

**TESTIMONY OF  
FRED P. HOCHBERG - PRESIDENT AND CHAIRMAN  
EXPORT-IMPORT BANK OF THE UNITED STATES  
BEFORE THE HOUSE FINANCIAL SERVICES COMMITTEE  
MONETARY POLICY AND TRADE SUBCOMMITTEE  
JUNE 13, 2013**

I am pleased to be able to provide you with an update about the Export-Import Bank of the United States (“Ex-Im Bank” or “Bank”) one year after our reauthorization was signed into law.

Since assuming the role of President and Chairman at Ex-Im Bank four years ago we have made significant strides in supporting U.S. jobs while ensuring that our comprehensive risk management practices have protected American taxpayers. In FY 2008, Ex-Im Bank authorized \$14.4 billion supporting 144,800 jobs. In FY 2012, we supported 255,000 jobs with the nearly \$36 billion in authorizations. And we did all this while protecting the taxpayers. In fact, we reduced the amount of claims paid out from \$200 million in FY 2008 down to \$37 million in FY 2012.

I am proud of the 400 employees of Ex-Im Bank for turning in such a strong report card. On top of that, they did this work at no cost to U.S. taxpayers. At Ex-Im, we fill in the gaps when commercial lending is unavailable. Many of these sales—and the quality American jobs they support—would not have been possible without the support of the Bank.

**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 by providing export financing through its loan, guarantee, and insurance programs in cases where the private sector is unable or unwilling to do so. Ex-Im Bank also provides support when necessary to level the playing field when financing is provided by foreign governments to their companies who compete for export sales with U.S. exporters.

**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. As a result of provisions included in the Bank’s charter during last year’s re-authorization, every 90 days Ex-Im Bank submits a

default rate report to Congress. Our most recent report dated March 31, 2013, indicated a default rate of 0.307 percent<sup>1</sup>, far below the average default rate for commercial banks. In addition to this low default rate, over the past five years Ex-Im Bank has generated \$1.6 billion for U.S. taxpayers, above and beyond all administrative operating costs, claims and loan loss reserves we have set aside. We operate at no cost to the taxpayers.

Moreover, we are committed to what we call, “Government at the Speed of Business.” All 400 of us are committed to giving our exporters and the jobs they support top notch service. Ninety percent of all transactions are completed within 30 days and 98% within 100, larger and more complex transactions do take longer for proper underwriting, including due diligence.

Ex-Im Bank has a comprehensive risk management framework which was confirmed by the Government Accountability Office’s (GAO) recent review. This framework starts with effective underwriting to ensure a reasonable assurance of repayment. More than 80% of our entire portfolio is backed by some form of collateral or a sovereign guarantee.

Our comprehensive risk management program includes detailed documentation to ensure the Bank’s rights are protected legally and that the remains consistent with U.S. government policy and laws, including those concerning Iran sanctions. And it continues after a transaction is approved with pro-active monitoring efforts to minimize defaults. In those rare cases of actual defaults, Ex-Im Bank aggressively seeks recoveries. We recover roughly 50 cents on the dollar.

Ex-Im Bank engages in robust portfolio management, as well as oversight and governance, including the setting aside of adequate loan loss reserves.

The Bank continues its prudent risk management and is proud of the improvements made during the past few years. In Fiscal Year 2012, the Bank paid \$37 million in gross claims on a portfolio of \$106 billion. During that same year the Bank collected \$1 billion in fee income and sent more than \$800 million (the excess of Bank expenses and loan loss reserves) to the U.S. Treasury. On top of that, a \$400 million rescission was also enacted by Congress from the Bank’s unexpended balances.

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

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<sup>1</sup> 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 in this report reflects actual defaults at a particular point in time.

Expanding our pro-active monitoring efforts  
Improving our underwriting  
Enhancing Reserves with qualitative factors including concentration risk  
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 from Bank initiated audits and from our Inspector General.

I want to assure Congress that Ex-Im Bank's financials are reliable and on solid ground. Over the past 24 months the Bank's risk framework and financials have been reviewed by our auditors Deloitte & Touche, the Bank's Audit Committee, the Audit Committee's outside firm KPMG, our Inspector General, and the GAO.

## MEETING REQUIREMENTS OF REAUTHORIZATION

Over the past year 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
- Our Quarterly Default Rate Reports

We have added a textile industry representative to our Advisory Committee and complied with the Iran sanctions provisions required under the reauthorization. In certain instances we have gone beyond the requirements of our reauthorization, such as expanding our economic impact policies to include alternative analysis for transactions and the review of airline services.

As part of the reauthorization we also worked in a transparent and cooperative way with GAO. Three reviews were required relating to the Bank's risk framework, the Bank's Business Plan, and the Bank's calculation of jobs supported through exports. 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.

## CONGRESSIONAL MANDATES

A critical component to job growth is small business, for which Congress has mandated we make available 20 percent of our financing. In FY 2008 Ex-Im Bank financed \$3.2 billion in direct small business exports. In FY 2012 we financed a total of \$7.5 billion in small business exports of which \$6.1 billion was direct. (See chart 1) 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 88 percent of all transactions last year and small business is essential for job growth in coming years.

To put this in perspective, we have financed more small business in the past four 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 FY2012 we were up 17% from the prior year. In fact, over the past four years we have financed more to woman and minority owned businesses than the Bank did in the previous 16 years combined. (See chart 2)

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 600 small businesses get a response to their application within 5 business days. Additionally, to increase liquidity for small businesses we have launched *Global Credit Express* for smaller transactions of half a million dollars or less and *Supply Chain Finance*.

And we are not stopping there. In April, we launched a new pilot program called *U.S. Global Business Solutions*. The program streamlines U.S. government trade-finance products for lenders and exporters. The programs and products will be combined into a single menu of options tailored to the exporter's needs. Working together, Ex-Im Bank, the Small Business Administration and the U.S. Department of Commerce, make it easier and more cost-effective for exporters and their lenders to avail themselves of the programs and products of multiple agencies.

The key to expanding exports is marketing and communicating to small businesses. To increase awareness, Ex-Im Bank has partnered with the U.S. Chamber of Commerce, the National Association of Manufacturers, government agencies and commercial banks to hold more than 50 *Global Access for Small Business Forums*. From Billings, Montana to Shreveport, Louisiana and from Charlotte, North Carolina to San Bernardino, California, thousands of businesses have learned how to access foreign markets and use Ex-Im Bank to give them a competitive edge when exporting.

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 more than tenfold from \$30.4 million in FY 2008 to \$355.5 million in FY 2012.

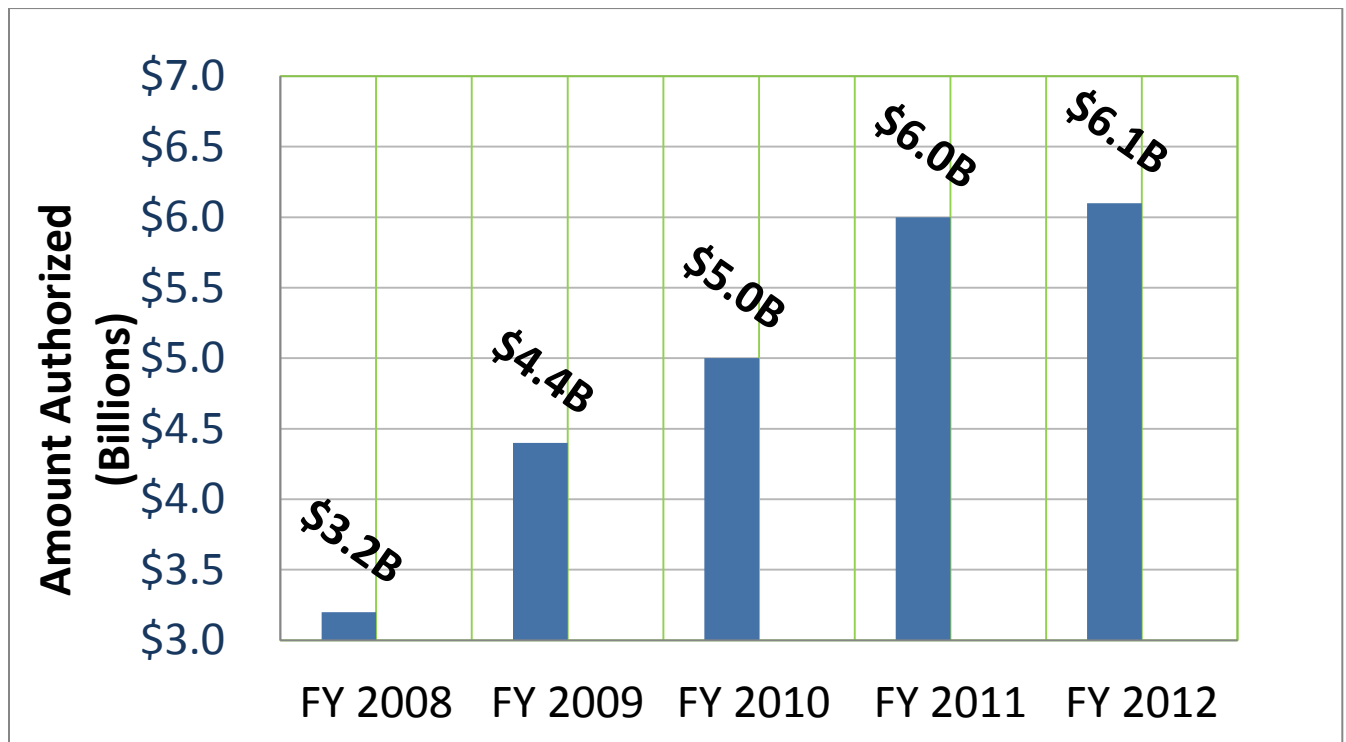
I am proud of our work in sub-Saharan Africa which is home to seven of the ten fastest growing economies in the world. Many countries in the region have developed to the point where they are now eligible for Ex-Im Bank financing. The Bank has grown sub-Saharan Africa financing from \$576 million in FY 2008 to \$1.5 billion in FY 2012 (See chart 3). While Ex-Im Bank supports approximately 2 percent of all U.S. exports, we financed approximately 7 percent of all U.S. exports to sub-Saharan Africa.

## CONCLUSION

I want to thank this committee for their work on our reauthorization last year and assure you that Ex-Im Bank is filling the gap when U.S. exporters face foreign financing competition and when commercial lenders and insurers are unwilling or unable to step in.

The thousands of businesses that benefit from Ex-Im Bank financing –88 percent of which are small businesses - appreciate the fact that Congress was able to reach an agreement to reauthorize the Bank last year. I thank you for this opportunity to provide you with an update as to the excellent work Ex-Im Bank is doing to support U.S. jobs and I look forward to working with you to continue to grow U.S. exports.

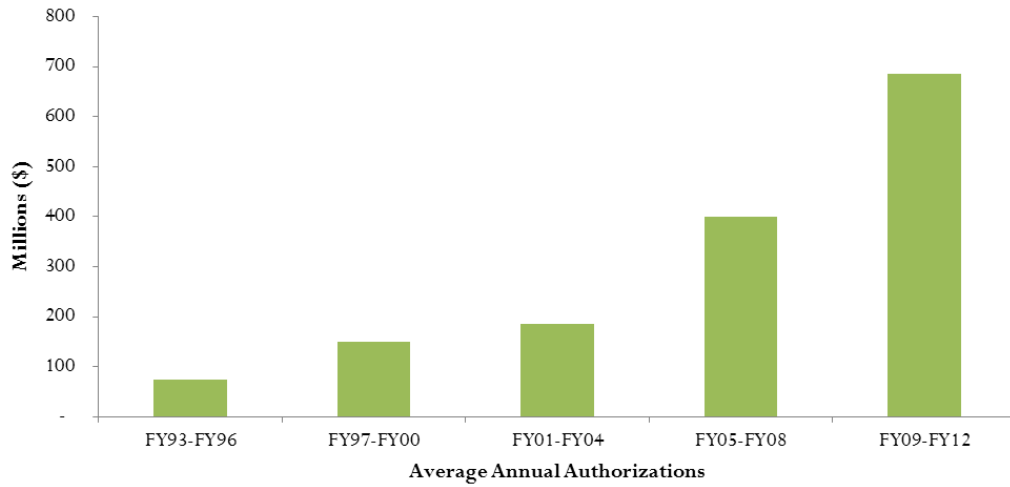
# Ex-Im Bank Small Business Authorizations



**Chart 1**

## Minority and Woman Owned Business

Average Annual Authorizations (FY93-FY12)



**FY 1993 – FY 2008 Total Authorizations**

**\$3,234 million**

**FY 2009 – May 2013 Total Authorizations**

**\$3,237 million**

**Chart 2**

# Ex-Im Bank Support In Sub-Saharan Africa

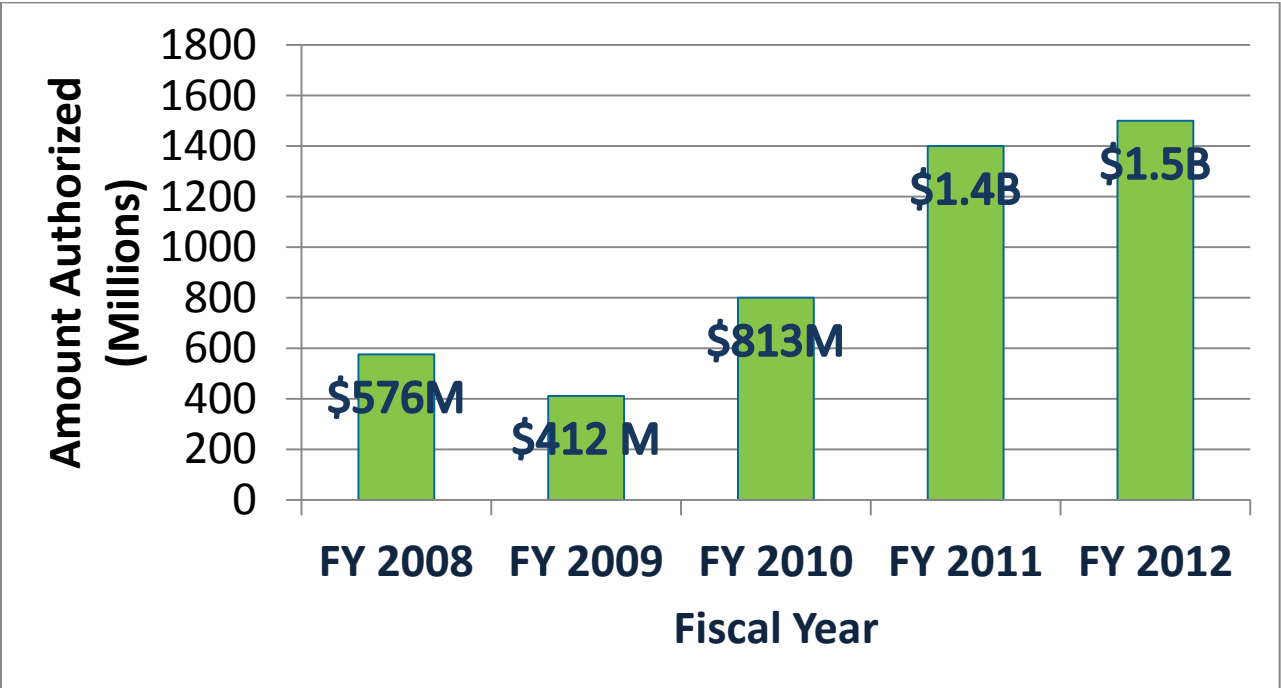


Chart 3