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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.

### Key Ex-Im Bank Products

- **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 to foreign buyers of U.S. exports (lender usually sets rate).
- **Insurance** to protect U.S. exporters or financial institutions against export-related risks.
- Short-term, secured **working capital loans and guarantees**.
- In some cases, specific underwriting techniques such as project, structured, and supply chain finance may be used.

### Background

**Authorization.** The FY2020 continuing resolution (CR) extends Ex-Im Bank’s general statutory authority through November 21, 2019. Absent congressional reauthorization before this date, the Bank generally will no longer be able to approve new transactions, but will be able to continue to manage its existing loan, guarantee, and insurance obligations, and to perform certain other functions “for purposes of an orderly liquidation” (12 U.S.C. §635f).

Before the CR, Ex-Im Bank’s general statutory authority was due to expire at the close of business on September 30, 2019, pursuant to P.L. 114-94 (enacted on December 4, 2015). In addition to renewing the Bank’s general statutory authority for almost four years, P.L. 114-94 modified its portfolio exposure cap and made reforms in such areas as risk management, fraud controls, ethics, and the U.S. approach to international negotiations on export credit rules. Prior to this renewal, the Bank’s general statutory authority lapsed from July 1, 2015, to December 4, 2015, amid policy disagreements about the agency. Ex-Im Bank reported that it monitored and managed its existing portfolio and other obligations during the lapse.

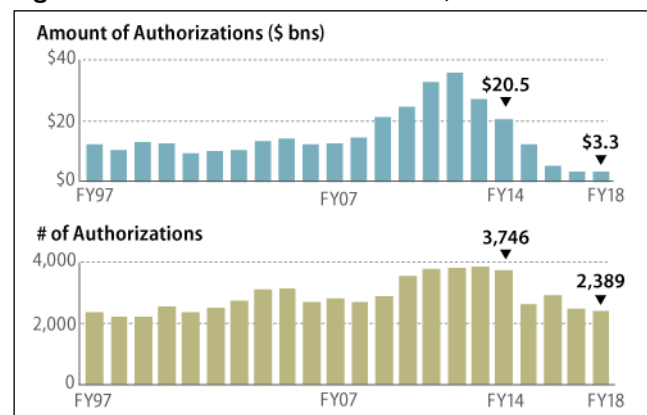
**Leadership.** By statute, a five-member board of directors, representing both political parties, leads Ex-Im Bank. The president and first vice president of Ex-Im Bank serve as the board chairman and vice chairman, respectively. The board needs a quorum of at least three members to conduct business, including approving transactions above a certain threshold (now \$25 million, previously \$10 million), making policies, and delegating authority (e.g., to staff to approve transactions below the threshold). Advisory and other committees support the board.

**Board Quorum.** 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). This action reinstated a quorum, thus authorizing the board to exercise the full panoply of its statutory authorities. The Senate has not yet acted on the nominations for the two other positions (first vice president/vice chairman, for a term expiring January 20, 2021, and member, for a term expiring January 20, 2023). The board lacked a quorum from July 20, 2015, until the May 8, 2019, confirmations, as terms expired and no board nominees were confirmed.

On May 30, 2019, in its first meeting since regaining a quorum, the board increased to \$25 million the threshold for financing above which approval requires board action. The board also is considering and approving deals again.

**Activity.** Ex-Im Bank’s authorization levels have declined since FY2014 (see **Figure 1**), when the Bank last was fully operational before the board quorum was restored in May 2019. In FY2014, the Bank approved \$20.5 billion for 3,746 authorizations, to support an estimated \$27.5 billion in U.S. exports and 164,000 U.S. jobs. By contrast, in FY2018, it approved \$3.3 billion for 2,389 authorizations, to support an estimated \$6.8 billion in U.S. exports and 33,000 U.S. jobs. The composition of authorizations shifted amid the limit on approving larger deals; the *dollar amount* of support for U.S. small business exports grew from 25% in FY2014 to 66% in FY2018, as a share of total authorizations. By *number*, small businesses continued to account for most authorizations (91% in FY2018).

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



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

As repayments on transactions exceeded new activity, Ex-Im Bank’s portfolio declined. In FY2014, the Bank’s overall portfolio exposure reached \$112 billion (covering 80% of the \$140 billion statutory exposure cap in FY2014). In contrast, the portfolio dropped to \$61 billion in FY2018 (45% of the \$135 billion exposure cap for that year).

**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 each proposed transaction’s potential economic impact to U.S. industry and its environmental impact, 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% of its total authority to finance small business exports. It also must promote renewable energy exports, environmentally beneficial exports, and exports to sub-Saharan Africa. It is generally barred from financing defense exports.

**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. Ex-Im Bank reports contributing to the Treasury, since 2000, \$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.) During the quorum lapse, 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 and a limit of \$110.0 million for administrative expenses. FY2020 funding currently is provided at FY2019 levels under the CR.

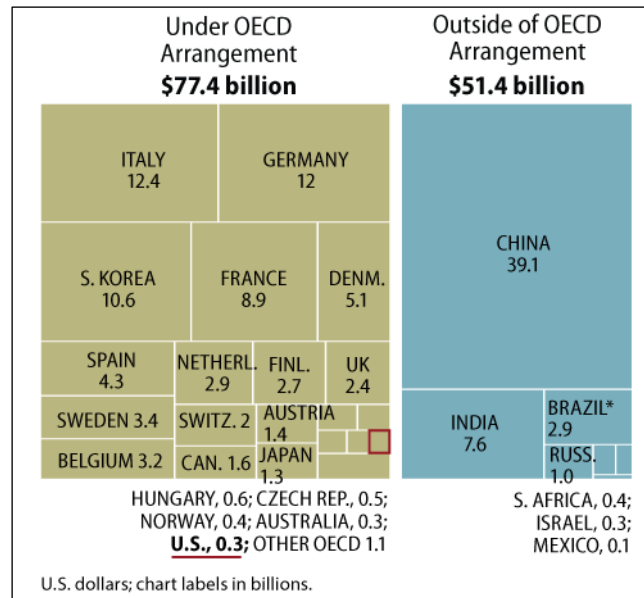
**Risk management.** Based on its charter, Ex-Im Bank assesses and monitors credit and other risks of transactions, and maintains reserves against losses. The Bank reported a default rate of 0.504% as of June 2019 (sent quarterly to Congress). In FY2018, its reserves and allowances for total losses were \$3.7 billion (6.4% of total outstanding balance).

**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 ECA activity such that the price and quality of exports, not their financing terms, guide purchasing decisions. 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. The Arrangement 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 now does so infrequently (most recently in 2011), due in part to lack of transparency in foreign financing packages.

Under an exception to the World Trade Organization (WTO) Agreement on Subsidies and Countervailing Measures, Arrangement-compliant export credit practices are not treated as prohibited export subsidies. Over time, unregulated ECA financing has grown, with non-OECD countries such as China operating ECAs and OECD members providing financing outside of the Arrangement’s scope (see **Figure 2**). Issues include concessional export financing by China. An International Working Group

(United States, China, and other countries) reportedly has made limited progress to negotiate new export credit rules.

**Figure 2. Export Financing by Selected ECAs in 2018**



**Source:** CRS, based on Ex-Im Bank 2018 *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.

## Reauthorization Debate

Over the years, policymakers have raised various arguments for and against reauthorizing Ex-Im Bank. Supporters argue that the Bank fills in gaps in private-sector financing for exports and helps U.S. exporters 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. The debate raises other issues as well, such as whether current international ECA rules support U.S. policy goals or require changes.

Bills in the 116<sup>th</sup> Congress would reauthorize the Bank and make limited or significant other changes (H.R. 3407, H.R. 4863, S. 2293), or terminate its authority (H.R. 1910). On October 31, 2019, the House Financial Services Committee approved H.R. 4863 (30-27 vote) following active debate. It would reauthorize the Bank for 10 years, raise its exposure cap to \$175 million, create a temporary board to approve larger deals if the board loses a quorum, and make other policy and structural changes. Debate continues over issues such as the balance between ensuring Ex-Im Bank’s flexibility to conduct activities and imposing potential new limits (e.g., related to the environment or support for exports to China) to advance other U.S. policy goals.

Despite vocal opposition by some Members, support for Ex-Im Bank overall is largely bipartisan in Congress. Nevertheless, the outlook for a long-term reauthorization is unclear amid policy disagreements on specific terms.

For more information, see CRS Report R43581, *Export-Import Bank: Overview and Reauthorization Issues*, by Shayerah Ilias Akhtar.

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