

FACT SHEET
WORKING CAPITAL GUARANTEE PROGRAM
FOR ASSET-BASED LENDERS

Ex-Im Bank's Working Capital Guarantee Program (the Program) encourages commercial lenders to make loans to U.S. businesses for various export-related activities, thus facilitating the expansion of U.S. exports. Ex-Im Bank's working capital guarantee covers 90 percent of the loan's principal and accrued interest, significantly reducing a lender's risk, and carries the full faith and credit of the U.S. government. It may be used to cover working capital loans to a creditworthy U.S. business if the lender shows that the loan would not have been made without Ex-Im Bank's guarantee.

Of particular interest to asset-based lenders, the Program:

- permits higher disbursement rates on both export-related accounts receivable and inventory (including work-in-process as well as raw materials and finished goods), typically 90 percent and 75 percent respectively, thereby providing the exporter with substantially greater borrowing capacity;
- allows terms of up to three years for revolving loans under certain circumstances;
- permits use of loan proceeds (on a case-by-case basis with Ex-Im Bank's prior approval) to repay existing debt, facilitating refinance of the exporter/borrower's indebtedness; and
- grants qualified lenders, under the Delegated Authority Lender Program, the authority to commit Ex-Im Bank's guarantee to their export-related working capital loans, without submitting an application to Ex-Im Bank for approval. Delegated Authority allows the lender to provide faster turn-around time to its customers and to retain a portion of the Ex-Im Bank Facility Fee.

A number of revisions to the Program have been implemented with the completion of new Program documentation by **Hahn & Hessen LLP**.

Lender Criteria: Any bank, provider of commercial credit, or other public or private lender with at least three years' operating history may apply for eligibility under the Program.

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

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

Use of the Loan: The loan may be used to pay for direct and indirect costs, e.g., design, raw materials, labor and overhead used for the manufacture or purchase of export-related goods or for the provision of export-related services and to support letters of credit serving as bid or performance bonds or payment guarantees. In order to accommodate a refinance, on a case-by-case basis and with Ex-Im Bank's pre-approval, initial proceeds of the loan may be used to repay pre-existing debt of the borrower. The Program also allows the loan to be used to a limited extent to support warranties and retainages.

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

Ex-Im Bank Charges:

- A processing fee of \$100 with each application for a final commitment
AND
- An up-front facility fee of 1.5 percent (annually). A recent change is a reduced facility fee of 1.0 percent (annually) for qualifying borrowers. Revolving loans with three-year terms will be charged the facility fee of either 1.5 or 1.0 percent each year, as applicable, up-front on an annual basis.

ACCELERATED PROCESSING

Ex-Im Bank offers lenders accelerated processing of requests through the Priority Lender Program (PLP) and Delegated Authority Lender Program (DA). Under the PLP, qualified lenders will be given a ten-business-day turnaround on their complete application. Since most of the work has already been done by the lender, Ex-Im Bank can make its decision sooner.

Ex-Im Bank grants DA to qualified lenders, which allows them to commit Ex-Im Bank's guarantee as soon as they have made their internal credit decision. No further analysis is done by Ex-Im Bank. As an added incentive, Ex-Im Bank allows the DA lender to retain a portion of the facility fee and to separately collateralize the 10 percent unguaranteed portion of the loan. DA is available at four levels with limits ranging from \$2 million per borrower/ \$25 million on an aggregate basis to \$10 million per borrower/ \$150 million on an aggregate. The highest level of DA, designed for asset-based lenders, requires that the lender be either a national asset-based lending entity or a commercial lender with an asset-based lending unit whose (asset-based lending) portfolio totals \$1 billion or more in aggregate commitments.