

**WRITTEN TESTIMONY OF
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EXPORT-IMPORT BANK OF THE UNITED STATES
BEFORE THE SENATE COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS**

**“OVERSIGHT AND REAUTHORIZATION OF THE EXPORT-IMPORT
BANK OF THE UNITED STATES”
JANUARY 28, 2014**

Chairman Johnson, Ranking Member Crapo and distinguished members of the Banking Committee, thank you for inviting me to testify before you as the Committee considers the progress of the Export-Import Bank of the United States (“Ex-Im Bank” or “the Bank”) has made in supporting U.S. jobs through exports since our last reauthorization.

Summary

Today, American exports are at an all-time high. The United States exported a record \$194.9 billion in November, 2013. Never before has the U.S. exported more goods and services in a single month. Our trade gap is the lowest it has been since 2009, when U.S. exports totaled \$1.9 trillion. In 2012, U.S. exports totaled a record \$2.2 trillion. The “Made in America” brand has never been stronger.

I am proud of the job our 400+ employees do each and every day. Ex-Im Bank has supported nearly 1.2 million private sector U.S. jobs since 2009, including 205,000 jobs in FY 2013 alone. The Bank operates at no cost to the taxpayers, and in FY 2013, the Bank generated more than \$1 billion for the U.S. taxpayers above and beyond the cost of all operations and loan loss reserves. This \$1 billion goes toward deficit reduction. We do this while maintaining a default rate¹ of 0.267.

Ex-Im Bank has at its core ensuring that small businesses – the foundation of our economy – are at the forefront of U.S. exports. We cannot grow our economy – or our exports for that matter – without fully supporting the small businesses of America. In 2013, the Bank financed a record 3,413 small businesses - nearly 90 percent of Ex-Im’s transactions. In addition, Ex-Im financed more small businesses in the last five years than the prior eight years combined. The Bank also

¹ This default rate is different than the default rates published in the annual Budget Appendix due to differing definitions. The reported rate in the Budget Appendix reflects projected defaults over the life of the loan while the default rate report as required in Section 8B of the Bank’s charter reflects actual defaults at a particular point in time.

financed more minority and woman-owned businesses in the last five years than the prior sixteen years combined.

As the global economy continues to strengthen, exports are being financed not only by commercial banks but also by capital markets. This is an encouraging trend. In 2013, the total dollar amount of transactions financed by Ex-Im was significantly lower than in 2012, yet exports as a whole from the U.S. were up during that timeframe.

Purpose of Ex-Im Bank

Ex-Im Bank is the official export credit agency of the United States. The mission of the Bank is to enable U.S. companies – large and small – to turn export opportunities into sales that help maintain and create U.S. jobs which contribute to a stronger national economy. The Bank achieves its mission, when needed, by providing export financing through its loan, guarantee, and insurance programs in cases where the private sector is unable or unwilling to do so. For example, we provide trade credit insurance to Miss Jenny’s Pickles in North Carolina so they don’t need to worry about foreign buyers not paying. We provide a working capital guarantee to Auburn Leather in Kentucky so they can build the inventory necessary to meet large foreign purchase orders. And, we provide direct loans to foreign buyers of GE locomotives so the sales and jobs will benefit workers in Pennsylvania rather than a foreign competitor.

Ex-Im Bank also provides support if necessary to level the playing field when financing is provided by foreign governments to their companies who compete against U.S. exporters. We assume commercial, country, and liquidity risks that are reasonable and responsible, but currently beyond the still-recovering appetite of private lenders. Ex-Im Bank does not compete with private sector lenders, but rather provides financing for transactions that would otherwise not take place because commercial lenders are either unable or unwilling to accept the political or commercial risk inherent in the deal.

Ex-Im Bank offers a variety of products to help U.S. businesses export around the world. Our working capital financing supports small business exporters to obtain loans which facilitate the exports of goods or services made by commercial lenders and backed by our guarantee. These loans provide small businesses the liquidity and confidence to accept new international contracts, grow export sales, and compete more effectively in the international marketplace. Export credit insurance allows U.S. businesses to increase their export sales by limiting their international risk, offering credit to international buyers, and enabling American businesses to access working capital funds.

Comprehensive Risk Management and Revenue for the Taxpayers

Ex-Im Bank continues its prudent oversight and due diligence standards to protect taxpayers through its comprehensive risk management framework. It begins with effective project underwriting, including detailed documentation and financial structuring to ensure the Bank's rights are protected. It continues long after a transaction is approved and disbursed with pro-active monitoring efforts to ensure timely payment.

During all of FY 2013, the Ex-Im Bank paid, from the fees we collect, new gross claims of just \$48.8 million on a total portfolio greater than \$110 billion. The Bank recovered more money - \$62.6 million - than it had in new claims for the fiscal year. The Bank is also appropriately reserved to cover expected loan losses. The Bank's reserve methodology has been reviewed, by GAO, our internal auditors, KPMG, and our external auditors Deloitte & Touche. As a result of provisions included in the Bank's charter during last year's re-authorization, Ex-Im Bank submits a quarterly default rate report to Congress. As of December 31, 2013, the Bank's default rate was 0.267 percent. At the same time, over the past five years Ex-Im Bank has generated more than \$2 billion for U.S. taxpayers, above and beyond all administrative operating costs, claims and loan loss reserves we set aside. We operate at no cost to the taxpayers.

Moreover, we are committed to providing "Government at the Speed of Business," which means top-notch service and a relentless focus on our customers and a drive to innovate. In FY 2013, 89 percent of all transactions were completed within 30 days and 98 percent within 100 days. The time required to process long-term transactions dropped to an average of 88 days in FY 2013, down from an average of 163 days in FY 2009.

In 2013, the Bank named Mr. Charles J. Hall as our new Executive Vice President and Chief Risk Officer. Prudent risk-management is one of our foremost priorities. As chief risk officer, Mr. Hall reports directly to me and is responsible for ensuring that the Bank continues to be properly protected as it fulfills its mission of supporting jobs through exports.

Comprehensive risk management and continuous improvement is what we strive towards, and our default rate reflects that. The Bank has made many improvements over the past few years including:

- Modernizing credit monitoring;
- Creating a Special Assets unit to address emerging credit issues;
- Expanding our pro-active monitoring efforts;
- Improving our underwriting; and
- Enhancing credit loss modeling with qualitative factors

We also have plans to implement additional risk management improvements identified over the past two years from our internal analysis of best practices, outside expert advice, audit recommendations, and from our Inspector General.

Meeting Requirements of Reauthorization

Ex-Im Bank has met all of the reporting requirements set forth in our reauthorization bill. We produced several reports to this committee including:

- Our Business Plan;
- Our Small Business Report;
- Our Content Review;
- Our Report on Financing of Textiles; and
- Our Quarterly Default Rate Reports

We have added a textile industry representative to our Advisory Committee from Frontier Spinning in Greensboro, NC, which I visited earlier this month. We have fully implemented all Iran sanctions provisions, as required under the most recent reauthorization. In certain instances we have gone beyond the requirements of our reauthorization. For example, Congress required us to simply post our economic impact policies. The Bank went beyond the requirement by re-evaluating our economic impact procedure process and making changes to that process, which included the review of airline services.

As part of the reauthorization we are working in a transparent and cooperative way with GAO. I personally met with the Comptroller General to express my strong desire to work collaboratively and make the Bank more efficient and effective. I received very positive feedback from the Comptroller General about the cooperation between the GAO and Ex-Im.

Four reviews were required under our last reauthorization. To date, three reviews have been completed: risk management; business plan; and jobs supported calculation. In each of these reviews, the Bank agreed with the GAO's recommendations and we have implemented or are in the process of implementing each of them. We continue to work closely with the GAO as they seek to complete the final audit, due diligence process, which is due in May 2014.

Congressional Mandates

Small businesses are critical to our economy and comprise a significant number of net new jobs. Congress has mandated we make available 20 percent of our financing to meet their needs. In FY 2013 we financed a total of \$6 billion in small business exports, of which \$5.2 billion was for the direct support of American small-business exporters. Total small business exports include those directly exported by small business to a foreign buyer, plus small business inputs into the supply chain of larger U.S. companies' products which are ultimately exported. At Ex-Im Bank,

small business accounted for a record-high 3,413 authorizations – nearly 90 percent of the total number of Ex-Im transactions.

To put this in perspective, we have financed more small business in the past five years than in the previous eight years combined.

Another area that we are particularly proud of is our financing to woman and minority-owned businesses. In FY2013, authorizations for woman-owned and minority-owned small businesses reached a historic high of 761 transactions, totaling \$815.5 million. One in five of total authorizations supported woman-owned and minority-owned businesses. In fact, over the past five years we have financed more woman and minority owned businesses than the Bank did in the previous sixteen years combined.

To address the needs of our small business customers, Ex-Im Bank has implemented a number of new financial products. Our most popular product, *Express Insurance*, received an innovation in government award from Harvard's Kennedy School and has helped more than 800 small businesses get a prompt response to their application.

The key to expanding exports is marketing and communicating to small businesses. Three years ago, Ex-Im in partnership with Tom Donohue at the U.S. Chamber of Commerce, Jay Timmons at the National Association of Manufacturers (NAM) and commercial banks, launched Global Access for Small Business. To date, we have held over 60 Global Access forums across America. From Billings to Boise and from Shreveport to Charlotte, more than five thousand businesses have learned how to access foreign markets and use Ex-Im Bank to give them a competitive edge when exporting. For example, in November 2013, Ex-Im and FedEx announced an innovative new alliance that will help U.S. small and medium-sized businesses (SMEs) reach the 95% of the world's customers who live overseas. As part of this agreement, FedEx international customer representatives will make their clients aware of the Bank's abilities to protect against the risk of nonpayment and to extend credit to buyers, eliminating the need for expensive letters of credit or cash-in-advance payments. Customers who are interested in this service will then be connected to Ex-Im Bank's managers for trade finance counseling. This alliance with FedEx will help businesses increase sales, create jobs, and succeed in international markets.

At Ex-Im Bank we have worked to ensure significant progress in supporting our other congressional mandates to finance more renewable energy exports and exports to sub-Saharan Africa. Our support for renewable energy has increased nearly tenfold from \$30.4 million in FY 2008 to \$257 million in FY 2013.

I am proud of our work in sub-Saharan Africa which is home to seven of the ten fastest growing economies in the world. In the past four years, Ex-Im Bank has authorized more than \$4 billion in financing for U.S. exports to sub-Saharan Africa, including \$604 million in authorizations in FY 2013.

The Bank approved a record 188 authorizations to sub-Saharan Africa in FY 2013. This financing supported U.S. exports to 35 of 49 sub-Saharan African countries, including Cameroon, Ethiopia, Ghana, Kenya, Mozambique, Nigeria, South Africa and Tanzania. Ex-Im Bank is a key player in the Power Africa initiative, involving other U.S. government agencies including the U.S. Agency for International Development (USAID), U.S. Trade and Development Agency (USTDA), the Overseas Private Investment Corporation (OPIC) and the Departments of State and Energy. Ex-Im Bank pledged support of up to \$5 billion over the next five years in support of the President's goal of doubling sub-Saharan Africa's access to electricity.

As a destination market, Sub-Saharan Africa receives about one percent of U.S. exports, but the region receives a higher percentage of Ex-Im's financing. As of FY2013, almost five percent of Ex-Im's total exposure consisted of exposure to sub-Saharan Africa.

Conclusion

I want to thank this committee for their work on our reauthorization in 2012 and stress the importance of a timely reauthorization in 2014. There are some 60 Export Credit Agencies (ECAs) around the globe. Make no mistake, these foreign governments want the 205,000 American jobs Ex-Im financing helped support last year for themselves. As I travel the world on behalf of American companies, I know that my counterparts in China, Brazil, Russia and South Korea, are right behind me. These nations, and many others, are serious competitors in the global marketplace. For example, the South Korean government, with an economy less than one tenth of our size finances more than 3 times the exports for South Korean companies than the United States finances for U.S. companies.. There is a strong drive to increase exports from many countries around the globe. We need to send the same signal to competitor nations that we stand behind American workers and ensure they are operating on a level playing field. In order for U.S. businesses to be able to compete based on the price and quality of their exports, Ex-Im needs to be there to level the playing field when it comes to meeting foreign ECA competition. The thousands of businesses that benefit from Ex-Im Bank financing – almost 90 percent of which are small businesses - appreciate the fact that Congress was able to reach an agreement to reauthorize the Bank in 2012 and they need to know that we will be around in the years ahead to help them meet foreign competition and grow their exports and create more jobs here at home.

I thank you for this opportunity to provide you with an update on the excellent work Ex-Im Bank is doing to support U.S. jobs. I want to commend the outstanding, professional work of our 400+

employees who are committed to supporting American jobs and increasing U.S. exports. I look forward to working with you to reauthorize the Bank and continue to grow U.S. exports.