

**Testimony of Thomas P. Cummings
Regional Director Northeast and Mid-Atlantic Region
Export -Import Bank of the United States**

**House Small Business Committee
Subcommittee on Agriculture, Energy and Trade Field Hearing
"Impact of U.S. Trade Policies on Small Businesses and Manufacturing."
April 2, 2012**

Introduction

Thank you Mr. Chairman for the invitation to testify here in Pittsburgh today and to speak about the role of the Export-Import Bank of the United States ("Ex-Im Bank" or "the Bank") in supporting small business exporters and their important contribution to U.S. job creation. I am happy to say that the Bank has stepped up to the challenge by helping businesses large and small increase their exports, thereby supporting U.S. jobs. During fiscal year 2011 the Bank's overall financing exceeded over \$32 billion for the first time. This financing supported over \$40.6 billion in exports at more than 3,600 companies and helped to support nearly 290,000 U.S. export-related jobs. I'm also proud to say the Bank set a record in fiscal year 2011 by financing more than \$6 billion to small businesses. In fact, small businesses comprised 87 percent of the transactions we did at the Bank last year.

During the nearly four decades that I have been involved in export finance the need for Ex-Im Bank has never been greater and the challenges never more daunting.

The Role of the Export-Import Bank

The Export-Import Bank is the official export credit agency of the United States.

Ex-Im Bank's mandate is to enable U.S. companies both large and small to turn export opportunities into sales that help create and sustain U.S. jobs. The Bank achieves its mission by providing export financing support through loan,

guarantee and insurance programs when the private sector is unwilling or unable to do so.

Ex-Im Bank also tries to level the playing field by meeting financing competition that foreign export credit agencies provide to their businesses. Ex-Im Bank is careful not to compete with the private sector in helping to finance exports. Our activity typically increases during economic downturns, and provides an alternative source of financing when commercial bank financing is not available.

Since fiscal year 2008 the Bank has operated at no cost to the U.S. taxpayer because it is financially self-sustaining. Ex-Im Bank more than covers its administrative costs and loan loss reserve expenses through the fees it charges.

Over the past five years, Ex-Im Bank has generated \$1.9 billion in excess revenues for the U.S. Treasury. As a result of our diligent credit review and management, the Bank has a loss ratio of less than 2%, which is well below that of commercial banks in similar activities.

During the financial crisis, when the private sector trade credit and political risk insurers were withdrawing coverage and reducing credit lines, Ex-Im Bank maintained a consistent underwriting philosophy and did not withdraw coverage or reduce lines. Notably, the Bank even offered coverage to exporters on buyers that the private sector denied, all with excellent results.

Export Import Bank Products

Ex-Im Bank offers three basic financial products: loans, guarantees and credit insurance.

Direct loans provide financing for foreign buyers for their purchases of U.S. goods and services. These loans can cover up to the lesser of 85% of the contract value or 100% of the U.S. content.

Loan Guarantees Covers the repayment risks on the foreign buyer's debt obligations incurred to purchase U.S. goods and services. The coverage is 100% of the financed portion which can be up to 85% of the contract value or 100% of the U.S. content, whichever is less.

Working Capital Guarantees provide repayment guarantees to lenders on secured, short term working capital loans extended to qualified exporters. Under this program Ex-Im Bank is actually guaranteeing exporter performance risk. These guarantees cover 90% of the loan value and the lender is at risk for 10% of the loan value. In fiscal year 2011 Ex-Im Bank authorized approximately \$2.1 billion in small business working capital guarantees, compared to \$1.45 billion in fiscal year 2010.

Export Credit Insurance helps U.S. exporters sell their goods by protecting them against the risk of non-payment by the foreign debtor for political or commercial reasons. This allows the exporter to extend credit directly to their international customers and compete with the terms being offered by exporters from other nations. In fiscal year 2011, Ex-Im Bank authorized over \$3.27 billion in export credit insurance to small businesses.

Outreach to small business

Small business transactions are in excess of 85% of total bank transactions. During the year the Bank conducted 32 Global Access Forums to raise the awareness of Ex-Im Bank's products to small businesses. All of the Bank's field offices are dedicated solely to small business outreach and support. Within the next three months the Bank will also be opening four new field offices. They will be located in Atlanta, Minneapolis, Detroit and Seattle. This will be in addition to the eight existing field offices.

Ex-Im Bank's small business authorization numbers are showing rapid growth after reaching \$3.8 billion in 2008, \$4.3 billion in 2009, \$5.1 billion in 2010, and over \$6 billion in 2011.

The Bank knows it must do more, especially for small businesses, so last year we introduced a new insurance product called "Express Insurance". This product is geared towards the smallest of exporters. The market has reacted well to this new product, and we have issued over 200 Express Insurance policies. That is 200 small businesses that can now sell overseas without the fear of not getting repaid on their competitive, open account, foreign sales. We are currently in the midst of

launching a brand new product called “Global Credit Express”. This new product is a working capital loan directly from Ex-Im Bank for amounts up to a maximum of \$500,000 to small business exporters. This product is designed to fill a void. Banks were unwilling to finance small loans, so Ex-Im Bank decided to finance them directly. Anticipated demand appears to be huge.

OTHER NEW FINANCING PROGRAMS FOR SMALL BUSINESS

Supply Chain Finance Guarantee: This program provides competitively priced working capital financing to business that supply products or services to larger U.S. exporters. The program works through approved lenders with existing supply-chain finance programs, enabling the lender to purchase accounts receivable from small business suppliers whose goods will be part of an export. Suppliers are paid for their goods, improving their cash flow and liquidity in approximately five days. The Bank provides the lenders with a 90% guarantee. In turn, the Bank requires that at least 50% of the credit be to small business suppliers. This program was developed as a direct response to the needs of small businesses in the recent financial crisis.

Reinsurance: Reinsurance assists private-sector insurers that provide short-term export credit insurance covering foreign receivables to predominantly U.S. small business exporters. This new product increases the capacity of insurance companies to offer insurance to small business exporters that have had difficulty obtaining short-term export credit since the financial crisis.

OUTREACH INITIATIVES

Increased Lender and Broker Participation- Ex-Im Bank leverages its resources for small businesses by working with private sector lenders, insurance brokers and other financial and trade institutions. Most of the lenders here in Pittsburgh have what we call “Delegated Authority”. Delegated Authority provides a lender with a pre-approved credit line and allows it to receive Ex-Im Bank’s guarantee without first submitting individual applications for approval.

We also work with insurance brokers to assist with the delivery of our credit insurance products. In the last year we added 20 new insurance brokers and now have a total of 175 registered brokers.

Export Initiative with State and Local Constituencies - Another effective approach for leveraging our resources is to work with partners. We refer to this group as our “City-State Partners”. We presently have 57 City-State Partners including locally the Commonwealth of Pennsylvania and Duquesne University SBDC.

We are also very fortunate that the U.S. Commercial Service here in Pittsburgh has been a wonderful partner. On every trip to this city they help with scheduling company visits, logistics and local support.

Conclusion The global marketplace is brutally competitive for businesses large and small. Commercial bank lenders typically limit the amount of exposure their customers can have in the various regions around the globe. Many banks are less willing to finance deals today than they would have just a year or two ago.

The need for Ex-Im Bank’s products has never been greater. The Export Credit Agencies of other governments around the world are extremely aggressive in supporting their exporters. U.S. exporters have a right to the same level of support.

Thank you.

