paid invoices

Note: Both methods may be used in the same transaction
What is a documentary letter of credit in international trade?

- Document issued by a bank used primarily as a payment mechanism
- Guarantees payment to seller/exporter when specified documents are submitted
- Seller/exporter has certainty of receiving payment
- Buyer/importer has certainty of receiving title to goods

Rules govern letters of credit:

- Uniform Customs and Practice for Documentary Credits (UCP 600)
Who may act as a Letter of Credit (L/C) Bank under EXIM Bank loans and L/T guarantees?

- Commercial bank in the U.S. including U.S. branches of foreign banks
- U.S. commercial bank must issue, advise or confirm L/C
- Foreign bank may issue L/C, but U.S. bank must confirm or advise
- For L/T guarantees, lender is frequently L/C Bank
- For loans, L/C bank must execute Master Reimbursement Agreement to act as EXIM Bank “paying agent”
Loans & L/T Guarantees: Letters of Credit

- Each L/C is unique -- EXIM Bank does not provide form of L/C
- However, L/C terms and conditions must include EXIM Bank’s Sample Proviso Language available at: [http://www.exim.gov/tools-for-exporters/credit-administration-and-operations](http://www.exim.gov/tools-for-exporters/credit-administration-and-operations)
- Credit Administration staff will work with L/C Bank in advance on L/C terms and conditions
Standard L/C provisions:

- U.S. exporter with U.S. address must be beneficiary
- L/C must cover Acquisition List goods and services
- Ocean bill of lading must show shipment on U.S. flag vessel or MarAd certification or determination
- EXIM Bank-approved local costs may be included if invoiced in USD by U.S. exporter
- L/C must provide for Exposure Fee payment instructions
- Transferable L/C is acceptable if transferee is a U.S. company with a U.S. street address
- Assignment of proceeds by the beneficiary does not need to be approved by EXIM Bank
Documents required to be submitted for L/C approval (copies are acceptable):

- Borrower’s request signed by authorized signatory
- Request for Letter of Credit Approval (L/T Guarantees)
- Request for Reimbursement Undertaking (Direct Loans)
- Pro-forma (not issued) letter of credit
- Signed Exporter’s Certificate
- Signed Anti-lobbying Certificate from U.S. Exporter (Direct Loans)
- U.S. Exporter’s supply contract or pro forma invoice
Loans & L/T Guarantees: Letter of Credit Approval

• Credit Administration approves letter of credit and issues:
  • Certificate Approving Letter of Credit (Guarantees)
  • Reimbursement Undertaking Letter (Direct Loans)

• Each drawing under the L/C is a disbursement of the loan or L/T guarantee

• For guarantees, L/C drawing also includes payment of the Exposure Fee to EXIM Bank if the Exposure Fee is financed

• L/C bank must submit drawing documents to EXIM Bank with an advice of payment within three days after L/C drawing

• Minor L/C amendments may not require Credit Administration’s prior approval
Loans & L/T Guarantees: Reimbursements

Reimbursement Disbursements:

- Export has taken place and U.S. exporter has been paid

- Borrower submits “Request for Reimbursement” to EXIM Bank or guaranteed lender with required export documents

- Copies are acceptable

- For an EXIM Bank loan, if documents are satisfactory, EXIM Bank disburses funds to the borrower at or through a U.S. bank and charges the loan for Exposure Fee, if financed
Loans & L/T Guarantees: Reimbursements

• For a guaranteed loan, lenders must conduct a thorough review of the documents.

• If documents are satisfactory, lender submits original “Request for Reimbursement” and required disbursement documents to EXIM Bank for review and approval.

  • Copies are acceptable.

• EXIM Bank issues “Certificate Authorizing Reimbursement” which is equivalent to EXIM Bank’s guarantee.

• Lender disburses to borrower and pays Exposure Fee (if financed) to EXIM Bank.
Other points regarding disbursements:

- “Certificate(s) Approving Letter of Credit” and “Certificate(s) Authorizing Reimbursement” may be replaced by EXIM Bank’s guarantee legend endorsement for the promissory note.

- Certificate(s) Approving Letter of Credit, Certificate(s) Authorizing Reimbursement and promissory note endorsements are transmitted electronically in most instances.

- EXIM Bank’s Exposure Fee is usually financed and paid/charged with each disbursement.

- Other Exposure Fee options may be selected at time of application.