



**INDEPENDENT COMMUNITY
BANKERS *of* AMERICA**

Testimony of

Paul Warfield
Vice President and Director of Global Banking
First National Bank Omaha

On behalf of the

Independent Community Bankers of America

Before the

Congress of the United States
House of Representatives
Committee on Small Business

Hearing on

**“U.S. Export-Import Bank’s
Assistance to Small Businesses”**

January 17, 2008
Washington, D.C.

Testimony of
Paul Warfield
Vice President and Director of Global Banking
First National Bank Omaha

On behalf of the
Independent Community Bankers of America

Before the
Congress of the United States
House of Representatives
Committee on Small Business

Hearing on
“U.S. Export-Import Bank’s
Assistance to Small Businesses”

January 17, 2008
Washington, D.C.

Good morning. My name is Paul Warfield and I am Director of Global Banking for First National Bank Omaha in Omaha, Nebraska. Chairwoman Velazquez, Ranking Member Chabot, and members of the committee, I appreciate the opportunity to testify today on behalf of the Independent Community Bankers of America¹ on the Export-Import Bank’s trade finance programs.

The ICBA represents nearly 5,000 community-based financial institutions nationwide. Community banks are independently owned and operated and are characterized by personal attention to customer service and lending to small business. Trade financing is a growing area of opportunity for our nation’s community banks and the small businesses they serve. I strongly support the valuable programs provided through the U.S. Export-Import Bank and appreciate the opportunity to discuss how the Ex-Im Bank can work best for our nation’s lenders and small business exporters.

Summary of Testimony

The Ex-Im Bank international financing programs represent a success story of how the federal government, working with private sector lenders, can assist small businesses to support greater U.S. trade, small business job creation, and economic growth. The ICBA supports the Ex-Im Bank and wants to ensure Ex-Im programs reach their full potential.

¹ The Independent Community Bankers of America represents the largest constituency of community banks of all sizes and charter types in the nation, and is dedicated exclusively to representing the interests of the community banking industry. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace. For more information, visit ICBA's website at www.icba.org.

Specifically, the Ex-Im Bank programs and activities should be structured and managed so they work well for lenders and borrowers of all sizes. Congress mandated that the Ex-Im Bank ensure that 20 percent of its transactions support small businesses. The Ex-Im's aggregate loan, guarantee, and insurance authority activities can help many U.S. businesses, but it is important to ensure that small businesses as well as large benefit from these programs.

The recent declines in the value of the U.S. dollar and growing global economies have created an environment for greater U.S. export opportunities worldwide. These economic developments offer U.S. lenders, and particularly small businesses, the ability to better reach new markets to expand their sales and create jobs using Ex-Im Bank programs.

The Ex-Im Bank is positioned to play an important part in helping U.S. small businesses successfully reach global markets. While there has been a small increase in the number of lenders and small businesses participating in the Ex-Im programs in recent years, ICBA believes many more can and should be involved. In addition to the valuable support provided for large and mid-sized businesses, the Ex-Im Bank should continue to enhance its ongoing small-business-focused efforts, trade promotion, and engage even more community banks in its trade finance activities and programs.

Ex-Im Bank activities should not compete with private lenders but should continue to fill in gaps and help mitigate risk that may exist in trade financing to facilitate greater private funding and support of U.S. trade.

ICBA fully supports the Ex-Im Bank programs and respectfully proposes several recommendations that can help to enhance the effectiveness for lenders and small business borrowers alike. ICBA recommends:

- Enhancing the Ex-Im Bank's program budget funding for small business outreach. A portion of any excess earnings by the Ex-Im bank should be retained to further advance small business outreach.
- Applying additional Ex-Im Bank budget resources to better staff and support community lenders and small business outreach nationwide, including enhancing community banks programs.
- Ensuring community bank representation on the Ex-Im Bank advisory committees.

Community Banks are Strong Supporters of Ex-Im Programs

First National Bank Omaha is a community oriented bank based in Omaha, Nebraska. For more than 150 years, the bank has been constantly innovating to best serve its individual and small business customers. The bank's Global Banking Group initiated a dedicated program for trade finance in 2005 and has successfully helped many U.S. small businesses compete in the global export market. First National Bank of Omaha strongly supports the work of the Ex-Im Bank and actively participates in its various programs.

Chairwoman Velazquez, we appreciate your prior work to mandate that the Ex-Im Bank ensure that 20 percent of its transactions support small businesses. I know First National Bank Omaha's activities and involvement with Ex-Im are helping to make sure more small businesses are in fact benefiting. I have seen the Ex-Im Bank make significant strides in meeting this important 20 percent goal in the last few years. Community lenders like First National Bank Omaha are proud to work with Ex-Im in helping supply needed capital and resources to small businesses across our nation. Whether located in small towns, suburbia or big city neighborhoods, community banks help grow our towns and cities by funding small business and creating jobs. Community banks are one of the key sources of credit and other financial services to small business, the most prolific job creating sector of our economy. I believe community banks are well-positioned to increase their trade finance services through Ex-Im programs to help meet the needs of a growing U.S. small business export sector.

First National Bank Omaha made a commitment to work with Ex-Im Bank programs after an initial meeting with the Bank's President, Sr. Lender, Commercial Division Head, Director of Global Banking and Dan Renberg, who was an Ex-Im Bank Board Member at the time. During this meeting, the bank heard firsthand about how a partnership with Ex-Im Bank could add great value to the customers and prospective customers of the bank. To serve local small businesses, First National Bank moved forward to develop expanded credit products including trade finance.

Since the initial contact with Ex-Im, First National Bank Omaha has grown the trade services and trade finance business. In just seven years, the Global Bank Group at First National has grown from six employees to fourteen. The staff has participated in numerous Ex-Im Bank training functions and events including their annual meeting. First National Bank also participated as a panelist in the Sub-Saharan Africa Bankers meeting late last year.

Using the Ex-Im programs, First National Bank has been able to meet the needs of more small business customers across the Midwest. Here are some examples of how using Ex-Im Bank has added great value to small business:

- By using the Ex-Im Bank Letter of Credit policy, First National Bank has been able to successfully offer letter of credit confirmations for small businesses. This tool enhances the value of the letter of credit by allowing the small business to accept First National Bank and Ex-Im Bank credit risk in place of the foreign bank risk. Using this policy, First National Bank can assign proceeds to small business suppliers; extend payment terms to foreign buyers under the letter of credit, and utilize working capital financing. These activities have helped our local exports. Products often exported by our local small businesses include center pivot irrigation systems, scientific equipment, water purification systems, construction equipment, and various professional services.
- The Ex-Im Bank Working Capital Program has been a great success for First National Bank since it first began marketing this product in 2005. For example, we have been able to assist a small business who exports base oil. We are currently seeking to offer working capital financing to a small business company that exports weather station equipment. Several additional working capital finance deals for small businesses are in our pipeline.

- First National undertook a challenging transaction with a Nigerian buyer who was seeking Ex-Im Bank medium-term financing for the purchase of used equipment from a small business supplier new to exporting. The assistance Ex-Im Bank offered was exceptional. Both the buyer and the seller were new to the intricacies of international trade. While the transaction faced many twists and turns, it was successfully completed without any problems. We are now waiting for approval for a second shipment to the same buyer.

Export-Import Bank Programs a Proven Success

I want to make it very clear that the Ex-Im Bank programs are unique and extremely valuable in helping lenders and U.S. businesses compete in the international trade arena. The Ex-Im Bank represents a success story of how the federal government, working with private sector lenders, can support small businesses that otherwise would not have had access to capital and the resources to successfully compete globally. Created in 1934 as an independent federal agency, today the Ex-Im Bank is the primary vehicle by which the U.S. government supports U.S. exports around the world. The Bank provides working capital loans for U.S. exporters, makes loans to foreign purchasers of U.S. goods and services (or guarantees the repayment of private loans to those purchasers), and provides credit insurance against non payment by foreign buyers.

With international trade and small business development the fastest growing segments of our changing economy, the demand for small business international transactions will only increase. Consequently, the demand for Ex-Im assistance will increase as well and it is critical to ensure these programs are best suited for meeting the needs of small business. Virtually all major trading nations operate export credit agencies. Therefore, the U.S. Ex-Im Bank must be robust and responsive in order to strategically foster a level competitive playing field for U.S. lenders and small businesses.

Chairwoman Velazquez, in holding this important hearing we are optimistic and encouraged by your actions to make the successful Ex-Im programs work even better. I know that under Export-Import Bank Chairman Jim Lambright's tenure there have been noticeable improvements in Ex-Im's relationship with both the lending and small business communities. First National Bank Omaha looks forward to working even more closely with the Small Business Committee and the Ex-Im Bank personnel to ensure a strong and more robust Ex-Im Bank into the future.

Opportunity to Engage More Community Banks in Ex-Im Bank

The Ex-Im Bank currently has about 200 lenders participating at some level in the Bank's trade finance programs. In fiscal year 2007, the Ex-Im Bank added 26 new lenders to the rolls, with about half representing community bank lenders. With a total of 8,560 FDIC-insured banks nationwide, there is ample opportunity to reach even more community lenders with the products and services offered through the Ex-Im Bank.

Additionally, the beneficial Ex-Im Bank programs reach only a small fraction of small businesses. There are more than 230,000 small business exporters across the U.S. In fiscal year 2007, the Ex-Im Bank approved an estimated 2,390 transactions that were made available for the direct benefit of

small business exporters. Given the large number of community lenders and growing number of small business exporters, both community banks and the Ex-Im Bank have tremendous opportunities to further assist the trade finance needs of U.S. businesses. First National Bank Omaha is helping to do its part in serving the needs of small exporters in its local markets and has been working with other community lenders to expand trade finance services to more small businesses.

Chairwoman Velazquez, I believe your prior and ongoing efforts to ensure that 20 percent of Ex-Im Bank's transactions benefit small businesses are having a positive result. While Ex-Im had great difficulty fulfilling the 20 percent small business mandate early on, their current estimates indicate they are now exceeding this level. Notably, in fiscal year 2007, the Ex-Im Bank approved 988 small business transactions in amounts under \$500,000. Community banks specialize in meeting the needs of small businesses, and in particular, help facilitate such smaller-dollar trade finance transactions often unattended by the largest financial institutions. The ICBA is optimistic that community banks working more closely with Ex-Im will continue to meet and exceed the challenge of serving even more small businesses.

The Ex-Im Bank operates regional offices in locations including New York, Florida, Illinois, Texas, and California. ICBA commends the Ex-Im Bank on its regional outreach and encourages even greater harmonization to serve the thousands of small businesses and lenders throughout the middle regions of America. Additionally, the Ex-Im Bank should ensure community bank representation on the Bank's advisory committees.

Small Businesses and Exports Key to Economic Growth

U.S. small businesses represent a large and growing share of our economic wellbeing. Small businesses now employ more than half of the private sector workforce and produce more than 50 percent of the nonfarm private sector Gross Domestic Product. Small businesses are responsible for two-thirds of all the net new jobs being created. Given the significance of small business growth to our economy, the ability of the Ex-Im Bank to help small businesses is of growing importance.

Notably, the U.S. has experienced an international trade deficit with the rest of the world for many years. Our trade imbalance has been a persistent drag on our U.S. growth over the past decade, shaving an average of one-half percentage point from real GDP growth each year. If we want to improve our trade balance and economic opportunities we must do better on our export front. The Export-Import Bank is a small, yet important, part of advancing this important goal.

The declining value of the U.S. dollar relative to our major trading partners over the past few years has helped to boost our exports as U.S. goods have become more affordable in foreign markets. This has helped reverse some of the drag trade has had on the economy and export levels have recently boosted GDP growth levels. Today, exports comprise 12 percent of or GDP. Five years ago exports represented 9.7 percent, and 40 years ago only 5 percent. Additionally, strong global economic growth in recent years has created greater demand for U.S. goods, especially manufactured products. Combined, strong global economies and a declining dollar have fostered a greater need for the activities and programs of the Ex-Im Bank as global and financial conditions favor greater U.S. exports.

The importance of expanding exports to the economic well-being of the U.S. economy cannot be overstated. With the economy digesting higher energy costs, and the fallout from a meltdown in the domestic housing sector, exports represent a bright spot for supporting growth. Export-related jobs on average pay 15-20 percent more, according to Commerce Department data. Each \$1 billion in U.S. exports helps foster some 14,000 jobs. Given the tremendous benefit small business trade has, community banks stand ready to work even closer with the Ex-Im Bank to support greater U.S. small business exports and economic activity.

Conclusion

The ICBA pledges to work closely with the Small Business Committee to ensure our Nation's small businesses have the access to the beneficial Ex-Im programs they need to compete globally, grow, and to provide jobs. The important and beneficial Ex-Im Bank programs can and should be more widely used by community banks and the small businesses they serve nationwide.

In our changing economy, the ability for small businesses to successfully reach global markets will continue be a prime area for new job creation and economic growth. This is a time to strengthen small business resources and build upon the successful Ex-Im Bank programs. First National Bank Omaha is proud to serve the trade financing needs of a growing number of small businesses by successfully leveraging the Ex-Im Bank programs. ICBA sincerely appreciates the opportunity to testify today on the important issue of available small business capital and lending. Thank you.