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THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

JD

Date: December 23, 1976

Time:

FOR ACTION:

cc (for information):

Alan Greenspan Jack Marsh
Brent Scowcroft
Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Tuesday, December 28, 1976

Time: 10:00 A.M.

SUBJECT: James T. Lynn memo, 12/22/76 re
Eximbank Budget Appeal.

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor
For the President



EXECUTIVE OFFICE OF THE PRESIDENT
 OFFICE OF MANAGEMENT AND BUDGET
 WASHINGTON, D.C. 20503

DEC 22 1976

MEMORANDUM FOR: THE PRESIDENT
 FROM: James T. Lynn
 SUBJECT: Eximbank Budget Appeal

As the following table shows, you decided to terminate Eximbank's discount loan program in 1978 and to reduce the Bank's guarantee and insurance program by \$1 billion.

Eximbank Program Activity
 (\$ in millions)

	<u>1977</u>		<u>Request</u>	<u>1978</u>		<u>1979</u>	
	<u>Budget</u>	<u>Est.</u>		<u>Pres. Decision</u>	<u>OMB Alt.</u>	<u>Pres. Decision</u>	<u>OMB Alt.</u>
<u>Authorizations</u>							
Direct loans	4,075	2,500	3,675	3,675	3,675	4,000	4,000
Discount loans	1,000	700	700	-	500	-	500
Guarantees and insurance	8,850	6,450	8,450	7,450	7,450	7,450	7,450
Total program	13,925	9,650	12,825	11,125	11,625	11,450	11,950
<u>Outlays</u>							
	1,306	897	1,086	967*	965	913*	1,091
				953**		1,079**	

* Estimate at time of Presidential decision
 ** Current estimate

Since that time two things have happened:

- Outlays have been reestimated to reflect continued lower levels of export activity in 1977 and a pick-up in 1978, and
- Eximbank has tightened its lending criteria for both the direct and discount loan programs.

The net result is that outlays are now estimated to be \$23 million lower in 1978 and \$166 million higher in 1979. Further, because of the tighter lending criteria the outlay impact of continuing the discount loan program is now estimated at only \$12 million.

OMB and Eximbank have agreed on a compromise alternative which would include the following:

- Acceptance of your previous decision to constrain growth in guarantees and insurance.
- Continuation of the discount loan program, but at a lower level than originally requested.
- Lowering the estimate of 1977 direct loan authorizations.

I recommend that you accept the proposed compromise alternative. My recommendation is based on the belief that:

- Under recently revised estimates the outlay savings from termination of the discount loan program would be very small.
- The discount loan program does fill a real need in the export credit market.
- Steve DuBrul believes that continuation of the program is an important indicator of Administration support to exporters.

DECISION

Accept the compromise (Exim/OMB)

Reaffirm tentative Presidential decision

John Davis for Alan Greenspan