

Mr. McNEIL. Well, I think before you came in I listed two in one country. One was Varig about 2 years ago. That was Varig Airlines. The other was with Cruzeiro Do Sul Airlines.

We currently have another example in Paraguay where our competitors have offered no downpayment, for example, 2 years longer in terms, and a slightly more favorable interest rate.

Mr. BROWN. Were these transactions more attractive, the other financing more attractive, because of terms or because of rates?

Mr. McNEIL. Because of terms, primarily.

Mr. BROWN. Our rates have been competitive right along?

Mr. McNEIL. I think, as Mr. Foy said, the Bank has done a good job in being competitive on our rates. At least, to us it has not been a serious obstacle.

Mr. BROWN. Do you contemplate that these added-risk loans—if I may call them such—are to be at surcharged rates, or do you contemplate that they would be at normal rates and that the protection would come through the Congress standing behind the Export-Import Bank in authorizing the making of these loans?

Mr. McNEIL. I think the expression of congressional intent would be most helpful.

Mr. BROWN. Now, when we talk about aggressive selling, aggressive selling of credit—we should contemplate under this program losses, or greater losses, should we not, since the making of only those loans for which there is a reasonable assurance of repayment contemplates no losses, or minimum losses?

Mr. McNEIL. I think the bill as initially considered by the committee contemplated loans which involved greater risk, which means greater chance of some loss. But the point that we are making, and in addition is very important, that the terms do not necessarily involve a significant increase in the credit risk. It just makes it possible for the customer to buy the equipment and pay it off, let's say, in 10 years rather than 8 years.

Mr. BROWN. Then you are saying that this bill would primarily give the Export-Import Bank authority to make loans on better terms?

Mr. McNEIL. The way it is worded, I don't think it affirmatively does it.

Mr. BROWN. Well now, if the present problem is that our competition is causing us problems, primarily by being able to offer better terms rather than better rates, if we meet that problem, wouldn't that be 90 percent of the solution?

Mr. McNEIL. I think it probably takes both the terms and also some latitude as far as the credit risk is concerned. This has been touched on three or four times this morning. There are examples where a good credit risk within a country does not qualify for a loan because the volume of credit that has been extended to the country is beyond what might be considered prudent in an ordinary banking operation.

I can think of a country where the loans of the Export-Import Bank represent a very substantial percentage of their debt.

I can understand, from a banking standpoint, the reluctance, even with the customer a reasonably good credit risk, to give an additional guarantee within that country.