



Written by [Bob Adelman](#) on June 25, 2014

Congress to Grill Ex-Im Bank Chairman Over Corruption Charges

On Thursday, Fred Hochberg, chairman and president of the Export-Import Bank, [will be grilled](#) by members of the House Financial Services Committee over charges of corruption and mismanagement at the 80-year old agency. His task to defend the agency appears formidable, especially with its charter coming up for renewal at the end of September.



On Tuesday the *Wall Street Journal* reported that four Ex-Im employees have either been suspended or fired over the last few months as a result of “investigations into allegations of gifts and kickbacks.” But that’s just the tip of the iceberg. The Heritage Foundation reported on the same day that there have been at least 74 cases of “integrity” investigations by the Office of Inspector General (OIG) at the agency, plus dozens of other cases of outright fraud that have been referred to the Justice Department for prosecution. Not bad for an agency that employs just 402 people.

Hochberg’s problems are compounded by the committee’s chair, Rep. Jeb Hensarling (R-Texas), who says that the agency deserves to have its charter withdrawn because of its reputation as a funnel for taxpayer dollars to large companies as a form of corporate welfare. In addition, the newly-minted Majority Whip Kevin McCarthy, who replaced Eric Cantor in a surprise upset last week, has also weighed in against the agency, saying that the bank ought to be shut down its operations are “something that the private sector [is] able to do.”

Created by an executive order issued by then-President Franklin Roosevelt in 1945, the Ex-Im Bank was established as an agency of the executive branch. Its task, allegedly, was to offer financing to assist in the export of American products and services where private financing wasn’t available due to excessive credit risk. The agency’s stated goal at inception was “to aid in financing and to facilitate exports and imports and the exchange of commodities between the United States and other Nations or the agencies or nationals thereof.”

In other words, the U.S. taxpayer was to be required to back up any loans that defaulted in these arrangements, making them essentially the lender in transactions that otherwise wouldn’t take place because they were too risky.

Some small business owners have benefited from the Ex-Im Bank’s generosity with taxpayer monies,



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including Oscar Ramirez, the owner of Bolivar Trading, Inc. in Miramar, Florida. His story was told in a puff piece issued by the U.S. Chamber of Commerce, a strong supporter of the bank:

We find the Ex-Im Bank very useful. The commercial banks will not lend us \$1.7 M without the Ex-Im loan guarantee, and without the line of credit we would not be in business. All [our] receivables are foreign. No commercial bank will lend against those receivables. We export tanks, dispensers, and signage for gas stations to Latin America, the Caribbean and Africa. We employ 35 people — but couldn't do it without the Bank.

Ramirez' story appears to be the exception to the general rule that most of the some \$140 billion the agency has loaned or guaranteed over the years has gone to big companies, such as Boeing. For instance, in 2007 and 2008 nearly two-thirds of the agency loans were to companies purchasing Boeing aircraft, while in 2012 the agency's loans to Boeing's customers reached 82 percent of all the loans it made that year.

When not loaning money to Boeing customers, the agency makes loans to people who will never pay them back. For example, in one two-year period agency personnel approved 96 loans to a company called Gangaland USA headed up by a gangster named Jose Quijano. According to court documents released by the OIG,

From 2008 through 2010, Quijano, through Gangaland, acted as an exporter in 96 loan transactions insured by the Ex-Im Bank and received approximately \$3,637,806 in proceeds. Quijano admitted that he and others falsified financial statements, waybills, purchase orders and bills of lading to falsely represent to various lending banks, including the Ex-Im Bank, that the purchase and export of U.S. goods was for buyers in South America.

According to court records, all of the loans involving Gangaland were fraudulent and no U.S. goods of any kind were shipped to South American buyers. As a result of the fraud the Gangaland loans went into default, causing the Ex-Im Bank to pay claims losses to the lending banks in the amount of \$902,450.

Let's say it straight out: There were 96 separate loan transactions and each of them was fraudulent. And yet each of them was approved by someone at the Ex-Im Bank. That's more than dereliction of duty. That's fraud inside the Ex-Im Bank on a massive scale.

Quijano was small potatoes. Leopoldo Parra, another crook, defrauded the bank of more than \$13.6 million, which he never used to ship one ounce of goods anywhere, but instead spent the money on himself before he was caught.

In a carefully crafted gambit, Hensarling will be offering a bill to his committee following their grilling of the Ex-Im chief to extend the bank's charter beyond September 30. He is counting on his committee to vote the bill down, thus ending the bank's existence on September 30. According to Ryan Young, writing for the Competitive Enterprise Institute, that would be a very good thing:

With Ex-Im gone, companies would spend a little less time wooing government officials, and more time actually creating value for consumers. Getting rid of Ex-Im wouldn't just help the economy, it would remove one of Washington's numerous opportunities for corruption.

Would that it were that simple. Senator Mike Lee introduced a bill in the Senate to wind down the bank and then abolish it altogether over the next three years. If the House committee acts as expected and votes down Hensarling's bill, Senate Majority Leader Harry Reid is likely to take Lee's bill and attach it



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to a continuing resolution to keep the government afloat for another year. Coincidentally, the Ex-Im Bank's charter and the government's fiscal year both end on September 30. By attaching Lee's bill to the CR, this could force another government shutdown as recalcitrants are faced with the fatal alternative: Keep the bank and the government running, or shut down everything.

That difficulty will no doubt be enhanced by public support for the Ex-Im Bank coming from the usual suspects, including the U.S. Chamber of Commerce and the National Association of Manufacturers, who have joined forces with more than 800 companies in support of keeping the corrupt, self-serving, crony-capitalist-funding mechanism in place.

In Washington, just because something needs to be done doesn't mean that it will be done. By the time the dust settles, the Ex-Im Bank is likely to rise from the ashes of its own putrefaction and be restored once again as the lender of last resort to crooks, criminals, and cronies.

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