New Export Enhancement Program expected to increase state’s exports

BISMARCK – The Industrial Commission has approved a new financing tool to help North Dakota companies increase export sales, while minimizing risk for the company and local lenders.

The Export Enhancement Program, a new agreement with the Export-Import Bank of the United States (Ex-Im Bank), enables the Bank of North Dakota (BND) to make medium-term guaranteed loans.

“This partnership between the U.S. Export-Import Bank, the Bank of North Dakota and our local lenders will help expand the opportunities for North Dakota exporters in the global marketplace,” Gov. Jack Dalrymple said.

“Through this partnership we can improve credit terms for foreign buyers and help minimize risk for our exporters.”

The North Dakota Trade Office (NDTO) played an important role in researching options with BND officials. Details of the new program will be presented at NDTO’s upcoming Global Connections Conference in Bismarck on Feb. 19.

“The program initially supports manufactured goods,” said Agriculture Commissioner Doug Goehring. “We hope to expand it in the next 12 months to include agricultural commodities.”

The Export Enhancement Program requires a minimum transaction of $200,000 and requires the foreign buyer to pay the exporter a down payment of at least 15 percent of the contract amount prior to shipment, and sign a promissory note for the balance. The exporter receives the down payment prior to shipment and the balance of their invoice price shortly after shipment.

“BND’s loan to the foreign buyer is guaranteed by Ex-Im Bank,” said Attorney General Wayne Stenehjem. “BND will work with a North Dakota lender to put the Ex-Im Bank guaranteed loan package together with the North Dakota lender joining in the transaction as a participant if they wish to do so.”

“North Dakota lenders welcome the program because these transactions are often complicated, and they cannot justify the resources necessary to complete the transactions,” said Eric Hardmeyer, president of the BND. “We continue to look for opportunities that support the state’s community-based financial institutions.”

More details about the programs are available at www.banknd.nd.gov or by calling 328.5894.

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FURTHER INFORMATION: Janel Schmitz 328.5880
The Export Enhancement Program is a financing tool for North Dakota equipment exporters. Loans are made by Bank of North Dakota and are guaranteed by the Export-Import Bank of the United States (Ex-Im Bank) utilizing their medium-term credits program. Community financial institutions may participate in the loans.

**Structure**

The loan requires a down payment of at least 15 percent of the contract amount prior to shipment, and a signed promissory note for the balance. Financing is provided to the foreign buyer.

**Loan amount**

The minimum transaction size is $200,000. The amount of the loan to the foreign buyer will be the sum of the loan proceeds paid to the exporter shortly after shipment, plus any approved loan and guarantee fees the buyer wishes to finance. Ex-Im Bank guarantees 100 percent of both the loan principal and interest.

**Use of loan proceeds**

The loan proceeds will be paid directly to the exporter shortly after the equipment has been shipped to the buyer.

**Qualifying requirements**

Eligibility is based on the financial strength of the foreign buyer, as well as the financial and political stability of the country where the buyer is located, as determined by Ex-Im Bank. The financial strength of the exporter does not impact the approval decision of the buyer.

**Collateral**

Ex-Im Bank will typically require the filing of a first secured position in the equipment being financed. They may also require the personal guarantee of the owner of the foreign company.

**Interest rate**

The interest rate will be established by BND and/or the referring lender. It is typically a floating rate based on a fixed spread over the 6-month LIBOR. At each scheduled semi-annual payment date, the rate resets to the current LIBOR base plus the fixed spread.

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Fees
BND will charge the foreign buyer an application fee of $1,000 for administrative costs. For qualified buyers, there will also be an experienced trade broker who will charge an arrangement fee for preparing the financial analysis, application, and documentation. The arrangement fee is typically 1.5% of the transaction amount with a minimum of $5,000 and is shared equally between BND and the trade broker. Ex-Im Bank will charge an exposure fee based on the country of the buyer and the repayment term. With the exception of the application fee, these fees, including legal fees are all contingent on the loan closing. These are paid by the foreign buyer and eligible to be financed as part of the loan.

Repayment terms
The term of the loan is based on the original transaction amount. Transactions over $200,000 qualify for up to 4-year payment terms, and transactions over $350,000 qualify for up to 5-year payment terms. The loan is repaid in equal, semi-annual installments of principal plus accrued interest, beginning six months after shipment of the equipment.

Application process
• North Dakota lender contacts BND on behalf of the client who wishes to facilitate a sale through the program. The referring lender advises BND if they wish to participate in the loan and the level in which they would like to participate.
• BND provides an indicative loan quote and requests detailed information needed from the buyer for the application, including primary approval criteria
• If the foreign buyer wishes to proceed with an application, the buyer sends the application fee to BND along with the previous three years of financial statements.
• After determining qualification, BND submits the application to the trade broker. The trade broker completes the financial analysis, application, and documentation and submits the information to Ex-Im Bank.
• Upon approval, BND notifies the referring lender who informs the client and the foreign buyer.
• The loan will be completed under BND’s Master Guarantee Agreement with Ex-Im Bank. Ex-Im Bank approves all documents prior to funding.
• At the time of funding, BND pays the loan proceeds to the exporter and participates the agreed portion of the loan to the referring lender.