

Procedure on Loan Applications



1. How applications are received. Applications to the Export-Import Bank for loans may and do originate in a variety of ways. Applications from foreign governments or their agencies are usually made directly to the Bank by the Ambassador or a special envoy of the government concerned. Applications are sometimes made, however, to the Department of State or to the United States embassy or legation in the country concerned.

Applications to the Bank from foreign governments and their agencies made in any of these ways may be oral applications in the first instance, followed by formal, written applications, or may be written applications in the first instance. The applications are usually accompanied by supporting economic and other data, although these may be supplied at a later date.

Applications from United States exporters and importers and from other private persons may be made directly to the Bank through a private banking institution, or through an interested United States Government agency, such as the Department of Commerce, the Department of State, or the Department of Agriculture.

2. How applications are analyzed. Applications to the Bank for loans are subjected to detailed analysis involving the following general steps:

- (a) The first step is to determine whether or not the application falls within the general policies of the Bank and of the United States Government. This determination is made for large loans to foreign governments by the National Advisory Council (NAC), created by the Bretton Woods Act of 1945 to coordinate the policies and operations of United States Government agencies engaged in foreign financial transactions and consisting of the Secretary of the Treasury, Chairman, Secretary of State, Secretary of Commerce, Chairman of the Board of Governors of the Federal Reserve System, and Chairman of the Board of Directors of the Export-Import Bank. Determination is made for other loan applications by the Bank on the basis of its established general policies.

- (b) The second step is to obtain all necessary and pertinent information relating to the loan application. A large part of this information is obtained from applicants themselves and consists of the types of information set forth on pages 12-14 of the Bank's General Policy Statement. Additional information is obtained from other agencies of the United States Government, including especially the Departments of Commerce, Treasury, State and Agriculture, and the Federal Reserve Board. The assistance of the Foreign Service is obtained when necessary, and the Bank also has direct liaison arrangements for the exchange of information and coordination of lending activities with the governments of other countries engaged in foreign lending. A so-called Working Group under the Staff Committee of the NAC prepares a detailed factual report on each major loan application for the guidance of the NAC and the Export-Import Bank.
- (c) The economic staff usually assembles the information from other agencies and, in conjunction with any other unit of the Bank, which may be concerned or may have relevant information, analyzes the application.

Many of the projects involve public works construction such as highways, harbor improvements, water supply and sewage systems, and power developments; or industrial developments such as cement plants, iron and steel plants, chemical works, fertilizer plants, and other similar enterprises. These proposed projects are given a technical review by the Engineering Division for the purpose of determining engineering feasibility, adequacy of cost estimates and economic advisability.

The General Counsel's Office is consulted to determine whether proposed loans conform with all the legal requirements under which the Bank operates.

The Examining Division cooperates in analyzing loan applications as that is the unit which handles the established credits and it is essential that the examiner to which a country is assigned should be thoroughly acquainted with every phase of loans extended to that country. The examiners contribute valuable information as to the various factors upon which an appraisal of application is based. He is familiar with many local conditions and has knowledge as to the experience of the Bank in connection with previous loans to the same country.

3. How clearances are obtained and loans approved or rejected. The Export-Import Bank, operating under general policies laid down by the NAC, regularly consults with the Department of Commerce regarding the supply situation for commodities which prospective borrowers wish to purchase for export by the use of the Bank's funds, with the surplus property disposal agencies with regard to the availability of surplus property of the same types as borrowers wish to purchase by the use of the Banks's funds, and with the Department of State regarding the foreign policy aspects, if any, of loan proposals.

These clearances having been obtained and the necessary information having been collected and analyzed, the staff of the Bank is in a position to make recommendations to the Board of Directors for the approval or rejection of an application and, if for approval, on what terms and conditions. At this point the staff of the Bank offers to the Board by memorandums judgments with respect to (1) the urgency of the need of the borrower; (2) the borrower's own resources; (3) the possibility of obtaining the loan from other sources--private capital markets and other governments; (4) the ability of the borrower to make effective use of the funds; (5) the capacity of the borrower to repay; and (6) the impact of the loan on our domestic economy.

Finally, the Board of Directors of the Bank considers the recommendations of the staff and takes action.

The Board of Directors of the Bank holds formal meetings every Wednesday. Members of the staff who have cooperated in appraising loan applications attend these meetings and respond to questions raised by Directors and supply any additional data desired or conduct further studies.

4. How authorized credits are formalized. When the Board approves an application for a loan, the General Counsel is charged with handling all legal phases. In the usual case, this includes the preparation of a resolution and agreement establishing the credit, approval of the promissory notes, legal opinions and other documents issued in connection with advances under the credit, and working with the examiner handling the credit on questions arising as advances are made under the credit.

As many copies of contracts or agreements are signed as there are parties thereto. As a rule there are only two signed copies. The Bank's copy and all notes are in the custody of the Treasurer and are kept under lock in fire-proof files.

5. How loans are checked or examined. An examiner reviews the papers submitted in support of requests for approval of programs or projects to determine whether these were within the provisions of the credit agreement, consulting with the economic, engineering, or legal staff, if involved.

Upon submittal of promissory notes drawn in reimbursement of expenses incurred for approved projects the examiner reviews the supporting papers to see that said expenses are within the provisions and intent of the credit agreement and within the limits set for the programs and projects approved thereunder. He examines the note for substance and authorized signature.

He effects disbursements in such manner as might previously have been established and conducts through a senior officer, all correspondence with such agent bank or banks, and with the beneficiary of the credit relating to disbursements and to the reports supporting the relevant promissory notes.

The examiner collaborates closely with the Accounting Department on all appropriate matters and watches the account for any default in principal or interest.

Certain other credits require a different line of operating procedure, in some respects:

- (a) Special exporter-importer credits. These credits designed to assist small traders require careful watching and considerable attention to details, particularly in connection with semiannual revision of lines, tabulations and comparison of periodic financial statements and profit and loss exhibits, analysis of the accounts, and reviews of approved lists of customers located in foreign countries on whom drafts are drawn and of credit reports supplied by commercial banks on said customers.
- (b) Brazilian steel mill, iron ore, and shipbuilding credits. The credits involve, among other things, complete accounting control of outstanding commitments, including review of proposed orders and authorizations to commercial banks for the issuance of letters of credit under the protection of Export-Import Bank.
- (c) Cotton credits. Letters of commitment are issued by Export-Import Bank directly in favor of exporters through commercial banks. At present, irrevocable commitments have been issued in substantial amounts against cotton lines of \$100,000,000 and \$33,000,000, respectively. Commercial banks, scattered over the United States, negotiate shippers' drafts on the strength of these commitments. Examiners check these transactions in detail.

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