

MEMORANDUM

To: Members of the Committee on Financial Services

From: FSC Majority Staff

Date: June 20, 2014

Subject: June 25, 2014, Full Committee Hearing Entitled “Examining Reauthorization of the Export-Import Bank: Corporate Necessity or Corporate Welfare?”

The Committee on Financial Services will hold a hearing entitled “Examining Reauthorization of the Export-Import Bank: Corporate Necessity or Corporate Welfare?” at 10:00 a.m. on Wednesday, June 25, 2014, in room 2128 of the Rayburn House Office Building. This will be a two-panel hearing with the following witnesses:

Panel 1:

- Mr. Richard H. Anderson, Chief Executive Officer, Delta Air Lines, Inc.
- Dr. Veronique de Rugy, Senior Research Fellow, Mercatus Center at George Mason University
- Captain Lee Moak, President, Air Line Pilots Association
- Mr. Steven Wilburn, Chief Executive Officer, FirmGreen Inc.

Panel 2:

- The Honorable Fred P. Hochberg, Chairman of the Board and President, Export-Import Bank
- The Honorable Osvaldo Gratacos, Inspector General, Export-Import Bank
- Mr. Mathew J. Scire, Director, Financial Markets and Community Investment, Government Accountability Office
- Dr. Douglas W. Elmendorf, Director, Congressional Budget Office

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.

2012 Reauthorization

In 2012 Congress reauthorized the Ex-Im Bank. The reauthorization increased the Ex-Im Bank's exposure limit from \$100 billion to \$140 billion. It also required 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 ("GAO"). 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 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.

The Ex-Im Bank's authorization expires on September 30, 2014. This hearing will examine the role of the Ex-Im Bank, the efficacy of the 2012 reforms, and the arguments for and against reauthorizing the Ex-Im Bank.