

related services of United States origin.

Under a direct loan, Eximbank negotiates a credit agreement with the foreign purchaser who issues his notes or promises to pay to Eximbank which, upon shipment of the equipment, remits dollars to the United States supplier. Here the exporter's role is secondary and he participates in the financing only when asked to take some part of the financed portion of the sale.

Repayment terms for direct credits vary with the project and the type of equipment, running normally from five to fifteen years. An initial waiting period prior to the first repayment of principal may be granted for installation and to permit cash throw-off to develop. The cost of money and other pertinent considerations govern the rate of interest charged by Eximbank on its direct loans.

Eximbank must satisfy itself that the country in which the loan is to be made can supply, in all probability, the dollar exchange to service not only the Eximbank loan but the country's total dollar debt as well. If exchange controls exist or are imminent, Eximbank will require assurance from appropriate governmental authorities that the necessary dollar exchange will be forthcoming. If the country is limited in its ability to earn hard currency, Eximbank may give priority to loans which finance enterprise capable of throwing off or saving foreign exchange.

In loans to unseasoned ventures, or where the credit of the obligor falls short of "reasonable assurance of repayment" criteria, Eximbank requires an unconditional endorsement from a financially responsible guarantor — a foreign private or governmental bank, the government itself, a foreign or domestic corporation, or on occasion an individual. Eximbank prefers not to accept mortgages, pledges, or other liens on assets as security for its loans.

Finally, the technical feasibility of the project must be appraised. This may involve engineering, market potential, raw material availability, and similar studies. Since Eximbank operates within the framework of Government policy, it also weighs the effect of the loan on the United States balance of payments and the project's economic and social impact in the host country.

Not all direct loans are for capital goods. Eximbank has been a significant factor in financing agricultural commodity exports, principally cotton. Loans have also been made to financial institutions abroad for relending to buyers of