

**WRITTEN TESTIMONY OF
KIMBERLY REED
PRESIDENT AND CHAIRMAN OF THE BOARD OF DIRECTORS
EXPORT-IMPORT BANK OF THE UNITED STATES
BEFORE THE SENATE COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS**

“Oversight of the Export-Import Bank of the United States”

JUNE 23, 2020

Chairman Crapo, Ranking Member Brown, and Members of the Committee, thank you for the opportunity to appear before you today to report on the progress we have made in reopening and reforming the Export-Import Bank of the United States (EXIM), as well as on the implementation of EXIM’s December 2019 Congressional reauthorization.

The past several months have been a challenging time for our nation and the world because of the COVID-19 (coronavirus) pandemic. I hope that you, your staff, and all your loved ones are staying safe and healthy as we work together to reopen our nation safely and responsibly. On behalf of my colleagues—515 federal employees and contractors—at EXIM, I want to offer heartfelt thanks to our nation’s health care professionals—doctors, nurses and others—as well as the many essential workers in other fields on whom millions of Americans continue to depend during this unprecedented crisis. They have heroically placed their health and even their lives at risk, and they are a daily inspiration to me.

EXIM, the official export credit agency (ECA) of the United States, has the important mission of supporting American jobs by facilitating U.S. exports. Our vision is “Keeping America Strong: Empowering U.S. Businesses and Workers to Compete Globally.” As the President and Chairman of the Board of Directors of EXIM, I am proud to lead a team of talented professionals who, even before this health crisis unfolded, were working hard to expand the export of “Made in the USA” products and services to the world and, in so doing, support tens of thousands of jobs here at home.

It has been nearly one year since I last had the honor of appearing before this Committee. At that hearing, I shared with you my priorities that I also conveyed to my colleagues on my first day of work at EXIM: Being committed to fully reopening, reforming, and reauthorizing EXIM, thereby providing positive results for America’s workers and businesses, while protecting America’s taxpayers. I want to thank the Members of this Committee for your support and engagement as we have worked hard to deliver on these commitments over the past year.

We achieved a major success for our nation’s businesses and workers when Congress passed, and President Trump signed into law on December 20, 2019, a historic seven-year

reauthorization of EXIM—the longest in EXIM’s 86-year history. I am grateful for the strong support of the President, our bipartisan leaders in Congress—including Members of this Committee, EXIM’s dedicated workforce, my fellow EXIM Board Members Spencer Bachus and Judith Pryor, and *ex officio* Board Members Secretary of Commerce Wilbur Ross and U.S. Trade Representative Ambassador Robert Lighthizer in achieving this historic effort.

EXIM’s reauthorization provides long-term certainty to American businesses that need EXIM’s help to compete and win in the ever-fiercer global marketplace. Over the past six months, we have been very focused on implementing this legislation while also taking swift and prudent actions to support U.S. jobs in response to COVID-19. We are pleased to continue working with you as we move forward.

REOPENING EXIM: SUPPORTING AMERICAN JOBS BY FACILITATING U.S. EXPORTS

On May 8, 2019, the United States Senate voted on an overwhelming, bipartisan basis to confirm my fellow Board Members and me. The Senate’s action restored a quorum on EXIM’s Board of Directors and enabled the agency to return to full functionality.

EXIM’s major financing solutions to support American exports and jobs include providing support for the purchase of U.S. exports through loan guarantees and direct loans, insuring U.S. exporters from the risk of non-payment by foreign buyers, and extending working capital loan guarantees to enable American businesses to fill export orders.

EXIM offers financing at rates and on terms that are competitive with government-backed export financing available from other countries. The goal of EXIM financing is to ensure U.S. exporters and workers can compete on the quality and price of their goods and services—and not lose business to foreign competitors due to foreign government-backed export financing.

With EXIM back in full operation, we have been very focused on communicating to all of our stakeholders—including exporters and potential exporters especially in the small business community, private sector lenders whose loans EXIM can guarantee, and prospective foreign buyers—that the agency is now able to offer all of its financing options to support U.S. exports.

Last year, when I testified before this Committee, I committed to you that EXIM would work through its financing applications in a prudent and thoughtful way that fulfills our obligation to protect the interests of U.S. taxpayers and complies with relevant statutory requirements. We have done exactly that.

In Fiscal Year (FY) 2019, EXIM authorized a total of \$8.2 billion in financing that is estimated to support 34,000 U.S. jobs, more than double its financing in the previous fiscal year. While the numbers are still preliminary, I am pleased to report that, in FY 2020, EXIM has authorized \$1.7

billion in financing that is estimated to support 10,900 U.S. jobs and there are additional transactions in various stages of review that EXIM staff expect to present to the Board for consideration and potential final approval this fiscal year.

Alongside these authorizations, over the past year, EXIM's Board also approved four preliminary commitments totaling \$1.1 billion in financing. A preliminary commitment, which is a non-binding offer of EXIM financing subject to the award of the export contract and Board approval of an application for a final commitment, sends a strong signal to potential foreign buyers that the agency has conducted significant due diligence of the proposed transaction. It also indicates the likelihood of providing financing upon receipt of an application for a final commitment that meets all of EXIM's requirements and the Board's review and approval.

EXIM has also seen significant demand for Letters of Interest, which are a pre-export tool to help U.S. exporters compete during the bidding or negotiating of an export sale. This increase is an indication of heightened interest by exporters for EXIM financing.

Today, we have more than \$39 billion in Board-level transactions that are undergoing various stages of due diligence and underwriting and are estimated to support 147,000 U.S. jobs. Additionally, we are in pre-application stage conversations with many companies that are exploring what EXIM potentially can do for them. This period of conversation can go on for varying amounts of time as companies assess the unique EXIM value proposition.

Once a Board-level application is filed, which is a serious commitment of time and resources by the company and its lender, EXIM takes on a thorough analysis of the application to ensure that the transaction meets all applicable statutory and agency requirements. That means carefully reviewing the background of the parties to a transaction; the cash-flow, debt burden, and financial stability of those parties; the source of the down-payment; the quality of the collateral; and the limitations on the use of the requested financing. Based on those reviews, EXIM considers what additional risk mitigants may be necessary to enhance the quality of the credit and to better protect the U.S. Government from the risk of default.

At the same time, EXIM considers how the Board-level transaction supplements—but does not compete with—private capital. This includes a review of why the parties to a transaction are seeking EXIM financing, what limitations exist in the availability or terms of private capital, and the availability and terms of competing financing offered by a foreign ECA. All transactions are processed in accordance with EXIM policies and applicable law, such as those on U.S. content, U.S. flag shipping requirements, and economic and environmental impacts. All of this is then carefully documented as part of EXIM's legal review of the transaction. This preserves EXIM's legal rights, ensures EXIM is not creating distortions in capital markets, and protects the U.S. government from the risk of default.

This process is highly variable and heavily influenced by the complexity of transactions, as well as legal and commercial considerations that are outside of EXIM's control. Some of these

Board-level transactions may go from application to approval in months, while others may take several years. Furthermore, some transactions may not come to fruition for a variety of reasons. A Board-level transaction may be withdrawn (and thus removed from the pipeline) due to the availability of another source of financing; the buyer may alter sourcing needs; or the parties may be unable to reach agreement on a final transaction.

As Chairman, I am committed to educating exporters, lenders, buyers, diverse stakeholders, and multiplier networks on the opportunities available to them through EXIM financing. At the same time, EXIM staff, my Board colleagues, and I are doing what we can to help build the pipeline through increased outreach.

We are strengthening our relationship with key interagency partners, including the U.S. Trade and Development Agency, U.S. Department of State, USAID, U.S. International Development Finance Corporation, and the U.S. Department of Commerce, including its Foreign Commercial Service. For example, in recent months, EXIM staff participated in numerous engagements in coordination with the Commercial Service, including presentations in Italy, the Gulf States, and Southeast Asia. Together, we are solidifying this enhanced cooperative relationship through an interactive outreach and training series.

My fellow Board Members and I also have tremendously valued the opportunity to visit many of your states and look forward to resuming this engagement in the near future. In the meantime, EXIM's outreach continues virtually, reaching thousands of stakeholders both in the United States and around the world.

While the results of these and other efforts will not be immediate, they help position U.S. exporters to better compete in markets around the world and will help support U.S. jobs for years to come.

When EXIM is fully operational, it is a self-financing agency due to the fees and interest it charges to foreign buyers for the use of its programs. After paying all of its operating and program costs, EXIM has contributed a net of \$9.4 billion to the U.S. Treasury since 1992. When it comes to protecting the taxpayer, EXIM has averaged a default rate of less than one-half of one percent over the past decade as a result of the strong underwriting and due diligence exercised during the authorization process and post-authorization management of transactions. EXIM's most recent quarterly default rate, as of March 31, 2020, is 0.473%.

REFORMING EXIM: TRANSFORMING THE UNITED STATES' OFFICIAL EXPORT CREDIT AGENCY

Before I was confirmed as EXIM's President and Chairman, I committed to this Committee that I would work to reform—and, in fact, transform—our agency in six different ways by: 1.

Increasing transparency; 2. Strengthening taxpayer protections; 3. Improving protections for domestic companies; 4. Ensuring EXIM does not “crowd out” private financing options; 5. Cracking down on bad actors; and 6. Working to reduce the reliance on ECAs globally.

We are dedicated to these six reforms and ensuring that America and the world can rely on a robust and principled ECA. A strong and transformed EXIM also is critical to U.S. economic and national security. As such, EXIM is committed to collaboratively working with other federal agencies towards our mutual goals.

I am pleased to report we have made significant progress on each of these six commitments. Most notably, after an eleven-month public and transparent review process, EXIM’s Board of Directors unanimously adopted reforms to the agency’s economic impact and additionality policies and procedures. In undertaking these efforts, EXIM sought public comment in the Federal Register; held two public EXIM Advisory Committee meetings, chaired by former Congressman Stevan Pearce and featured experts with diverse views about the role of EXIM; solicited independent third-party review; and considered input from other U.S. government agencies.

With the economic impact reforms, we have increased the transparency surrounding EXIM’s detailed economic impact analyses and streamlined the screening procedures surrounding the review of commercial aircraft transactions.

Through new guidelines to strengthen the agency’s determination of “additionality”—the reason why a transaction could not go forward without EXIM financing—EXIM bolstered its processes and documentation of the reasons why EXIM financing is needed in a given transaction, calling out the need for EXIM financing in its application certifications, surveying private lenders, producing an annual report on the additionality of its financing in the previous fiscal year, and subjecting its additionality procedures to periodic independent review. The Board also adopted a resolution that underscores “the importance of ensuring that EXIM provides competitive financing to U.S. exporters while supplementing, not competing with, private capital.” And, to further ensure that EXIM does not “crowd out” private financing options, we have instituted a practice of requesting financial institutions to notify me, as President and Chairman of EXIM, immediately if EXIM ever competes with the private sector.

EXIM also implemented numerous initiatives to increase our transparency and stakeholder engagement. This includes re-establishing, as required by law, EXIM’s Advisory Committee and Sub-Saharan Africa Advisory Committee and releasing transcripts of the committee meetings, boosting our public and Congressional engagement efforts, improving our publicly available data, providing regular updates on EXIM’s authorizations, and increasing visibility into EXIM’s operations by building a more detailed public record of agency activity.

An organization’s culture is critical in determining how well an agency can perform a variety of work outcomes in order to drive transformational change. As such, EXIM’s revised Strategic

Plan for FY 2020-2022 includes an important new goal of recruiting and retaining top talent and emphasizes EXIM's collaboratively developed "Shared Values" – Integrity, Stewardship, Accountability, Inclusivity, and Leadership.

In order to ensure EXIM is successful at fulfilling its mission and becomes one of the best places to work in the Federal government, we also launched EXIM's Transformation Initiative—a sweeping initiative formulated through extensive employee feedback and led by a small team of dedicated civil servants with a singular focus: improve the collective employee experience at EXIM.

Our Chief Management Officer (CMO) is making significant strides to identify efficiencies, and enhance the workforce and work culture from a strategic and operational standpoint. The CMO Team furthers EXIM's mission by promoting good governance through improved policies and processes, cultivating a high-performance workforce which garners measurable results, providing excellent internal customer service in a manner consistent with EXIM's core values, and improving internal communication.

The EXIM Board showed our commitment to strengthening protections for taxpayers and cracking down on bad actors by approving EXIM's Chief Risk Officer and Chief Ethics Officer, as required by law, and supporting other key initiatives. To underscore expectations to employees, customers, and other stakeholders, we adopted EXIM's very first Code of Business Conduct and Ethics, strengthened EXIM's Financial Conflict of Interest and Recusal Policy, doubled the Office of Ethics staff resulting in quicker review and certification of public financial disclosure forms and enhanced transparency, and implemented the U.S. Government Accountability Office's Fraud Risk Management Framework. Finally, as required by law, we hired a Director of Data Governance and implemented an Enterprise Data Management program to foster innovation, strengthen best practices and ensure access to and trust of shared data.

We also value the role of our EXIM Office of Inspector General, which, through its independent and objective reviews, serves as an agent for positive change at our agency.

I have been very clear with our global counterparts that Congress has put a priority on reducing the reliance on export credit agencies globally. I wholeheartedly agree with those who argue that, ideally, economic freedom and prosperity are greater in a world without government-sponsored export credit agencies. Indeed, the agency's Charter¹ encourages an end to all

¹ The Export-Import Bank Act of 1945, as amended, serves as the agency's Charter and is codified at 12 U.S.C. 635 et seq.

“predatory export financing programs and other forms of export subsidies.”² The Charter further requires EXIM, “in cooperation with the export financing instrumentalities of other governments, seek to minimize competition in government-supported export financing and shall, in cooperation with other appropriate United States Government agencies, seek to reach international agreements to reduce government subsidized export financing.”³

As one of my first official actions in 2019, I met with the G12 Heads of Export Credit Agencies to make clear to them our expectations around transparency and a level playing field. Working with my international colleagues, we secured the opportunity to host the 2020 meeting here in the U.S. I look forward to furthering this discussion about the importance of transparency and a level playing field as part of the G12 meeting of export credit agencies that we will host later this year.

In the meantime, as I previously testified to this Committee, the United States cannot unilaterally disarm and turn its back on America’s workers in an ever-fiercer global marketplace fueled by ECAs. It is imperative for the competitiveness of our nation, when private sector financing is not available, that EXIM help level the global playing field for our U.S. businesses—especially America’s small businesses—and workers. I also welcome the participation of Members of this Committee if they are interested in directly engaging our global counterparts on this important topic.

IMPLEMENTING EXIM’S REAUTHORIZATION: STRENGTHENING AMERICA’S COMPETITIVENESS IN THE WORLD

As we continue to make major progress in these areas, EXIM also is hard at work to implement its historic December 20, 2019, reauthorization requirements (P.L. 116-94, Division I, Title IV). I specifically want to highlight the progress we have made on two major elements of our reauthorization.

PROGRAM ON CHINA AND TRANSFORMATIONAL EXPORTS

First and foremost, we are very pleased to have the new Congressional mandate to establish a program to compete with China and counter its opaque and exploitative model of economic development and finance.

² 12 U.S.C. 635a-1(a); see also 12 U.S.C. 635a-5(a)(1). Additionally, 12 U.S.C. 635a-5 provides that the President of the United States is to initiate and pursue negotiations with other major exporting countries “to substantially reduce, with the goal of eliminating [...] subsidized export financing programs and other forms of export subsidies.” This mandate has been delegated to the Secretary of the Treasury. Memorandum of President of the United States for the Secretary of the Treasury, 81 Fed. Reg. 14,367 (Mar. 11, 2016).

³ 12 U.S.C. 635(b)(1)(A)

Specifically, Congress directed EXIM to establish a new “Program on China and Transformational Exports” (Program). The Program’s purpose is “to support the extension of loans, guarantees, and insurance, at rates and on terms and other conditions, to the extent practicable, that are fully competitive with rates, terms, and other conditions established by the People’s Republic of China”⁴ or by other covered countries (as designated by the Secretary of the Treasury). The law charges EXIM with a goal of reserving not less than 20 percent of the agency’s total financing authority—\$27 billion out of a total of \$135 billion—for support made pursuant to the Program.

The Program has two legislative aims. The first is to “directly neutralize export subsidies for competing goods and services financed by official export credit, tied aid, or blended financing provided by the People’s Republic of China” or by other covered countries.⁵ The second is to “advance the comparative leadership of the United States with respect to the People’s Republic of China, or support United States innovation, employment, and technological standards, through direct exports” in ten areas key to America’s future⁶:

1. Artificial intelligence.
2. Biotechnology.
3. Biomedical sciences.
4. Wireless communications equipment (including 5G or subsequent wireless technologies).
5. Quantum computing.
6. Renewable energy, energy efficiency, and energy storage.
7. Semiconductor and semiconductor machinery manufacturing.
8. Emerging financial technologies (including technologies that facilitate financial inclusion through increased access to capital and financial services; data security and privacy; payments, the transfer of funds, and associated messaging services; and efforts to combat money laundering and the financing of terrorism).
9. Water treatment and sanitation (including technologies and infrastructure to reduce contaminants and improve water quality).
10. High-performance computing.

Accordingly, we are actively working to establish the Program, which is one of the agency’s most significant efforts in the 86-year history of EXIM and vital to help level the playing field so our nation’s businesses and workers can succeed against fierce Chinese competition around the world. When it comes to Chinese competition, I also would like to preview a few points that will be included in the upcoming June 2020 Report on Global Export Credit Competition of the Export-Import Bank of the United States (Competitiveness Report) for Calendar Year 2019 that we will submit to Congress at the end of June. The to-be-released Competitiveness Report will

⁴ 12 U.S.C. 635(l)(1).

⁵ 12 U.S.C. 635(l)(1)(A).

⁶ 12 U.S.C. 635(l)(1)(B).

show that the world now has 115 known official export credit providers, up from 85 just four years earlier—a 35-percent increase from 2015 to 2019. This significant expansion occurred at the same time EXIM—an important tool in the United States’ trade toolbox for America’s companies and workers—was not able to consider medium- and long-term transactions exceeding \$10 million because it lacked a Board quorum.

Over this same period, China’s official financing activity continued to dominate the market. In fact, when it comes to export credit financing, China is fundamentally changing the nature of competition. China is very aggressive, strategically focused, and, unlike the United States and many other countries, not subject to the same international rules and agreements. From 2015 to 2019, China’s official medium- and long-term export credit activity alone was at least equal to 90 percent of that provided by all G7 countries combined. In addition, it is important to note, as this Competitiveness Report describes, that beyond its official ECAs, China uses several other government entities to finance its exports and trade practices through a variety of means, including export credits.

Chinese state-backed unfair competition undermines our exporters and even puts America at a disadvantage in key sectors critical to our long-term economic and national security. As such, in April, I hired a seasoned leader with extensive international business and national security experience to EXIM from the Department of Defense to stand up our new Program on China and Transformational Exports. In addition, we are expeditiously addressing the underlying policy and legal issues necessary to compete successfully, and we are working through a resource assessment to ensure this Program is fit for purpose.

In support of the Program, we also launched our “Strengthening American Competitiveness Initiative,” a series of engagements with companies and related stakeholders that is a key platform for ensuring that the Program—and EXIM generally—is optimally positioned to support American jobs by facilitating U.S. exports. We are having focused and substantive discussions with counterparts from each of the ten statutory transformational export sectors noted above and making sure their insights shape the Program in a way that has maximum impact for our exporters. We also are encouraging leads on potential deals for America’s exporters.

Beyond this Program, I also was pleased that Congress included an important notice and consultation provision regarding China, whereby EXIM transactions greater than \$25 million that involve Chinese state-owned enterprises must be sent to the U.S. Department of State “to assess any risks posed by the entity or the transaction to the national interests of the United States,” with a subsequent notice to Congress reporting on the consultation.⁷ EXIM is finalizing the procedures required by law, and, in the meantime, has already been consulting with the State Department about any such transaction as appropriate.

⁷ Section 408 of the Export-Import Bank Extension, Further Consolidated Appropriations Act, 2020, P.L. 116-94, Division I, Title IV

Recognizing that “economic security is national security,” we also established the first position ever within EXIM whose duties are devoted to national security. Through this position, EXIM began more active participation in the policy coordination process led by the National Security Council and expanded its involvement in interagency engagements.

INCREASING U.S. SMALL BUSINESS

In a parallel EXIM reauthorization implementation effort, we are also very focused on boosting our small business outreach and engagement. In FY 2019, EXIM authorized 2,091 small business transactions for a total of \$2.3 billion. This represented 89 percent of EXIM’s total authorizations and 27.5 percent of the total dollar value of authorizations. Thus far in FY 2020, EXIM has authorized 1,159 small business transactions for a total of \$985 million. This represents 89 percent of EXIM’s total authorizations and 53.7 percent of the total dollar value of authorizations fiscal year to date.

EXIM has the capacity to do much more and I invite small businesses exporting their products around the world to consider how EXIM can support their growth and competitiveness. Accordingly, I have directed our staff to embark on five initiatives that seek to drive increased support for our small businesses.

We are enhancing our outreach and education by restoring and boosting our EXIM field office staff—as they are one of EXIM’s most important assets and our “boots on the ground”—to better assist small businesses, increasing our engagement in local business development events, and leveraging our investments in digital marketing resources to reach businesses looking to export their products overseas.

EXIM is increasing our focus on historically underserved businessowners and start-up businesses. As part of this effort, we are trying to better reach minority-, women-, and veteran-owned businesses, rural and agricultural businesses, businesses owned by persons with disabilities, and other businesses in underserved communities. In addition to a robust and well-funded digital media strategy, we are developing targeted webinars, materials, and promotional support designed to more effectively reach and educate these constituencies about how to export goods using EXIM. We want to ensure all eligible and appropriate companies have access to EXIM financing.

We have been working to develop new private sector partnerships that can help amplify our message to thousands of member companies, many of which are small businesses. For example, EXIM recently signed a Memorandum of Understanding with the National Credit Union Administration (NCUA) to launch the first-ever targeted EXIM outreach to, and partnership with, private sector credit unions through a three-year educational initiative to promote EXIM financing products among federally insured credit unions and their members—more than 5,000 institutions having total membership reaching 120.4 million. I was so pleased to work with NCUA Chairman Rodney E. Hood on this effort. Together, we will look to boost expanded

opportunities for U.S. businesses—particularly small businesses—and their American workforce.

EXIM has looked at how we can make it easier for small businesses to access financing. We have undergone an organizational realignment to better allocate our resources to support our working capital guarantee lenders, participating insurance brokers, and exporters. We have also expanded and enhanced our product offerings, providing greater flexibility and choice to exporters.

Finally, we have increased our transparency and reporting of small business authorizations, priorities, and initiatives, which you can find on EXIM’s website.

With these efforts and more, I am confident we can reach more small businesses and equip them with the tools they need to reach new markets and support American workers.

REOPENING AMERICA: EXIM’S SWIFT RESPONSE TO THE ECONOMIC CHALLENGES OF COVID-19

This has been a very challenging time for our country as we deal with the consequences associated with the COVID-19 global pandemic. As we focus on saving lives and protecting livelihoods, I want to recognize and thank my EXIM colleagues who took swift action and continue to respond to the global financial disruptions and instabilities. Our EXIM workforce quickly transformed into a temporarily fully teleworking agency, in order to better assist American exporters and financial institutions dealing with the painful financial pressures brought on by the pandemic.

EXIM tends to be needed most during periods of stress in global financial markets. EXIM experienced this following the 2008 financial crisis when the agency’s authorizations increased by 80 percent.

With unprecedented speed, EXIM implemented emergency measures in response to COVID-19. On March 12, EXIM announced temporary relief measures for current customers including extended waivers, deadline extensions, streamlined processing, and flexibility due to the anticipated effects of the COVID-19 outbreak. These measures allow businesses to return to their operations, focus on the safety of their families and employees, and fulfill their EXIM-related obligations at an appropriate time, without penalty. This relief currently remains in effect through August 31, 2020, subject to future extensions.

In April, EXIM announced four temporary initiatives to address the targeted needs experienced by exporters and private sector lenders. The Bridge Financing Program supports short-term liquidity needs faced by foreign buyers seeking to purchase U.S. goods and services. The Pre-Export Financing Program supports progress delivery payments from foreign buyers using long-

term financing to purchase U.S. manufactured goods. EXIM enhanced both its Supply Chain Financing Guarantee Program and Working Capital Guarantee Program by increasing the level of its guarantee and program flexibilities. Today, EXIM is working through more than \$870 million of financing requests from U.S. businesses looking to take advantage of the flexibilities in these two programs alone.

Finally, our EXIM Board of Directors temporarily suspended the availability of its financing for certain medical supplies and equipment necessary to treat and prevent the spread of COVID-19 that are in short supply in the United States. We are continuously monitoring the situation and working closely with our interagency partners to ensure EXIM financing does not detract from our nation's domestic response to the COVID-19 crisis.

Like many financial institutions, COVID-19 also is affecting the outstanding exposure on our robust EXIM portfolio. As of May 31, EXIM's total exposure is \$46.8 billion. EXIM has extensive experience on how to structure transactions in a way that minimizes risk and protects the U.S. government—and the U.S. taxpayer—from the risk of default. After transaction approval, EXIM takes a proactive approach toward managing the transaction through regular reviews of the debt service repayment capacity of the primary source of repayment.

As COVID-19 began to affect our customers, EXIM quickly reached out to them to identify repayment risks and work directly with the parties to the transaction to implement solutions to strengthen the credit. This is an ongoing process we continue to diligently undertake. And, of course, I invite any of your constituents or companies experiencing payment issues or difficulty accessing liquidity to reach out to EXIM.

While EXIM's portfolio remains sound, there is stress among three specific types of transactions: asset-backed transportation, commodities, and sovereign. Among our transportation portfolio, EXIM expects to be fully repaid on all aircraft transactions. While passenger air travel has dropped significantly, cargo aircraft have continued to fly without issue. Furthermore, EXIM maintains significant excess collateral in the case of non-payment. When it comes to commodities, the sharp drop in oil and gas prices has affected many producers around the world. After a careful review of EXIM's exposure in this sector, we do not project any significant repayment issues in the near future. Finally, for those transactions in which foreign governments are the primary source of repayment, EXIM has received several requests for short-term liquidity relief.

In sum, EXIM recognizes the importance that borrowers are placing on maintaining liquidity to offset sharp declines in revenue. As of this time, the nature of the stress for EXIM borrowers appears primarily to be one of short-term liquidity and not long-term solvency. We continue to work proactively with borrowers to protect the long-term financial interests of the U.S. taxpayer.

I also would like to underscore that the EXIM Office of Small Business has been working diligently to meet the needs of the communities we serve in this unprecedented business climate.

We quickly implemented relief measures for our customers and partners, offering the financial flexibility they need to weather this crisis.

As part of that effort, we created a one-minute video (<https://www.exim.gov/coronavirus-response>) on how EXIM can support American businesses at this time. This is an example of how we are focusing our digital marketing efforts on remaining connected and offering solutions during this challenging time. We encourage your offices to share this video, along with information about our COVID-19 relief measures, with your constituents.

The longer the COVID-19 pandemic depresses global economic activity, the greater the risk that EXIM will experience an uptick in its default rate. By law, if EXIM's default rate were to exceed two percent, its total aggregate outstanding exposure would freeze,⁸ significantly limiting the agency's ability to support U.S. exporters, small businesses, and American workers at a time when such assistance may be most needed. We will keep this Committee fully informed as this situation continues to develop.

CONCLUSION

As I conclude my remarks, I note that these are difficult times for many American businesses, workers, and their families. As we focus on America's economic comeback, EXIM remains committed to our mission of supporting American jobs by facilitating U.S. exports.

It is a point of pride for EXIM's diverse and talented colleagues that we are a rare civilian agency within the federal government that both supports large numbers of private sector American jobs and plays a critical role in advancing U.S. leadership around the world.

It is an immense honor to be a part of and continue to further this historic effort to advance our nation's prosperity, support U.S. jobs by serving American businesses of all sizes, and keep America strong for years to come.

Thank you for the opportunity to address this Committee. I am pleased to answer any questions you may have.

⁸ 12 U.S.C. 635e(a)(3)