



Audit of EXIM's Direct Loan Program



OIG-AR-25-05
September 23, 2025

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



MEMORANDUM

To: Bryan Rolfe
Senior Vice President
Office of Board Authorized Finance

Tony Onorato
Senior Vice President and General Counsel

From: Eric Rivera
Assistant Inspector General for Audits *Eric Rivera*

Subject: Audit of EXIM's Direct Loan Program

Date: September 23, 2025

Attached is the report titled *Audit of EXIM's Direct Loan Program*. The objective of this audit was to determine if EXIM's processes for direct loan transactions are operating in accordance with federal guidelines and EXIM policies and procedures.

OIG conducted this audit in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

OIG appreciates the cooperation and courtesies provided during the audit. If you have questions, please contact me at (202) 565-3219 or eric.rivera@exim.gov or Timothy Keeler at (202) 565-3966 or timothy.keeler@exim.gov.



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

OIG-AR-25-05

What OIG Audited

The Office of Inspector General (OIG) audited the Export-Import Bank of the United States' (EXIM) Direct Loan Program. The objective of this engagement was to determine if EXIM's processes for direct loan transactions are operating in accordance with federal guidelines and EXIM policies and procedures. During the audit, OIG reviewed four of seven direct loans authorized by EXIM in fiscal year (FY) 2020 through FY 2023. This sample represented 57 percent of the total number of direct loans issued and 93 percent of the total dollar value of all direct loans approved during this period.

What OIG Recommends

OIG issued four recommendations to improve EXIM policies related to exposure fees, co-financing, and due diligence.

In its comments on the draft report, EXIM concurred with one recommendation and non-concurred with three recommendations. EXIM's management response is reprinted in its entirety in Appendix B. OIG's response is in Appendix C.

EXECUTIVE SUMMARY

Audit of EXIM's Direct Loan Program September 23, 2025

What OIG Found

OIG determined that, although the agency generally managed its direct loan program in accordance with federal guidelines, one of four sampled transactions resulted in \$10,969,350 in questioned costs. Moreover, OIG identified an opportunity for EXIM to improve its processes to ensure ineligible parties do not receive EXIM financing.

Specifically, OIG found that EXIM bore disproportionate risk compared to two other export credit agencies (ECAs) in a co-financed direct loan because EXIM did not have a policy that covered changes in exposure fees. Borrowers pay an exposure fee to cover the risk of non-payment, and for this loan, the borrower requested a \$35.2 million reduction in the fee based on updated rates. Although EXIM only financed 68.9 percent of the loan, EXIM absorbed the entire reduction in the exposure fee. OIG identified \$10,969,350 in questioned costs, based on a calculation of sharing the exposure fee reduction, proportionally with the other two ECAs.

OIG also found that EXIM's published guidance was silent on or inconsistent with its co-financing activities regarding direct loans. Specifically, EXIM initiated and approved a co-financed direct loan without guidance in place allowing such a transaction. As a result, EXIM increased the risk of unallowed transactions.

In addition, OIG found that EXIM did not search for or document its review of delinquent federal debt for two of four sampled loans. Federal policy states that agencies should determine if applicants are delinquent on any federal debt. EXIM did not include a review of delinquent federal debt in an underwriting checklist used during the due diligence phase for one of the loans. For the other loan, EXIM did not complete the review before authorization of the loan. By omitting to use delinquent federal debt records, EXIM is forgoing opportunities to perform additional due diligence that would help inform its decisions about applicants' and participants' program eligibility and fraud risks.

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OBJECTIVE

The Export-Import Bank of the United States (EXIM) Office of Inspector General (OIG) conducted this audit to determine if EXIM's processes for direct loan transactions are operating in accordance with federal guidelines and EXIM policies and procedures.

BACKGROUND

About EXIM

EXIM is a wholly owned government corporation, established in 1934 through an Executive Order and subsequently made an independent agency through congressional charter in 1945. As the official export credit agency (ECA) of the United States, EXIM's mission is to support American jobs by facilitating the export of U.S. goods and services through financing and insurance programs.

EXIM supports U.S. exports by providing export financing in cases where the private sector is unable or unwilling to provide financing or where such support is necessary for U.S. exporters to remain competitive. EXIM's charter requires reasonable assurance of repayment for the transactions that EXIM authorizes and monitoring of credit and other risks in its portfolio. EXIM offers four financial products: direct loans, loan guarantees, working capital guarantees, and export credit insurance. EXIM's obligations carry the full faith and credit of the U.S. Government.

EXIM's Direct Loan Program

EXIM direct loans help U.S. companies secure competitive, fixed-rate financing for foreign buyers of U.S. capital goods and services. EXIM direct loans are offered at the most favorable terms allowed under international economic agreements¹ and cover up to 85 percent of the U.S. contract value of the exported goods, and 100 percent of the transaction's commercial and political risks, risks that commercial institutions are unwilling to take. Direct loan financing is available for medium- and long-term transactions, although most direct loans are long-term, with repayment terms in excess of 7 years.

At the end of fiscal year (FY) 2024, \$13.7 billion (or 40.2 percent) of EXIM's total credit exposure was from direct loans.

EXIM's Office of Board Authorized Finance (OBAF) is primarily responsible for the underwriting of medium- and long-term transactions, which includes presentation of transactions to EXIM's Board of Directors (Board), disbursements for approved transactions, and post-closing monitoring and management of transactions. The Board approves all transactions in which the

¹ EXIM is a participant in the Organization for Economic Co-operation and Development's Arrangement on Officially Supported Export Credits, which affects the lending terms EXIM can offer.

financed portion, excluding EXIM's exposure fee, is greater than \$25 million. An exposure fee is the percentage of the loan, loan guarantee, or insurance policy that EXIM charges to cover the risk of nonpayment.

EXIM Credit Process Seeks to Ensure Reasonable Assurance of Repayment

EXIM's credit process involves several stages, which seek to ensure the agency meets its statutory obligation to reasonable assurance of repayment for all approved transactions. This process is detailed in Chart 1, below.

Chart 1: Overview of Credit Process



Source: Generated by OIG from data provided by EXIM.

Stage 1 and 2: Upon receiving a loan application, the loan officer is responsible for conducting initial due diligence on a transaction that identifies participants, the financing terms, and the legal and credit considerations.

Stage 3: EXIM assesses the credit risk and only borrowers who are deemed to have a reasonable assurance of repayment are recommended for approval.

Stage 4: The Board approves or denies transactions exceeding \$25 million. The Board consists of the President and Chairman, the Vice President and Vice Chairman, and three EXIM Directors.

Stage 5: Upon approval of the transaction, the transaction can then be declared operative.

Stage 6: Once the transaction is operative, EXIM can begin disbursing funds and monitoring the performance of the loan.

Successfully completing the requirements of each stage is important for EXIM to ensure that its transactions help meet its mission and reduce risk.

Co-Financing Transactions Promote Risk-Sharing

EXIM's *Loan, Guarantee and Insurance Manual* (LGI Manual) defines co-financing (or reinsurance) as two ECAs working together to permit exports from both countries to benefit from a single financing package.² The lead ECA agrees to guarantee (or insure) the entire amount of the foreign sourcing and then receives a reinsurance commitment from the follower

² Export-Import Bank of the United States, *Loan, Guarantee and Insurance Manual* (May 2017, Chapter 20).

ECA for the goods and services sourced from the follower ECA's country. The follower ECA agrees to pay on demand a pro-rata portion of losses in the event of default in exchange for receiving a share of the exposure fee and the right to a pro rata share of recoveries as the foundation of a risk-sharing, cooperative relationship.

FINDINGS

OIG determined that, although EXIM generally managed its direct loan program in accordance with federal guidelines, one of four sampled transactions resulted in nearly \$11 million in questioned costs. Moreover, OIG identified an opportunity for EXIM to improve its processes to ensure ineligible parties do not receive EXIM financing.

During the audit, OIG reviewed four of seven direct loans authorized by EXIM in fiscal year 2020 through FY 2023. This sample represented 57 percent of the total number of direct loans issued and 93 percent of the total dollar value of all direct loans approved during this period. Table 1, below, lists the direct loans reviewed. Additional information about the scope and methodology employed in this audit is contained in Appendix A.

Table 1: Sample Loans

	Fiscal Year	Authorization Date	Authorization Amount
Sample Loan #1	2021	1/14/2021	\$69,803,867
Sample Loan #2	2023	12/22/2022	\$407,410,330
Sample Loan #3	2023	6/1/2023	\$907,457,624
Sample Loan #4	2023	9/21/2023	\$57,272,230
			\$1,441,944,051

Source: Generated by OIG from data provided by EXIM.

Finding 1: EXIM Did Not Share Risk Proportionally with Other ECAs in a Co-financed Direct Loan

OIG found that EXIM bore disproportionate risk compared to two other ECAs in a co-financed direct loan included in OIG's sample because EXIM did not have a policy that covered changes in exposure fees. Borrowers pay an exposure fee to cover the risk of non-payment, and for the sampled loan, the borrower requested a \$35.2 million reduction in the fee based on updated rates. Although EXIM only financed 68.9 percent of the loan, EXIM absorbed the entire reduction in the exposure fee. In contrast to its charter, which states that EXIM shall charge fees and premiums commensurate to its risk, EXIM will receive less compensation for its share

of the risk of non-payment in the transaction. As a result, OIG identified questioned costs totaling \$10.9 million.³

Co-financing Policies and Agreements Promote Risk-Sharing

EXIM is subject to several requirements regarding exposure fees and co-financing. Section 2(c)(1) of EXIM's charter states that EXIM shall charge fees and premiums commensurate, in the judgment of EXIM, with risks covered in connection with the contractual liability that EXIM incurs for guarantees, insurance, coinsurance, and reinsurance against political and credit risks of loss. EXIM has not developed a specific policy to interpret the statute further regarding exposure fees. EXIM policy and manuals do not expressly address proportionally splitting exposure fees. However, according to EXIM's LGI Manual, co-financing loans should create a balanced risk sharing relationship. ECAs pay a pro-rata portion of losses in exchange for a share of exposure fee and right to pro-rata share of recoveries. Furthermore, EXIM's co-financing agreements with the other two ECAs involved in this transaction advanced risk sharing. The agreements state that if the lead ECA needs to refund the beneficiary some of the exposure fee, the follower ECAs should repay the lead ECA the portion of the refund that corresponds as their percentage of the original exposure fee.

EXIM Absorbed Full Reduction in Exposure Fee Despite Co-Financing Arrangement

OIG found that EXIM agreed to absorb a \$35.2 million reduction in exposure fee on the sampled transaction despite the loan involving co-financing with two other ECAs. On June 1, 2023, EXIM's Board authorized a co-financed direct loan totaling approximately \$907 million. Two foreign ECAs provided reinsurance commitments to EXIM for the transaction totaling \$219,591,151 (or 31.1 percent of the financed portion of the loan). Borrowers are charged an exposure fee for the risk of non-payment. Originally, each ECA's exposure fee was calculated to be 28.66 percent of its financing amount. After the Board authorized the loan and before the loan was executed and disbursed, the borrower requested that EXIM lower the exposure fee by \$35.2 million based on new rates established by the Organization for Economic Co-operation and Development.⁴

OIG also found that EXIM did not meaningfully pursue efforts to share exposure fee reductions with the other ECAs soon after contacting them. EXIM contacted the two ECAs on March 19, 2024, and April 5, 2024, respectively. On April 8, 2024, one of the ECAs responded that lowering the exposure fee would be a significant change that could materially affect the transaction, adding that it would need to secure high-level approval for the revised terms. Instead, the ECA

³ According to Council of the Inspectors General on Integrity and Efficiency's *Toolkit for Identifying and Reporting Monetary Impact* (June 18, 2024), questioned costs are: (a) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (b) a finding that, at the time of the audit, the cost is not supported by adequate documentation; or (c) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

⁴ Organization for Economic Co-operation and Development works with ECAs to minimize official export credit subsidies to ensure that buying decisions are made on factors other than the financing provided by ECAs.

suggested that it could reduce its exposure fee by 10 percent using a faster process. The ECA asked EXIM to confirm if the 10 percent reduction would be acceptable to the borrower. The other ECA sent a list of follow-up questions to EXIM about the request on April 15, 2024. In response to the above communications, EXIM replied to the ECAs on April 8 and 19, 2024, respectively, informing them that EXIM would absorb the entire exposure fee decrease. As a result, EXIM absorbed the full decrease, despite only financing 68.9 percent of the loan. The following tables show the authorized and amended totals for the loan and highlight the decrease in exposure fee for EXIM and not for the other ECAs.

Table 2: Authorized Financed Amount and Exposure Fee Totals

	EXIM	Other ECAs	Total
Financed Amount Excluding Exposure Fee	\$485,718,098	\$219,591,151	\$705,309,249
Exposure Fee	\$139,156,022	\$62,992,353	\$202,148,375
Total	\$624,874,120	\$282,583,504	\$907,457,624

Source: Generated by OIG from data provided by EXIM.

Table 3: Amended Financed Amount and Exposure Fee Totals

	EXIM	Other ECAs	Total
Financed Amount Excluding Exposure Fee	\$485,718,098	\$219,591,151	\$705,309,249
Exposure Fee	\$103,923,345	\$62,992,353	\$166,915,698
Total	\$589,641,443	\$282,583,504	\$872,224,947

Source: Generated by OIG from data provided by EXIM.

EXIM Officials Described Pressure to Finalize the Loan

According to EXIM officials, EXIM faced external pressure to finalize the loan. By the time EXIM reached out to the other ECAs about the exposure fee changes, over a year and a half had elapsed since the borrower submitted its application. Therefore, EXIM officials said there was mounting pressure from the parties involved in the transaction to finally execute the loan. Before the loan was finalized, the transaction received EXIM’s Deal of the Year award⁵ and was also highlighted by the White House in an official fact sheet.⁶

⁵OIG previously conducted a review of EXIM’s process for selecting award recipients. Although that report did not specifically address this transaction, additional details can be found in OIG report titled [Review of EXIM’s Process When Identifying and Selecting EXIM Annual Export Awards Recipients, OIG-SR-25-01, May 6, 2025](#).

⁶[FACT SHEET: The U.S. – Angola Partnership | The White House](#), November 30, 2023.

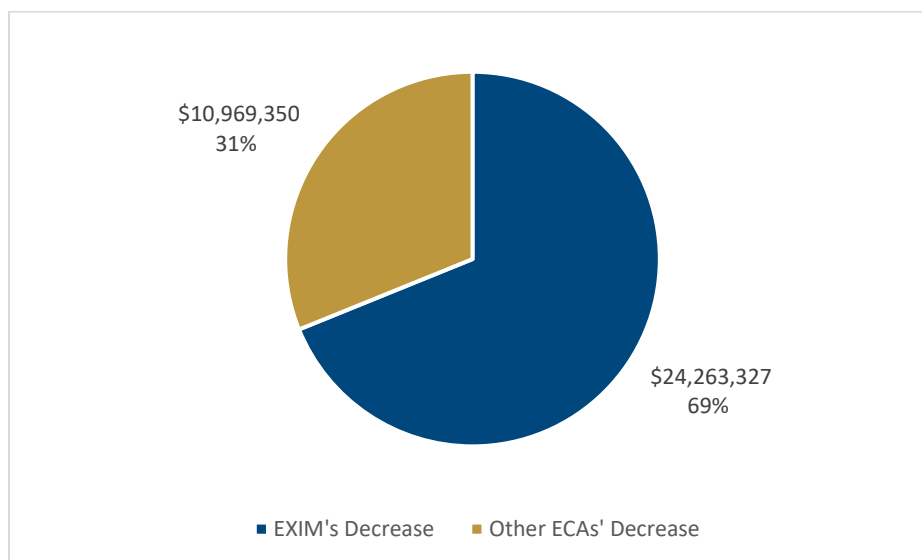
EXIM Lacks Policies Regarding Exposure Fee Changes

EXIM employees told OIG that the exposure fee changes did not deviate from its policy and that the agency's leadership was made aware of the decision and accepted the terms prior to the execution of the credit agreement. However, EXIM does not have a policy that specifically addresses changes in exposure fees. Furthermore, EXIM policies on amendments only require the Board to approve a change when there is an increase in the financing amount, not a decrease. However, in this circumstance, even though a decrease in exposure fees is considered a decrease in the authorization amount, EXIM's actual disbursements did not change. Instead, EXIM simply receives less money in exposure fees, whereas the other two ECAs still receive their originally calculated exposure fees.

Agency Action Resulted in Questioned Costs

OIG identified \$10,969,350 in questioned costs, based on a calculation of sharing the exposure fee reduction proportionally with the other two ECAs. Questioned costs can result from a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. As a result, EXIM is scheduled to have fewer offsetting collections to return to the U.S. Department of Treasury in furtherance of its self-financing status. Chart 2, below, shows how the decrease in exposure fees could have been split if it was done based on percentage of financing, as required by the co-financing agreements with the other two ECAs.

Chart 2: Exposure Fee Decrease if Split Proportionally



Source: Generated by OIG from data provided by EXIM.

Recommendation 1: EXIM's Office of Board Authorized Finance should develop and implement a policy to address changes in exposure fees following Board approval, including in co-financing transactions.

Recommendation 2: EXIM’s Office of Board Authorized Finance should define the approval responsibility for changes in exposure fees.

Finding 2: EXIM’s Published Guidance was Silent on or Inconsistent with Co-financing Activities Regarding Direct Loans

For the same audited transaction described in Finding 1, OIG found that EXIM’s published guidance did not allow co-financing on direct loans at the time the loan application was received in August 2022 and when the Board of Directors authorized the loan in June 2023.⁷ Additionally, EXIM’s *Policy Handbook* did not address co-financing on direct loans.⁸ *Standards for Internal Control in the Federal Government* requires agencies to adhere to policies.⁹ Because EXIM’s published guidance was silent on or inconsistent with its co-financing activities regarding direct loans, EXIM increased the risk of unallowed transactions.

Co-financed Loan Did Not Align with EXIM Guidance

EXIM’s *Policy Handbook* did not address co-financing on direct loans. However, two other guidance documents outlined procedures for EXIM’s direct lending operations and neither allowed co-financing direct loans at the time the borrower filed the loan application and when the Board authorized the transaction. According to the *Standards for Internal Control in the Federal Government*, management should implement control activities through policies and procedures. The two manuals governing co-financing of direct loans transactions are EXIM’s LGI Manual and the *Office of Board Authorized Finance Loan, Guarantee and the Insurance Manual* (OBAF Manual).¹⁰ The purpose of the LGI Manual is to establish framework for sound credit decisions and communicate requirements to EXIM employees. Moreover, agency guidelines and policies serve as frameworks created by agencies to oversee their functions. These documents outline principles that shape decision-making and promote uniformity within the agency’s scope of authority. However, as shown in Chart 3, below, EXIM’s manuals did not align with its actions for this loan.

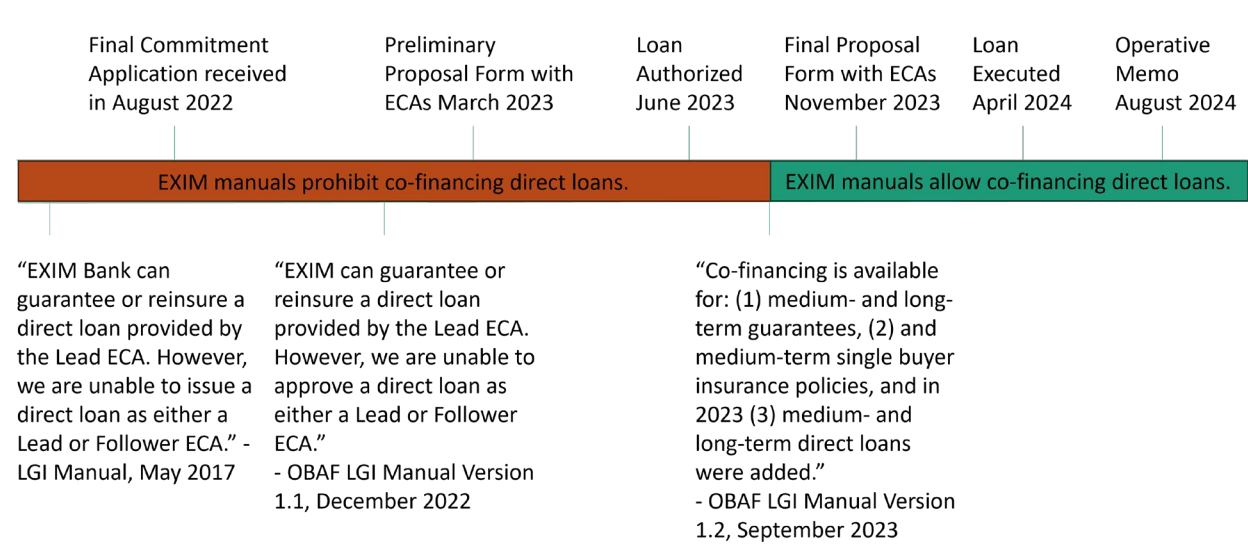
⁷ For the purposes of this report, published guidance includes internal manuals used by EXIM such as the *Loan, Guarantee and Insurance Manual* and *Policy Handbook*.

⁸ Export-Import Bank of the United States, *Policy Handbook*, Co-Financing (March 2019).

⁹ GAO-25-107721 *Standards for Internal Control in the Federal Government* (2025).

¹⁰ While these manuals have some similarity, according to EXIM officials, the LGI Manual is considered a Standard Operating Procedure or desk guide, while the OBAF Manual is considered a general guide.

Chart 3: Timeline for Co-financing Guidance vs. Credit Process for the Sampled Loan



Source: Generated by OIG from data provided by EXIM.

EXIM Employees Faced Challenges without Clear Policy Guidance

OIG found that EXIM processed and approved a co-financed direct loan without clear policy guidance or legal interpretation to support such a transaction, creating significant challenges for its employees. Specifically, management did not ensure that co-financing direct loan transactions aligned with EXIM’s published guidance at the time the loan was authorized. Additionally, according to EXIM officials, Office of General Counsel did not provide any interpretation or guidance on whether co-financing was permissible for direct loans. EXIM’s lack of adherence to the May 2017 LGI Manual and the December 2022 OBAF Manual increased the risk of unallowed transactions and placed EXIM employees to navigating a complex transaction without clear guidance.

Recommendation 3: EXIM’s Office of Board Authorized Finance in coordination with Office of General Counsel should develop and implement guidelines or a checklist requiring management to verify that appropriate legal and policy guidance is in place prior to initiating direct loan transactions.

Finding 3: EXIM Did Not Consistently Review Delinquent Federal Debt Records for Direct Loan Participants

OIG found that EXIM did not search for or document its review of delinquent federal debt for two of four sampled loans. Federal policy states that agencies should determine if applicants are delinquent on any federal debt. Additionally, an EXIM internal policy states that it should complete this review before authorization of the loan and as part of the due diligence process. As a result, EXIM is potentially forgoing opportunities to perform additional due diligence that

would help make informed decisions about applicants' and participants' program eligibility and fraud risks.

Federal and EXIM Policies Require Screening of Program Participants

Circular A-129, "Policies for Federal Credit Programs and Non-tax Receivables" states that agencies should determine if applicants are delinquent on any Federal debt.¹¹ Further, it prescribes to agencies the policies, procedures, and standards for screening program participants to determine whether they are delinquent on any federal debt when applying to federal credit programs, including:

- recommending that agencies ask applicants to self-certify on their applications that they have no delinquencies; and
- requiring agencies to obtain and review applicants' credit reports.

In a 2019 audit, the Government Accountability Office recommended that EXIM screen applicants, to include buyers, borrowers, exporters, and guaranteed lenders applying to EXIM's financing programs.¹² Consistent with this recommendation, OBAF's *SAM Debt Subject to Offset Review Policy* requires that SAM.gov be completed as part of the due diligence process.¹³

EXIM Did Not Consistently Screen Loan Applicants for Delinquent Federal Debt

OIG found that EXIM did not consistently use SAM.gov to detect applicants and participants that may have delinquent federal debt. Specifically, for two of four sampled loans, EXIM did not check SAM.gov or consistently document its review. EXIM did not include a review of delinquent federal debt in an underwriting checklist used during the due diligence phase for one of the loans. For the other loan, EXIM did not complete the review before authorization of the loan. Without assessing available data, EXIM risks forgoing opportunities to perform additional due diligence that would help make informed decisions about applicants' and participants' program eligibility and fraud risks.

Recommendation 4: EXIM's Office of Board Authorized Finance should update procedures and checklists to ensure the SAM debt offset check is completed and reviewed by management prior to loan authorization.

¹¹ Office of Management and Budget, Circular A-129, "Policies for Federal Credit Programs and Non-tax Receivables" (Revised September 2024).

¹² Government Accountability Office, *EXIM Should Explore Using Available Data to Identify Applicants with Delinquent Federal Debt* (GAO-19-337, May 2019).

¹³ The System for Award Management (SAM.gov) is an official website of the U.S. Government in which Federal agencies can search entities' financial information, including financial information pertaining to an entity's "Debt Subject to Offset" status, which could indicate that the entity has delinquent federal tax or nontax debt.

RECOMMENDATIONS

OIG provided a draft of this report to EXIM stakeholders for their review and comment on the findings and recommendations. OIG issued the following four recommendations to EXIM. The agency's complete response can be found in Appendix B. OIG's response is in Appendix C.

Recommendation 1: EXIM's Office of Board Authorized Finance should develop and implement a policy to address changes in exposure fees following Board approval, including in co-financing transactions.

Management Response: In its September 8, 2025, Management Response, EXIM did not concur with this recommendation. See Appendix B for EXIM's Management Response.

OIG Reply: See Appendix C for OIG's response. The recommendation can be resolved when OIG receives and accepts EXIM's plan to implement this recommendation.

Recommendation 2: EXIM's Office of Board Authorized Finance should define the approval responsibility for changes in exposure fees.

Management Response: In its September 8, 2025, Management Response, EXIM did not concur with this recommendation. See Appendix B for EXIM's Management Response.

OIG Reply: See Appendix C for OIG's response. The recommendation can be resolved when OIG receives and accepts EXIM's plan to implement this recommendation.

Recommendation 3: EXIM's Office of Board Authorized Finance in coordination with Office of General Counsel should develop and implement guidelines or a checklist requiring management to verify that appropriate legal and policy guidance is in place prior to initiating direct loan transactions.

Management Response: In its September 8, 2025, Management Response, EXIM did not concur with this recommendation. See Appendix B for EXIM's Management Response.

OIG Reply: See Appendix C for OIG's response. The recommendation can be resolved when OIG receives and accepts EXIM's plan to implement this recommendation.

Recommendation 4: EXIM's Office of Board Authorized Finance should update procedures and checklists to ensure the SAM debt offset check is completed and reviewed by management prior to loan authorization.

Management Response: In its September 8, 2025, Management Response, EXIM concurred with this recommendation. See Appendix B for EXIM's Management Response.

OIG Reply: The recommendation can be resolved when OIG receives and accepts EXIM's plan to implement this recommendation.

APPENDIX A: OBJECTIVE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) conducted this performance audit from May 2024 through July 2025 in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

Throughout the audit, auditors considered the possibility of fraud, waste, and abuse in the program.

Objective and Scope

OIG conducted this audit of the Export-Import Bank of the United States' (EXIM) direct loan program activities, procedures, and transactions authorized from October 1, 2019, to September 30, 2023. The objective of this engagement was to determine if EXIM's processes for direct loan transactions are operating in accordance with federal guidelines and EXIM policies and procedures.

Methodology

OIG conducted portions of this engagement remotely and relied on audio- and video-conferencing tools in addition to in-person interviews with EXIM personnel at headquarters. OIG also reviewed pertinent records and reviewed the substance of this report and its findings and recommendations with offices, individuals, and organizations affected by the review. OIG used professional judgment and analyzed documentary and testimonial evidence to develop its findings, conclusions, and actionable recommendations.

To accomplish the audit objective, OIG:

- Conducted interviews with EXIM staff involved with loan applications, due diligence, underwriting, disbursement, and monitoring.
- Reviewed relevant federal laws, regulations, standards, guidance, and practices including but not limited to:
 - Office of Management and Budget, Circular A-129, "Policies for Federal Credit Programs and Non-Tax Receivables" (Revised in January 2013 and September 2024)
 - Managing Federal Receivables by Department of the Treasury's Bureau of the Fiscal Service, Revised March 2015
 - 12 U.S. Code § 635a - Management of Bank

- H.R. 3107 - Iran and Libya Sanctions Act of 1996
- Standards for Internal Control in the Federal Government, Revised in 2014 and 2025
- Reviewed relevant EXIM policies and procedures including but not limited to:
 - Technical and Environmental Due Diligence Policy, September 2023
 - Loan, Guarantee and Insurance Manual, May 2017
 - Office of Board Authorized Finance (OBAF) Loan, Guarantee and Insurance Manual, November 2022
 - OBAF Loan, Guarantee and Insurance Manual, December 2023
 - OBAF Transaction Due Diligence Policy, February 2021
 - OBAF Transaction Approval Policy - Individual Delegated Authority, October 2023
 - Credit Administration and Claims Processing's Disbursement Processing Guide, September 2024
 - Budget Cost Level: Purpose, Definitions, & Concordance, May 2019
- Obtained evidence from EXIM Online, loan files, EXIM staff, and other sources to determine compliance with requirements from federal regulations and EXIM policies for four direct loans.

To accomplish the objective, OIG reviewed four of seven direct loans authorized by EXIM from fiscal year (FY) 2020 through FY 2023. All loans selected exceeded \$25 million in authorizations, which require approval from the Board of Directors. Sampled loans totaled \$1.44 billion (92.7 percent) of the total \$1.56 billion in loans authorized by EXIM during the period. While a non-statistical sample does not allow for projection of all EXIM direct loans, it did allow us to adequately address the audit objective.

In accordance with the Generally Accepted Government Auditing Standards, auditors should assess the sufficiency and appropriateness of information. GAO-20-283g *Assessing Data Reliability*¹ applies to the assessment of computer-processed information for reliability in terms of completeness, accuracy, and applicability for audit purpose, as a key element in the consideration of internal controls including information system controls. To assess the reliability of the data needed to answer the audit objective, OIG (1) observed data stored in information systems, (2) reviewed and compared related documentation, and (3) interviewed agency

¹GAO-20-283g *Assessing Data Reliability* (2019).

officials knowledgeable about the data. The results of this assessment showed that the data was sufficiently reliable for this report.

In planning and performing the audit, the audit team obtained an understanding of internal control to the extent necessary to satisfy the audit objective. Internal controls related to the audit objective were reviewed and analyzed. Specifically, OIG reviewed the components of control environment, risk assessments, control activities, information and communication, and monitoring. Within those components, OIG reviewed the principles of exercise oversight responsibility; establish structure, responsibility and authority; define objectives and risk tolerances; identify, analyze, and respond to risks; assess fraud risk; analyze and respond to changes; design control activities; implement control activities; use of quality information; communicate internally and externally; and perform monitoring activities. The methodology above describes the scope of the assessment, and the report findings include any internal control deficiencies identified. The assessment is not intended to provide assurance on EXIM's internal control structure. EXIM management is responsible for establishing and maintaining internal control.

APPENDIX B: MANAGEMENT RESPONSE



Helping American Businesses Win the Future

DATE: September 8, 2025

TO: Eric Rivera, Assistant Inspector General for Audits, Office of Inspector General

THROUGH: Ravi Singh, Senior Vice President & Chief Financial Officer **RAVI SINGH**
Digitally signed by RAVI SINGH
Date: 2025.09.08
13:22:30 -04'00'

FROM: Bryan Rolfe, Senior Vice President, Office of Board Authorized Finance **BRYAN ROLFE**
Digitally signed by BRYAN ROLFE
Date: 2025.09.10
12:25:49 -04'00'
Victoria Coleman, Acting General Counsel & Deputy General Counsel **VICTORIA COLEMAN**
Digitally signed by VICTORIA COLEMAN
Date: 2025.09.08
12:58:49 -04'00'

SUBJECT: EXIM Management Response to the draft *Audit of EXIM's Direct Loan Program (OIG-AR-25-05)*.

Dear Mr. Rivera,

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") draft report for *Audit of EXIM's Direct Loan Program (OIG-AR-25-05)*, dated August 26, 2025 (the "Report"). EXIM's leadership and management continue to fully support the OIG's work, which we believe complements and enhances EXIM's efforts to continually improve its processes. EXIM Bank is proud of the strong and cooperative relationship it has with the OIG and shares the OIG's commitment to improving EXIM's policies, procedures and operations.

EXIM takes its Direct Loan Program seriously and is encouraged by the fact that OIG acknowledged EXIM generally manages its direct loan program in accordance with federal guidelines.

The report, however, inaccurately represents EXIM's approach to effectively establishing and executing policy in an export credit agency business environment. Therefore, we respectfully disagree with Findings 1 and 2, and the associated recommendations 1, 2, and 3, included in the Report.

Regarding Finding 1, specifically the reference to EXIM's co-financing policy, the co-financing policy does not reference proportionality. EXIM policy does require EXIM to ensure that the co-financed transaction is subsidy-neutral, meaning that EXIM is not spending more budget on the transaction than it otherwise would spend supporting the U.S. content (i.e., absent co-financing). Specifically, the Co-Financing/Reinsurance ("One-Stop-Shop") section of the Policy Handbook states:

"With respect to fees, EXIM will use a case-by-case pricing analysis for all co-financed transactions that should result in a subsidy-neutral impact on the EXIM budget. That is, a co-

financed transaction should cost EXIM no more of its program budget than a standard transaction covering U.S. content only.”

In this case, the interest and commitment fee income on the co-financed amount (none of which is ever shared with any co-financing partners) resulted in a likely net income to EXIM greater than if EXIM had only financed the U.S. content, even with EXIM absorbing all of the last-minute risk fee reduction. Hence, this case met the policy requirement of a co-financed transaction.

In terms of Finding 2 *EXIM's Policies Were Inconsistent with Co-financing Activities*, EXIM did follow its Policy Handbook, which is strategically silent on co-financing direct loans. In the report, the Office of Inspector General cites two EXIM manuals, which, while are helpful guides for staff, are not policy documents. Instead, the Policy Handbook is the source of policy.

The Policy Handbook is purposefully silent on EXIM providing direct loans for co-financing, as the intent was neither to promote nor to ban their use. Co-financing direct loans are an anomaly because foreign ECAs generally oppose their use under co-financing structures and usually EXIM prefers to have a commercial bank funding the transaction. As such, EXIM's policy is to allow for direct loans to be considered on a case-by-case basis, taking into account the specific circumstances that may warrant a direct loan.

It is important to note that EXIM disagrees with the statement made by the OIG on page 3, lines 2-4 of the report, (and lines 23 and 24) that state that “although EXIM generally managed its direct loan program in accordance 4 with federal guidelines, one of four sampled transactions was not managed properly and 5 resulted in nearly \$11 million in questioned costs”. This is a misleading characterization of the premia distribution among ECAs as “mismanaged” and a partial representation of the overall revenue distribution among ECAs which was favorable to EXIM as further described below in response to Finding 2. The transaction was properly managed with the co-financing and direct loan policy guidelines that allow for case-by-case action that management deems appropriate per unique circumstances arising in such cases.

This transaction underwent the Bank's due diligence process, and a Board memo was prepared in accordance with Bank policy. The Board memo was submitted to the Bank's Board of Directors and the Board voted and approved the deal, in accordance with the Bank's Charter. This approval is documented in the minutes of the June 1, 2023, Board meeting.

The remaining recommendation regarding Finding 3 will serve as a guiding framework for implementing necessary measures to improve EXIM's transparency in decision making. We look forward to implementing this recommendation and working collaboratively with the OIG to continually refine our processes.

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OIG made four recommendations. EXIM concurs with one recommendation and will move forward with implementing this recommendation. EXIM does not concur with three of the recommendations, as mentioned above.

Recommendation 1: EXIM's Office of Board Authorized Finance should develop and implement a policy to address changes in exposure fees following Board approval, including in co-financing transactions.

Management response: EXIM does not concur with this recommendation. As noted above, the Policy Handbook is intentionally silent on EXIM providing direct loans for co-financing, reflecting a deliberate decision neither to encourage nor prohibit their use. Co-financing direct loans are atypical, as foreign ECAs generally oppose them in co-financing structures, and EXIM typically prefers transactions to be funded by commercial banks. Accordingly, EXIM's policy is to evaluate direct loans on a case-by-case basis, considering the specific circumstances that may justify their use. Of note, foreign ECA counterparts forgo interest and commitment fee revenue in favor of EXIM (as they did in the case that was examined) and, as a result, are very reluctant to participate in direct loans on a co-financed basis.

Recommendation 2: EXIM's Office of Board Authorized Finance should define the approval responsibility for changes in exposure fees.

Management response: EXIM does not concur with this recommendation. EXIM disagrees with the OIG recommendation to further define approval responsibilities as it could impair EXIM's ability to respond to case-specific and time sensitive circumstances arising in the final stages of contract negotiations among the parties. Management routinely resolves last-minute issues and makes changes by exercising sound judgment tailored to each situation, ensuring all parties' needs are balanced and the transaction is concluded in a timely manner.

As such, EXIM does not agree with the statement made by the OIG on page 4, lines 3-5, that states that "EXIM has not developed a specific policy to interpret the statute further regarding exposure fees. EXIM policy and manuals do not expressly address proportionally splitting exposure fees." The statement implies that EXIM should develop a specific policy for such unique cases. EXIM rejects the recommendation because foreign ECA counterparts that forgo interest and commitment fee revenue in favor of EXIM (as they did in the case that was examined) are very reluctant to participate in direct loans on a co-financed basis. As a result, EXIM and the foreign ECA partners seek to retain the right to offer direct loans on a case-by-case basis, depending on the transaction-specific circumstances, and to structure the transaction in a manner that aligns with the EXIM Board approved co-financing policy, quoted above.

Finally, the contents of EXIM's LGI Manual is not Board approved. The Board approved co-financing policy is reflected in the Policy Handbook and reflects all relevant considerations as well as other Charter mandates that the Board considered when approving the policy. As such, OIG's recommendation to insert proportionality as a guide to prorate sharing of the exposure fees on direct loans has not been the subject of Board consideration and is therefore not the objective of the co-financing policy, as referenced above. In fact, such a goal could undermine partner ECA interest in co-financing with EXIM because, as noted above, foreign ECA counterparts that forgo interest and commitment fee revenue in favor of EXIM (as they did in the case that was examined) are very reluctant to participate in direct loans on a co-financed basis.

Recommendation 3: EXIM's Office of Board Authorized Finance in coordination with Office of General Counsel should develop and implement guidelines or a checklist requiring management to verify that appropriate legal and policy guidance is in place prior to initiating direct loan transactions.

Management response: EXIM does not concur with this recommendation. As evidenced in the deal Board memo and Board meeting minutes from June 1, 2023, this transaction was Board approved in accordance with the Charter requirements and Bank policies on June 1, 2023.

See response to Recommendation 2 for background and rationale.

Recommendation 4: EXIM's Office of Board Authorized Finance should update procedures and checklists to ensure the SAM debt offset check is completed and reviewed by management prior to loan authorization.

Management response: EXIM concurs with this recommendation. During the review period, Bank staff generally complied with this policy. However, there was one instance in which the procedure was not followed. In response, OBAF will redistribute the policy to relevant staff and reinforce the importance of consistent adherence to EXIM policies.

CC:

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APPENDIX C: OIG’S RESPONSE

OIG fully considered EXIM’s management response and stands behind the accuracy of the findings and recommendations contained in this report. EXIM stated in its management response that OIG’s report “inaccurately represents EXIM’s approach to effectively establishing and executing policy in an export credit agency business environment.” OIG notes that this audit was conducted in accordance with government auditing standards. Those standards require auditors to meet certain professional competency standards. In addition, auditors must obtain sufficient, appropriate evidence to support the findings and conclusions in the report.

The findings and recommendations contained in this report are consistent with OIG’s mission to promote economy and efficiency. The Inspector General Act of 1978, as amended, charges OIG with promoting the economy, efficiency, and effectiveness of EXIM’s programs and operations. OIG’s finding that EXIM did not proportionally share risk on a sampled transaction resulted in \$10,969,350 in questioned costs. The agency’s decision to assume the full reduction in exposure fees resulted in nearly \$11 million in payments to foreign ECAs which would have otherwise been unnecessary. As a result, EXIM is scheduled to have fewer offsetting collections to return to the U.S. Department of Treasury in furtherance of its self-financing mandate.

As part of this audit, OIG requested but did not receive documentation to support EXIM’s assertion that the fee structure of the sampled transaction resulted in increased net income for the agency. Specifically, EXIM’s management response stated that the co-financed direct loan “resulted in a *likely* [emphasis added] net income to EXIM greater than if EXIM had only financed the U.S. content, even with EXIM absorbing all of the last-minute risk fee reduction.” During the course of this audit, OIG asked for the net income calculation and any documentation showing how EXIM used such a calculation to inform its decision-making process; EXIM did not provide the requested documentation.

EXIM’s management response does not acknowledge that the guidance documents used by EXIM employees were inconsistent during the period audited. Specifically, EXIM stated in its management response that “EXIM did follow its Policy Handbook, which is strategically silent on co-financing direct loans.” EXIM further stated that two EXIM manuals cited in the report are helpful guides for staff, but not policy. OIG specifically utilized the term guidance in lieu of policy in this report to acknowledge EXIM’s position that a policy adopted by the Board carries more weight than manuals approved by EXIM’s staff. Regardless, EXIM should seek consistency in its written guidance and ensure such guidance is aligned with EXIM’s practice. OIG notes that EXIM’s *Loan, Guarantee and Insurance Manual* states that its purpose is to establish a framework for sound credit decisions and communicate to EXIM employees the requirements governing the extension of credit.

Finally, OIG did adjust the final report text based on EXIM’s management response. Specifically, OIG removed a phrase from the report indicating that EXIM did not manage the loan identified in finding one and finding two properly. It nevertheless remains OIG’s position that the loan identified could have been managed more effectively and efficiently.

ABBREVIATIONS

Board	EXIM's Board of Directors
ECA	Export Credit Agency
EXIM	Export-Import Bank of the United States
FY	Fiscal Year
LGI Manual	Loan, Guarantee and Insurance Manual
OBAF	Office of Board Authorized Finance
OBAF Manual	Office of Board Authorized Finance Loan, Guarantee and Insurance Manual
OIG	Office of Inspector General
SAM (or SAM.gov)	System for Award Management

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For additional resources and information about whistleblower protections and unlawful retaliation, please visit [the whistleblower's resource page](#) at oversight.gov.