

# Disbursement Process for Direct Loans and Long- term Guarantees

Credit Administration



*Reducing Risk. Unleashing Opportunity.*

# Key Presentation Highlights



- Introduction to Credit Administration
- Required Disbursement Documents
- Disbursement Process for Direct Loans and Long-term Guarantees
- Credit Administration Resources



# Introduction to Credit Administration



Responsibilities of Credit Administration (part of the Credit Administration and Claims Processing Division under the Office of Board Authorized Finance):

- 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 policies
- Ensures compliance with U.S. flag shipping requirements as per P.R. 17
- Provides training and assistance to lenders, borrowers and exporters before and after disbursements begin

# Required Disbursement Documents for U.S. Exports



“Disbursements against documents and certifications” is the underlying premise of EXIM financing.

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



Electronic copies are acceptable



# Disbursement Documents: U.S. Invoices



## Invoice requirements:

- Issued by a U.S. exporter as listed on the EXIM-approved Acquisition List
- U.S. address
- Addressed to foreign buyer approved by EXIM
- Requests payment for U.S. goods/services approved by EXIM
- Commercial/payment invoice not pro forma



# Disbursement Documents: U.S. Invoices



## Pre-export Payment Invoices: Additional Requirements

- Invoice for work performed by U.S. exporter prior to export of specialized goods
- Pre-export payments must be pre-authorized by EXIM
- Disbursements for pre-export payments prior to export may not exceed percentage set by EXIM
- Value of work performed must equal amount invoiced per certification in Exporter's Certificate

# Disbursement Documents: Evidence of Payment



Examples of acceptable evidences of payment:

- Copy of commercial bank's advice of payment to U.S. exporter
- Copy of both sides of a canceled check made payable to U.S. exporter
- Letter from U.S. exporter confirming payment of invoices
  - List of invoices and amounts paid
- Invoice stamped "paid" and paid stamp signed by exporter



# Disbursement Documents: Evidence of Export



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







# Disbursement Documents: Evidence of Export



Helpful information about bills of lading and waybills:

- Must show shipment from the U.S. to buyer's country approved by EXIM
  - Transshipment is acceptable
- Must be signed by third-party: carrier, freight forwarder or shipping agent
  - "Signed" includes handwritten, 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



# 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 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 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 (aka waiver letter). For additional information, please refer to <https://www.maritime.dot.gov/cargo-preference/civilian-agencies/shipping-guidance-%E2%80%93-ex-im-bank>.
- More details regarding EXIM'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](mailto:cargo.marad@dot.gov)



# EXIM'S Content Policy & the Exporter's Certificate



## **For each U.S. exporter approved by EXIM:**

EXIM cover is available for the lesser of 85% of the aggregate U.S. export value (Net Contract Price) of the U.S. goods and services or 100% of the U.S. Content in the U.S. exporter's supply contract(s)

- All items must be shipped from the U.S. to be considered eligible (i.e., part of the Net Contract Price)
- Local costs and goods shipped from a third country are ineligible/excluded and are not part of the U.S. export value (Net Contract Price)
- Exporters may utilize annual average content certification for recurring export sales in consultation with EXIM's Engineering & Environment Division
- Each U.S. exporter must execute an Exporter's Certificate certifying to content and other EXIM and U.S. Government certifications and representations prior to disbursement/loan funding

# Disbursement Documents: Exporter's Certificate



The Exporter's Certificate is a document unique to EXIM.

## Forms:

- Current Exporter's Certificate form is EIB 11-05 dated 11/2021: [EXIM Exporter's Certificate \(EIB 11-05\)](#)
- Current Certifications and Covenants form is EIB 15-05 dated 11/2021: [Certifications and Covenants for Exporter's Certificate \(EIB 15-05\)](#). 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
- Signed by authorized representative of the U.S. company, including name and title
- Signature must match name of signatory
- Lists U.S. company's contract(s) covered by EXIM transaction

# Disbursement Documents: Exporter's Certificate



SAMPLE U.S. CONTENT TABLE		
	Example 1	Example 2
SUPPLY CONTRACT	\$ 100.00	\$ 140.00
LESS EXCLUDED GOODS AND SERVICES	\$ -	\$ -
LESS LOCAL COSTS	\$ -	\$ 40.00
NET CONTRACT PRICE	\$ 100.00	\$ 100.00
LESS ELIGIBLE FOREIGN CONTENT	\$ 10.00	\$ 20.00
U.S. CONTENT	\$ 90.00	\$ 80.00
U.S. CONTENT PERCENTAGE	90.00%	80.00%
DISBURSEMENT PERCENTAGE	85.00%	80.00%

# Disbursement Documents: Exporter's Certificate



Calculating the EXIM financed amount at disbursement:

- Apply the Disbursement Percentage from the Exporter's Certificate to the U.S. exporter's invoice value for eligible U.S. goods and services
- The financed amount may be less than approved by EXIM in the Acquisition List (or similar document) if the Disbursement Percentage from the Exporter's Certificate is less than estimated in the Acquisition List
- If there is an increase in the export value of the U.S. goods and services on the Acquisition List for an exporter, the Acquisition List must be revised and approved by Engineering & Environment prior to disbursement
- EXIM may require a higher cash payment

# Disbursement Documents: Exporter's Certificate



## **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: [Disbursement Calculator | EXIM.GOV](https://www.exim.gov/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





# > Disbursement Documents: Exporter's Certificate



## **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 approval
- Please refer to the "Changes" section of each form for specific guidance



# Disbursement Documents: Anti-lobbying Certificate



## 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
- Form available on EXIM's website:  
<http://www.exim.gov/sites/default/files//forms/anti-lobbying-certificate-direct-loan.pdf>

Note: Other participants in direct loan and guarantee transactions must sign an Anti-lobbying Certificate upfront



# EXIM Direct Loans & Long-term Guarantees: Basics



- Long-term (L/T) guarantees are greater than \$25 million (excluding financed Exposure Fee) and/or greater than 7 years repayment
  - Standard L/T guarantees operate under the Long-Term Master Guarantee Agreement
  - Some L/T transactions less than \$25 million but greater than 7 years repayment term operate under the M/T MGA and use ECP-EOL disbursement procedures
- Direct loans: EXIM is the lender
- Transaction must be declared operative by EXIM prior to disbursement
- EXIM Online (EOL) disbursement portal is used for disbursement processing activities
- Note: This presentation covers all direct loans and L/T guarantees that do not operate under the M/T MGA

# 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



## Loans and L/T Guarantees: Letters of Credit



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)



## Loans and L/T Guarantees: Letters of Credit



Who may act as a Letter of Credit (L/C) Bank under EXIM 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. commercial 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's "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's Sample Proviso Language available at: [Credit Administration and Disbursements | EXIM.GOV](#)

- Credit Administration staff will work with L/C Bank and U.S. exporter (beneficiary) in advance on L/C terms and conditions



# Loans & L/T Guarantees: Letters of Credit



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 include MarAd certification or determination (aka waiver letter)
- EXIM-approved local costs may be included if invoiced in USD by U.S. exporter
- L/C must provide 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





# Loans & L/T Guarantees: Letter of Credit Request



Documents required to be submitted for L/C approval (copies are acceptable):

- Borrower's request signed by authorized signatory
- 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 unless previously provided

# Loans & L/T Guarantees: EXIM Letter of Credit Approval



- Credit Administration approves letter of credit and issues:
  - Certificate Approving Letter of Credit (L/T Guarantees)
  - Reimbursement Undertaking Letter (Direct Loans)
- Each drawing under the L/C is a disbursement of the loan or guarantee
- For guarantees, L/C drawing also includes payment of financed Exposure Fee to EXIM
- For loans, financed Exposure Fee is treated by EXIM as a “book entry”
- L/C bank must submit drawing documents to EXIM 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 facility agent or guaranteed lender with Itemized Statement of Payments and disbursement documents
- Lender or facility agent thoroughly review request and disbursement documents prior to submittal to EXIM
- For a Direct Loan, if documents are satisfactory, EXIM disburses funds to the borrower at or through a U.S. bank and charges the loan for Exposure Fee, if financed
- For a L/T Guarantee, EXIM issues a guarantee certificate authorizing the disbursement which is equivalent to EXIM's guarantee
  - Lender disburses to borrower and pays Exposure Fee (if financed) to EXIM



## Loans & L/T Guarantees: EXIM's Disbursement Portal



All disbursement actions are now submitted in EXIM's online disbursement portal in EXIM Online (EOL) including:

- Reimbursement requests for U.S. and local costs
- Letter of credit and L/C amendment requests
- Letter of credit disbursements
- Interest During Construction disbursements

Lender, Facility Agent, L/C Bank, Borrower and Borrower's disbursement agent may obtain user ID and password to EOL (<https://eximonline.exim.gov/apps/bap>) to access the portal

Disbursement documents and Itemized Statement of Payments may be easily uploaded—no more paper documents!!

Detailed instructions available at [Credit Administration and Disbursements | EXIM.GOV](#)

## Loans & L/T Guarantees: Other Notes



Other notes regarding disbursements:

- Guarantee certificates may be replaced by EXIM's guarantee legend endorsement on the promissory note
- Guarantee certificates and promissory note endorsements are transmitted electronically to the lender
- EXIM's Exposure Fee is usually financed and paid/charged with each disbursement
  - Other Exposure Fee options may be selected at time of application
- No disbursements before the Operative Date or after the Final Disbursement Date

# Credit Administration Information on the Web



EXIM website: [www.exim.gov](http://www.exim.gov)

Click on Resources, Select a Page, then Credit Administration and Disbursements:

[Credit Administration and Disbursements | EXIM.GOV](#)

- EXIM Exporter's Certificate and Disbursement Calculator
- Fact Sheets
- Disbursement portal instructions
- Presentation on disbursement procedures
- Letter of credit sample proviso wording

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For ECP, if password has expired or technical assistance is needed, contact Judy McClain.



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