EXIM MEDIUM-TERM CREDIT STANDARDS (MTCS)

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I. INTRODUCTION TO MTCS

The MTCS provides guidance to customers on what is needed to apply for a medium-term application and simplifies and defines criteria used to determine reasonable assurance of repayment of the ***primary source of repayment (PSOR)*** under a medium-term application. Key MTCS terms are ***bolded and italicized*** and are defined in Sections VI or in a hyperlink. Please click on the hyperlinked words to be directed to information describing the term. The explanation of terms in the Performance Criteria are defined in Section VII. The MTCS applies to transactions up to and including $10 Million. Transactions over $10 Million will require more specialized evaluation. Please consult one of the appropriate contacts cited in Section VIII for further instructions.

Medium-term applications involve:

- Transactions supporting the export of U.S. capital goods and services in conformance with our Content Policy authorized under export credit insurance, loan guarantees, and direct loans.
- ***Financed amounts*** not exceeding $25 million (excluding the exposure fee).
- Repayment terms typically, of seven (7) years or less.
- Electronically submitted transactions under EXIM Online, our online application processing system.
- Compliance with EXIM Policies.

The Medium-Term Financing Checklist is used to assist applicants in submitting a complete application to EXIM. If applications are not complete when submitted, they will take additional time for EXIM to process.

II. TYPES OF RISK

The MTCS apply to the following types of risk:

Common Risk Types

1. Non-Financial institution PSORs without ***market indicators*** (Standard Transactions).
2. Non-Financial institution PSORs without market indicators for transactions of $750,000 or less (Streamlined Transactions).

Uncommon Risk Types

1. Other PSOR Risk Types (Non-Standard Transactions)
    a. Sovereign Risk
    b. Political Only Risk
    c. Financial Institution with market indicators
    d. Financial Institution without market indicators
    e. Non-Financial Institution with market indicators

III. STANDARD TRANSACTIONS

Credit Requirements

A. PSOR Requisites

1. Domicile acceptable according to Country Limitation Schedule (CLS).
2. Not suspended or barred from doing business with U.S. Government.
3. There are no unresolved payment issues concerning debts to or guaranteed or insured by EXIM.
4. In the same general line of business at least 3 years.

B. Credit Information

1. Complete Application with Credit Memorandum provided by applicant.

2. Credit report and creditor bank reference contain no material adverse information.
3. For transactions up to $2 Million, audited or unaudited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
4. For transactions over $2 Million, audited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
5. For audited statements, the auditor's opinion is either (a) unqualified or (b) qualified with respect to amounts and circumstances not considered material to creditworthiness.
6. Complete responses to Supplemental Financial Information (referenced as Attachment G in our Medium-term application).

C. Performance Criteria

The performance criteria described below include a degree of flexibility. If ***mitigating credit factors*** exist, EXIM will consider approval of a transaction that does not meet the standards. Notwithstanding the limitations on the scope of analysis for a particular type of risk, EXIM will consider any ***material adverse credit information*** known to EXIM at the time of the credit decision. EXIM reserves the right to request additional information which it deems necessary if specialized information and/or analysis is needed and to exercise due diligence for a specific product, participant, or market.

1. Positive operating profit and net income in each of the last 2 fiscal years.
2. Positive cash from operations in the last fiscal year.
3. EBITDA/debt service (inclusive of the debt service associated with the EXIM financing request) is at least 1.25 for last fiscal year.
4. Total liabilities (excluding EXIM debt) do not exceed 2 times tangible net worth at end of last fiscal year.
5. EXIM exposure does not exceed 50% of tangible net worth at end of last fiscal year.
6. Interim statements or the revelation of credit factors which would impact the financial situation of a PSOR, disclose no material adverse change in financial condition.

Transaction Requirements

1. Corporate and Financial Institution Guarantees

a) If the buyer/borrower is a start-up company, a corporate or financial institution guarantor that meets applicable standards will be required.

b) If the ability of the buyer/borrower to service its debt is materially dependent on cash flow from a major expansion or a new line of business, a guarantor that meets applicable standards is required.

c) If more than 25% of sales of PSOR in the last fiscal year were to a related or commonly owned company, a guarantee of the related or commonly owned company is required.

d) If more than 25% of purchases of PSOR in the last fiscal year were from a related or commonly owned company, a guarantee of the related or commonly owned company is required.

2. Personal Guarantees

a) A PSOR with sales revenue of at least $50 million in the last fiscal year, personal guarantees are not required.

b) A PSOR with sales revenue of less than $50 million in last fiscal year, personal guarantees are required of (a) individuals with ownership interest exceeding 50% and (b) if no individual owns more than 50%, any individual with ownership interest of at least 20%. Personal financial statements are not required.

3. Security Interests

Not required, except for the following situations:

a) For the export of aircraft.

b) At the discretion of EXIM to help mitigate specific credit deficiencies related to both PSOR and country risk (e.g., markets with a CLS Note 4).

c) To ensure Pari-Passu (equal treatment) status with other secured creditors.

A transaction requiring a security interest may qualify for an exposure fee discount. The application of any discount is at EXIM's discretion.

EXIM Action if Standards are Not Met

a) Consider approval without additional information, if overall financial strengths adequately mitigate indicated weaknesses and/or uncertainties. For example, if a company reported a small net loss in the next-to-last fiscal year, but meets or exceeds all other standards, the company may be considered for approval.

b) Consider approval with additional information, if mitigating credit factors regarding indicated risk(s) is readily available and will not materially expand the scope of analysis. For example, if company reported negative cash flow from operations in last fiscal year, but the applicant can provide confirmable information on availability of adequate credit lines and the PSOR meets or exceeds all other standards, the PSOR will be considered for approval. EXIM will not request extensive additional information.

c) Require a guarantor that meets applicable standards.

d) If a, b, and c are not feasible, EXIM will deny the credit. The applicant will be given an opportunity to withdraw the application if denial appears likely.

IV. STREAMLINED TRANSACTIONS

Streamlined Process for Transactions up to and including $750,000 (excluding exposure fee)

1. Complete applications which conform with the requirements outlined under Standard Transactions above as well as ALL the following features, will be processed in an expedited manner:

    a. PSOR is domiciled in a market EXIM is comfortable with (e.g., countries without Country Limitation Schedule Note 4).

    b. PSOR has been in business for 10 years or more.

    c. The product EXIM is requested to support is for existing business operations (not a major capital expansion or a new line of business).

    d. No Local Cost financing requested except for import taxes.

    e. One Performance Criteria- the PSOR meets the debt service ratio of 125% (inclusive of the debt service associated with the EXIM financing request).

2. Transactions compliant with all the above will result in an automatic Credit Classification (CC) rating of CC3, which is an average risk.
3. If the PSOR does not meet any of the criteria above, the transaction will be considered under the Standard Transaction criteria.

V. OTHER PSOR RISK TYPES

Sovereign Risk

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or otherwise barred from doing business with U.S. Government.
3. There are no unresolved payment issues concerning debts to or guaranteed or insured by EXIM.
4. Potential macroeconomic impact of a transaction in a country designated by EXIM as a "small economy" is acceptable to EXIM.

Political Risk

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or otherwise barred from doing business with U.S. Government.
3. There are no unresolved payment issues concerning debts to or guaranteed or insured by EXIM.
4. Potential macroeconomic impact of a transaction in a country designated by EXIM as a "small economy" is acceptable to EXIM.
5. Credit report contains no material adverse information.

Financial Institutions with Market Indicators

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or otherwise barred from doing business with U.S. Government.
3. There are no unresolved payment issues concerning debts to or guaranteed or insured by EXIM.
4. Potential macroeconomic impact of a transaction in a country designated by EXIM as a "small economy" is acceptable to EXIM.
5. In same general line of business at least 3 years.
6. Creditor bank reference contains no material adverse information.
7. Audited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
8. Auditor's opinion is either (a) unqualified or (b) qualified with respect to amounts and circumstances not considered material to creditworthiness.
9. EXIM exposure does not exceed 40% of shareholders' equity at the end of the last fiscal year.
10. Market indicators are reliable and relate to comparable risk (in terms of security and payment priority).
11. Market indicators suggest a fee level no riskier than Standard and Poor's Long-Term B, Moody's Long Term B2, or the equivalent.
12. Financial statements disclose no basis for doubting the reliability of market indicators.

Financial Institutions Without Market Indicators

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or otherwise barred from doing business with U.S. Government.
3. There are no unresolved payment issues concerning debts to or guaranteed or insured by EXIM.
4. Potential macroeconomic impact of a transaction in a country designated by EXIM as a "small economy" is acceptable to EXIM.
5. In same general line of business at least 3 years.
6. Creditor bank reference contains no material adverse information.
7. Audited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
8. Auditor's opinion is either (a) unqualified or (b) qualified with respect to amounts and circumstances not considered material to creditworthiness.
9. Performance Criteria, which include the following, are met:
    a. Net income in last fiscal year is at least 1% of average of total assets at end of last 2 fiscal years.
    b. Liquid assets are at least 10% of total assets at end of last fiscal year.
    c. Loan loss reserves are at least 80% of non-performing loans at end of last fiscal year.
    d. Borrowed funds are less than 100% of net loans at end of last fiscal year.
    e. Shareholders' equity is at least 5% of total assets at end of last fiscal year.
    f. EXIM exposure does not exceed 40% of shareholders' equity at the end of the last fiscal year.
    g. Interim statements disclose no material adverse change in financial condition.

Non-Financial Institutions with Market Indicators

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or otherwise barred from doing business with U.S. Government.
3. There are no unresolved payment issues concerning debts to or guaranteed or insured by EXIM.
4. Potential macroeconomic impact of a transaction in a country designated by EXIM as a "small economy" is acceptable to EXIM.
5. In same general line of business at least 3 years.
6. Credit report and creditor bank reference contain no material adverse information.
7. Audited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
8. If (a) more than 25% of sales in last fiscal year were to a related or commonly owned company, or (b) more than 25% of purchases in last fiscal year were from a related or commonly owned company, statements are provided which adequately disclose the consolidated or combined financial condition, whichever applies, of the PSOR and the related or commonly owned company (or companies).
9. Auditor's opinion is either (a) unqualified or (b) qualified with respect to amounts and circumstances not considered material to creditworthiness.
10. EXIM exposure does not exceed 40% of tangible net worth at end of last fiscal year.
11. Market indicators are reliable and relate to comparable risk (in terms of security and payment priority).
12. Market indicators suggest a fee level no riskier than Standard and Poor's Long-Term B, Moody's Long Term B2, or the equivalent.
13. Financial statements disclose no basis for doubting reliability of market indicators.

VI. DEFINITIONS

Buyer - The entity identified in the declarations of an EXIM medium-term insurance policy as the purchaser of goods and/or services from the US exporter, and the obligor of the note(s).

Borrower - The entity identified in an EXIM medium-term Guarantee approval document (Annex B) as the purchaser of goods and/or services from the US exporter, and the obligor of the note(s).

Financed Amount - The amount of the EXIM supported loan. EXIM provides an 85 percent guarantee (a 15 percent down payment is required from the borrower/buyer at or prior to the starting point of credit). Principal and accrued interest are included. The premium/exposure fee amount can also be included in the financed amount.

Guarantor - an entity (person, corporate entity, or a financial institution) who has entered a valid and enforceable written agreement to pay a debt of a buyer/borrower if the buyer/borrower fails to pay the debt. Under an EXIM medium-term transaction, a guarantor can be in the form of a corporate guarantee, a financial institution guarantee, or a personal guarantee.

Mitigating Credit Factors - Extenuating circumstances related to the financial situation of a PSOR that address credit issues highlighted by missed MTCS and/or reasons why other adverse credit issues are not germane to the overall creditworthiness of the transaction. A satisfactory/proper mitigating credit factor would be one that reduces the severity of the problem associated with the adverse credit issue or missed credit standard and is deemed by EXIM to satisfactorily address the adverse credit issue or missed credit standard.

Material Adverse Credit Issues - A material adverse credit (MAC) issue may be an economic, political, or business/legal related matter that could significantly impact a PSOR's creditworthiness. Such issues may be revealed in a credit report, financial statements, or other information the lender or EXIM has on the PSOR. A MAC issue may indicate serious concerns that the financial health of a PSOR could be negatively impacted by one or more circumstances.

Market Indicators - A market indicator or global scale market rating is an independent assessment of the creditworthiness of a business or government entity in general terms or with respect to a specific financial obligation. Global scale market ratings assess how likely the rated entity is to pay back a creditor and are conferred as letter grades, ranging from AAA/Aaa at the top to C-/C or D/Default at the bottom. The three major credit rating agencies are Fitch Ratings Inc., Moody's Investors Service, and S&P Global Ratings.

Primary Source of Repayment (PSOR) - A buyer, borrower, or guarantor that is legally bound to honor the payment obligation under an EXIM supported medium-term transaction. The PSOR is the entity deemed to be where the strength of the credit lies and is the entity to be evaluated for compliance with the MTCS. For transactions involving corporate buyers or borrowers with a corporate guarantee, the PSOR could be the corporate guarantor. For transactions involving corporate buyers or borrowers with a personal guarantor, the personal guarantor would not be the PSOR. For transactions involving proprietors, a personal guarantor can be a PSOR.

Security Interest - an enforceable legal claim or lien on collateral that has been pledged to obtain the EXIM supported loan. The buyer/borrower provides the lender under the EXIM supported transaction with a security interest in certain assets, which gives the lender the right to repossess such assets if the buyer/borrower stops making loan payments.

Sovereign Risk - A PSOR (buyer, borrower, or guarantor) which represents the full faith and credit (the unconditional obligation or guarantee) of the government of the country where the PSOR is domiciled, e.g., Ministry of Finance. Most public sector entities are considered non-sovereign. A determination of the sovereign status of a PSOR under a medium-term application is made solely by EXIM.

Start-up Company - A company that is in the initial stages of business and thus does not comply with the Transaction Requirement of being in the same general line of business for at least 3 years.

Common Risk Types - In the last several years, the only medium-term transactions received by EXIM involved the risk types listed in this category. These transactions are viewed as having greater credit risks (ones typically unacceptable by private sector insurers), may fulfill EXIM's Additionality Guidelines, and thus typically, exporters/lenders will seek EXIM support.

Uncommon Risk Types - In the last several years, EXIM has not received applications involving risk types listed in this category. These transactions are viewed as having reduced credit risks (ones typically acceptable by private sector insurers), and usually will not fulfill Exim's Additionality guidelines. Accordingly, except under certain unusual circumstances, exporters/lenders will not seek EXIM support for these types of risk.

VII. EXPLANATION OF TERMS IN PERFORMANCE CRITERIA

Financial Institutions

Shareholders' Equity, Total Assets, and **Net Income** are as reported in the financial statements.

Borrowed Funds are interbank borrowings plus notes, bills, and bonds payable.

Net Loans are loans and advances minus general and specific loan loss reserves.

Liquid Assets are cash plus short-term marketable and trading securities plus government securities plus due from banks.

Loan Loss Reserves are general and specific reserves available to absorb loan and other credit losses.

Non-Performing Loans are loans which are not producing current income plus loans with a high probability of restructuring or loss of principal.

Non-Financial Institutions

Operating Profit and **Net Income** are as reported in the financial statements.

EBITDA (Earnings before interest, taxes, depreciation, and amortization) is as reported in the financial statements.

Debt Service is interest paid during the most recent fiscal year plus CMLTD (Current maturities of long-term debt) at the end of the most recent fiscal year plus CMLTD of the proposed EXIM financing.

Cash From Operations is as defined using the FASB 95 Indirect Method under U.S. GAAP.

Total Liabilities are as reported in the financial statements.

Tangible Net Worth is shareholders' equity (as reported) minus intangible assets such as goodwill, patents, and licenses.

VIII. CONTACT DETAILS

For further information on our medium-term program, please contact the appropriate party below.

For Exporters

If you are an exporter, please contact the Regional Export Finance Center nearest you.

For Foreign Entities

If you are a foreign entity looking to purchase US goods or services or an agent representing such a foreign entity, please contact EXIM's Office of Global Business Development at GlobalBusinessDevelopment@exim.gov and/or the EXIM individual below.

Benjamin Todd, Vice President, Global Business Development
811 Vermont Ave. NW, Washington, DC 20571
Tel +1.202.565.3680
Mobile +1.202.243.8727
benjamin.todd@exim.gov

For Financial Institutions

If you are a financial institution and would like to finance an export under the program, please contact EXIM's Lender Account Management Group at LenderAccountManagement@exim.gov and/or the individual below.

Mark E. Klein | Managing Director, Lender Accounts
77 W. Jackson Blvd; Suite 707
Chicago, IL 60604
Mobile +1.312.375.1883
mark.klein@exim.gov

Other Useful Resources

The Regional Export Promotion Program (REPP)

Insurance Brokers