



DCL vs. SBCL: DETERMINING EX-IM BUYER CREDIT LIMITS

One of the most important steps you can take when negotiating a sale and prior to accepting an order will be to make sure that your buyer is approved and the invoice amount falls within the allowable credit limit. **Violations of Discretionary Credit Limits are among the top reasons that claims are denied.** In the event of a claim, you must be able to show what methodology and credit information you used to assign the appropriate credit limit to each of your buyers.

There are three ways to qualify a foreign customer:

1. Use your “Credit” Discretionary Limit (Credit DCL), OR
2. Use your “Ledger” Discretionary Limit (Ledger DCL), OR
3. Apply for a Special Buyer Credit Limit (SBCL).

The Discretionary Credit Limit (DCL) means that Ex-Im has given you the authority to approve *some* buyers on your own without having to submit a Special Buyer Credit Limit application (“SBCL”) to Ex-Im Bank for their underwriters to approve prior to the first shipment on open terms. The DCL limits are stated on the declarations page in your policy and are listed on your landing page in [Ex-Im Online](#) (Ex-Im Bank’s online policy management tool). Each SBCL will have a separate endorsement attached to your policy. If you would like help clarifying these amounts, or accessing Ex-Im Online, please [Contact Us](#).

In order to determine the credit limit that applies to your buyer, **start by consulting Ex-Im Bank’s Country Limitation Schedule** (<http://www.exim.gov/tools/countrylimitationschedule/>). If there is a Note 1, 2 or 4 in the right hand margin of the CLS, you cannot use the DCL for buyers in that country. A Note 6 has caps on the amount of credit you can approve. In these cases, even if the credit limit amount you need is within your DCL limits, you must apply for an SBCL because Ex-Im withdraws your authority for that country and the underwriter must approve the buyer for you.

1. “CREDIT” DCL

Credit DCLs can be used for **new customers** that you do not have prior experience with on open account terms. In order to apply the Credit DCL, you need to get a supportive, favorable piece of credit information on your buyer — such as a trade reference or a recent credit agency report (not more than 6 months old). A favorable reference must show that another supplier has granted open account credit to your new customer for at least 50% of the credit limit you are considering. Credit terms must also be similar (cash in advance does not support open account) and the terms you offer can be for a maximum of 60 days longer than the reference states. **If you need a limit larger than your stated Credit DCL for a new buyer (or one you have not sold to in over 1 year) or terms longer than stated, you will need to apply for an SBCL.**

2. “LEDGER” DCL

Ledger DCLs can be used for **existing customers** with whom you have prior experience on open account terms. Under the Ledger DCL, you can use the positive payment experience that your customer has established with you over the past 12 months to set the buyer limit. So, looking at your accounts receivable aging, you determine the highest amount that your buyer owed at one time *and paid promptly* in the previous 12 months. That assumes the buyer has made all payments in less than 90 days after the invoice due date. If the buyer has been a prompt payer, you can approve a credit limit for 2 times the high credit in the previous 12 months, up to a maximum of your stated Ledger DCL. **Again, if you need a credit limit greater than your stated Ledger DCL for a current customer and/or terms longer than stated, you will need to apply for an SBCL.**



3. SPECIAL BUYER CREDIT LIMIT (SBCL)

By their nature, all single-buyer policies reflect an approved SBCL for that specific buyer. For multi-buyer policies, an SBCL may be needed for a variety of reasons:

1. The Country Limitation Schedule (CLS) has withdrawn DCL authority for your buyer's country;
2. The requested credit limit exceeds your DCL authority;
3. The requested terms exceed your DCL authority;
4. Your buyer was previously 90 days or more past due and is now current;
5. You will invoice the buyer in one country but ship to a third country.

Coverage via an SBCL starts with an application to Ex-Im Bank for a specific buyer's credit limit and terms, asking Ex-Im Bank's underwriters for approval. This can be done in Ex-Im Online. You must obtain the necessary credit information and attach it electronically to your application. The underwriter will review and come back with any questions or ask for more information. Once approved, the buyer's credit limit and/or terms are endorsed to your policy until the next policy renewal. SBCLs are reviewed by Ex-Im every year, but may not be auto-renewed. If during the policy year you do not ship and pay premiums for a buyer approved via an SBCL, the SBCL will not auto-renew with the policy. You must reapply and submit updated credit information to Ex-Im Bank for underwriting as appropriate.

Important Notes:

- **If you ship more product than your existing credit limit allows for any buyer, you are still required to report and pay premium on the total amount shipped, including the balance that is greater than the approved credit limit.** The over-shipped balance may become eligible for coverage if the buyer makes partial payments that reduce the outstanding debt to within the approved credit limit. This encourages you to get the appropriate credit limit in place for each buyer.
- **Buyer payments must be applied to the oldest invoices first.** This will impact the total amount available under your SBCL or DCL authority. If you expect to exceed the established credit, please contact us to discuss applying for an increase to the credit limit.
- **You may not have the option to choose which buyers to insure or exclude.** This will depend on your policy type (ex: Express, Whole Turnover, RSOR) and stated policy exclusions.

As your broker, we are here to help. We will gladly review the details of your policy with you. We can also provide training on the online policy management tools, show you where your policy discusses these issues, and make sure that you have the best coverage to suit your business needs. [Contact Us](#) today!