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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) extends Ex-Im Bank's general statutory authority for a record seven years, through December 31, 2026. This extension, which includes certain other changes, brings new stability to an agency that has 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 to manage 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), make policies, and delegate authority (e.g., to staff to approve transactions below the threshold). Advisory and other committees support the board. The recent extension creates alternative procedures to fill vacancies on the board temporarily if the quorum lapses.

On May 8, 2019, the Senate confirmed three nominations to the board (president/chairman and two members), thereby reinstating a quorum and enabling the board to exercise the full panoply of its statutory authorities. The board lacked a quorum from July 20, 2015, until the May 8, 2019, Senate confirmations, as terms expired and no board nominees were confirmed. "Holds" in the Senate had prevented action on nominations reported from committee. The Senate confirmations followed renewed support for the Bank voiced by the Trump Administration, and subsequent cloture votes that limited debate. The Senate has not acted on the nominations for the two other positions (first vice president/vice chairman and another member). Board terms are staggered, expiring in January 2021 or January 2023.

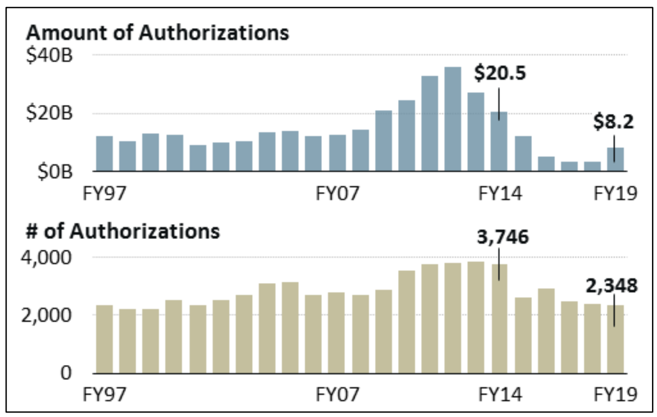
Products and programs. Key Bank products include

- ***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; 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. The latest extension requires the Bank generally to have a goal to reserve 20% of its portfolio for a new program that the Bank must establish to counter export subsidies by China or other designated countries for exports in specified high-technology sectors.

Activity. In FY2019, Ex-Im Bank approved $8.2 billion for 2,348 authorizations of direct loans, loan guarantees, and export credit insurance (see **Figure 1**), to support $9.1 billion in estimated U.S. export sales, and in support of an estimated 34,000 U.S. jobs. Transactions for small business exporters accounted for 27.5% of authorizations by amount and 89.1% by number. Previously, between FY2014 and FY2018, the Bank's authorization levels declined, largely due to the board's inability to approve larger deals; the number of authorizations stayed relatively more stable as the Bank focused more on small business exporters.

Figure 1. Ex-Im Bank Authorizations, FY1997-2019



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 $56 billion in FY2019 (less than half of the $135 billion exposure cap for that year), as repayments on transactions exceeded new activity. The recent reauthorization sets the Bank's exposure cap at $135 billion through FY2027.

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 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. The Bank also has U.S.-flag shipping requirements. The Bank must make available not less than 30% of its total authority to finance small business exports (increased from 25% under the recent extension). It also must promote renewable energy exports and, under the extension, must make available not less than 5% of its portfolio to support such exports. In addition, Ex-Im Bank must support environmentally beneficial exports and exports to sub-Saharan Africa (no percentage requirement). The Bank is also subject to various reporting requirements, including new China-related reporting under the extension. It is generally barred from financing defense exports.

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. Ex-Im Bank reports contributing to the Treasury, since 1992, $9.4 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 decreased and did not fully cover the Bank's program and administrative costs in FY2018 and FY2019.

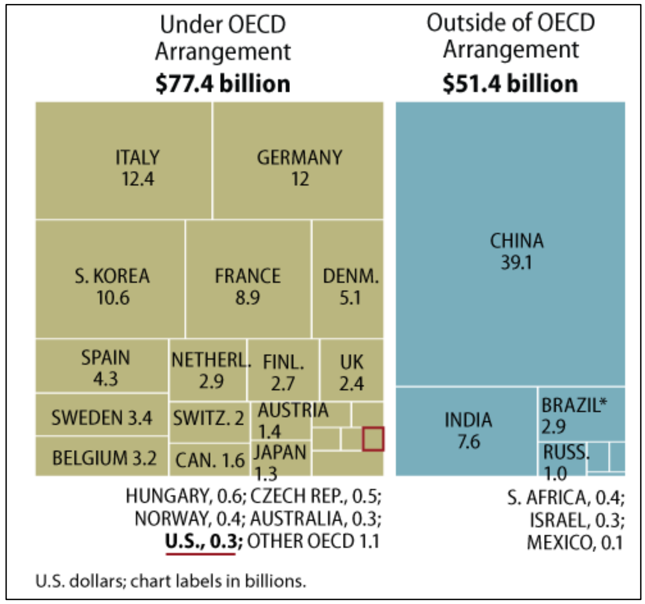
An FY2020 appropriations law (P.L. 116-94) provides Ex-Im Bank with a limit of $110.0 million for administrative expenses, and with $5.7 million for the Office of Inspector General. It rescinds $64.3 million of unobligated balances for tied-aid grants. The appropriations law adds a new prohibition against 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 0.497% as of September 2019 (sent quarterly to Congress). In FY2019, its reserves and allowances for total losses were $2.2 billion (4.7% of total outstanding balance). The latest extension places a new 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 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, with non-OECD countries operating ECAs and OECD members providing financing outside of the Arrangement's scope (see **Figure 2**). China especially presents competitiveness concerns, due to the size of its ECA financing, lack of transparency, and flexibility in operating outside of the OECD rules. China's use of concessional financing, for instance, has put pressure on ECAs operating under the Arrangement. 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.

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.

Despite vocal opposition by some Members, Ex-Im Bank enjoys overall bipartisan support in Congress. Yet, policy disagreements on specific terms and conditions for the Bank made prospects for a long-term extension unclear. Issues included the balance between ensuring the Bank's flexibility to conduct activities and imposing potential new limits (e.g., regarding the environment or supporting exports to China) to advance other U.S. policy goals. Ultimately, bipartisan compromise was reached on certain structural and programmatic changes, enabling the recent seven-year extension (P.L. 116-94).

Potential issues for the 116th Congress include oversight of implementation of the reauthorization changes; examination of whether current international ECA rules support U.S. policy goals or require changes, and other options to address "unfair" competition from foreign ECAs; and Senate consideration of outstanding board nominations. See CRS Report R43581, *Export-Import Bank: Overview and Reauthorization Issues*, by Shayerah Ilias Akhtar.

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