April 29, 2015

The Honorable Mitch McConnell  The Honorable Harry Reid
Senate Majority Leader  Senate Minority Leader
U.S. Senate  U.S. Senate
Washington, DC 20510  Washington, DC 20510

The Honorable John Boehner  The Honorable Nancy Pelosi
Speaker of the House  House Minority Leader
U.S. House of Representatives  U.S. House of Representatives
Washington, DC 20515  Washington, DC 20515

Dear Senator McConnell, Senator Reid, Speaker Boehner and Representative Pelosi:

On behalf of BAFT, the Bankers Association for Finance and Trade1 and the Financial Services Roundtable (FSR)2, we write to express our strong support for reauthorizing the Export-Import Bank of the United States (Ex-Im). Ex-Im plays a vital role in international trade and US job creation by providing export financing products that help fill gaps in trade financing otherwise not provided by the private sector. Ex-Im is a crucial driver of trade finance support to US companies of all sizes. The banking industry recognizes this contribution and values a continued working relationship with Ex-Im. The Ex-Im Bank remains a vital partner for the lending community to increase trade finance availability and affordability that cannot be replaced solely by the private sector.

Global trade relies upon accessible financing for trade transactions and trade finance assists customers with their import and export requirements by providing import/export financing as well as country and counterparty risk mitigation. Trade finance, as a transaction banking product, is a core banking business that supports $18-19 trillion in global commerce annually, leading to the creation of sustainable, high quality jobs through trade. Without Ex-Im Bank programs, private-sector lenders often could not provide reasonable financing terms, which would result in lost sales for clients. Balance sheet constraints (arising from prudential capital and liquidity requirements, among other factors) along with institutional credit, country and counterparty limitations create real challenges for lenders who work with exporting clients. In today’s regulatory environment, these concerns are heightened. Many US based lenders have turned to Ex-Im for decades to mitigate geopolitical and collateral risk in an effort to retain and grow client relationships and to provide viable trade financing solutions for their corporate customers.

Ex-Im works creatively with banks and exporters to help create and retain US jobs by helping ensure that deals are not lost to overseas competition and unfair trade practices. In this regard, small and medium-sized enterprises (SME) are heavily reliant on Ex-Im in collaboration with the private sector and this important financing makes up nearly 90% of Ex-Im’s transactions. For example, the Working Capital Guarantee Program

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1BAFT, the Bankers Association for Finance and Trade, is an international financial services trade association whose membership includes a broad range of financial institutions throughout the global community. As a worldwide forum for analysis, discussion, and advocacy in international financial services, BAFT member banks provide leadership to build consensus in preserving the safe and efficient conduct of the financial system: www.baft.org

2The Financial Services Roundtable represents the largest integrated financial services companies providing banking, insurance, payment and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. FSR member companies provide fuel for America’s economic engine, accounting for $92.7 trillion in managed assets, $1.2 trillion in revenue, and 2.3 million jobs. Learn more at: www.FSRoundtable.org
encourages commercial lenders to make working capital loans by providing them with a loan backing guarantee, which in turn enables businesses to facilitate the export of their products and provides much needed liquidity to conduct new overseas sales.

For all transactions, Ex-Im support is an enhancement to a client relationship, not a primary reason for conducting a deal. Lenders will not book facilities or transactions solely due to the availability of Ex-Im support. An Ex-Im Guarantee does not make a bad deal “bankable”. The loans must be commercially viable and meet not only private lender risk criteria but also Ex-Im’s high support requirements. As such, it is important to note that commercial banks share the risk on transactions with Ex-Im and so would not enter into arrangements where the risk trumps the viability of the deal. Additionally, claims on an Ex-Im Guarantee are only filed with Ex-Im after all attempts to cure financial defaults are completed, including liquidation of available assets. As such, Ex-Im loans and guarantees present very low risks because they are backed by the underlying commercial trade transaction, with a historically low active-default rate of 0.174 percent as of December 2014.

We stress that Ex-Im complements rather than competes with private-sector lenders and each transaction considered for support undergoes analysis by Ex-Im to determine whether an Ex-Im Guarantee is necessary to facilitate the financing of the company’s export sales, including an evaluation of why funds are not available from commercial sources. As standalone private sector funding of trade transactions is not always available or affordable, Ex-Im financing helps commercial lenders, who in turn support their clients to create jobs and maintain growth.

We represent banks of all sizes and we emphasize that the private sector cannot fill the void in export financing for US companies if Ex-Im Bank were to close its doors. We strongly encourage Congress to reauthorize the Ex-Im Bank in advance of the June 30 deadline in order to ensure the continuation of American competitiveness globally, economic growth of US businesses and the creation of US jobs.

Very truly yours,

Tod R. Burwell
President and Chief Executive Officer
BAFT: Bankers Association for Finance and Trade

Tim Pawlenty
President & CEO
Financial Services Roundtable