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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 U.S. goods and services exports 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 support U.S. exports when the private sector is unwilling or unable to do so, and/or when competing against ECA-backed foreign exporters. It is demand-driven, fee-based, and backed by the U.S. government's full faith and credit.

Background

Authorization. Congress extended the Bank's general statutory authority for seven years, through December 31, 2026 (P.L. 116-94, Div. I, Title IV, enacted December 20, 2019). Absent reauthorization, the Bank generally would be unable to approve new transactions, but it would be able to continue managing its existing financial obligations, and perform certain other functions for "an orderly liquidation."

Leadership. A five-member board of directors, drawing from both political parties, leads the Bank. Members are presidentially-appointed and Senate-confirmed. The Bank's president and first vice president serve, respectively, as the board's chairman and vice chairman. The board needs a quorum of at least three members to conduct business, such as to approve transactions above a certain threshold (now \$25 million), make policies, and delegate authority. The 2019 reauthorization provided alternative procedures in the event of a quorum lapse. An Advisory Committee and a Sub-Saharan Africa Advisory Committee support the board.

The board is operating currently with an acting president and chair, an acting first vice president and vice chair, and a Senate-confirmed board director (whose term expires in January 2023). In the second session of the 117th Congress, committee-approved nominations for the president, the first vice president, and a director are pending before the Senate.

Programs. Key Ex-Im Bank programs include:

- *direct loans* to foreign buyers of U.S. exports (interest rates are based on spreads set in international rules above U.S. Treasury rates);
- *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 guarantees* of short-term loans.

Some deals may use underwriting techniques such as project, structured, and supply chain finance. A new China and Transformational Exports Program (CTEP) aims to counter export subsidies provided by China and/or other designated countries, by providing Bank financing or other support in statutory "transformational" export areas, e.g., wireless communication equipment, including 5G.

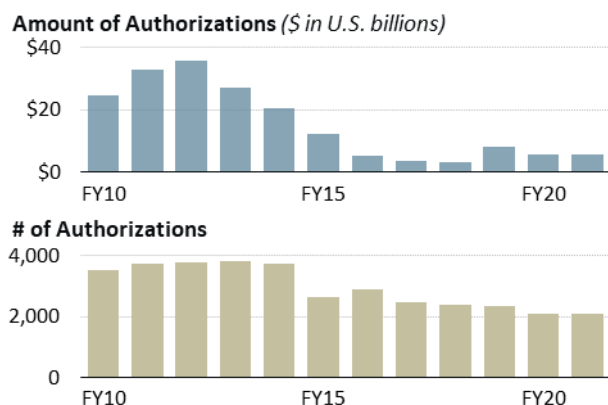
Statutory and Policy Requirements. Bank financing may be extended only where there is a "reasonable assurance of repayment" and should supplement, not compete with,

private capital. It also must be "fully competitive" with the rates, terms, and other conditions offered by foreign ECAs (see "*International ECA Landscape*"). 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 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 a new, more flexible content policy specific to CTEP. The Bank has U.S. flag shipping requirements, as well as reporting, notification, and other obligations. In specific U.S. export focuses, the Bank must:

- make available not less than 30% of its total financing authority each year to support *small business exports*;
- promote, and make available not less than 5% of its total financing authority each year to support, *renewable energy exports*;
- support *environmentally beneficial exports* (no percentage requirement);
- support exports to *sub-Saharan Africa* (no percentage requirement); and
- aim to reserve up to 20% of its total financing authority for support that is made pursuant to *CTEP*.

Activity. For FY2021, the Bank reported authorizing \$5.8 billion for more than 2,000 transactions (see **Figure 1**), to support some \$9.2 billion of U.S. export sales. It also reported activity in statutory export focuses. For example, small businesses comprised 28.2% of authorizations by dollar amount and 86.9% by number; and CTEP comprised 2.5% of authorizations by dollar amount. A lapse of the board quorum (from July 2015 until its restoration in May 2019) constrained the Bank's financing capacity previously.

Figure 1. Ex-Im Bank Authorizations, FY2000-2021



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

In 2021, the board extended temporary relief measures set up in response to the Coronavirus Disease 2019 (COVID-19) pandemic to add liquidity and flexibility to current Bank products, e.g., expanded program eligibility and guarantee level for working capital guarantees. Additionally, the Bank's Advisory Committee now has

China competition- and climate-focused subcommittees, and the Bank has a new strategically-oriented office to source deals, especially for certain statutory export focuses.

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 \$9.0 billion after covering all expenses, loan-loss reserves, and administrative costs. (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 FY2018-2021.

For FY2021 (P.L. 116-94), the Bank had a limit of \$110.0 million for administrative expenses, and \$6.5 million in funding for its Office of Inspector General (OIG). For FY2022, the President's budget request provides a limit of \$114.0 million for administrative expenses; \$10.0 million for program budget (last received by the Bank in FY2013), for certain transactions where expenses are expected to exceed receipts, mainly to offset Chinese practices and support clean energy exports; and \$6.5 million for the OIG. Full-year FY2022 appropriations have yet to be enacted.

Risk Management. The Bank monitors credit and other transaction risks, maintains reserves against losses, and reports its default rate quarterly. If its default rate reaches 2%, the Bank faces an immediate freeze on its lending cap. In FY2021, the Bank had loss reserves of \$3.1 billion (7.4% of total exposure), up from \$2.9 billion (6.2% of total exposure) in FY2020. Its default rate was 1.377% at the end of FY2021, up from 0.819% in FY2020; the Bank attributes the rising default rate to COVID-19-related economic effects. The FY2022 budget request includes a temporary increase of the default rate cap from 2% to 4% for the Bank to continue its activities while it addresses defaults.

International ECA Landscape. Ex-Im Bank abides by the Organisation for Economic Co-operation and Development (OECD) Arrangement on Officially Supported Export Credits. First established in 1978, the Arrangement aims to ensure a level playing field for exporter competition. Applying to ECA financing with repayment terms of two years or more, the Arrangement is a framework that places limitations on financing terms and conditions, and has provisions on transparency, tied aid (concessional financing linked to procurement from the donor country), and other issues. Under World Trade Organization (WTO) rules, Arrangement-compliant export credit practices are not deemed prohibited export subsidies.

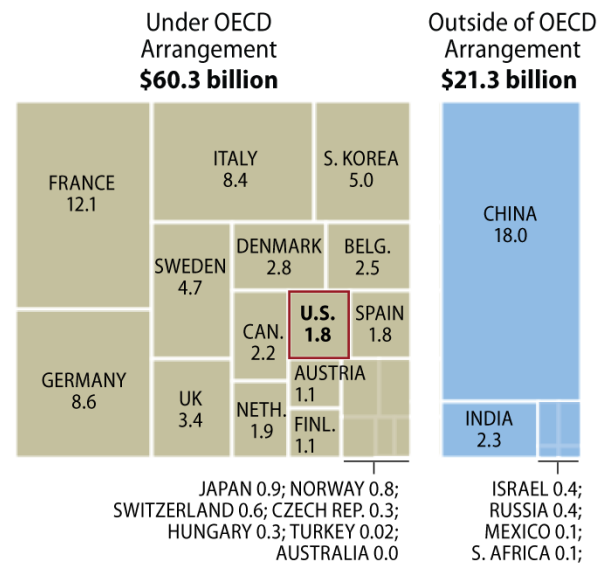
Differences among ECAs' programs and policies may be competitiveness levers when ECAs have more implementation flexibility under the rules, e.g., on content policies. Over time, many ECAs have eased or removed domestic content requirements, in part because of more globalized input sourcing. Many U.S. exporters, while lauding the Bank's programs and policies in other respects, view its foreign content approach as the strictest among ECAs and a detractor from its competitiveness. Policy modifications may raise competing stakeholder interests.

Unregulated ECA financing has grown as non-OECD countries operate ECAs and OECD members provide financing outside of the OECD rules. China's ECA activity especially raises competitiveness concerns due to its

purported size, financing tactics, lack of transparency, and operation outside of OECD rules. For instance, Chinese ECAs are outside of the OECD tied aid rules and reportedly pair export credits with concessional financing to offer buyers a more attractive financing package, placing competitive pressure on OECD ECAs. Efforts launched in 2012 among the United States, China, and other leading export credit providers to develop new export credit rules were halted in 2020, due to diverging positions on core issues, especially transparency into export financing terms.

In 2020, official medium- and long-term export credits declined globally by one-third from 2019, amid the pandemic and greater short-term and working capital financing. China's ECA financing reflected this decline (\$18 billion in 2020 versus \$33.5 billion in 2019), but remained dominant (see **Figure 2**).

Figure 2. Export Financing by Selected ECAs in 2020



2020 data; U.S. dollars; chart labels in billions.

Source: CRS, based on Ex-Im Bank, 2020 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

Ex-Im Bank has been subject to ongoing 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. Issues for the 117th Congress include:

- potential Senate consideration of board nominations;
- the Bank's competitiveness in supporting U.S. exports, balanced with its risk management;
- the Bank's support for statutory export focus areas, response to China-related competitiveness challenges, and response to COVID-19-related financial risks;
- options to address "unfair" competition from foreign ECAs under existing rules and potential new tools; and
- potential changes to the Bank's programs, policies, and activity, and implications for the Bank's mission.

Shayerah I. Akhtar, Specialist in International Trade and Finance

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