

risk at least 10 per cent of the financed portion of the sale throughout the period of the credit. The term of payment must be appropriate to the goods. Most medium term transactions are authorized by Eximbank, case-by-case.

Guarantees are issued to commercial banks to cover only those medium term export sales financed without recourse upon the exporter. To permit Eximbank to rely upon the credit judgment of the commercial bank, this bank must assume for its own account the commercial risk on at least the first one-half of the maturities or the first eighteen months of the repayment period, whichever time element is shorter. Eximbank assumes the commercial risk on those maturities not carried by the commercial bank and the political risk on all maturities. As in medium term insurance, authorization is case-by-case.

DISCOUNT LOANS

Eximbank opened a discount facility for export debt obligations on September 1, 1966. Under this program commercial banks may borrow from Eximbank for periods up to one year against their portfolio of debt obligations of more than 180 days stemming from exports shipped after March 1, 1966. In addition, to provide an incentive to banks to increase their short term as well as medium term export financing, Eximbank, beginning September 1, 1967, will make loans annually based on the increase over the preceding September 1st in a bank's total export loan portfolio — including short term obligations. Under the discount program Eximbank does not purchase the export obligations; instead, it lends to the commercial bank and gauges the amount, term, and interest rate of its loans by the amount, term, rate, and other characteristics of the export debt obligations held by the borrowing bank.