



*Office of Inspector General  
Export-Import Bank  
of the United States*

# **Review of EXIM's Default Rate Management Practices**

*October 14, 2022*

*OIG-EV-23-01*

*The Export-Import Bank of the United States (EXIM) is the official export credit agency of the United States. EXIM is an independent, self-sustaining executive agency and a wholly-owned U.S. government corporation. EXIM's mission is to support jobs in the United States by facilitating the export of U.S. goods and services. EXIM provides competitive export financing and ensures a level playing field for U.S. exports in the global marketplace.*

*The Office of Inspector General, an independent office within EXIM, was statutorily created in 2002 and organized in 2007. The mission of the EXIM Office of Inspector General is to conduct and supervise audits, investigations, inspections, and evaluations related to agency programs and operations; provide leadership and coordination as well as recommend policies that will promote economy, efficiency, and effectiveness in such programs and operations; and prevent and detect fraud, waste, abuse, and mismanagement.*

*OIG has determined that this report provides a reasonable basis for the results and conclusions of the review. Given, however, that this review drew expertise from an interdisciplinary team of oversight professionals, it is considered neither an audit nor an evaluation and therefore is not performed in accordance with the Generally Accepted Government Auditing Standards or the Quality Standards for Inspection and Evaluation.*



*Office of Inspector General*

To: Mary Buhler  
Senior Vice President and Chief Financial Officer

From: Jonathon Walz  
Assistant Inspector General for Congressional and Public Affairs

Subject: Review of EXIM's Default Rate Management Practices

Date: October 14, 2022

Attached is the final report on OIG's review of EXIM's default rate management practices. The objectives of this review were to: (1) determine whether EXIM was calculating the default rate in accordance with applicable statutory requirements; (2) describe actions EXIM takes to manage the default rate; and (3) assess how EXIM's default rate impacts the agency's ability to execute its mission.

This report contains three recommendations to improve EXIM's risk management practices and better communicate the methodology used to calculate the agency's default rate. EXIM management concurred with all three recommendations (see Appendix A). We consider management's proposed actions to be responsive. The recommendations will be closed upon completion and verification of the proposed actions.

If you have any questions or comments regarding this report, please contact me at 202-308-2007 or [jonathon.walz@exim.gov](mailto:jonathon.walz@exim.gov). You can obtain additional information about EXIM OIG and the Inspector General Act of 1978 at [www.exim.gov/about/oig](http://www.exim.gov/about/oig).

# EXECUTIVE SUMMARY

EXIM's Default Rate Management Practices  
OIG-EV-23-01, October 2022

## What We Reviewed

OIG conducted a review of EXIM's default rate management practices. The objectives of this review were to: (1) determine whether EXIM was calculating the default rate in accordance with applicable statutory requirements; (2) describe actions EXIM takes to manage the default rate; and (3) assess how EXIM's default rate impacts the agency's ability to execute its mission.

## What We Recommend

To improve EXIM's risk management practices and better communicate the methodology used to calculate the default rate, OIG issued three recommendations. In its comments on the draft report, EXIM concurred with OIG's recommendations. OIG considers all three recommendations resolved and the recommendations will be closed upon completion and verification of the proposed actions. EXIM's formal response is included in Appendix A.

## What We Found

OIG determined that EXIM calculated and reported its default rate in accordance with statutory requirements. However, OIG also found that EXIM's default rate calculation underestimates risk within the agency's active portfolio and that EXIM lacked centralized data on the performance of some credits, which impeded the agency's ability to provide timely and accurate data on non-performing credits. Although OIG identified differences in how the agency defined default based on transaction type, EXIM's methodology for calculating the default rate was consistent with guidance from the Office of Management and Budget.

At the time of OIG's review, EXIM used the default rate as a primary indicator to analyze portfolio and enterprise risk across the organization. However, several EXIM officials told OIG the default rate is not an accurate measure of risk within the active portfolio because it is a backwards-looking measure that reflects only past performance. OIG also determined that EXIM's default rate calculation understates risk within EXIM's active portfolio.

Public and private sector financial institutions commonly use a delinquency rate calculation to measure risk related to non-performing loans within their portfolio. With a view to better understand the potential for risk within EXIM's portfolio, EXIM produced a delinquency rate calculation at OIG's request. As of June 30, 2022, EXIM had \$519.3 million in outstanding credits 30 days or more past due; this totaled 2.13 percent of the agency's total outstanding exposure. Although a delinquency rate measure is distinct from the default rate, EXIM's reported default rate on the same day was 0.95 percent.

EXIM took several actions to proactively manage its default rate and minimize financial losses associated with non-performing credits. In addition, EXIM officials told OIG that the default rate adversely affects the agency's ability to execute its mission. Most notably, officials told OIG the default rate limited EXIM's ability to pursue transactions that advance statutory goals such as those in support of renewable energy exports and the China and Transformational Exports Program.

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## INTRODUCTION

The Office of Inspector General (OIG) completed a review of the Export-Import Bank of the United States' (EXIM) default rate management practices. The objectives of this review were to: (1) determine whether EXIM is calculating the default rate in accordance with applicable statutory requirements; (2) describe actions EXIM takes to manage the default rate; and (3) assess how EXIM's default rate impacts the agency's ability to execute its mission. This is OIG's first review of the agency's default rate management practices.

## SCOPE AND METHODOLOGY

To review EXIM's default rate management practices, OIG employed a combination of qualitative techniques and document reviews. To discuss roles and responsibilities in relation to the default rate and to gain an understanding of the default rate's impact on agency operations, OIG conducted interviews with EXIM officials, including senior officials in the Office of the Chief Financial Officer, Office of Board Approved Finance, Office of the Chief Risk Officer, Office of Small Business, Office of the Program on China and Transformational Exports, and Office of Congressional and Intergovernmental Affairs.

In conducting this review, OIG examined EXIM's default rate policies and procedures from the rate's inception to present for adherence to prescribed internal/external criteria, particularly EXIM's congressional reporting requirement described in 12 U.S.C 635g(g). OIG also examined other relevant laws, regulations, standards, guidance, and practices. The review was performed at EXIM's main location in Washington, DC. OIG conducted this review from June 2022 to September 2022

## BACKGROUND

EXIM is a wholly-owned government corporation with a mission to facilitate the export of U.S. goods and services and to contribute to the employment of U.S. workers. EXIM's principal export financing programs include direct loans and guarantees to foreign buyers, export credit insurance for exporters and foreign buyers, and working capital finance for U.S. small business exporters. The financing of a transaction is largely contingent upon EXIM's charter requirement of "reasonable assurance of repayment" for all agency transactions, which are backed by the full faith and credit of the U.S. Government.<sup>1</sup>

### EXIM Required to Report Quarterly Default Rate

EXIM is required by law to monitor and report the default rate on EXIM financing each quarter. Specifically, 12 U.S.C. 635g(g) directs the agency to calculate the rate at which the entities to which it has provided short-, medium-, or long-term financing are in default on a payment obligation. Consistent with the statute, EXIM calculates its default rate by dividing the "total amount of required payments that are overdue" (claims paid on guarantees and

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<sup>1</sup> 12 U.S.C. § 635 *et seq.* (also referred to as EXIM's Charter).

insurance transactions plus loans past due) by the “total amount of financing involved” (disbursements). EXIM is also subject to a two percent default rate ceiling, at which point EXIM’s lending cap would freeze.<sup>2</sup> Accordingly, reaching the default rate ceiling would prevent EXIM from authorizing nearly any new transactions until the default rate again drops below the two percent ceiling.

Although EXIM’s reported default rate has historically been less than one percent, it increased to a peak of 1.56 percent in June 2021. The initial increase in EXIM’s default rate resulted, in part, from the effects of the COVID-19 pandemic. However, the effect of non-performing credits on EXIM’s default rate was amplified by the declining value of EXIM’s total financing. Despite a recent decrease in EXIM’s default rate for the quarter ending on June 30, 2022,<sup>3</sup> EXIM officials estimated that the rate would again increase at the conclusion of FY 2022 due to external geopolitical and macroeconomic factors such as Russia’s 2022 war against Ukraine and global inflationary pressures. Further increases to EXIM’s default rate have the potential to significantly impact EXIM’s ability to accomplish its mission of supporting U.S. jobs and facilitating the export of U.S. goods and services.

### **Mandates, New Initiatives Seek to Advance National Interests**

EXIM is subject to goals associated with congressional mandates and other initiatives that seek to advance national interests. For example, in EXIM’s 2019 reauthorization, Congress directed the agency to establish the China and Transformational Exports Program (CTEP), with a goal of reserving 20 percent of EXIM’s exposure cap for financing exports that compete directly with China or for exports in sensitive, high-technology industries. EXIM is also subject to similar congressional direction to make more financing available for environmentally beneficial exports, to support American small businesses, and to facilitate U.S. exports to Sub-Saharan Africa. In 2022, EXIM announced the creation of the Make More in America initiative to close supply chain gaps by providing domestic financing.

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<sup>2</sup> 12 U.S.C. § 635e(a)(3).

<sup>3</sup> EXIM’s reported default rate decreased from 1.07 percent for the quarter ending on March 31, 2022, to 0.95 for the quarter ending on June 30, 2022.

## RESULTS

OIG determined that EXIM calculated and reported its default rate in accordance with statutory requirements. However, OIG also found that EXIM's default rate calculation was not a reliable measure of risk within the agency's active portfolio and that EXIM lacked centralized data on the performance of some credits, which impeded the agency's ability to provide timely and accurate data on non-performing credits. As described below, EXIM took several actions to proactively manage its default rate and minimize financial losses associated with non-performing credits. In addition, senior EXIM officials told OIG that the default rate adversely affected the agency's ability to execute its mission.

### **Finding: Default Rate Consistent with Statute But Not an Accurate Measure of Risk**

#### **EXIM Properly Calculated and Reported Default Rate**

OIG determined that EXIM calculated and reported its quarterly default rate in accordance with statutory obligations. Specifically, the formula EXIM used to calculate its default rate is consistent with the statutory language contained in 12 U.S.C. 635g(g). EXIM defines the default rate calculation as actual defaults at a point in time. However, as described below, OIG determined that some EXIM officials interpret the default rate calculation to be a measure of risk within the active portfolio. During this review, OIG observed differences in how the agency defined default based on transaction type. For example, EXIM considers a direct loan in default when it is 30 days or more past due. By contrast, EXIM considers a loan guarantee in default only when a claim is filed by a private sector lender. A private sector lender is able to file a claim when a guaranteed loan is between 30 and 150 days past due. OIG also notes that it is EXIM's practice to include the full balance of financed amounts in its calculation even in cases where a credit has been prepaid.

EXIM officials told OIG that the agency engaged in consultations with the Office of Management and Budget (OMB) and congressional stakeholders while developing the methodology used to calculate the default rate after Congress first enacted the reporting requirement in 2012. EXIM officials also cited OMB Circular No. A-129,<sup>4</sup> which supports EXIM's differing treatment of direct loans and loan guarantees when calculating the default rate. Specifically, per the circular, "[l]oans guaranteed or insured by the Federal Government are in default when the borrower breaches the loan agreement with the private sector lender. A default to the Federal Government occurs when the Federal credit granting agency repurchases the loan, pays a loss claim or pays reinsurance on the loan." As part of this review, OIG observed a meeting of the Risk Management Committee which is charged with reviewing all required reports on the default rate before submission to Congress. OIG also reviewed past EXIM reporting to Congress on its default rate.

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<sup>4</sup> Office of Management and Budget, Circular No. A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*, January 2013.

**EXIM Lacks Reliable Measure of Portfolio Risk, Ability to Provide Timely and Accurate Data on Non-Performing Credits**

OIG found that EXIM’s default rate calculation underestimates risk within the agency’s active portfolio and that EXIM lacked centralized data on the performance of some credits, which impeded the agency’s ability to provide timely and accurate data on non-performing credits. Although EXIM monitored individual transactions to identify those at increased risk of default,<sup>5</sup> EXIM used the default rate as a primary indicator to analyze portfolio and enterprise risk. For example, stress testing of EXIM’s portfolio was reported in terms of each scenario’s impact on the default rate. Similarly, employees in EXIM’s Office of the Chief Risk Officer tracked and reported on default rate trends as part of EXIM’s enterprise risk management program. Notwithstanding these practices, EXIM officials told OIG the default rate is not an accurate measure of risk within the active portfolio because it is a backwards-looking measure that reflects only past performance at a point in time. Interviews with EXIM officials also indicated that employees—including some senior agency officials—lacked a consistent understanding of what the default rate measured and how it was calculated.

OIG determined that EXIM’s default rate calculation understates default risk within EXIM’s active portfolio. Public and private sector financial institutions commonly use a delinquency rate calculation to measure risk related to non-performing loans within their portfolio.<sup>6</sup> With a view to better understand the potential for risk within EXIM’s portfolio, OIG requested that EXIM produce a delinquency rate calculation that mirrors the practices of other financial institutions.<sup>7</sup> Consistent with EXIM’s response, EXIM had \$519.3 million in credits 30 days or more past due as of June 30, 2022; this totaled 2.13 percent of the agency’s outstanding exposure.<sup>8</sup> Although a delinquency rate measure is distinct from the default rate, EXIM’s reported default rate on the same date was 0.95 percent. Of the 66

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<sup>5</sup> For example, EXIM utilized meetings of the Risk Management Committee and Enterprise Risk Committee to report on and discuss transactions categorized as major delinquent debt, impaired credits, and watchlist transactions.

<sup>6</sup> Institutions often calculate multiple such measures based on whether a credit is 30, 60, 90, 120, or 150 days or more past due.

<sup>7</sup> To calculate the delinquency rate used in this report, OIG requested that EXIM divide the aggregate outstanding balance of all guarantees, direct loans, and insurance 30 days or more delinquent by the aggregate outstanding balance of all financing. OIG requested a 30-day delinquency rate calculation because EXIM’s Default Policy generally requires that the agency begin reviewing transactions that are 30 or more days in arrears. Moreover, the formula EXIM uses to calculate its default rate uses a 30-day standard for reporting past-due direct loans. However, OIG’s analysis should not be viewed as an endorsement of a 30-day delinquency calculation as EXIM’s measure of portfolio risk. As indicated in the recommendation below, OIG defers to the agency on which measure(s) are the most meaningful in assessing and managing the agency’s portfolio risk.

<sup>8</sup> During EXIM’s review of this report, the agency noted that the delinquency rate would vary based on whether it was reported as 30, 60, 90, 120, or 150 days past due and provided calculations for such rates at each interval. The agency’s reported delinquency rate ranged from 1.06 percent at 150 days past due to the 2.13 percent figure used in the report text to reflect credits 30 or more days past due. Although they are distinct measures, OIG notes that all of the reported delinquency rates exceeded EXIM’s reported default rate at that time (0.95 percent).

transactions EXIM identified when calculating the delinquency rate, more than half (35 transactions totaling \$234.5 million) were 1,000 or more days past due.<sup>9</sup> EXIM officials acknowledged it was unlikely that these credits would return to a performing status, but said EXIM retains them as credits in order to seek recoveries. Finally, EXIM officials told OIG they were unsure whether a delinquency rate calculation would be an appropriate measure of risk for EXIM because of the agency's specialized mission. For example, an official told OIG some foreign borrowers routinely pay late, but will ultimately provide payment. They also noted they were unaware of another federal agency that has a profile of borrowers, sector exposure, geographic exposure, and financing terms and conditions comparable to EXIM.

OIG also found that EXIM lacked centralized data on the performance of some credits, which impeded the agency's ability to provide timely and accurate data on non-performing credits. Specifically, EXIM required several attempts to produce the OIG-requested delinquency rate, described above. Following the agency's initial data submissions, OIG identified transactions that were briefed to EXIM's Board of Directors as being in or at risk of default were missing from the agency's submission to OIG. After OIG inquired about the missing transactions, the agency recalculated the data and reported increased delinquency rates; specifically, EXIM initially calculated the delinquency rate as of June 30, 2022 at 1.79 percent, later revised it to 1.96 percent, and finally reported the 2.13 percent figure presented above. When OIG questioned the discrepancies in the calculations, the Office of the Chief Financial Officer told OIG that EXIM's IT systems do not report detailed monitoring data for some long-term transactions. This necessitated that they orally consult with divisions in the Office of Board Authorized Finance to produce the data requested by OIG. During the agency's review of a draft of this report, officials indicated that OIG's requested delinquency calculation was not one the agency previously used, necessitating the consultations with OIG, described above. Nevertheless, the delays and discrepancies in the data reporting raises doubts about the accuracy of EXIM's evaluation of non-performing credits.

Congress requires EXIM to review the adequacy of qualitative metrics to assess the risk of default under various scenarios.<sup>10</sup> In addition, the agency is required to conduct periodic stress testing on the entire agency portfolio and monitor industry, geographic, and obligor exposure levels. EXIM officials told OIG that they used the default rate as a primary indicator to analyze portfolio and enterprise risk because the agency was required by law to calculate and report the default rate to Congress. Moreover, OIG assesses that EXIM's description of the methodology rate used to calculate the default rate—particularly as it relates to management decisions about the treatment of specific, non-performing credits—contributed to the deficiencies described above. In the absence of accurate measures of risk

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<sup>9</sup> EXIM's default rate formula requires the agency to only report the past due balances on such credits. However, EXIM officials explained that the full outstanding balance of a transaction is reflected in the default rate when management determines repayment is unlikely. For example, the officials told OIG the agency's default rate already reflected the full outstanding balance of several large transactions identified by OIG's analysis of the data. OIG notes that EXIM's Congressional reporting on the default rate does not fully describe the agency's treatment of such non-performing credits.

<sup>10</sup> 12 U.S.C. § 635a(l)(3)(F).

within EXIM's portfolio, the agency is unable to make informed decisions to manage risk and protect taxpayer resources.

## **RECOMMENDATIONS**

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OIG recommends that the agency:

1. Identify suitable aggregate measure(s) of portfolio risk to inform organizational decision-making;
2. Ensure EXIM has timely, accurate, and centralized information on all non-performing credits; and
3. Revise the descriptions in EXIM's default rate report to more clearly describe the methodology used to calculate the default rate in cases where management decisions are required to determine the treatment of specific credits.

See Appendix A for EXIM's management response to these recommendations. EXIM concurred with each of the recommendations. OIG considers all three recommendations resolved and the recommendations will be closed upon completion and verification of the proposed actions.

## **Other Observations: Actions Taken to Manage Default Rate But Agency Mission Impacted**

### **EXIM Took Actions to Manage the Default Rate**

As part of this review, OIG observed that EXIM took several actions to proactively manage its default rate and minimize financial losses associated with non-performing credits. During the COVID-19 pandemic, EXIM provided liquidity relief to borrowers and delegated lenders and engaged in recovery and restructuring efforts on distressed credits to minimize potential losses to U.S. taxpayers. EXIM's aircraft portfolio was particularly impacted by the early stages of the COVID-19 pandemic, as air travel declined precipitously. At the time of OIG's review, the agency had successfully restructured most aircraft transactions that became distressed as a result of the pandemic. EXIM also sought recoveries on transactions that could not be returned to a performing status, including through the sale of repossessed aircraft.

In response to increases to EXIM's default rate caused by the COVID-19 pandemic, the agency formed a default rate working group to improve communication and analyze how distressed credits were likely to impact the default rate. The working group was in addition to EXIM's existing fora involved in the monitoring of the default rate such as Risk Management Committee and Enterprise Risk Committee. Although EXIM is required to report its default rate quarterly,<sup>11</sup> the agency now calculates the default rate on a monthly basis to better monitor the impact of non-performing credits. Finally, EXIM routinely examines its portfolio to identify, monitor, and measure the future default rate under various stressed scenarios. EXIM utilized a Monte Carlo simulation approach for its top-down stress test to project a range of potential default rates over the lifetime of the current

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<sup>11</sup> 12 U.S.C. § 635g(g).

non-overdue portfolio. During the pandemic, EXIM also created a COVID-19 specific stress testing model.

### **Default Rate Impacted Agency's Ability to Pursue Some Transactions**

Senior EXIM officials told OIG that the default rate adversely affects the agency's ability to execute its mission. Several officials told OIG that the default rate and associated ceiling contributes to a culture of risk aversion within the organization. One senior official told OIG that the impact of EXIM exceeding the two percent default rate ceiling is so severe<sup>12</sup> that the default rate effectively manages the agency. Officials expressed concern that such risk-aversion has a domino effect that further limits EXIM's ability to approve transactions. In the view of these officials, EXIM's unwillingness to pursue transactions that could increase the default rate prevents the agency from growing its already reduced portfolio<sup>13</sup> and a smaller portfolio causes any defaulting transaction to have an even larger impact on the default rate. Notwithstanding these views, working-level officials interviewed by OIG said the default rate does not affect their daily work and that they continued to underwrite transactions to the reasonable assurance or repayment standard required by EXIM's Charter.

Officials told OIG the default rate particularly limited EXIM's ability pursue transactions that advance statutory initiatives such as the China and Transformational Exports Program (CTEP) and renewable energy exports. Officials explained such transactions are higher risk because they involve new technologies, which increase the possibility of a default. In a recent audit of EXIM's implementation of provisions of its 2019 reauthorization, OIG found that EXIM had made limited progress authorizing transactions associated with goals related to CTEP and exports of renewable energy, energy efficiency, and energy storage technologies.<sup>14</sup> OIG determined EXIM's default rate contributed to the agency's limited progress in meeting these allocation goals. At the time of OIG's review, EXIM officials were seeking relief from congressional stakeholders to either increase the agency's default rate ceiling as detailed in the agency's FY 2022 and FY 2023 budget requests and/or exempt specific types of transactions from the default rate calculation. EXIM officials told OIG such relief would allow the agency increased flexibility to pursue transactions that advance congressionally mandated goals, including those related to CTEP and renewable energy exports.

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<sup>12</sup> EXIM is subject to a two percent default rate ceiling, at which point its lending cap would freeze. Accordingly, reaching the default rate ceiling would prevent the agency from authorizing most new transactions.

<sup>13</sup> Between July 2015 and May 2019, a lack of quorum on EXIM's Board of Directors prevented the agency from authorizing transactions in excess of \$10 million. As a result, the total value of EXIM's annual authorizations declined by nearly 84 percent—from \$20.5 billion in FY 2014 to \$3.3 billion in FY 2018.

<sup>14</sup> OIG, *Audit of EXIM's Implementation of Key Provisions of the 2019 Reauthorization Act and Other Priorities*, (OIG-AR-22-08, September 2022).

## APPENDIXES

### Appendix A: Management Response



*Helping American Businesses Win the Future*

**DATE:** September 27, 2022

**TO:** The Honorable Parisa Salehi, Inspector General, Office of Inspector General

**THROUGH:** Mary Jean Buhler, Senior Vice President, and Chief Financial Officer

**FROM:** Adam Martinez, Senior Vice President, and Chief Management Officer **ADAM MARTINEZ**

**SUBJECT:** Review of EXIM’s Default Rate Management Practices (OIG-EV-23-01)

Digitally signed by ADAM MARTINEZ  
Date: 2022.10.11 14:48:45 -0400

Dear Ms. Salehi,

Thank you for providing the Export-Import Bank of the United States (“EXIM” or “EXIM Bank”) management with the Office of Inspector General’s (“OIG”) *Review of EXIM’s Default Rate Management Practices*, OIG-EV-22-01, dated September 23, 2022 (the “Report”).

EXIM appreciates that the OIG “determined that EXIM calculated and reported its default rate in accordance with statutory requirements” and “EXIM’s methodology for calculating the default rate was consistent with guidance from the Office of Management and Budget.” EXIM is pleased that the OIG recognized that “EXIM took several actions to proactively manage its default rate and minimize financial losses associated with non-performing credits.”

EXIM proactively monitors efforts to predict and prevent defaults and, in cases of actual defaults, aggressively seeks recoveries. This includes both continuous and scheduled risk-based reviews of individual transactions, analyzing the obligor’s debt service capacity, and taking into account all other factors that directly impact ability and willingness to pay. These ongoing reviews strengthen staff’s familiarity with obligors and allow the agency to identify vulnerabilities in the credit. EXIM then looks portfolio-wide at the risk and exposure levels by type of financing product, borrower, and risk rating, to closely assess risk in its portfolio. As part of inter-divisional reviews of the Enterprise Risk Management Committee, staff regularly brief senior management on risk assessments of the portfolio and notable transactions. However, EXIM recognizes that additional steps could be taken, as detailed in the OIG recommendations, to further improve risk management processes.

Finally, EXIM notes that the OIG provided draft reports for multiple engagements, including this one, to the agency between September 13-15, 2022. EXIM takes OIG reports and findings very seriously and worked diligently to provide technical feedback and input on an expedited basis even as staff are also engaged in significant work related to the end of the fiscal year. Despite

these challenges, EXIM has sought to provide timely and complete responses to all management recommendations in order to allow the OIG to issue reports by September 30, 2022.

OIG has made three recommendations in this report:

**Recommendation 1:** Identify suitable aggregate measure(s) of portfolio risk to inform organizational decision-making.

**Management response:** EXIM concurs with this recommendation. While EXIM performs detailed reviews of at-risk transactions at its monthly Enterprise Risk Committee (ERC) meeting and discusses specific, at-risk transactions with Board members at its Risk Management Committee (RMC) briefings, EXIM will explore additional suitable and quantitative measures to further inform EXIM management about portfolio risk in addition to the reviews

**Recommendation 2:** Ensure EXIM has timely, accurate, and centralized information on all non-performing credits.

**Management response:** EXIM concurs with this recommendation. As mentioned above, while EXIM regularly reviews and presents at-risk transactions with senior leadership and the Board of Directors, EXIM will add key portfolio risk data elements to the agency's data warehouse to ensure the centralized tracking of all non-performing credits.

**Recommendation 3:** Revise the descriptions in EXIM's default rate report to more clearly describe the methodology used to calculate the default rate in cases where management decisions are required to determine the treatment of specific credits.

**Management response:** EXIM concurs with this recommendation. As part of the agency's commitment to transparency, EXIM will provide additional language in its Default Report to Congress that will explain cases where management decisions are required to determine the treatment of certain credits.

CC:

Rebecca Webb, Chief of Staff

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## **ACKNOWLEDGEMENTS**

This report was prepared by the Office of Inspector General for the Export-Import Bank of the United States. Several individuals contributed to this report including Jonathon Walz, Assistant Inspector General for Congressional and Public Affairs, Thomas Redmann, Senior Special Agent, Lilith Sanchez, Senior Inspector, and Claudia Munoz, Auditor.

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