



Updated September 27, 2018

Export-Import Bank of the United States (Ex-Im Bank)

Ex-Im Bank, the official U.S. export credit agency (ECA), finances and insures U.S. exports of goods and services to support U.S. jobs—aiming to do so when the private sector is unwilling or unable to finance alone at commercially viable terms for exporting; and/or to counter financing offered by foreign countries through their ECAs. A renewable general statutory charter (Export-Import Bank Act of 1945, as amended) governs the agency. Ex-Im Bank currently is not fully operational because its Board of Directors lacks a quorum due to vacancies. The agency’s status has been contested because of policy debate over the role of government in financing exports.

Background

Authorization. After allowing Ex-Im Bank’s general statutory authority to expire from July 1, 2015 through December 4, 2015, Congress ultimately reauthorized the agency through September 30, 2019 (P.L. 114-94). Congress also lowered Ex-Im Bank’s total portfolio “exposure cap” 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, drawing from both political parties, leads Ex-Im Bank. The Bank’s President serves as Chairman and the Vice President as Vice Chair of the Board. The President of the United States appoints members by and with the advice and consent of the Senate. The Board’s responsibilities include authorizing financing directly or via delegated authority. Advisory and other committees provide support.

Since July 2015, the Board has lacked a quorum (at least three members) and been unable to approve medium- and long-term transactions over \$10 million. Ex-Im Bank currently has one position filled—Chairman of the Board/President of the Bank (acting). Four presidential nominees to the Board (Chairman/President and three additional Board members) that have been approved by the Senate Banking Committee are pending before the Senate.

Products. Ex-Im Bank services are demand-driven, fee-based, and backed by the full faith and credit of the U.S. government. Products include:

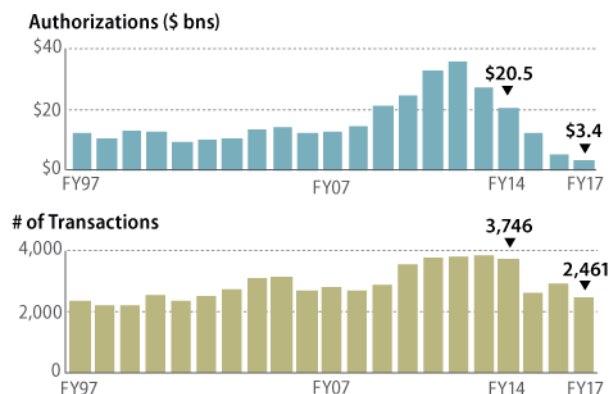
- **Direct loans** to foreign buyers of U.S. exports (interest rate based on minimum official interest rates under international rules), usually for capital-intensive exports;
- **Loan guarantees** to lenders against default on loans of foreign buyers of U.S. exports (lender usually sets rate);
- **Insurance** 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; and
- **Special financing** that focuses on an industry (such as aircraft and renewable energy) or a financing technique, (such as project, structured, and supply chain finance).

Ex-Im Bank also maintains a fund for tied aid (concessional financing for projects in developing countries linked to procurement from the donor country). As the United States has viewed tied aid as market distorting, Ex-Im Bank does not initiate tied aid for commercial purposes, but aims to match foreign offers through its tied aid fund.

Requirements. Ex-Im Bank financing may only be extended 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, imposes limitations on the level of foreign content that may be included in an export contract supported by its financing. 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.

Reported Activity. In FY2017, Ex-Im Bank authorized \$3.4 billion for 2,461 finance and insurance transactions, to support an estimated \$7.4 billion in U.S. exports and 40,000 U.S. jobs. In contrast, in FY2014 when fully operational, it authorized \$20.5 billion for 3,746 transactions, to support an estimated \$27.5 billion in U.S. exports and 164,000 U.S. jobs. As of June 6, 2018, the Bank had about \$43 billion in pending transactions awaiting Board consideration.

Figure 1. Ex-Im Bank Authorizations, FY1997-2017



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

As in prior years, in FY2017, U.S. small businesses accounted for most authorizations by number (91%). The growing share of small businesses by dollar amount—63% in FY2017, up from 25% in FY2014—is due, in part, to the transaction size limit in the absence of a Board quorum.

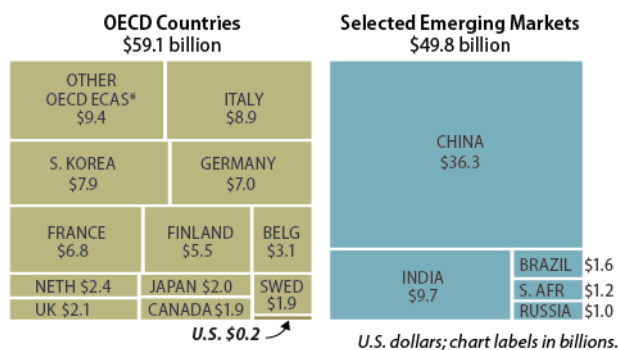
The Bank's exposure (total authorized outstanding and undisbursed financing and insurance) dropped to \$73 billion in FY2017, compared to \$112 billion in FY2014. This decline was due to repayments on outstanding transactions exceeding authorizations of new activity.

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, it contributed to the Treasury, after covering expenses, \$284 million in FY2016 and \$0 in FY2017. (This is on a cash basis, and different from the amount calculated on a budgetary basis.) The Bank's portfolio has been shrinking with the Board's inability to approve transactions above \$10 million, leading to a decline in offsetting collections compared to administrative expenses.

FY2018 appropriations for Ex-Im Bank were \$5.7 million for the Office of Inspector General (OIG), a limit of \$110.0 million for administrative expenses, carryover funds of up to \$10 million until September 30, 2021, and a rescission of \$10 million from FY2015 appropriated carryover funds. President Trump's FY2019 budget requests \$4.8 million for the OIG and a limit of \$90 million for administrative expenses, and to cancel \$13.4 million in the tied aid fund.

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, which establishes guidelines on the terms and conditions for ECA financing (e.g., minimum interest rates, risk fees, and maximum repayment terms). The Arrangement's intent is to ensure that price and quality, not financing terms, guide purchasing decisions. Over time, unregulated ECA financing has grown, due to non-OECD countries such as China operating ECAs and OECD members providing financing not disciplined by the OECD. Since 2012, an International Working Group (United States, China, and other countries) has been negotiating separate export credit disciplines.

Figure 2. New Medium- and Long-Term Official Export Credit Volumes for Selected ECAs in 2017



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

Notes: Data subject to analytic assumptions and other limitations.

The World Trade Organization (WTO) Agreement on Subsidies and Countervailing Measures (SCM), which governs subsidies of non-agricultural goods, has been interpreted to mean that export credit practices conforming with the OECD Arrangement are not considered export subsidies prohibited by the SCM Agreement.

Risk management. Ex-Im Bank assesses and monitors credit and other risks of transactions. It reported a default rate of 0.439% as of June 2018 (sent quarterly to Congress). In FY2017, Ex-Im Bank's reserves and allowances for total losses reached \$3.7 billion (5.3% of total outstanding balance). The 2015 reauthorization act requires Ex-Im Bank to build and hold loss reserves of no less than 5% of its total disbursed and outstanding loans, guarantees, and insurance.

Issues for Congress

General debate. With Ex-Im Bank's authority extended until September 30, 2019, a key issue before the 116th Congress will be whether to renew Ex-Im Bank's authority and if so, for how long and under what terms. Proponents contend that the Bank supports U.S. exports and jobs by filling gaps in private sector financing and helping U.S. exporters compete against foreign companies backed by their ECAs. Critics contend that Ex-Im Bank crowds out private sector activity, picks winners and losers, provides "corporate welfare," and poses a risk to taxpayers.

Board vacancies. The general Ex-Im Bank reauthorization debate has been channeled into the current debate over nominations to the Board. Congress may wish to examine the impact of the prolonged absence of a Board quorum on the agency's operations and ability to be self-sustaining. The lack of a quorum prevents U.S. companies from using Ex-Im Bank financing for transactions above \$10 million and may affect U.S. exports. Proposals to relax quorum requirements were not in the final FY2018 appropriations act. Policymakers also may consider modifying Board member terms and succession rules.

Activity. The 2015 reauthorization act required reforms to Ex-Im Bank's policies and operations. Issues include:

- How is Ex-Im Bank implementing the reforms?
- What is the impact of the Bank's statutory requirements and policies on stakeholder interests?
- What is the adequacy of its policies and operations on risk management, ethics control, and fraud?
- Is Ex-Im Bank financing complementary to or competing with the private sector?

International rules. The changing ECA landscape raises questions about Ex-Im Bank's competitiveness, including:

- How effective is the OECD Arrangement? What competitiveness challenges for U.S. exporters are presented by export financing by China and other countries that are not part of the OECD Arrangement?
- What is the status of international ECA negotiations and the Trump Administration's approach to them?
- What are other opportunities for addressing concerns about unfair competition from foreign ECAs?

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

Shayerah Ilias Akhtar, Specialist in International Trade and Finance

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.