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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 for U.S. exports when the private sector is unwilling or unable to do so and/or to counter foreign ECA financing. The Bank is demand-driven, fee-based, and backed by the U.S. government's full faith and credit.

### Background

**Authorization.** The Further Consolidated Appropriations Act, 2020 (P.L. 116-94, enacted December 20, 2019) extended Ex-Im Bank's general statutory authority for a record seven years, through December 31, 2026. This extension, which includes certain other changes, provides new stability to an agency that had faced active policy debate and constraints on its operating authority in recent years. Absent reauthorization, the Bank generally would not have been able to approve new transactions, but would have been able to continue managing its existing financial obligations, and to perform certain other functions "for purposes of an orderly liquidation" (12 U.S.C. §635f).

**Leadership.** By statute, a five-member board of directors, representing both political parties, leads Ex-Im Bank. Board members are appointed by the President and confirmed by the Senate. The Bank president and first vice president serve respectively as the board chairman and vice chairman. The board needs a quorum of at least three members to conduct business, including to approve transactions above a certain threshold (previously \$10 million, now \$25 million after board action in May 2019), make policies, and delegate authority (e.g., to staff to approve transactions below the threshold). Advisory and other committees support the board. The recent reauthorization created alternative procedures to fill vacancies on the board temporarily if a quorum lapses.

On May 8, 2019, the Senate confirmed three nominations to the board: the president/chairman and one member for a term expiring on January 20, 2021, and one member for a term expiring on January 20, 2023. The confirmations reinstated a quorum and enabled the board to exercise the full panoply of its statutory authorities again. Previously, the board lacked a quorum from July 20, 2015 to May 7, 2019, as terms expired and "holds" in the Senate prevented action on nominations reported from the Senate Banking Committee. The Senate confirmations followed the Trump Administration's renewed support for the Bank, and cloture votes in the Senate to limit debate. The Senate in the 116<sup>th</sup> Congress did not act on two other nominations: first vice president/vice chairman and a member.

**Products and Programs.** Key Bank products include

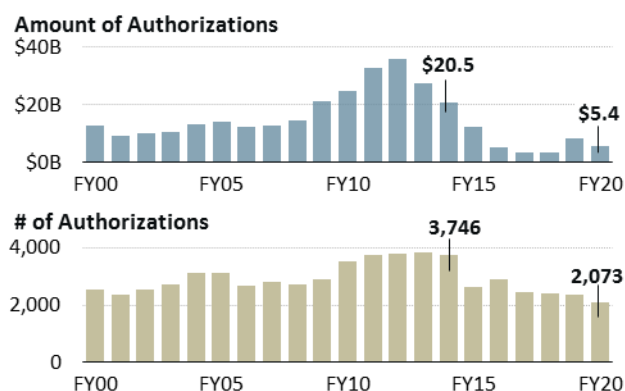
- **direct loans** to foreign buyers of U.S. exports (interest rates are based on parameters set in international rules);

- **loan guarantees** to lenders against default on loans to foreign buyers of U.S. exports (lender usually sets rate);
- **insurance** to protect U.S. exporters or financial institutions against export-related risks; and
- **working capital loans and guarantees**, which are short-term, secured types of financing.

Underwriting techniques such as project, structured, and supply chain finance may be used in some cases. Under the latest reauthorization, the Bank established a new China and Transformational Exports program to counter export subsidies by China or other designated countries for exports in specified high-technology sectors, such as 5G.

**Activity.** In FY2020, Ex-Im Bank approved \$5.4 billion for more than 2,000 authorizations of direct loans, loan guarantees, and export credit insurance (see **Figure 1**), to support \$10.8 billion in estimated U.S. export sales and an estimated 37,000 in U.S. jobs. Transactions for small business exporters accounted for 38.6% of authorizations by amount and 88.6% by number. Between FY2014 and FY2018, authorization levels declined, largely due to the board's inability to approve larger deals; the number of authorizations stayed relatively level as the Bank focused more on small business exporters.

**Figure 1. Ex-Im Bank Authorizations, FY1997-2020**



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

In FY2014, the Bank's overall portfolio exposure reached \$112 billion (nearing the \$140 billion statutory exposure cap in FY2014). It dropped in subsequent years, down to \$55 billion in FY2019 and further down to \$47 billion in FY2020, as repayments on transactions exceeded new activity. The recent reauthorization sets the Bank's exposure cap at \$135 billion through FY2027.

**Statutory and Policy 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 a proposed transaction's potential economic impact to U.S. industry and its environmental impact, among other factors. 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; the board recently eased the content policy for financing under the new China program. The Bank also has U.S.-flag shipping requirements. In terms of specific U.S. export focuses, the Bank must:

- make available not less than 30% of its total authority to finance small business exports (increased from 25%);
- promote renewable energy exports and make available not less than 5% of its portfolio to support such exports;
- support environmentally beneficial exports (no percentage requirement);
- support exports to sub-Saharan Africa (no percentage requirement); and
- have a general goal to reserve 20% of its portfolio for the new China and Transformational Exports program.

The Bank is also subject to various reporting requirements, including new China-related reporting under the extension.

**Funding.** Ex-Im Bank's revenues include interest, risk premia, and other fees charged for its support. Revenues acquired in excess of forecasted losses are recorded as offsetting collections. The Bank reports contributing to the Treasury, since 1992, a net of \$9.5 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.) Offsetting collections did not fully cover program and administrative costs in FY2018 and FY2019, during the quorum lapse. In contrast, offsetting collections again fully covered these costs in FY2020.

An FY2021 appropriations law (P.L. 116-94) provides Ex-Im Bank with a limit of \$110.0 million for administrative expenses, and with \$6.5 million for its Office of Inspector General. As in FY2020, the FY2021 appropriations law includes a prohibition against Ex-Im Bank using its funding to support nuclear-related exports to Saudi Arabia, unless the country meets certain nonproliferation requirements.

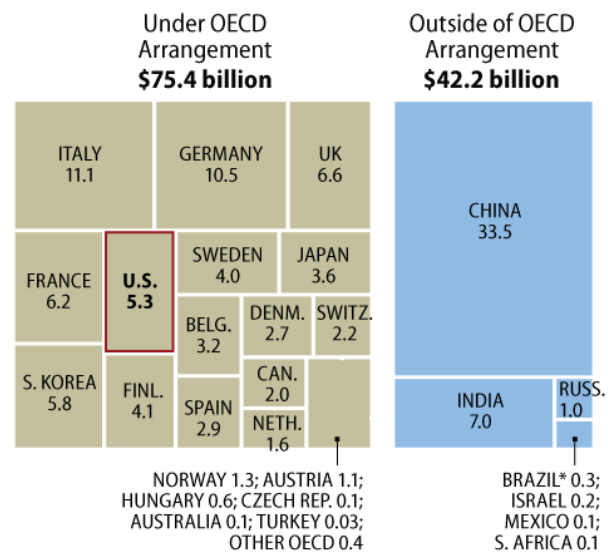
**Risk management.** Based on its charter, Ex-Im Bank assesses and monitors credit and other risks of transactions, and maintains reserves against losses. It reported a default rate of 0.819% as of September 2020 (reported quarterly to Congress). In FY2019, its reserves and allowances for total losses were \$2.9 billion (7.6% of total outstanding balance). The latest reauthorization added an anti-fraud requirement on the Bank's consideration of applications for support.

**International context.** The United States has led efforts to develop international rules for ECA activity. Ex-Im Bank abides by the Organisation for Economic Co-operation and Development (OECD) Arrangement on Officially Supported Export Credits, which aims to ensure a level playing field for exporter competition. 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. It also has transparency and other provisions on tied aid (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, but does so infrequently, due in part to a lack of transparency in foreign financing packages.

Under an exception to the World Trade Organization (WTO) rules, Arrangement-compliant export credit

practices are not treated as prohibited export subsidies. Over time, unregulated ECA financing has grown; non-OECD countries operate ECAs and OECD members provide financing outside of the Arrangement's scope. China especially presents competitiveness concerns, due to the size of its ECA financing (see **Figure 2**), lack of transparency, and operation outside of the OECD rules. According to Ex-Im Bank's 2020 competitiveness report, China's intensive ECA activity for geopolitical aims is placing pressure on other foreign ECAs to proactively seek financing opportunities. An International Working Group (United States, China, and other countries) recently suspended talks to establish new export credit rules after eight years of limited progress.

**Figure 2. Export Financing by Selected ECAs in 2019**



2019 data; U.S. dollars; chart labels in billions.

**Source:** CRS, based on Ex-Im Bank 2019 Competitiveness Report.

**Note:** Data are for new medium- and long-term official export credit financing, and subject to analytic assumptions and other limitations.

\*Brazil abides by the Arrangement's Aircraft Sector Understanding.

## Policy Debate and Issues for Congress

Over the years, Ex-Im Bank has been the object of policy debate. Supporters argue that the Bank fills gaps in private-sector financing for exports and helps U.S. firms compete against foreign ECA-backed firms, while managing risks and advancing other U.S. policy goals. Critics argue that the Bank crowds out the private sector, picks winners and losers, is corporate welfare, and imposes taxpayer risks.

In the 117<sup>th</sup> Congress, potential board nominations may be an issue in the Senate. Congress may also examine:

- the implementation of the 2019 reauthorization changes;
- activity under Ex-Im Bank's new China program;
- Ex-Im Bank's competitiveness in supporting U.S. exports balanced with its risk management; and
- the alignment of current international ECA rules with U.S. policy goals, and other potential options to address "unfair" competition from foreign ECAs.

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