



## 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 foreign ECA financing. Recent Senate confirmations to positions on the board of directors of the Ex-Im Bank restored its quorum and reinstated its full authority, including to approve larger deals again. Potential issues for the 116<sup>th</sup> Congress include Senate consideration of additional board nominations and congressional consideration of reauthorizing Ex-Im Bank.

### 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.** By statute, a five-member board of directors, representing both political parties, leads the Ex-Im Bank. The Ex-Im Bank president and first vice president serve as the board chairman and vice chairman, respectively. The board needs a quorum (at least three members) to conduct business, including approving medium- and long-term financing over \$10 million, making policies, and delegating authority. Advisory and other committees provide support.

On May 8, 2019, the Senate confirmed three nominations to the board: the president/chairman, for a term expiring January 20, 2021 (79-17 vote); a member, for a term expiring January 20, 2023 (72-22); and another member, for a term expiring January 20, 2021 (77-19). The Senate action followed renewed calls by the Trump Administration for the Senate to restore the Bank to full capacity and subsequent cloture votes that limited debate. As for the two other positions, one nomination (first vice president/vice chairman, for a term expiring January 20, 2021) has been referred to committee, and the other (board member, for a term expiring January 20, 2023) is available for action by the full Senate. Previously, for nearly four years, starting on July 20, 2015, the board lacked a quorum, as terms expired and no board nominations were confirmed. No action was taken on board nominations submitted during the 114<sup>th</sup> Congress. During the 115<sup>th</sup> Congress, some nominations were reported from committee, but none were confirmed.

**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.

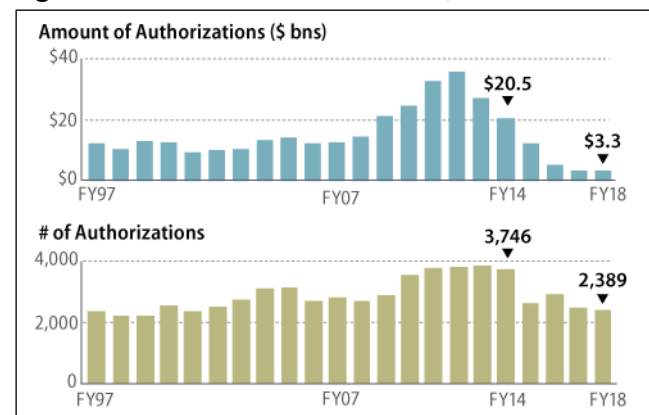
**Products.** The Bank is demand-driven, fee-based, and backed by the U.S. government’s full faith and credit. The Bank’s products include the following:

- **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.

**Activity.** In FY2018, Ex-Im Bank authorized \$3.3 billion for 2,389 transactions, to support an estimated \$6.8 billion in U.S. exports and 33,000 U.S. jobs. It had about \$40 billion in transactions pending board consideration. In FY2014, when fully operational, the Bank authorized \$20.5 billion for 3,746 transactions, to support an estimated \$27.5 billion in U.S. exports and more than 164,000 U.S. jobs.

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



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

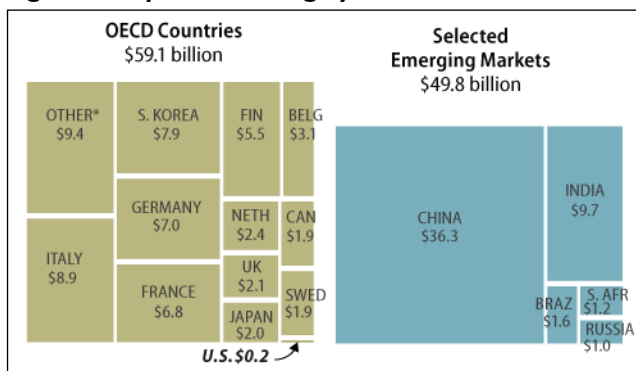
As in prior years, in FY2018, U.S. small businesses accounted for most authorizations by *number* (91%), but a growing share of small businesses by *dollar amount*—66% in FY2018, up from 25% in FY2014.

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 the prior lack of a quorum preventing the Bank from approving larger deals, the Bank's portfolio shrank and its offsetting collections declined 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.

**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. Export Financing by Selected ECAs in 2017**



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

**Note:** Data for new medium- and long-term official export credit financing. 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.

**Risk management.** Based on its charter, Ex-Im Bank assesses and monitors credit and other risks of transactions, maintains reserves against losses. It reported a default rate of 0.482% as of December 2018 (sent quarterly to Congress). In FY2018, its reserves and allowances for total losses were \$3.7 billion (6.4% of total outstanding balance).

## Issues for Congress

Potential Senate consideration of additional nominations to the board and congressional consideration of Ex-Im Bank's reauthorization present policy issues. 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 ECA-backed companies. Critics argue that the Bank crowds out private-sector activity, picks winners and losers, provides "corporate welfare," and imposes taxpayer risks. Proponents hold that the Bank supports 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. The prior, limited operations of the Bank for nearly four years may affect policy debate; supporters argue that the lack of a quorum cost U.S. exports and jobs for direct Ex-Im Bank users and their supply chains; critics dispute notions of economic loss, holding that private-sector financing was strong for major Bank users.

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

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

Members may debate changing requirements for a quorum, or board member terms and succession rules. They also may debate legislating or pressing the Administration to modify the U.S. export financing approach 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.

Members also may revisit implementation of the 2015 reauthorization act. Ex-Im Bank implemented some changes, but could not implement other changes requiring board action while it lacked a quorum, including appointing chief ethics and risk officers, raising the medium-term loan program cap from \$10 million to \$25 million, and increasing staff authority to approve small business export financing from up to \$10 million to \$25 million.

See CRS Report R43581, *Export-Import Bank: Overview and Reauthorization Issues*, by Shayerah Ilias Akhtar.

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