

GAO Highlights

Highlights of [GAO-14-574](#), a report to congressional committees

Why GAO Did This Study

Ex-Im 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, increased demand for Ex-Im support resulted in significant increases in Ex-Im's outstanding financial commitments and risk exposure, which heightened interest in ensuring that Ex-Im has procedures in place to minimize financial risks.

GAO was mandated by the Export-Import Bank Reauthorization Act of 2012 to review the extent to which Ex-Im (1) adequately designed and implemented procedures to reasonably assure compliance with its underwriting process requirements for loan guarantee transactions and consistency with federal guidance and (2) adequately designed procedures to prevent, detect, and investigate fraudulent applications for loan guarantees. To address these objectives, GAO (1) reviewed Ex-Im's relevant procedures and federal guidance; (2) conducted tests on statistically random samples of loan guarantees authorized between October 1, 2011, and March 31, 2013; and (3) interviewed Ex-Im officials.

What GAO Recommends

GAO is making a number of recommendations to Ex-Im to enhance its loan guarantee underwriting process with additional procedures for ensuring compliance with Ex-Im and federal requirements, as well as for documenting fraud processes. In commenting on GAO's draft report, Ex-Im concurred with GAO's recommendations.

View [GAO-14-574](#). For more information, contact Steve Lord at (202) 512-4379 or lords@gao.gov or Gary Engel at (202) 512-3406 or engel@gao.gov.

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EXPORT-IMPORT BANK

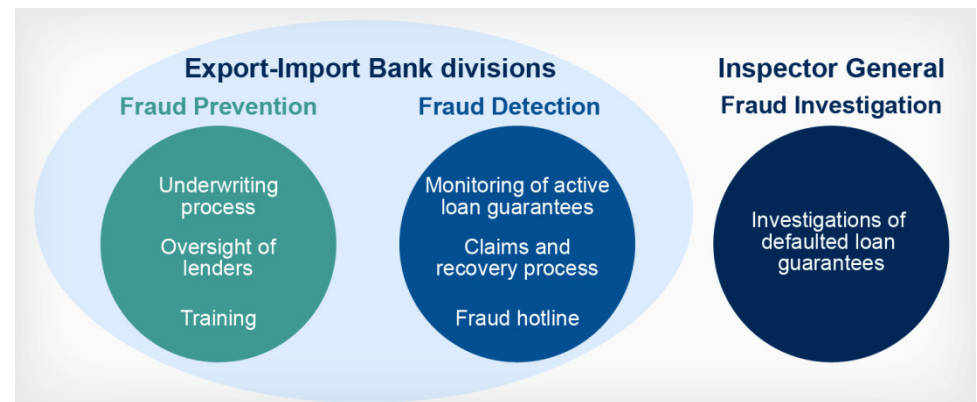
Enhancements Needed in Loan Guarantee Underwriting Procedures and for Documenting Fraud Processes

What GAO Found

The Export-Import Bank's (Ex-Im) *Loan, Guarantee, and Insurance Manual* (Manual) describes Ex-Im's underwriting procedures and generally provides loan officers with a framework to implement its underwriting process requirements for loan guarantee transactions. GAO's review of a statistical sample of loan guarantees indicated that Ex-Im implemented many key aspects of the underwriting process as required by the Manual. However, the Manual did not (1) include certain procedures or sufficiently detailed instructions to verify compliance with Ex-Im's requirements and consistency with federal guidance, such as a procedure to verify that loan guarantee transaction applicants did not have delinquent federal debt; (2) include instructions for loan officers to use credit reports and for the inclusion of all required documents and analyses in the loan file prior to approval; and (3) call for assessments of collateral, as required by federal guidance, for certain loan guarantee transactions prior to approval. Further, Ex-Im did not have mechanisms to verify compliance with certain established procedures, including documenting certain loan guarantee eligibility procedures. In addition, Ex-Im's current risk-based approach for scheduling examinations to monitor lenders with delegated authority to approve guaranteed loans was not documented. Improvements in these areas help enhance the assessment of transaction participant eligibility and the reasonable assurance of repayment, as well as help prevent fraud.

While Ex-Im has processes to prevent, detect, and investigate fraud, Ex-Im has not documented its overall processes for doing so. Such documentation is recommended by several authoritative auditing and antifraud organizations as a key step in evaluating and updating these processes. The processes Ex-Im used to prevent and detect fraud were part of its underwriting and monitoring of loan guarantees. A number of divisions within Ex-Im, as well as lenders, played a role in preventing fraudulent applications from being approved and monitoring activity that could help detect potential fraud. If a guaranteed loan defaults and an indicator of fraud existed, staff would work with Ex-Im's Office of Inspector General to leverage its investigative resources to pursue involved parties.

Key Aspects of Export-Import Bank's Fraud Processes



Source: GAO analysis of Ex-Im information. | GAO-14-574