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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, per 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 those exports compete against ECA-backed foreign exports. 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 chair and vice chair. 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.

On February 9, 2022, the Senate confirmed Reta Jo Lewis, nominated by President Biden, to be Bank president, for a term expiring in January 2025 (56-40 vote). Currently, the Board operates with the Bank president serving as the chair, an acting vice chair, and a member (confirmed in 2019, for a term expiring in January 2023). Nominations for the first vice president and a member are pending in 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 to U.S. exporters.

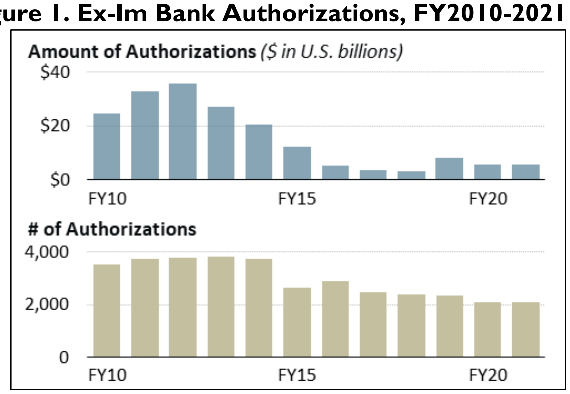
Some deals may use underwriting techniques such as project, structured, and supply chain finance. A new China and Transformational Exports Program (CTEP) aims to counter export subsidies provided by China and/or other designated countries, by providing Bank financing or other support in statutory "transformational" 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"*). It 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 more flexible, CTEP-specific content policy. 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*; make available not less than 5% of its total financing authority each year to support *renewable energy, energy efficiency, and energy storage technology exports*; and aim to reserve up to 20% of its total financing authority for support that is made pursuant to *CTEP*. The Bank also must support *environmentally beneficial exports* and *exports to sub-Saharan Africa* (no percentage requirement).

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, e.g., 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, FY2010-2021



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

In 2021, the Board extended temporary relief measures to respond 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. The Bank's Advisory Committee now has China competition- and climate-focused subcommittees. The Bank also 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 the program budget (last received 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, has reserves against losses, and reports its default rate quarterly. If its default rate reaches 2%, it faces an immediate lending cap freeze. 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% in FY2021, up from 0.819% in FY2020, a rise the Bank attributes 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 activities while managing defaults.

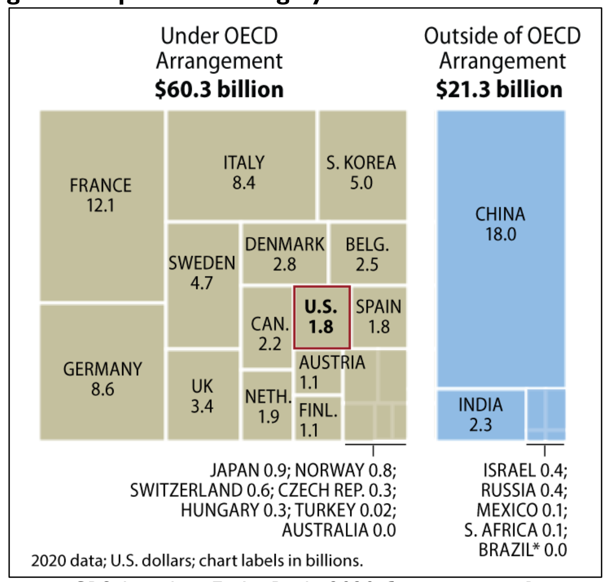
International ECA Landscape. The Bank abides by the Organisation for Economic Co-operation and Development (OECD) Arrangement on Officially Supported Export Credits, first established in 1978 to ensure a level playing field for exporter competition. Applying to ECA financing with repayment terms of two years or more, it sets limits 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 areas of competitiveness when ECAs have greater implementation flexibility. For example, many ECAs have eased or removed domestic content requirements, partly 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 limit on its competitiveness. Policy changes 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, operation outside of the OECD Arrangement, and possible violation of WTO export subsidy rules. Efforts launched in 2012 among the United States, China, and others to develop new export credit rules halted in 2020, due to differences on core issues, e.g., transparency of financing terms.

In 2020, official medium- and long-term export credits declined globally by one-third from 2019, amid the pandemic and other factors. 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



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 is 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.

In the 117th Congress, the Senate may consider additional Board nominations. Congress also may consider an array of oversight and legislative issues, including concerning:

- the Bank's competitiveness in supporting U.S. exports, balanced with its risk management practices;
- the Bank's support for statutory export focuses;
- the Bank's responses to China-related competitiveness challenges and to COVID-19-related financial risks; and
- options to address "unfair" competition from foreign ECAs under existing rules and potential new tools.

Congress also may examine potential changes to the Bank's programs and policies, and implications for its mission. One issue in this regard is a proposed new Bank program, under Board consideration, to offer financing to support the establishment and/or expansion of U.S. manufacturing facilities and domestic infrastructure projects with an "export nexus," among other possible parameters. Supporters may welcome the move to bolster U.S. supply chains and U.S. exporters' competitiveness, while critics may raise economic and policy concerns about expanding the Bank's financing scope.

Shayerah I. Akhtar, Specialist in International Trade and Finance

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