

Canadian exporter must pay an exposure fee which is based on the country to which the goods are being shipped, the term of the loan requested, and nature of the sovereign or commercial risk involved. The Mexican borrower pays a commitment fee on the financed amount, plus an administration fee. These fees are usually passed on to the Mexican importer.

The actual interest rate which applies to the line of credit will normally vary. Two options are available: a floating rate based on LIBOR (London Inter-Bank Offered Rate), or a fixed rate based on "Consensus Terms". The Consensus Terms are established by the Secretariat of the Organization for Economic Cooperation and Development (OECD) in Geneva. EDC uses these in determining interest on its lines of credit. Repayment terms for the Mexican borrower will range between two and ten years. The Mexican bank will establish appropriate similar repayment terms for the Mexican importer.

EDC also offers export credit insurance. Under this program, the export credit offered to the Mexican importer

by the Canadian exporter may be insured by EDC against both the commercial and the political risk of non-payment. The cost of the insurance will vary with the nature of the risk including the country risk, or political risk, the invoicing terms, the commodity or the services being sold, and the overall export volume insured (the spread of risk). The premium generally ranges between \$0.50 and \$1.50 per each \$100 of insured volume. This means that the insurance premium may be less than half the cost of the financing fees an exporter is required to pay in order to secure financing under a line of credit. Where the line of credit is granted, the risk of non-payment by the buyer is not the concern of the Canadian exporter. Under the insurance program, however, and in the case of commercial default by the buyer in Mexico, the exporter must act to recover the funds in Mexico and will have to wait for a specified period, usually six months after default by the foreign buyer, before making a claim under the insurance policy. The processing time for payment of a claim will depend on the nature of a transaction and the steps taken by the exporter to secure and recover payment after default, according to the terms of the commercial contract.