

Export-Import Bank of the United States for Community Banks

David Josephson

Why should a small bank with local customers and deposits be aware of and utilize export finance in their offerings to customers? The answer is quite simple: their customers who are manufacturers or service providers are going global in order to survive, and the more their local bank knows about export finance, the more valuable that bank is to the customer. There is a basic toolkit for export financing from the Export-Import Bank of the United States (“Ex-Im Bank”) that any bank should be aware of and be prepared to utilize, no matter how small or localized their business.

The basic toolkit of programs includes:

- a) **Financing the foreign accounts receivables of your exporter customer.** Ex-Im Bank will likely insure these receivables if the U.S. content of the goods exported are at least 50% U.S.-origin. The insurance policy’s claim payment can be assigned to the lending bank that finances the foreign receivables. With U.S. government insurance behind the foreign receivables, the loan takes on a higher risk-quality rating and the receivable as an asset is protected by U.S. government insurance.
- b) **Lines of credit to your exporting customers, guaranteed by Ex-Im Bank or the SBA.** A bank can get guarantees from SBA ranging from 75% to 90% of the loan amount and from Ex-Im Bank for 90% of the loan, if your customer has a valid export business. These loans can be used for a wide variety of purposes, including but not limited to: attending a foreign trade show, foreign purchase order financing, pre-export working capital loans, and financing manufacturing and service orders from foreign parties.
- c) **Short-term financing for foreign buyers of your customer’s exported goods (“foreign customer finance”).** If your bank can tolerate 10% risk in another country (example: Canada or Mexico), Ex-Im will cover 90% of your loan’s principal and interest with U.S. government insurance. This puts a customer finance solution in the foreign country at your fingertips, available for your clients who export.
- d) **Medium-term financing for foreign buyers of your customer’s exported goods.** In some cases, Ex-Im will provide a 100% principal and interest insurance policy or full guarantee to a transaction. In order to qualify, the goods have to be considered “capital equipment” and the loan has to be for a term of two years or more. In addition, the borrower/buyer of the U.S.-manufactured capital equipment must be in an emerging country and qualify on balance sheet and income statement financial ratios. However, if these criteria are met, this program is a very powerful tool for the banker and the exporter, especially at today’s low interest rates.

In foreign countries, equivalents of these finance tools from foreign governments have been used for decades to support their local manufactures and services exporters. Today, U.S. exporters and their bankers also have the availability of these tools from the U.S. government. To take advantage of them, exporters and their bankers need only to construct a basic transaction and bring it to their local Ex-Im or SBA representative. Local staff will evaluate it and guide the exporter and banker in applying for these tools.

David Josephson is the Western Regional Director of the Export-Import Bank of the United States and can be reached at david.josephson@exim.gov or 949-660-1341 extension 400.

For questions about these programs, contact EFACW, or your nearest SBA or Ex-Im Regional Office, which can be found at www.exim.gov or www.sba.gov.