

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

MEMORANDUM

To: Members of the Committee on Financial Services

From: FSC Majority Staff

Date: April 27, 2015

Subject: April 30, 2015, Joint Hearing Entitled “Examining the Export-Import Bank’s Mandates”

The Financial Services Subcommittee on Monetary Policy and Trade and the Oversight & Government Reform Subcommittee on Health Care, Benefits and Administrative Rules will hold a joint hearing entitled “Examining the Export-Import Bank’s Mandates” at 1:00 p.m. on Thursday, April 30, 2015, in room 2154 of the Rayburn House Office Building. This will be a one-panel hearing with the following invited witnesses:

- Fred Hochberg, Chairman and President, Export-Import Bank

Overview of the Ex-Im Bank

The Ex-Im Bank was established by executive order in 1934 and became an independent agency in 1945. The Ex-Im Bank groups its financial products into four categories: (1) direct loans; (2) loan guarantees; (3) working capital guarantees; and (4) export credit insurance. It also has a number of special financing programs. Under the Ex-Im Bank’s direct loan program, the Ex-Im Bank offers loans directly to foreign buyers of U.S. goods and services. Under a loan guarantee, the Ex-Im Bank covers the repayment risk on the foreign buyer’s debt obligations incurred in the purchase of U.S. exports. The Ex-Im Bank’s Working Capital Guarantee Program provides repayment guarantees to lenders (primarily commercial banks) on secured, short-term working capital loans made to qualified exporters. Under the export credit insurance, the Ex-Im Bank issues an insurance policy to a U.S. exporter, which provides credit to the foreign buyer of the exporter’s products.

Recent Reauthorizations

In 2012 Congress reauthorized the Ex-Im Bank. This reauthorization increased the Ex-Im Bank’s exposure limit from \$100 billion to \$140 billion. It also required the Ex-Im Bank to submit a business plan to Congress as well as respond to a review of the Ex-Im Bank’s risk

management practices conducted by the Government Accountability Office. Additionally, the reauthorization directed the Treasury Secretary to initiate and pursue multilateral negotiations to reduce, with the ultimate goal of eliminating, all trade-distorting export subsidies, including those for aircraft. The reauthorization further required that the Ex-Im Bank categorize each loan and long-term guarantee, classifying them as necessary either (1) to assume risk the private sector would not undertake, (2) overcome limits in private finance, or (3) meet competition from foreign export credit agencies. President Obama signed this authorization into law on May 30, 2012. Authorization for the Ex-Im Bank is set to expire on June 30, 2015.

Mandates

The Ex-Im Bank's activities are affected by Congressional mandates. It is required to use no less than 20 percent of its authorization amount each fiscal year to finance exports by small businesses. In addition, the Ex-Im Bank must use no less than 10 percent of its authority for renewable energy technologies or energy efficiency technologies. It is directed to expand financial commitments in sub-Saharan Africa, and must establish an advisory committee to help facilitate commercial banks' trade with the region.