



441 G St. N.W.  
Washington, DC 20548

November 30, 2022

The Honorable Sherrod Brown  
Chairman  
The Honorable Patrick J. Toomey  
Ranking Member  
Committee on Banking, Housing, and Urban Affairs  
United States Senate

The Honorable Maxine Waters  
Chairwoman  
The Honorable Patrick McHenry  
Ranking Member  
Committee on Financial Services  
House of Representatives

**Export-Import Bank: Loan and Loan Guarantee Program Updates in Response to COVID-19**

The Export-Import Bank of the United States (EXIM) helps U.S. firms export goods and services by providing a range of financial products, including direct loans, loan guarantees, and insurance, when private financing is not available, for example, during times of economic crisis. In response to the COVID-19 pandemic, EXIM implemented several temporary relief measures to inject liquidity into the market and provide increased financing flexibility to facilitate sales of U.S. goods and services abroad.

The Export-Import Bank Reauthorization Act of 2012 enacted a new charter provision for GAO to periodically evaluate EXIM’s policies and guidelines for its loan and loan guarantee transactions, among other things.<sup>1</sup> This is GAO’s third report in response to the provision, and it examines how EXIM updated its loan and loan guarantee programs and related procedures in response to COVID-19.<sup>2</sup>

To assess how EXIM’s loan and loan guarantee programs and related procedures were updated, we reviewed EXIM’s COVID-19 temporary relief measures for new requirements or revisions to existing requirements for EXIM’s programs. We reviewed recently issued EXIM Office of Inspector General reports and GAO reports related to EXIM. We reviewed EXIM’s policies, procedures, and supporting documentation to determine whether they reflected requirements of the temporary COVID-19 relief measures. We discussed the relief measures and policies for the related programs with EXIM officials. We assessed whether loans and loan

<sup>1</sup>Pub. L. No. 112-122, § 17(a), 126 Stat. 350, 359 (May 30, 2012), *classified at* 12 U.S.C. § 635a-6(a).

<sup>2</sup>GAO, *Export-Import Bank: Enhancements Needed in Loan Guarantee Underwriting Procedures and for Documenting Fraud Processes*, [GAO-14-574](#) (Washington, D.C.: Sept. 9, 2014), and *Export-Import Bank: Enhancements Needed in Credit Program Underwriting Policies and Procedures*, [GAO-19-43](#) (Washington, D.C.: May 14, 2019).

guarantees related to EXIM's COVID-19 relief measures were consistent with internal policy for approval by EXIM's Board of Directors.

We conducted this performance audit from November 2021 to November 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Background**

EXIM is an independent executive branch agency and a wholly owned U.S. government corporation. EXIM is the official export credit agency of the United States, and its mission is to support the export of U.S. goods and services through loans, loan guarantees, and insurance, thereby supporting U.S. jobs. EXIM is governed by a charter,<sup>3</sup> which states that it should not compete with the private sector. Rather, EXIM's role is to assume the risks that the private sector is unable or unwilling to accept, while still maintaining a reasonable assurance of repayment.

### EXIM Leadership and Organizational Structure

EXIM operates under the leadership of a president who also serves as Chair of EXIM's Board of Directors. The board is structured to include five members; three or more EXIM board members constitutes a quorum. All positions are appointed to a fixed 4-year term by the President of the United States and confirmed by the U.S. Senate. The board is responsible for adopting and amending bylaws for the proper management and functioning of EXIM.

The board lacked a quorum from July 2015 to May 2019 and was therefore generally unable to approve new loans and loan guarantees greater than \$10 million during this period per EXIM's policy. On May 8, 2019, the U.S. Senate confirmed three board members, which restored the board's quorum and EXIM's ability to approve transactions greater than \$10 million. The Further Consolidated Appropriations Act, 2020, which reauthorized EXIM through December 31, 2026, provides for temporary directors for potential future instances that the board lacks a quorum.<sup>4</sup> In May 2019, EXIM revised its policy by increasing the limit for delegating transaction approval

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<sup>3</sup>The Export-Import Bank Act of 1945, as amended (EXIM's charter), has been classified in 12 U.S.C. chapter 6A (§§ 635-635t).

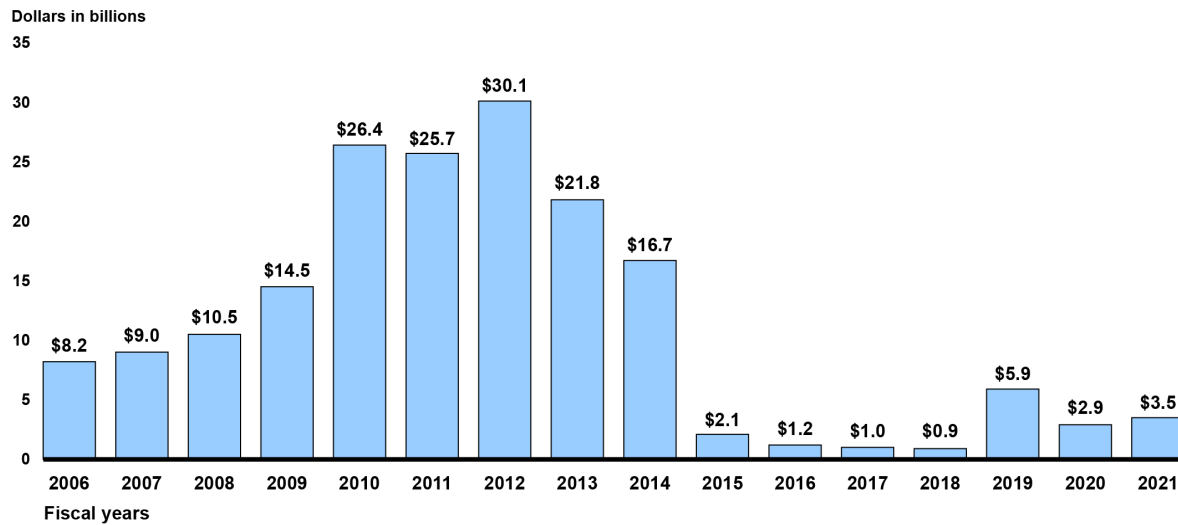
<sup>4</sup>The act amended EXIM's charter, providing that if there is an insufficient number of directors to constitute a quorum (*i.e.*, fewer than three directors) for 120 consecutive days during the term of a President of the United States, then a temporary board, consisting of the following members, shall all act in the stead of the Board of Directors: the U.S. Trade Representative, the Secretary of the Treasury, the Secretary of Commerce, and the members of the EXIM Board of Directors. Pub .L. No. 116-94, div. I, tit. IV, § 409, 133 Stat. 2534, 3025-26 (Dec. 20, 2019), *classified at* 12 U.S.C. § 635a(c)(6).

from \$10 million to \$25 million. As a result, EXIM’s policy generally requires the board to directly approve loan and loan guarantee transactions greater than \$25 million.<sup>5</sup>

**EXIM Credit Authorizations and Exposure**

From fiscal year 2006 through fiscal year 2021, EXIM’s reported loan and loan guarantee annual authorizations ranged from a high of \$30.1 billion in fiscal year 2012 to a low of \$.9 billion in fiscal year 2018 (see fig. 1). According to EXIM officials, a major factor in the decreased authorizations from fiscal year 2015 through fiscal year 2019 was a lack of a quorum on the board.

**Figure 1: Export-Import Bank’s (EXIM) Reported Loan and Loan Guarantee Annual Authorizations, Fiscal Years 2006–2021**



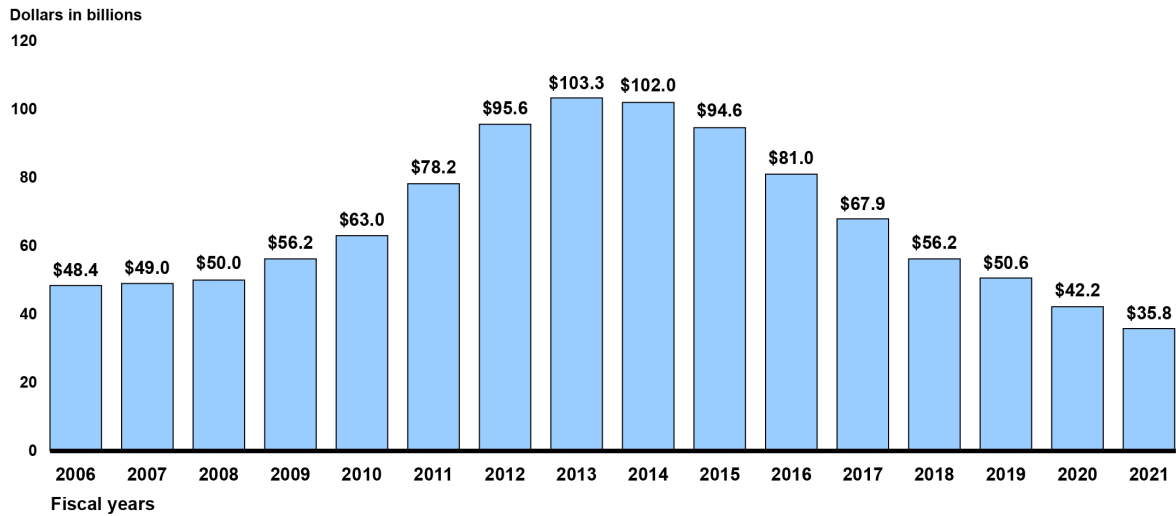
Source: GAO analysis of EXIM data. | GAO-22-105560

From fiscal year 2006 through fiscal year 2021, EXIM’s reported loan and loan guarantee exposure ranged from a high of \$103.3 billion in fiscal year 2013 to a low of \$35.8 billion in fiscal year 2021 (see fig. 2).<sup>6</sup>

<sup>5</sup>Except for loans and loan guarantees that meet EXIM’s internal policy criteria for delegation, all loans and loan guarantees require board approval. Existing delegations allow for approval of loans and loan guarantees less than \$25 million. However, certain transactions less than \$25 million require board approval in order to maintain compliance with the charter or international agreements, such as those involving dual-use exports (i.e., U.S. exports of defense articles and services with both commercial and military applications) or with environmental and social considerations.

<sup>6</sup>EXIM defines exposure as the outstanding (disbursed less any repayments) and undisbursed principal balance of loans, guarantees, and insurance, and also includes any unrecovered balances of payments made on claims that EXIM submitted and approved. Exposure does not include accrued interest or transactions pending final approval. We have excluded exposure related to EXIM insurance programs.

**Figure 2: Export-Import Bank’s (EXIM) Reported Loan and Loan Guarantee Exposure, Fiscal Years 2006–2021**



Source: GAO analysis of EXIM data. | GAO-22-105560

### EXIM Policies and Procedures

EXIM’s *Loan, Guarantee, and Insurance Manual* (Manual) has historically (1) documented EXIM’s policies and procedures for each of its products offered, including loans and loan guarantees, and (2) described the responsibilities of EXIM’s offices and divisions involved in the underwriting process. Since our last review, EXIM streamlined the Manual by separating the detailed procedures and guidance from the higher-level policies of the Manual. The Manual, detailed procedures, and guidance are available in digital form to all EXIM staff. According to EXIM officials, EXIM’s process for updating its policies and procedures is now more continuous and can be targeted where needed.

### **EXIM Developed COVID-19 Temporary Relief Measures for Loan and Loan Guarantee Programs, and the Board Approved All Related Transactions**

#### EXIM Developed Four COVID-19 Temporary Relief Measures

Using its existing authority, EXIM developed four temporary relief measures for its loan and loan guarantee programs in response to the lack of liquidity and other export financing issues associated with the COVID-19 pandemic. The board approved the relief measures in March 2020. Some of the relief measures expired in April 2022, while others remain in effect until April 2023.

#### **Bridge Financing Program**

EXIM developed the Bridge Financing Program to provide short-term financing for borrowers through direct loans to purchase U.S. goods and services while there was a lack of liquidity available through the private sector. The program provided periods in a loan term when the borrower could either continue with the repayment terms or repay the balance owed and recoup the remaining portion of the exposure fee, thereby providing incentive for the borrower to refinance through the private sector when it becomes an option.

The Bridge Financing Program expired in April 2022. EXIM reported one authorization of \$500 million in fiscal year 2021 for this program.

### **Pre-Delivery/Pre-Export Payment Program**

The Pre-Delivery/Pre-Export Payment Program is a temporary expansion of the Pre-Export Payment Policy. The Pre-Export Payment Policy provides short-term liquidity for exporters during the manufacturing process. Under this policy, EXIM can provide payments owed to manufacturers during the manufacturing process for transactions in which EXIM is providing the medium-term or long-term financing to the foreign buyer. The payments are in proportion to the work completed and would not otherwise be made until product shipment.

EXIM expanded the policy through the Pre-Delivery/Pre-Export Payment Program by extending eligibility to foreign buyers with long-term financing through commercial lenders, and to manufacturing sectors whose foreign buyers have traditionally not participated. Transactions can be structured as loans or loan guarantees.

According to EXIM officials, the expanded program's initial method for calculating pre-delivery payments did not meet the needs of the foreign buyers and U.S. exporters. Specifically, EXIM requires that pre-export payments be linked to the value of "work performed" on the export. EXIM's past practice was to consider only manufacturing direct costs, such as labor and materials, when calculating work performed. However, some industries' pre-export payment schedules did not align with the "work performed" as historically interpreted by EXIM because payments begin a year or two in advance of export while the manufacturing might not occur until the 12 months leading up to delivery. To better align the program with market needs, the board approved a formal definition of "work performed" in April 2022 to include preproduction costs on a per unit basis.

As of May 2022, no loans have been authorized through the expanded program, but EXIM officials stated that they expect that there will be. The COVID-19 relief measures for this program are set to expire in April 2023.

### **Supply Chain Financing Guarantee Program**

EXIM made temporary modifications to the Supply Chain Financing Guarantee Program in response to COVID-19. The program, which was implemented in 2010 but seldom used, allows suppliers to sell their accounts receivable to lenders to obtain early payment of invoices at a discounted rate. EXIM guarantees the lender's purchase of the accounts receivable. This helps suppliers obtain cash faster (often at lower rates that reflect the credit of the buyer) and increases liquidity in the supply chain to fulfill new orders. The buyer then pays the lender at the expiration of the account receivables term.

The temporary modifications to the program in response to COVID-19 were

- waiving the 50 percent small business target for suppliers,
- allowing U.S. exporters to make sales directly to foreign affiliates, and
- increasing the guarantee coverage from 90 percent to 95 percent.

Under this expanded program, EXIM reported three authorizations totaling \$694 million in fiscal year 2020. One of these authorizations was reauthorized in fiscal year 2021 for \$342 million, and one was reauthorized in fiscal year 2022 for \$180 million. The COVID-19 relief measures for this program expired April 30, 2022.

## Working Capital Guarantee Program

The Working Capital Guarantee Program is an existing program that was temporarily modified in response to COVID-19. The program facilitates loans from commercial lenders to creditworthy U.S. businesses that export over the term of the loan. The amount available for financing is based on accounts receivable and export-related inventory. According to EXIM officials, the relief measures for the program were in response to commercial lenders expressing the need for greater working capital financing support given the significant liquidity pressure on suppliers and exporters.

The modifications to the program in response to COVID-19 were

- an expanded definition of eligible inventory from export-related inventory to all inventory that could potentially be exported (available through April 2023),
- an increase in the guarantee coverage from 90 percent to 95 percent (expired on April 30, 2022), and
- expedited implementation of a reduced and more understandable fee structure (permanent change to the program).

Under the temporary modifications of this program, EXIM reported two authorizations totaling \$325 million in fiscal year 2020. One of these authorizations was reauthorized for \$87 million in fiscal year 2021.

### EXIM Communicated Its Board-Approved COVID-19 Temporary Relief Measures to Staff, and the Board Approved Related Transactions

EXIM documented program updates from the board-approved COVID-19 temporary relief measures and communicated the updates to personnel responsible for the related programs during staff meetings and through emails, memorandums, and press releases. EXIM documented guidance for implementing the relief measures, such as guidance needed for calculating fees and disbursements, outside of the Manual because the measures were temporary. However, EXIM's underwriting process for its loan and loan guarantee programs, including those related to the relief measures, is documented in the Manual and was not modified for the relief measures.

EXIM policy generally requires that the board approve all loan and loan guarantee authorizations greater than \$25 million. All loans and loan guarantees authorized under the relief measures exceeded \$25 million and thus required board approval per EXIM internal policy. The board directly approved all transaction authorizations made under the relief measures and communicated its approvals through board meeting minutes available on EXIM's website.<sup>7</sup>

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<sup>7</sup>See <https://www.exim.gov/news/meeting-minutes> (accessed on Aug 18, 2022).

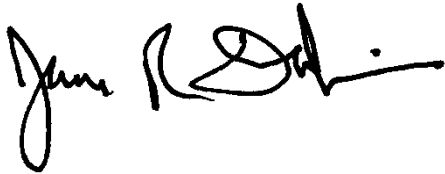
## Agency Comments

We provided a draft of this report to EXIM for comment. EXIM had no comments.

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We are sending copies of this report to the appropriate congressional committees and to the President and Chair of the Export-Import Bank. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov/>.

If you or your staff have any questions about this report, please contact me at (202) 512-3133 or [dalkinj@gao.gov](mailto:dalkinj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report include Ryan Guthrie (Assistant Director), Tiffany Chau (Auditor-in-Charge), Allison Channell, Marcia Carlsen, Patrick Frey, Sean Joyce, Jason Kelly, and Anne Thomas.



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