

**TESTIMONY OF**

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**Before the**

**COMMITTEE ON FOREIGN AFFAIRS  
SUBCOMMITTEE ON TERRORISM NON-PROLIFERATION AND TRADE**

**UNITED STATES HOUSE OF REPRESENTATIVES**

**Subcommittee Hearing: Evaluating the Export-Import Bank in the Global Economy**

**October 23, 2015**

## I. Introduction

Chairman Poe, Ranking Member Keating, and members of the Subcommittee, thank you for the opportunity to appear before you this morning. I am Executive Vice President of International Banking at Amegy Bank N.A., a commercial bank with offices in Houston, Dallas and San Antonio. We are primarily a commercial lender, which is to say that we are especially focused on lending to businesses. We have more than 40,000 commercial customers in Texas, many of which are small businesses.

As a bank with a regional focus, we make loans that reflect the markets we serve. We have a strong energy focus, but our lending supports many industries including manufacturing and service. Trade is important to our bank as Texas has been the largest exporting state for the last 12 years and accounts for roughly 12% of U.S. exports. Amegy Bank has a significant presence in Houston, the largest exporting city in the U.S. Simply put, when you are a bank you play with the cards you are dealt. In Texas that means international business.

Amegy Bank has used Ex-Im programs for over 20 years. Last year, Amegy Bank authorized more than \$100 million in Ex-Im guaranteed loans in Texas, 60% of which were to small businesses<sup>1</sup>.

## II. The Need for Export Financing

Exporting provides revenue diversification to our customers and the economy. This is especially true when conditions are weak in the domestic market as they are now. As we saw in the last downturn, Ex-Im utilization increases when the economy is in recession. We see an increased need now given the impact of lower commodity prices and reduced global trade. Access to commercial bank borrowing is critical to a company's competitiveness; however, lending to an exporting company presents additional risks. Some of these risks include foreign receivables, geopolitical risk, unfamiliar legal system, and longer delivery or payment terms. Amegy Bank uses the Ex-Im Working Capital Guarantee Program<sup>2</sup> to mitigate these risks because bank credit policies require a conservative view of international risk and restrict borrowing against export-related collateral (primarily foreign receivables and inventory). This means less

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<sup>1</sup> In 2014 Amegy Bank was named Ex-Im Bank Small Business Lender of the Year and has supported transactions as small as \$200,000.

<sup>2</sup> The Ex-Im Working Capital Guarantee program provides a 90% guarantee to lenders and is a way for banks to share risk with Ex-Im. Ex-Im charges a guarantee fee to compensate for the risk, much in the way that banks charge interest, or as insurance companies charge premiums to underwrite a risk.

money to our customers to finance their businesses. There is no equivalent private sector alternative for this program. Ex-Im complements, rather than competes with Amegy Bank.

### III. Ex-Im Transaction Example<sup>3</sup>

CECA Supply and Services Inc., an oilfield equipment exporter focused on the Algerian market, is an example of an Amegy Bank customer whose success depends on Ex-Im Bank. CECA encouraged me to share their story with the subcommittee today. CECA exports 100% of its product and benefits from both an Ex-Im Working Capital loan as well as Ex-Im insurance. Over the last nine years, CECA's revenues and export financing needs have more than tripled. Ex-Im programs have directly supported this growth. The words of CECA CEO Maher Touma explain it best - "For us, it's not a cheaper source of financing. We're either in business or we're not. For us it's the only financing option." No Ex-Im programs would lead to direct job loss at CECA, and possibly its suppliers and logistics providers. These "Indirect Exporters<sup>4</sup>," contribute to exports by supplying and supporting larger companies that are the ultimate exporters.

### IV. Impacts of Charter Expiration

Charter expiration negatively impacts both Amegy Bank and its customers. Most importantly, we cannot approve new deals or modify existing ones. One customer has a \$33 million contract opportunity, but no viable private sector solution has been found. Charter expiration makes long-term planning difficult. Uncertainty about the availability and cost of financing has made some customers reluctant to bid on new projects. Our customers invest years in developing international markets, so the effects of the recent uncertainty and charter lapse may be felt for years to come. Our customers already report increased competition supported by foreign export credit agencies, especially the Chinese. China's ECAs have financed more in the last two years than Ex-Im has in its entire 81-year history.

The future of Amegy's existing Ex-Im loan portfolio is uncertain. Current deals remain in effect until maturity, when they must be repaid or refinanced through other sources. Given the lack of private sector alternatives, Amegy will look at each transaction to evaluate options, which will likely result in less financing available and increased cost.

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<sup>3</sup> See Exhibit I for transaction examples. Amegy client Ex-Im testimonials can be found at [https://www.amegybank.com/landing-pages/ex-im?cid=em\\_102015](https://www.amegybank.com/landing-pages/ex-im?cid=em_102015).

<sup>4</sup> Certain indirect exporters are eligible for Ex-Im support.

## V. Conclusion

Amegy Bank uses Ex-Im programs to support Main Street businesses and the loans approved by Amegy Bank have supported the creation of hundreds of jobs. We have never experienced a loss on an Ex-Im working capital loan and our customers have paid over \$8 million in Ex-Im guarantee fees over the last 18 years. Our customers need Ex-Im and have no confidence that global trade policy or unilateral disarmament will level the playing field. They are primarily concerned with winning the next export deal, investing in their businesses, making payroll, and beating foreign competitors. No Ex-Im means fewer financing options, higher costs and decreased competitiveness. The future of Ex-Im Bank matters to my bank because it matters to our customers. Thank you for allowing me the opportunity to present our institution's views on this important subject.

## EXHIBIT I

Following are advantages that the Ex-Im Working Capital Program offers to exporters and to the U.S. economy that may not be feasible in the private sector, along with examples of Amegy Bank's Ex-Im customers and transactions that have benefitted from these advantages.

Amegy client Ex-Im testimonials can be found at [https://www.amegybank.com/landing-pages/ex-im?cid=em\\_102015](https://www.amegybank.com/landing-pages/ex-im?cid=em_102015).

- **Ex-Im Bank requires exports to contain a minimum amount of U.S. content, meaning the exports must consist of components made in the U.S. and services must be provided by U.S. personnel that meet the minimum requirements. By directly supporting one company, Ex-Im Bank loans support multiple U.S. companies and jobs in the supply chain.**

Amegy Bank's customer is a small manufacturer of specialized equipment sold primarily into the refining industry. The company is a supplier to a large engineering company and therefore an indirect exporter to the Reficar Refinery project in Colombia, which is supported by Ex-Im long-term financing. As an indirect exporter, the company is required to complete an exporter's certificate confirming that its products meet the minimum U.S. content requirement. Although cheaper foreign substitutes are available, the customer sources more expensive U.S. components to meet Ex-Im U.S. content requirements.

- **As a source of working capital, Ex-Im Bank helps exporters compete in the global marketplace**

Amegy Bank's customer is a small independent consulting company that provides engineering services focusing on oil and gas. The company's primary challenge is cash requirements to grow internationally. Foreign taxes, accounting practices, and invoicing guidelines make for slow payments from foreign buyers, and the company cannot function without the cash availability from the Ex-Im supported loan. Because of the working capital loan supported by Ex-Im over the last five years, the company has been able to double its revenues. If Ex-Im support becomes unavailable, the company will be forced to seek alternate financing with foreign banks.

- **There is a demand for Ex-Im Bank support and businesses are willing to pay for it.**

Amegy Bank's customer is manufacturer of specialized components for extracting oil and gas. When the company first became a user of Ex-Im supported financing in 2014, it experienced sticker shock at the Ex-Im guarantee fee. Soon afterwards, oil prices fell. This led to a significant reduction in the company's domestic contracts which would have resulted in job cuts, essentially putting the company in survival mode, were it not for the Ex-Im loan. The Ex-Im loan allowed the company to receive and fulfill larger international contracts. The company felt the benefits of the Ex-Im loan firsthand, and when the annual guarantee fee became due upon renewal, the company knew that the Ex-Im loan was well worth the cost.

- **Ex-Im is able to provide inventory financing to manufacturers which is available on a very limited basis on a traditional commercial loan.**

Amegy Bank's customer is a manufacturer of maritime equipment whose main competitor is a large global company. The company's manufacturing period is up to 36 months, and therefore requires bank support. Ex-Im Bank loans offer a structure that allows the company to be awarded millions of dollars' worth of international contracts. Without Ex-Im support, as a small business, the company would not be able to obtain the financing necessary to manufacture its products and would lose international business to its foreign competitor.

- **Without Ex-Im Bank support and viable private sector alternatives, U.S. companies will lose contracts to foreign competitors.**

Amegy Bank's customer is a small business that manufactures control systems for power plants. It began its relationship at Amegy Bank in 2006 with an Ex-Im loan. Over the last nine years, its revenues have increased almost 100 times due to international expansion, and it has created 40 full time jobs that would not have been possible without the Ex-Im Bank loan. The company currently has an opportunity for a contract in Sub-Saharan Africa that will come to

fruition only if Ex-Im Bank is reauthorized and support is available; there is no viable plan B and the opportunity (that has been developed for years) will be lost to foreign competitors.

- **When private sector support is not available, Ex-Im supports small businesses, and contributes to their growth and success.**

Amegy Bank's customer specializes in reservoir management consulting. In 2010, it was small business with 15 employees and the majority of its contracts were export-related averaging \$5 million. Prior to approaching Amegy Bank, the company had visited six other banks and none of them were willing to support its international sales. Amegy introduced the company to the Ex-Im Working Capital Guarantee Program, which allowed the company to grow into a large business, increasing revenues ten times over in a five year period. Headcount increased to 108 (full time and contract) giving the company the ability to accept contracts ranging from \$250,000 to \$100 million and above.

- **Long-standing businesses that have historically been able to self-finance can be affected by local economic/industry conditions and require financing to support international sales**

Amegy Bank's customer is a manufacturer of oilfield service tools. Although the company had both domestic and international sales, it did not require financing for many years. After 2007-08 economic downturn, the company saw a reduction in domestic sales and an increase in foreign sales, generating a need for export financing. Ex-Im supported financing has allowed the company to grow its international sales, making 2014 the best year ever in the company's 100 year history.