

The Honorable Tim Johnson  
Chairman  
Senate Committee on Banking  
534 Dirksen Senate Office Building  
Washington, D.C. 20510

The Honorable Michael Crapo  
Ranking Member  
Senate Committee on Banking  
534 Dirksen Senate Office Building  
Washington, D.C. 20510

The Honorable Jeb Hensarling  
Chairman  
House Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Maxine Waters  
Ranking Member  
House Committee on Financial Services  
B-301C Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairman Johnson, Ranking Member Crapo, Chairman Hensarling and Ranking Member Waters,

On behalf of the Small Business Exporters Association (SBEA)—the largest and oldest nonprofit association in the country dedicated exclusively to small- and mid-size exporters, and our umbrella advocacy organization the National Small Business Association (NSBA), I am writing to express serious concern and opposition to a small-business provision located in Section 1 of the administration's Export-Import Bank of the United States (Ex-Im) reauthorization proposal released on April 23.

Even in sound economic times, small businesses are at a distinct disadvantage in the global economy. SBEA and NSBA have been urging for decades that more must be done to emphasize the needs of small business within the scope of U.S. trade. According to our 2013 Small Business Exporting Survey, there has been a notable increase in the number of small-business owners who report they directly export their goods and/or services. Furthermore, there was a marked increase among non-exporters who said they would be interested in starting to export their goods and/or services from just 43 percent in 2010 to 63 percent in 2013.

These findings are a main reason for our grave concern with a proposal put forth by the administration's Ex-Im reauthorization bill. In 2002, Congress increased the proportion of financing Ex-Im must make available for small business to 20 percent. Ex-Im currently interprets the small business financing mandate as requiring Ex-Im to ensure that 20 percent of the value of its transactions is provided *directly* to small business. However, the administration's new reauthorization proposal suggests allowing the Bank to change how it reports its support for small business by including the U.S. goods and services *supplied* by small businesses that are included in Bank-supported exports. More specifically, it recommends including indirect support in addition to direct support.

This re-definition of Ex-Im "financing" that are indirect (i.e. via suppliers) represents a major shift in policy and was not the original intention of the mandate. I urge you, in crafting your own legislation, to maintain the 20 percent mandate of financing dollars goes directly for small business. Typically, these indirect small businesses serve as suppliers for U.S. exporters in larger transactions and derive business indirectly from Ex-Im's long-term loans and guarantees. This type of business, while critical to those small suppliers, does not benefit the small exporters looking to actively get in engaged in trade overseas. Ex-Im has been a critical resource for many small-business exporters and we fear this language could diminish its benefit to those small firms. Export credit provided by the Bank is a critical tool used by small businesses to finance their exports. Without this tool, many small business exporters would be unable to extend credit terms to foreign buyers, thus hampering their ability

to compete with foreign suppliers. Therefore, the Bank needs to continue to be structured in a way to deal with small companies and oriented in the unique way small exporters do business. Small exporting firms account for 98 percent of all exporting firms and 33 percent of U.S. exporting value, according to the U.S. Census Bureau and must remain a critical component of the U.S. export strategy.

According to our survey, the majority of respondents (64 percent)—both exporters and non-exporters—said they sell their goods and products directly to a customer outside the U.S. Similarly, 55 percent responded they do not sell their goods and/or services to another U.S. company that then uses those products to sell/export to foreign customers. Additionally, when asked about the exporting supplier relationship, just one-third (35 percent) said they consider the exporting supplier relationship to be part of exporting.

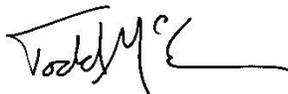
One of the main purposes of Ex-Im is to become a financial facilitator to small-medium sized enterprises (SMEs) which want to export or import their products and have no other lending options. This major shift in policy will provide inflated numbers falsely indicating Ex-Im has met and/or exceeded its 20 percent goal of funding to SMEs, when in reality they have not. Not only would this reporting be intellectually dishonest, it will have the unintended consequence of Ex-Im no longer having incentive to seek new small-business customers. This will hinder SMEs ability to grow through exporting's increased number of consumers, access to additional markets, and improved competitiveness and recognition in a global market.

The Bank historically has failed to meet its 20 percent small-business mandate: it achieved just 19.1 percent in 2013 and 17.11 percent in 2012, but it should be noted this is positive growth. Ex-Im is not alone in failing to meet its small-business mandate, the federal government continually misses its 23 percent small-business goal in small-business contracting—neither of which is reason to give up or turn the mandate on its head. Small and medium business transactions account for more than 85 percent of the Bank's transactions, but still fall short in amount of money lent. New formulas that turn the 20 percent into a goal rather than a mandate, or allow Ex-Im to avoid the mandate—as it has in the last couple of years—should not be an option.

SBEA and NSBA have been long-time supporters of Ex-Im Bank, and believe it should remain a catalyst for the expansion of small-business exports while continuing to support businesses confronting aggressive foreign competition. While we support reauthorizing the Bank, we ask that Section 1 of the administration's proposal be omitted from any Congressional language going forward, indirect suppliers should not be counted toward Ex-Im's small-business goal.

I look forward to working with you to ensure a thriving Ex-Im that continues to support small exporters.

Sincerely,



Todd McCracken  
President & CEO

cc: Members of the Senate Committee on Banking, Housing, and Urban Affairs, Members of the House Committee on Financial Services, Senate Committee on Small Business and Entrepreneurship, House Committee on Small Business, Majority Leader Harry Reid, Minority Leader Mitch McConnell, Speaker John Boehner, and Minority Leader Pelosi