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## Export-Import Bank of the United States (Ex-Im Bank)

Ex-Im Bank, the official U.S. export credit agency (ECA), provides financing and insurance to facilitate the export of U.S. goods and services to support U.S. jobs, pursuant to a renewable, general statutory charter (Export-Import Bank Act of 1945, as amended; 12 U.S.C. 635 et seq.). It aims to provide support when the private sector is unwilling or unable to finance alone; and/or to counter financing offered by foreign countries through their ECAs. Ex-Im Bank, although reauthorized until September 30, 2019, is not fully operational; its Board of Directors lacks a quorum due to unfilled positions and cannot conduct business, including considering medium- and long-term financing applications over \$10 million. Potential issues for the 116<sup>th</sup> Congress include Senate consideration of presidential nominees to the Board, and whether to renew Ex-Im Bank's authority, and if so, for how long and under what terms.

### Background

**Authorization.** After allowing Ex-Im Bank's general statutory authority to expire from July 1, 2015, until December 4, 2015, Congress reauthorized the agency through September 30, 2019 (P.L. 114-94). Congress also lowered Ex-Im Bank's portfolio "exposure cap" (total authorized outstanding and undisbursed financing and insurance) to \$135 billion for FY2015-FY2019, subject to conditions, and made reforms in areas such as risk management, fraud controls, ethics, and the U.S. approach to international negotiations on ECA disciplines.

**Leadership and Board Nominations.** By statute, a five-member Board of Directors, representing both political parties, leads Ex-Im Bank. The Bank's President is Chairman of the Board, and the Bank's First Vice President is Vice Chairman of the Board. The Board's duties include making policies and authorizing financing directly or via delegated authority. Advisory and other committees provide support. Since July 2015, the Board has lacked a quorum (at least three members) to conduct business. Currently, it has an acting Chairman. In the 116<sup>th</sup> Congress, the Senate Banking Committee reported favorably four nominees. The Senate may vote on three nominations, including for the President/Chairman, following Senate votes to limit debate. In the 115<sup>th</sup> Congress, "holds" in the Senate prevented action on Board nominations reported from committee.

**Products.** Ex-Im Bank activity is demand-driven, fee-based, and backed by the full faith and credit of the U.S. government. Products include the following:

- **Direct loans** to foreign buyers of U.S. exports (interest rate based on parameters set in international rules).
- **Loan guarantees** to lenders against default on loans of foreign buyers of U.S. exports (lender usually sets rate).
- **Insurance** to protect U.S. exporters or financial institutions against certain risks of exporting.

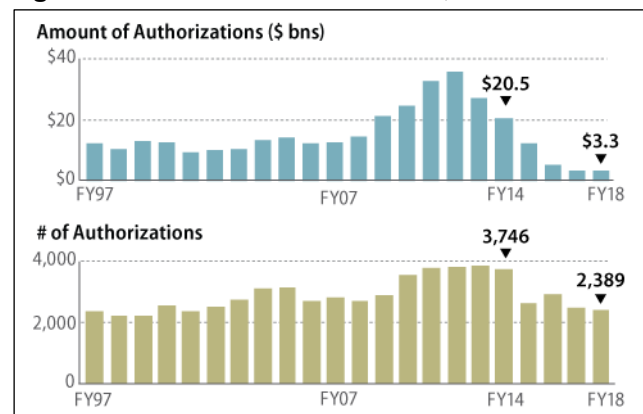
- Short-term, secured **working capital loans and guarantees**, usually to small business.

In some cases, specific underwriting techniques may be used, such as project, structured, and supply chain finance.

**Requirements.** Ex-Im Bank financing may be extended only where there is a "reasonable assurance of repayment" and should supplement, not compete with, private capital. The Bank must consider proposed transactions' potential U.S. economic and environmental impacts, among other issues. The Bank, which views the amount of U.S. content in an export contract to be a proxy for U.S. jobs, reduces its level of support based on foreign content in an export contract. It also has U.S. flag shipping requirements. The Bank must make available not less than 25% (up from 20%) of its total authority to finance small business exports, and promote exports related to renewable energy and to sub-Saharan Africa (no quantitative target). It is generally barred from financing defense exports.

**Activity.** In FY2018, Ex-Im Bank authorized \$3.3 billion for 2,389 finance and insurance transactions, to support an estimated \$6.8 billion in U.S. exports and 33,000 U.S. jobs. In contrast, when the Bank was fully operational in FY2014, it authorized \$20.5 billion for 3,746 transactions, to support an estimated \$27.5 billion in U.S. exports and 33,000 U.S. jobs. As in prior years, in FY2018, U.S. small businesses accounted for most authorizations by *number* (91%). The growing share of small businesses by *dollar amount*—66% in FY2018, up from 25% in FY2014—is due, in part, to the transaction size limit in the absence of a Board quorum. In FY2018, the Bank had about \$40 billion in transactions pending Board consideration.

**Figure 1. Ex-Im Bank Authorizations, FY1997-2018**



**Source:** CRS, based on data from Ex-Im Bank annual reports.

The Bank's exposure dropped to \$61 billion in FY2018, compared to \$112 billion in FY2014, due to repayments on outstanding transactions exceeding new activity.

**Funding.** Ex-Im Bank's revenues include interest, risk premia, and other fees that it charges for its support.

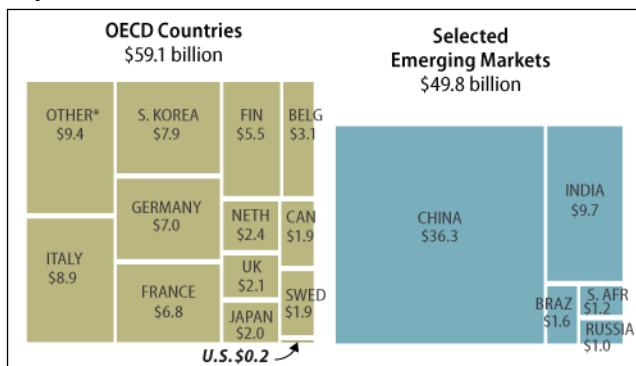
Revenues acquired in excess of forecasted losses are recorded as offsetting collections. According to the Bank, since 2000, it has contributed to the Treasury \$14.8 billion after covering its administrative and program costs, and other expenses. (This is on a cash basis, and different from the amount calculated on a budgetary basis.) With its inability to approve transactions above \$10 million, the Bank has seen a shrinking portfolio and a decline in its offsetting collections compared to administrative expenses.

FY2019 appropriations for Ex-Im Bank were \$5.7 million for the Office of Inspector General (OIG) and a limit of \$110.0 million for administrative expenses. The President's FY2020 budget requests \$5 million for the OIG, a limit of \$95.5 million for administrative expenses, and a \$106 million cancellation in unobligated funds for tied aid, which is concessional financing for projects in developing countries linked to procurement from the donor country. Ex-Im Bank does not initiate tied aid for commercial purposes; it aims to match foreign offers, which it has done infrequently in recent years (latest in 2011), in part due to lack of transparency in foreign financing packages.

**Risk management.** Ex-Im Bank assesses and monitors credit and other risks of transactions. It reported a default rate of 0.482% as of December 2018 (sent quarterly to Congress). In FY2018, Ex-Im Bank's reserves and allowances for total losses reached \$3.7 billion (6.4% of total outstanding balance). The Bank's charter requires it hold loss reserves of no less than 5% of its total disbursed and outstanding loans, guarantees, and insurance.

**International context.** The United States has led efforts to develop international disciplines on ECA activity. Ex-Im Bank abides by the Organization for Economic Cooperation and Development (OECD) Arrangement on Officially Supported Export Credits. Applying to ECA financing with repayment terms of two years or more, the arrangement sets minimum interest rates, maximum repayment terms, and other terms and conditions, as well as has transparency provisions. It aims to ensure a level playing field for ECA activity such that the price and quality of exports, not their financing terms, guide purchasing decisions. The World Trade Organization (WTO) Agreement on Subsidies and Countervailing Measures has been interpreted to mean that export credit practices conforming with the arrangement are not considered prohibited export subsidies.

**Figure 2. New Medium- and Long-Term Official Export Credit Volumes for Selected ECAs in 2017**



**Source:** CRS, based on Ex-Im Bank 2017 Competitiveness Report data.

**Note:** Data subject to analytic assumptions and other limitations.

Over time, unregulated ECA financing has grown, due to non-OECD countries such as China operating ECAs and OECD members providing financing outside of the OECD's scope. Issues include China's concessional export financing, which is outside of OECD rules on tied aid to limit market distortions. Since 2012, an International Working Group (United States, China, and other countries) has been negotiating separate export credit disciplines.

## Issues for Congress

Senate consideration of presidential nominees to Ex-Im Bank's Board of Directors and potential legislative action on the agency's authorization status present economic and other policy issues for Congress. Proponents argue that the Bank supports U.S. exports and jobs by filling gaps in private sector financing and helping U.S. exporters compete against foreign companies backed by their ECAs. Critics contend that it crowds out private sector activity, picks winners and losers, provides "corporate welfare," and poses a risk to taxpayers. Supporters hold that the Bank is important in supporting U.S. firms' competitiveness in strategic sectors, particularly vis-à-vis China. Critics oppose Ex-Im Bank's financing of U.S. exports for purchase by Chinese and other state-owned enterprises.

Supporters argue that the lack of a quorum costs U.S. exports and jobs for direct Ex-Im Bank users and the businesses in their supply chains. They observe that to consider bids on export opportunities, foreign buyers may require an ECA financing offer, such as for some infrastructure projects or nuclear reactors. They also note that, in some cases, U.S. firms may secure financing from foreign ECAs but must source abroad. Critics dispute notions of economic loss, arguing that private sector sources of financing have been strong for major users of Ex-Im Bank such as in the aircraft sector. Some critics prefer the Bank's recent role in supporting smaller deals primarily for small businesses, which presents less concern to them about crowding out private sector financing.

In a potential reauthorization debate, Members of Congress, depending on their views, may seek

- a "clean" extension of Ex-Im Bank's charter;
- limited changes such as to the Bank's exposure ceiling;
- major changes such as to the Bank's scope, structure, conditions and limits on its activities, and risk management; or
- termination of the Bank's functions.

Given the prolonged absence of the quorum, Members may debate proposals to modify Board quorum requirements or Board member terms and succession rules. Members also may consider legislating or pressing the Administration to modify the U.S. approach to export financing to be more competitive with countries operating outside of the scope of OECD rules, or to pursue ongoing international negotiations on new export credit rules more intensively. See CRS Report R43581, *Export-Import Bank: Overview and Reauthorization Issues*, by Shayerah Ilias Akhtar.

**Shayerah Ilias Akhtar,**

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