

**WRITTEN TESTIMONY OF
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CHAIRMAN AND PRESIDENT
OF THE EXPORT-IMPORT BANK OF THE UNITED STATES
BEFORE THE COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
OF THE UNITED STATES SENATE**

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FIELD HEARING, NEW ORLEANS, LOUISIANA

Chairwoman Landrieu, good afternoon.

I am pleased to appear before you today to discuss Ex-Im Bank's efforts to create and sustain job growth within the U.S. small business sector. Given the state of our economy, focus on this important engine of growth has rightly been elevated. With small business as the driver behind innovation and technological advancement, their success will mirror that of any economic improvement.

I am also grateful to President Obama for the trust he has placed in me to lead the Ex-Im Bank during these troubled economic times. Having worked with my own family's small business from its inception, I can certainly empathize with what our many small businesses must now face.

During my time as Deputy and Acting Administrator of the Small Business Administration, I gained further insight into the needs of small business. As such, I am also pleased to be sitting at the same table with my good friend, Karen Mills, the Administrator of the Small Business Administration. I very much look forward to hearing from her on how we can coordinate our efforts in support of small businesses.

EXPORT-IMPORT BANK PROGRAMS FOR SMALL BUSINESS CUSTOMERS

From a macro-level the business picture can appear daunting. But even given the credit crisis, lack of liquidity, and depressed consumer confidence, I am heartened that Ex-Im can play a significant and important role in sustaining and creating US small business jobs. It is our mandate. It is what we do.

During Fiscal Year 2008 within Louisiana, Ex Im supported \$19,351,000 in insurance, \$18,693,776 in working capital, and \$13,949,437 in medium/long term loans and guarantees in support of small businesses.

Madam Chairwoman, allow me to put a human face to those numbers. *Reliable Industries, Inc.* located in New Orleans has had an export credit insurance policy since 2002. *Reliable* has served the mining, marine, construction and power generation industries for the past 26 years. They serve 1100 customers in 40 countries. From their supplying ball mills to South America, service exchange components to the Caribbean, to power projects in Russia and Africa, I am proud Ex-Im can help *Reliable* reach these foreign market places.

This illustration goes to the heart of Ex-Im Bank's mandate— to create and sustain jobs in the United States by helping to finance exports of U.S. goods and services that the private

sector cannot or will not finance on its own. This can occur when there is official foreign government-supported assistance from competing exporters, or when the transaction is too risky to attract funding from standard commercial sources.

I am pleased to report that the Ex-Im Bank is celebrating its 75th Anniversary this year. Over the 75 years, the Bank has provided financing for an estimated \$526 billion in U.S. exports. In FY 2008 alone, we supported over \$19.5 billion in U.S. exports. The Bank has authorized over \$2.336 billion for the support of small businesses already in the first eight months of the year—up more than a billion dollars compared to the same time last year. And since the institution of credit reform, the Bank has maintained an overall loss rate of less than 1%. Such a loss rate validates our operating principle to support loans on behalf of U.S. exports when there is a “reasonable assurance of repayment.”

Given the reduced appetite for risk in the commercial lending sector, we are seeing more large financing deals come to Ex-Im. This can sometimes threaten a congressional mandate that at least 20% of the dollar value of Ex-Im’s authorizations directly support small business. Ex-Im is not immune to market demand and I would ask the Committee going forward to perhaps look at this mandate with a renewed flexibility that takes into account market conditions.

EX-IM BANK PROGRAMS

The Bank supports exports through four basic products. Let me begin with those that are most important to our small business customers.

First, our insurance product offers exporters a range of policies that allow them to offer terms to foreign buyers, instead of insisting on full payment up front. \$1.6 billion, or 43%, of our credit insurance transactions in FY 2008 involved small business exporters.

A premium rate reduction for small business exporters, made effective Oct. 1, 2008, affected approximately half of all Ex-Im Bank insurance policy holders. The new rates took effect on all shipments made on and after October 1st. Similar pricing benefits are available to any new small business customers who request these policy types. The premium reduction also applies to policy holders who at the same time are receiving discounts for either an Ex-Im or SBA working capital guarantee. The new 15 percent premium rate reduction for small business was integrated and made available online to customers of Ex-Im Online.

Second, under our working capital guarantee program, we will guarantee 90% of a commercial bank loan to a US exporter to fund the purchase of the equipment necessary to meet an export contract. \$1.1 billion, or 78%, of our working capital guarantees authorized in FY 2008 directly supported small businesses. Working capital loans provide exporters with the liquidity to pursue new business, grow international sales, and compete more effectively in the global market place. Ex-Im Bank also cooperates closely with the SBA on working capital guarantees. I will speak later in my remarks about this program.

It is timely to note that just this month, Ex-Im has combined its Working Capital Guarantee Program financing limits of two programs to expand support for U.S. small and medium-sized businesses. The Bank combined the \$150 million aggregate limit per bank of the Super Delegated Authority Program with the \$300 million aggregate limit per

bank of the Fast Track Program. This enhanced financing flexibility is important at a time when credit is tightening around the world.

Small business support under the working capital guarantee program has shown consistent and steady growth in the last decade. FY 2008 was a record year with small business authorizations exceeding \$1.0 billion for the first time in its history.

Our other programs involve direct loans to foreign buyers and guaranteeing commercial bank loans to foreign buyers. In FY 2008, the Bank supported \$467.2 million in direct support of small businesses in its direct loan and guarantee program. That represented 5% of total authorizations for those products in FY2008.

Information on all of these programs is available on our web page, www.exim.gov, which also has a small business portal that is very informative, accessible and easy to use.

<http://www.exim.gov/smallbiz/index.html>

MAKING SMALL BUSINESS THE TOP PRIORITY AT THE BANK

I am personally committed from my background as a businessman and my time at the SBA to make small business a priority. Our senior business and financial executives meet monthly under the chairmanship of our Senior Vice President for Small Business, John Richter, as members of the Bank's Small Business Committee, to better focus the Bank to be more proactive as it serves small businesses. Ex-Im Bank's Small Business Committee reports directly to me.

This group, drawn from personnel across the Bank, is taking great strides towards making it easier for small businesses to interact with the Bank. To this end, the Bank has increased its commercial bank delegated lending levels to speed up transaction processing and has increased internal delegated authority limits to facilitate quicker decisions by the Bank's front-line business officers.

I would like to highlight work being done by our Structured Finance Division which processes all long-term, private sector transactions in the Bank. By definition these transactions are very large and include the Bank's largest corporate customers. We are trying to focus more attention within these larger deals to some of their small business supplier base.

Our Structured Finance Division has developed a Small Business Facility with the Mexican oil company, Pemex, one of the Bank's largest borrowers. A third small business facility for Pemex has been approved recently. With these Pemex facilities, staff qualified approximately 850 potential small businesses in the U.S. as eligible for support, based on information that Pemex provided about their supplier base. This year's facility is for \$200 million—with half being promised to small business. These are major financial transactions and very exciting from a small business standpoint.

The Small Business Committee has created additional financial incentives for development multipliers in the private sector to utilize Ex-Im Bank in serving small business exporters. For example, the Bank has extended the 25% discount on its multibuyer credit program to users of the SBA's export working capital guarantee program and increased brokers' commissions for small business multibuyer policies.

EX-IM/SMALL BUSINESS ADMINISTRATION WORKING CAPITAL CO-GUARANTEE PROGRAM

On April 29, 2004, Ex-Im and SBA agreed to launch a Co-Guarantee program which was extended in 2006 for an additional five year term. This Trade Promotion Coordinating Committee initiative allows SBA and Ex-Im to co-guarantee loans of up to \$2 million to small business exporters under SBA's Export Working Capital Program. With the agreement, Ex-Im provides a co-guarantee that supplements the SBA's guarantee to help small business exporters obtain larger loans than the SBA could support alone. Since inception, forty-six loan guarantees have been originated for borrowers in twelve states with an aggregate loan amount of \$86.7 million supporting approximately \$347.3 million in exports. Ex-Im's aggregate exposure for the forty-six loans is \$58.8 million.

We are not only taking action we believe beneficial to our small business customers, but we are also being mindful to listen their suggestions. Members of the Bank's Small Business Committee have conducted focus groups and customer surveys to learn what is most important from their perspective.

SMALL BUSINESS OUTREACH

A critical component of attracting greater small business activity at Ex-Im Bank is outreach to address their trade finance needs in becoming globally competitive. Since August 2006 our network of eight regional business development offices, six of whom are co-located with the United States Export Assistance Centers, has dedicated its outreach and marketing efforts exclusively to small businesses.

Our regional offices are a vital link between exporting communities located throughout the United States and Ex-Im Bank. The regional operations provide a geographic market-focused enterprise which broadens Ex-Im Bank's reach into small and medium-size US exporting companies. They also work in partnership with other agencies serving the export communities' needs in order to harness all available federal, state and local resources to enhance and encourage export activity. Just last week, our Business Development Officer for the region was in Baton Rouge, New Orleans, and Houma, for one of his regular visits to help Louisiana small business exporters with their financing needs.

Within Ex-Im Bank's headquarters in Washington, DC, we have personnel dedicated exclusively to reaching out to minority- and women-owned exporters, as well as personnel that are responsible for developing new products and services to meet the specific needs of small business.

In addition, we have designated throughout all of the Bank's business units small business specialists who possess the knowledge and training to assist small business customers. These specialists' contributions to the Bank's small business activity are an integral part of their performance evaluation and incentives.

Ex-Im Bank's specialized small business experience does not end once a transaction is approved, but rather continues for the entire lifecycle of the transaction. We have small business specialists who work with small business customers to expedite their claims

processing. We have also streamlined a claims appeals process for small businesses in which the Senior Vice President for Small Business plays a major role.

We have also improved our information technology resources to make it easier for small businesses to work with Ex-Im Bank. Ex-Im Online, the Bank's automated transaction processing system, has been implemented and now serves all insurance and medium term guarantee products. This includes virtually all of the small business transactions approved internally. Ex-Im Online has reduced paperwork and allowed the ability to track applications in real-time.

While the Bank's web site has a user-friendly small business portal to walk first-time customers through the transactional process, we have begun a redesign of the Ex-Im Bank external website, with special attention to increasing the utility and ease of use by and for small-business exporters.

Ex-Im Bank participates in the government-wide "Business Gateway" initiative integrating the content and functions of the Web sites of several business-focused agencies (www.business.gov) and the U.S. government export Web site (www.export.gov). Additionally, the Bank participates in the Trade Promotion Coordinating Committee's "One Stop, One Form" registration system, an Internet-based application system for all federal-government export programs.

HELPING SMALL BUSINESS EXPORTERS – A POSITIVE TREND OF RESULTS

Allow me now to review the results of our small business performance with you with an understanding of how larger business deals within the Bank affect our percentages.

For the past two fiscal years, we have exceeded the target set for us by the Congress that the value of our small business authorizations be at least 20% of our overall dollar value in authorizations. This target was reached for the first time in FY 2006, when 26.2 % of our authorizations were devoted exclusively to small business, and that figure increased to 26.7% in FY 2007. In FY 2008, small business authorizations for primary exporters reached 22.2 percent of total authorizations. Over the past decade, 85% of the number of transactions has been exclusively for small business.

As I draw my remarks to a close, I would like to highlight one more Louisiana small business receiving Ex-Im support. *Living Quarters Technology* out of Baton Rouge has the largest fleet of lightweight aluminum portable living quarters for the oil and gas industry in the Gulf of Mexico. They recently completed a \$5.4 million contract with Pemex to provide offshore living quarters. This contract was supported by a short-term single buyer insurance policy which enabled the exporter to invoice on payment terms of net 30 days. In addition, JP Morgan Chase Bank provided the exporter with a \$3.0 million working capital loan guaranteed by Ex-Im. These are exciting projects supporting US jobs and I look forward to seeing more come into the Bank.

While I cannot guarantee increases in our small business numbers every year, I can promise you that we will work tirelessly to improve the quality of the small business experience at Ex-Im Bank. Improved customer service is very important to me and I will build upon the good work already being done at Ex-Im to decrease transaction cycle times.

Small business is going to retain its seat at the table because it is at the core of the Bank's mission. It is at the core of my personal mission, and it is key to maintaining and increasing US jobs.

I look forward to any guidance from you, Madam Chairwoman, and your Senate colleagues as we consider new initiatives in support of US small business exporters.

I will be happy to answer your questions.