Eximbank guaranteeing to the bank payments of principal and interest on the export paper. Eximbank guarantees are limited to 90% of the financed portion with interest covered up to 6%.

Delays minimized

The exporter deals only with the commercial bank, leaving the negotiations with Eximbank to the commercial bank. In many instances—where the transaction conforms with the normal trade pattern for the equipment, the exporter is a regular customer of the bank, the market is fairly good, and the buyer's creditworthiness is satisfactory—the commercial bank can quickly approve a transaction, usually within a few days. This is particularly true now that the commercial banks participating with Eximbank in this program have the discretionary authority to approve—without prior consultation with Eximbank—certain transactions up to $1 million in the better world markets. (NOTE: FCIA has long held a similar authority up to $600,000 to expedite issuance of its policies.)

Advance commitment offered

As with FCIA insurance, Eximbank guarantees may be for sales for which orders have been obtained or are being negotiated, or they may be provided as advance commitments to meet bid invitations. Also, as with FCIA insurance, guarantees may cover a revolving line of credit instead of the usual single transaction; this is particularly useful for exporters making regular shipments to agents or representatives. Local bank guarantees are not generally necessary but if the financial position of the buyer is "weak" they may be required.

Programs stimulate exports

Assistance under these insurance and guarantee programs is part of the Government's overall effort to increase exports. Through use of these facilities the exporter is provided with a climate of greater security. This enables him to expand his business by offering greater amounts of credit to his present customers, by taking on new buyers and by breaking into new markets.

As the U.S. insurance and guarantee system continues to grow, new improvements can be expected. Efforts are being made to keep costs low, consistent with sound, self-sustaining operations.

Credit insurance defined

What is credit insurance? Credit insurance per se is a branch of casualty insurance. It protects manufacturers, agents, other suppliers as well as banks and other financial institutions against possible nonpayment losses that may result from granting credit terms to buyers abroad. It does not cover physical damage to products shipped or any risk for which coverage is available through marine, fire or other form of insurance.

Credit insurance is never based on the premise that the seller can grant credit without exercising normal prudence and business judgment. Nor should it substitute for the seller's own credit department. It does, however, protect against those losses which may be beyond the control of the exporter. These would include not only the insolvency or protracted default of the buyer, but also political and economic contingencies beyond the control of the seller or buyer.

This protection should greatly increase the ability of the exporter to arrange bank financing of the transaction should he wish to do so.

Credit insurance not new

Credit insurance is not new. History records that a credit insurance company was organized in England in the early 18th century. German traders have benefitted from such a government program since 1917, and traders in England since 1918. Today some thirty countries provide export credit insurance and this protection for exporters has markedly contributed to the increased export trade of those countries; an increase that has benefitted the earnings of local companies as well as the balance of payments of these countries.

Traders benefit

Competition in other countries is actively seeking new markets and credit insurance being provided them is giving them the added means to be competitive. Traders in the United States are now offered insurance and guarantee programs second to none. Exporters are urged to learn more of this program, to find out how it can help to develop and expand overseas markets.

To do so, they may either contact the regional offices of the FCIA in San Francisco, Boston, Cleveland and Houston, or its home office in New York City. Or contact the nearest branch office of one of the many associated insurance companies who are participating in FCIA, the international banking department of the exporter's bank or the nearest Department of Commerce Field Office.

Increased use of the short term or medium term FCIA protection or the medium term guarantee program of the Eximbank will not only give exporters the protection needed in developing overseas markets, but the expansion of U.S. exports through their efforts will make a marked contribution to the improvement of the country's balance of payments.

Eximbank in brief

The Export-Import Bank of Washington is an independent agency of the Federal Government originally established in 1934, now operating under the Export-Import Bank Act of 1945, as amended. It is located at 811 Vermont Ave., N.W., Washington, D.C. 20571.

In 1961 Eximbank was given the directive to devise a new program that would place U.S. exporters on a basis of credit protection equality with their foreign competitors. As a result came the establishment of the Foreign Credit Insurance Association descibed on these pages. Eximbank is the agency that underwrites all of the political risks and in certain instances a part of the commercial risks of the policies issued by FCIA. And it has its own export credit guarantee program. Some highlights of this program:

- Medium term guarantees to commercial banks are unique.
- Only in the U.S. are guarantees available to banks financing exporters on non-recourse basis.
- Eximbank relies heavily on credit judgment of commercial banks.
- Banks must assume for their own account commercial risks on earlier maturities.
- Guarantees thus cover political risks on earlier maturities and both political and commercial risks on later maturities.
- Eximbank guarantees are useful to exporters requiring bank financing.
- An increasing number of banks find Eximbank guarantees valuable stimulant to export financing. In fiscal year 1967 Eximbank authorized guarantees covering nearly $200 million of export obligations.