



*Reducing Risk. Unleashing Opportunity.*

## **Hawaii Pacific District Export Council**

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# EXIM Bank Credit Insurance



- › Credit insurance exclusively for foreign a/r
- › PROTECTS RISKS: Protects the exporter against non-payment by their foreign buyers
- › LEVERAGES SALES GROWTH: Exporter now extends open account credit terms to new and existing foreign buyers
- › LEVERAGES BANK CREDIT: Exporter now asks lenders to add insured, foreign receivables into the borrowing base



# Exporter qualifications



- › Three years in business
- › One year exporting already
- › DUNS#\*
- › Exporting goods or services having 50%+ “U.S. content” by cost, exclusive of profit.

**For companies wishing to have business with U.S. Government, and needing a Dun & Bradstreet – D&B or “ DUNS#” number:**

<http://fedgov.dnb.com/webform/displayHomePage.do;jsessionid=81407B1F03F2BDB123DD47D19158B75F>



# EXIM Bank insurance costs



- › Small business multi-buyer policy: \$6.50 per \$1000 insured value of invoice(s) for 1 – 60 days' insured term (higher for longer terms, up to 360 days).
- › Single Buyer/Single Country Policy: depends on country and term
- › Letter of Credit insurance: depends on country, issuing bank, and term

# EXIM Bank Insurance *assignable* to lenders



## › BENEFITS to Lenders

- › Lender finances more of customer's sales
- › Customer now includes foreign a/r in the borrowing base
- › Exporting customer gets more capital to use
- › Lender's advances, secured by assignment of EXIM insurance, are higher quality loans
- › Lender adds value of providing access to capital to customers who do documentary collections with lender
- › Lender is more competitive with any other banks in the locale who reject foreign a/r as collateral

# Working Capital Guarantee for Exporter



## › To Qualify:

- Three years in business
- One year exporting
- No munitions, no military buyers
- 50%+ “US Content” by cost
- Positive net worth, profitable prior year
- Minimum Financial Requirements:
  - Current Ratio
  - Net Sales / Total Assets
  - Debt to Worth
  - $(\text{Net Profit} + \text{Depreciation, Depletion, \& Amortization Expense}) / \text{Current Portion of Long Term Debt}$
  - EBIT / Interest
  - Cost of Sales / Inventory; and
  - Sales / Accounts Receivable

# EXIM's Working Capital Guarantee



- › 90% guarantee of principal and interest repayment by borrower who collateralizes the loan with:
  - Foreign accounts receivable
  - Raw materials, WIP, finished inventory related to a foreign p.o.
- › Single transaction or line of credit for one year, renewable
- › 1.75% flat or 1.25% flat Guarantee Fee, not all payable to EXIM Bank
- › EXIM takes exporter's performance risk as an exporter
- › Allows guaranteed lender to issue standby L/Cs as performance bonds with only 25% collateral (not all cash either)

**Note:** Provides no protection to exporter against foreign buyer non-payment



# Benefits to Exporter/Borrower



- Exporter gets access to *pre-export* capital against foreign purchase orders
- Exporter enables future, foreign sales by obtaining access to capital on current, foreign sales
- Exporter's banker can issue standby L/Cs as *advance payment guarantees* or *performance bonds* with only 25% collateral (cash or a/r)





## “MEDIUM TERM” cover by EXIM Bank



- The export has to be capital equipment with useful life over one year.
- Foreign Buyer wants a loan of one year or more to finance the purchase price.
- Manufacturer will be paid cash at shipment by the lender.
- Lender books a loan (one-five year term) to the foreign Buyer
- EXIM insures or guarantees (Lender’s choice) the Buyer/Borrower’s principal and interest payments due.
- Foreign Buyer/Borrower submits audited financial statements, credit reports, trade references, bank references to qualify



## Hawaii companies, insured or guaranteed by EXIM Bank



- › Big Island Bee Company, LLC (Captain Cook, HI)
- › Lions Gate Farms (Captain Cook, HI)
- › Michael Kohn Enterprises (Kunia, HI)
- › Nutrex Hawaii (Kailua Kona, HI)
- › Super Foods, Inc. (Honolulu, HI)
- › Surfline Hawaii Ltd. (Honolulu, HI)