

# GAO Highlights

Highlights of [GAO-19-43](#), a report to congressional committees

## Why GAO Did This Study

EXIM serves as the official export credit agency of the United States, providing a range of financial products to support the export of U.S. goods and services. Following the 2007–2009 financial crisis, demand for EXIM support increased. However, from July 2015 to May 2019, EXIM lacked a quorum on its Board of Directors and, as a result, was unable to approve medium- and long-term transactions greater than \$10 million.

The Export-Import Bank Reauthorization Act of 2012 includes a provision for GAO to evaluate EXIM's underwriting process. This report discusses the extent to which EXIM's (1) process for updating its underwriting policies and procedures is properly designed and implemented and (2) underwriting policies and procedures for loan and loan guarantee transactions are consistent with guidance for managing federal credit programs. To address these objectives, GAO evaluated EXIM's underwriting policies and procedures against federal guidance and discussed the underwriting process with EXIM officials.

## What GAO Recommends

GAO is making two recommendations to enhance EXIM's policies and procedures related to (1) the use of medium-term delegated authority lenders and (2) periodic program reviews. EXIM concurred with GAO's recommendations and described actions planned to address them.

View [GAO-19-43](#). For more information, contact James R. Dalkin at (202) 512-3133 or [dalkinj@gao.gov](mailto:dalkinj@gao.gov).

May 2019

## EXPORT-IMPORT BANK

### Enhancements Needed in Credit Program Underwriting Policies and Procedures

## What GAO Found

GAO found that Export-Import Bank's (EXIM) process for updating its underwriting policies and procedures was properly designed and implemented. EXIM's *Loan, Guarantee and Insurance Manual* (Manual) describes EXIM's underwriting policies and procedures for its short-, medium-, and long-term loans and loan guarantees. The Manual describes the responsibilities of divisions and loan officers involved in the underwriting process and is required to be updated at least annually, except for material changes (e.g., changes resulting from legislative actions or compliance with sanctions), which are required to be made as soon as possible.

EXIM has initiated a process to streamline the Manual, which consists of over 1,400 pages, by separating the policies and procedures, thus allowing for continuous reviews. The underwriting sections of the Manual are tentatively scheduled for review in 2019.

The primary guidance for designing and managing federal credit programs is Office of Management and Budget Circular A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*. GAO found that EXIM's policies and procedures were consistent with three of five areas of federal guidance; two areas related to lender and servicer eligibility and risk sharing practices were partially consistent with federal guidance.

**Applicant screening.** EXIM's policies and procedures were consistent with guidance in that they require applicants to provide relevant financial information and assessments of applicant eligibility and creditworthiness.

**Loan documentation.** EXIM's process was consistent with guidance in that it requires the preparation of loan files, which include the application, credit reports, and related analyses, as well as collateral documentation and loan agreements.

**Collateral requirements.** EXIM's process was consistent with guidance in that it requires a security interest in the financed export items.

**Lender and servicer eligibility.** EXIM established eligibility and decertification procedures for short-term delegated authority lenders that were consistent with guidance. However, it did not establish similar procedures for medium-term delegated authority lenders.

**Risk sharing practices.** EXIM's process was generally consistent with guidance in that EXIM provides loan guarantee terms that officials stated were necessary to achieve program purposes. However, federal guidance also calls for an agency to periodically review programs in which the government bears more than 80 percent of any loss. While EXIM prepares various program reviews, it has not developed procedures to help ensure that its risk sharing practices are routinely reviewed.

Without enhancements to its policies and procedures, EXIM may allow lenders that are not qualified to underwrite transactions and runs the risk that it will not effectively review its programs.