

**TESTIMONY OF  
WANDA FELTON – FIRST VICE PRESIDENT & VICE CHAIR  
EXPORT-IMPORT BANK OF THE UNITED STATES  
SENATE COMMITTEE ON  
SMALL BUSINESS AND ENTREPRENEURSHIP  
FIELD HEARING, MANCHESTER, NEW HAMPSHIRE  
AUGUST 11, 2011**

**INTRODUCTION**

Senator Shaheen, Senator Ayotte, thank you for the invitation to testify here in Manchester 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 US job creation. I am happy to say that the Bank has stepped up to the challenge of meeting the financial crisis by helping businesses large and small increase their exports, thereby supporting US jobs. In FY 2010, Ex-Im Bank supported an estimated \$126 million in exports from New Hampshire. Of this, 89% directly supported small business. Ex-Im Bank’s authorizations for the state also saw major growth from FY 2009 to FY 2010 of \$5,493,000 to \$65,728,749.

But we need to do even more. Having worked in finance and banking for more than 20 years, I know the many obstacles facing businesses in today’s global marketplace. And I look forward to learning from those gathered here on how we can further assist our small business exporters.

I’m pleased to note that Ex-Im is already supporting small business in New Hampshire and I would like to give you a few examples. For two years Ex-Im Bank has provided export working capital support to Land & Sea Inc. in Concord, which manufactures engine testing equipment, known as dynamometers. Exports to countries including Taiwan, Malaysia, and the United Kingdom comprise almost 50% of all Land& Sea’s sales. Polyonics, Inc. in Westmoreland, has been doing business with the Bank as an insurance policyholder for four years. The company manufactures polymeric coating materials for use in electronics, electrical, aerospace and automotive industries. It exports to Brazil, Israel, and countries in Asia.

A third company Ex-Im works with is G.T. Solar of Merrimack,NH which manufacturers chemical vapor deposition reactors used to produce polysilicon, the raw material in solar cells, and the furnaces used to transform polysilicon into ingots, which are sliced into silicon wafers to become solar cells that they export primarily to Asia, mostly China. G.T. Solar is a success story in that when they first began using the Bank’s products they were a small business. Today, thanks in part to their growth in exports, G.T. Solar is has graduated to become a large business.

**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 – large and small – to turn export opportunities into sales that help maintain and create U.S. jobs. The Bank achieves its mission by providing export financing through loan, guarantee, and insurance programs when the private sector is unable or unwilling 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. However, 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 to bank lending.

Since FY 2008, Ex-Im Bank has operated at no cost to the US taxpayer because it is financially self-sustaining. Ex-Im Bank more than covers its administrative and loan loss reserve expenses through the fees it charges to foreign buyers. Over the past five years, Ex-Im Bank has sent \$3.4 billion of excess funds to the U.S. Treasury. As a result of our diligent credit review and management, the Bank has a loss rate of roughly 1.5% – well below most commercial banks.

Ex-Im Bank has been able to accomplish this despite these difficult economic times. The Bank has addressed the financial crisis by supporting levels of authorizations far higher than historical averages. In FY 2008, Ex-Im Bank authorized \$14.4 billion in transactions resulting in roughly \$19.6 billion of U.S. exports. In FY 2010, Ex-Im Bank authorized a record \$24.5 billion in export finance; this level of authorization supported roughly \$34.3 billion of U.S. exports that supported 227,000 U.S. jobs at more than 3,300 U.S. companies. Just last week, the Bank announced that we have already exceeded last year's record amount with two months still remaining in fiscal year 2011.

We have done all of this while still emphasizing our strong support for small businesses. Ex-Im Bank's support for small business increased from \$3.2 billion in FY 2008 to a record \$5.1 billion in FY 2010—a 58% increase. And while the Bank has met the Congressional mandate that 20% of its financing directly support small business exports, in a time that has seen total business grow by 70% it is increasingly difficult to reach that 20% level. I am hopeful that your hearing today will raise awareness of our services and generate even more small business activity from New Hampshire to help grow jobs and help us attain our small business goals.

## **EXPORT-IMPORT BANK PROGRAMS**

Ex-Im Bank offers three basic financial programs: direct loans, guarantees, and insurance.

**Direct loans** provide financing directly to foreign buyers of U.S. goods and services and cover up to 85% of the U.S. contract value or 100% of the U.S. content, whichever is less.

**Loan guarantees** cover the repayment risks on the foreign buyer's debt obligations incurred to purchase U.S. exports. Support is up to 85% of the U.S. 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 made to qualified exporters. Ex-Im Bank's working capital guarantee protects the lender from default by the exporter for 90% of the loan. In fiscal year 2010, the Bank authorized about \$1.5 billion in working capital guarantees to small businesses compared to \$1.2 billion in 2009.

**Export credit insurance** helps U.S. exporters sell their goods by protecting them against the risk of foreign buyer or other foreign debtor default for political or commercial reasons, allowing them to extend credit to international customers. In fiscal year 2010, Ex-Im Bank authorized more than \$2.6 billion in export credit insurance to small businesses.

Thus, our working capital guarantees and export credit insurance provide most of our support for small businesses, \$4.1 billion in FY '10, with another \$1 billion coming from the loan and loan guarantee programs.

## **OUTREACH TO SMALL BUSINESSES**

Small business transactions account for more than 85% of total Bank transactions. All of Ex-Im Bank's regional offices are devoted to small business outreach and support. Meeting the 20% small business mandate is highly labor intensive and requires significant resources. But it cannot happen unless we can help small businesses all over the country, especially here in New Hampshire. We want any small businesses here interested in exporting to please call our regional office at 212 809 2650 or call 800 565 3946 and press 2 at the prompt to get started.

I am glad my colleagues, Marie Johns of the SBA and James Cox of the Commerce Department, are here since we all work closely together in our Global Access Exporter Forums to expand small business activity. I am also pleased to follow in the footsteps of Ex-Im Bank's Chairman Fred Hochberg who was in Portsmouth in January for our first Global Access Forum of 2011.

Here are some of the ways we reach out to small businesses.

- **Global Access for Small Business Initiative:** Ex-Im Bank has already sponsored 20 Global Access Forums across the country to assist small business exporters in understanding how the programs at the Bank, the Small Business Administration (SBA),

and Department of Commerce can help them to export or increase their international sales. In addition to presentations by successful small business exporters, the Global Access Forums include panels of Ex-Im Bank, SBA and Department of Commerce staff based in local United States Export Assistance Centers, as well as one-on-one counseling by Ex-Im Bank Export Finance Managers and other federal agency representatives.

These half-day events are free and held in collaboration with elected officials, representatives from federal and local government agencies, lenders and insurance brokers. The Bank also features small business owners as panelists. Having our small business customers highlight their export success is a very effective means of encouraging other small business owners to utilize Ex-Im's products. For example, the owner of Skelley Medical in Hollis, NH testified at our first Global Access Forum that he could double his company's sales in emerging markets by offering open account terms. Two weeks later the Bank approved a \$250,000 small business insurance policy for Skelley. Since then, Ex-Im has increased the policy by more than \$1 million to cover exports to India and Mexico.

- **Expanded Bank and Broker Training:** The Bank expanded its lender and broker training options to include monthly trainings around the country. New webinars help exporters, lenders, and insurance brokers learn how to use Ex-Im Bank products and services.

## **NEW FINANCING PROGRAMS FOR SMALL BUSINESSES**

- **Supply Chain Finance:** This program provides competitively priced working capital financing to businesses that supply products or services to larger U.S. exporters. The product works through approved lenders with an existing supply-chain finance program, 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 percent guarantee. In turn, the Bank requires that at least 50 percent 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.

- **Express Insurance:** Responding to exporters and Ex-Im Bank broker-partners, the Bank added a new program to its flagship Trade Credit Insurance product – Express Insurance. Express Insurance specifically targets small businesses. Ex-Im Bank streamlined its short-term export credit insurance application process with a targeted turnaround time for a quote of 5 days—down from an average of 15. We cut processing time by 2/3 and the application length in half to 2 pages.

**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. In fiscal year 2010, 18 new lenders received Delegated Authority. Delegated Authority provides lenders a pre-approved credit line to approve loans and receive Ex-Im Bank's guarantee without submitting individual applications for approval. An additional 14 brokers serving small businesses trade insurance needs were added to the roster. At fiscal year's end, Ex-Im Bank had a total of 100 delegated authority lenders and 194 registered brokers helping deliver the Bank's small-business products. While these numbers are significant, we continue to seek additional brokers and lenders to partner with Ex-Im Bank.

**Export Initiative with State and Local Constituencies** - One effective approach to developing strong relationships is our initiative with our City/State Partners. More than 60 City/State Partners in 40 states work with Ex-Im Bank and report their activity annually. Their mission is the promotion, creation and expansion of businesses in a given region by making available financing assistance and entrepreneurial services. Examples of eligible partners include: State, County, City Governments—either directly or indirectly funded; local non-profit economic development entities funded through universities and colleges; and Small Business Development Centers.

I am pleased to report that Ex-Im Bank works closely with a City/State Partner in Concord. Our staff and Robert Barry, an export finance officer in the Office of International Commerce, comprise an effective team in helping New Hampshire businesses consider their exporting options.

Many small business owners are veterans, women, and minorities. Ex-Im Bank wants to reach these key groups which historically are less likely to approach the Bank. To increase our interaction with these groups, Ex-Im Bank has worked with the Department of Commerce and other sources to increase our outreach. I would also ask you and your colleagues for suggestions of organizations, constituencies, and events that you think we should be participating in so we can grow participation among veterans, women and minorities.

Significant emphasis is placed on events attended by small business exporters, as well as minority, rural, and woman-owned entrepreneurs. During 2010, staff from within the Small

Business Group at the Bank attended 85 outreach events reaching approximately 5,500 Minority and Woman-Owned Business exporters and intermediaries. Ex-Im Bank made presentations at 75 percent of the events attended in 2010.

Significant steps are being taken to boost this segment of the Ex-Im Bank business. First and foremost, during 2010, Ex-Im Bank hired as our new Senior Vice President of the Small Business Group, a former banker with 20 years in community development and minority lending and investment experience. In addition, we hired a Vice President of Marketing and Sales, a Community Reinvestment Act professional from a major bank. In addition to their managerial responsibilities, these two officers will further expand minority and woman-owned business outreach activities.

To expand the reach and service to minority and woman-owned businesses, Ex-Im is doing the following:

- **Global Access Events.** Developing at least 4 Global Access media and training events specifically for minority and woman-owned businesses.
- **Community Development Financial Institutions.** The Small Business Group attends the conferences for the National Federation of Community Development Credit Unions, Opportunity Finance Network, National Community Reinvestment Coalition and events sponsored by federal regulators concerning Community Reinvestment Act initiatives. The chief objective is to expand the number of local and community development banks and other intermediaries using the Ex-Im Bank trade credit and working capital products and services.
- **Direct Calling on Minority and Woman-Owned Exporters.** In order to expedite the communication with the exporter, Ex-Im has established a “smart data-base” program. The program is designed to support direct outreach to minority and woman-owned exporters through systematic cold calling by experienced Ex-Im Bank export finance officers.

## CONCLUSION

The global marketplace is brutally competitive for businesses small and large. As commercial lenders routinely limit the amount of exposure U.S. businesses can have in particular regions of the world, especially the riskier ones, more of those businesses are turning to Ex-Im Bank for help in export financing.

As I said above, I am a former Ex-Im Bank employee, and now I am proud to be the Vice Chair. I know how our employees, at all levels, are contributing significantly to making the U.S. economy more robust. They have dealt with a huge increase in business, 70 percent since 2008, while implementing new technologies and programs like Express Insurance and Supply Chain Finance.

At the same time, we have received only a 7.6 percent increase in our administrative appropriation since FY 2008 and have only increased staffing by 13 full time staff. Simply put, we have become leaner and more productive, something that every business strives to achieve. However, an increase in our administrative budget will allow us to hire more staff and upgrade our IT systems. This will help us support the President's goal of doubling exports by 2015 and to reach more small businesses in New Hampshire and the rest of the United States. If you could take that message back to your colleagues in the Senate, I would be most grateful.

And I have one more important request. I hope you agree that Ex-Im Bank is providing a key service to businesses – large and small – in the United States. In order for us to continue helping companies to grow and sustain jobs through exports, the Bank needs to be reauthorized by September 30. I look forward to working with Senators Shaheen and Ayotte in our reauthorization effort.

Senator Shaheen, Senator Ayotte, thank you again for inviting me here. I look forward to any questions you all may have.