

Being able to extend credit terms to foreign buyers gives you an advantage in doing business abroad and is a major benefit of your EXIM policy.

The Export-Import Bank of the United States (EXIM) offers exporters two types of buyer credit limits:

1. A **Discretionary Credit Limit (DCL)** which is included in many EXIM Multi-Buyer policies, and
2. A **Special Buyer Credit Limit (SBCL)** or Issuing Bank Credit Limit (IBCL), for which you need to apply when your policy does not include a DCL; when your DCL is too low for a particular buyer or issuing bank; or when your DCL is restricted by EXIM's Country Limitation Schedule found on [exim.gov](https://www.exim.gov).

## 1. Your DCL

A DCL is a per-buyer limit included in many Multi-Buyer policies which enables you to extend credit terms, up to specified amounts, without prior EXIM approval, provided you first obtain certain information that justifies the credit amount you are extending.

**The DCL cannot be used** if a SBCL or IBCL is in effect for a buyer or issuing bank even if the amount or term of the SBCL/IBCL is less than that of the DCL. The DCL also cannot be used if the buyer, on the date of shipment, is more than 90 days past due to you on an amount, in the aggregate, greater than \$2,000.

There are two types of DCLs endorsed to Multi-Buyer policies:

1. A "credit" DCL requires you to obtain current credit information on the buyer, or on the foreign bank issuing letters of credit on your buyer's behalf, before making shipment. This DCL will apply to new buyers—those to which you have never sold before—as well as to buyers you wish to move from secured payment terms (documentary credits and letters of credit) to open account terms.
2. A "ledger" DCL authorizes you to extend credit terms to a buyer, or foreign bank issuing letters of credit on your buyer's behalf, based on your past favorable trading experience on similar amounts and repayment terms. This allows you to act quickly on customer orders and save time and expenses associated with obtaining credit information.

The amount of your "credit" and "ledger" DCLs, and terms for their use, are set forth in the policy declarations and DCL endorsement. Please read them carefully.

## The "Credit" DCL

To use your "credit" DCL, the transaction must meet the conditions of EXIM's Country Limitation Schedule, and you must obtain the following credit information prior to shipment:

**For buyers:** Either one of the following, which must be dated within six (6) months prior to your date of shipment:

- A favorable credit agency report from a credit agency that appears as an "approved credit agency" on EXIM's website at [exim.gov](https://www.exim.gov) containing no derogatory information or outstanding judgments against the buyer. The report should not indicate any payments received from the buyer more than 60 days after the due date during the past 12 months; or

- A trade reference from another supplier verifying that during the last 12 months, the buyer made all payments within 60 days after the due date, and that the credit repaid by the buyer is at least half of the amount of your credit DCL. In addition, your payment terms to this buyer must not exceed the supplier's longest credit term by more than 60 days.

### For issuing banks:

- Credit can be extended to an issuing bank if its short-term hard currency debt rating is equivalent to or better than A-3 from Standard & Poor's, P-3 from Moody's, or F-3 from Fitch; OR its long-term hard currency debt rating is equivalent to or better than B from Standard & Poor's and Fitch, or B2 from Moody's.

The credit amount and terms extended may not exceed the amount justified by the credit information, or the per-buyer amount listed in the policy declarations, whichever is less.

### Claim Filing on a "Credit" DCL

If a claim arises on a "credit information" DCL transaction, you must be able to provide the information you used to establish the creditworthiness of the buyer or issuing bank.

### The "Ledger" DCL

To use the "ledger" DCL, the transaction must meet the conditions of EXIM's Country Limitation Schedule, and your payment experience with your buyer or issuing bank must meet the following conditions:

- 1. Prompt payment:** Your customer must have a record of paying you promptly on all shipments made on similar terms within the 12 months preceding the date of shipment. Prompt payment means that all of the buyer's or issuing bank's payments were made within 90 days of the due date.
- 2. Similar payment terms:** Your payment terms to the buyer must not exceed your longest previous payment terms granted to the buyer over the twelve months preceding the date of shipment by more than 60 days.

Shipments made on secured terms (such as letter of credit, cash against documents or sight draft documents against payment and excluding cash on delivery) can be used only to justify other secured term shipments. Prior shipments made on unsecured terms (such as sight draft documents against acceptance, date drafts documents against acceptance or open account terms) must be used to justify "ledger" DCL shipments made on unsecured terms.

You cannot use sales made on secured terms to justify using your "ledger" DCL for unsecured sales.

- 3. Similar amounts:** You can extend credit to a buyer or issuing bank up to twice the highest credit amount given to that buyer by you over the twelve months preceding the date of shipment and repaid promptly (in accordance with our definition, above) up to the maximum DCL endorsed to your policy.

For example, let's assume that your policy has a "credit" DCL of \$20,000 and a maximum "ledger" DCL of \$50,000. Based on written credit information you obtained in accordance with your policy, you shipped a \$20,000 order to a buyer who paid you promptly. Under your "ledger" DCL, you are now able to increase the credit limit for that buyer to \$40,000 (\$20,000 x 2). You then ship a \$40,000 order to the buyer on similar terms, and the buyer again pays the full amount promptly. Now you can increase the credit for that buyer to the maximum \$50,000.

If your buyer or issuing bank do not meet **all** of these conditions, or need shipments in excess of the "similar amounts and terms" definition, you must apply for a SBCL or IBCL.

## Claim Filing on a “Ledger” DCL Transaction

If a claim arises on a “ledger” DCL transaction, you must be able to substantiate your favorable trading experience with the buyer or the bank issuing the letter of credit. To avoid claim denials, make sure that your “ledger” DCL is properly monitored and calculated for each buyer or issuing bank.

## 2. YOUR SBCL and IBCL

An SBCL and IBCL establishes a revolving credit limit and is used in place of a DCL for a particular buyer or issuing bank. An SBCL cannot be used if the buyer is currently more than 90 days past due to you on an amount greater than \$2,000.

You must apply for an SBCL or IBCL when:

- Your policy does not include a DCL, or
- Your DCL is too low for a particular buyer or issuing bank, or
- Your DCL is restricted in a particular market by the Country Limitation Schedule.

## EXIM Coverage Under an SBCL and IBCL

With an SBCL or IBCL in effect, EXIM will cover shipments to that buyer or issuing bank up to the SBCL or IBCL amount provided the conditions of the SBCL or IBCL and the policy are met. If you need a higher credit amount for the buyer or issuing bank, you may either request an increase in the SBCL or IBCL, or hold shipment until the buyer or issuing bank pays the outstanding amount.

Each SBCL and IBCL indicates a final shipment date that limits the length of time EXIM coverage is in effect for a buyer or issuing bank. Unless endorsed otherwise, SBCLs and IBCLs expire concurrently with the policy. EXIM’s automated system self-initiates SBCL and IBCL renewals. We will advise you if any additional information is required.

## Applying for an SBCL or IBCL

Apply for an SCBL when the obligor is a buyer. Apply for an IBCL when the obligor is a bank in the buyer’s country (referred to as the issuing bank).

To apply, go to your homepage at EXIM OnLine, and log-in with your username and password. On the left side of your screen, click on “Apply for SCBL” or “Apply for IBCL.” Follow the prompts and complete the required information. You must submit the following credit information to support your request:

**For SBCL’s of amounts up to \$100,000:** A favorable credit agency report dated within 6 months of the application; OR one trade reference (for similar amounts and terms); OR your own favorable ledger experience (similar amounts and terms).

**For SBCL’s of amounts between \$100,001 and \$500,000:** A favorable credit agency report dated within 6 months of the application AND either a, b, or c below:

- a) One trade reference (similar amounts and terms),
- b) Your own favorable ledger experience (similar amounts and terms),
- c) The buyer’s or issuing bank’s financial statements for the two most recent fiscal years.

The applicant may substitute an Acceptable Market Rating in lieu of the required information. Please refer to the Short-Term Credit Standards on EXIM’s website at <https://www.exim.gov/sites/default/files/forms/Short-Term-Credit-Standards-05.01.2020.pdf> for credit requirements on amounts exceeding \$500,000.

## Helpful Hints for Expediting SBCL and IBCL Processing

With your help, SBCL and IBCL applications can usually be processed within five business days. To assist us you can:

- Make certain you complete all items in the EXIM OnLine application.
- Provide all necessary credit and financial information on the buyer or issuing bank. You are responsible for putting credit procedures in place so that you can provide us with the required information. On an occasional basis, if you need to expedite a rush order, you may check with EXIM to see if we have any of the required credit information already on file. You may need to supplement this information.
- Check the latest Country Limitation Schedule for special conditions that may affect information requirements in a particular market. For example, the schedule may specify that short-term transactions can only be insured with a commercial bank as obligor, guarantor, or as an issuer of a letter of credit. In that case, please make sure that your buyer can obtain credit support from a bank.
- Review the credit information being provided, such as financial statements, credit reports, bank and trade references, to be sure they support the amount and terms of the credit request.

## Shipments in Excess of Insured Amounts

You are required to pay premium on all “reportable transactions.” If you decide to ship an amount in excess of the DCL, SBCL or IBCL amount, you must pay premium on the entire amount. Note, however, the insured amount remains the same and you are at risk for any loss in excess of the insured amount. Failure to pay premium on the entire amount shipped is reason for claim denial.

This is not a solicitation by the Export-Import Bank of the United States or its employees. It is a descriptive summary to be used only as a general introductory reference tool. The complete terms and conditions of the policy are set forth in the policy text, applications and endorsements.

**NEXT STEP:** EXIM’s export finance regional directors are ready to answer your questions and expedite your EXIM application.

800.565.3946 [EXIM]

[exim.gov](https://exim.gov)



MKG-INS-04 — 5/05/2020