

## **Committee on Banks Hearing February 25, 2010**

Good morning. My name is Samuel C. Hamilton and I am the Executive Director and CEO of Hartford Economic Development Corporation (HEDCo) and the Greater Hartford Business Development Center, Inc. (GHBDC). We began operation in 1975 and 1976 respectfully and currently provide services to 107 of the 169 Connecticut towns. Both organization are 501 © (3) non profit Connecticut Corporations, and designated by the US Treasury Department as Certified Development Financial Institutions (CDFI). Since inception we have provided technical assistance, loan origination, administration and servicing for micro enterprises and small businesses. We are considered an alternative Lender for those who are unable to qualify for loans from traditional lending sources. My organization is just one of several providing similar services throughout the state. Connecticut Economic Development Fund (CEDF), Connecticut Community Investment Corporation (CTCIC), Waterbury Development Corporation, and the Hartford Loan Fund (formerly, South Hartford Initiative) are just a few of a small group of specialized lenders who provide loans to a segment of borrowers who are unable to meet the requirements for loans by banks, Small Business Administrations Urbank or other programs which rely heavily on credit scoring, ratio's, multiyears of operating experiences and substantial equity in the venture.

There is a viable and vibrant segment of "Main Street" that has historically required specialized lending including technical assistance, cash management training and other entrepreneurial capacity building that is provided by agencies such as HEDCo, CEDF, CTCIC and SHI. The important roles played by these agencies were highlighted during the credit crisis of 1995 when 18 such agencies were empowered by then Governor Weicker to administer the \$60 million dollar Economic Recovery Bond Fund. Similarly these agencies have been the lenders of last resort during the 2000-2001 downturns although very limited additional funding was made available for access by the Alternative Lending Agencies.

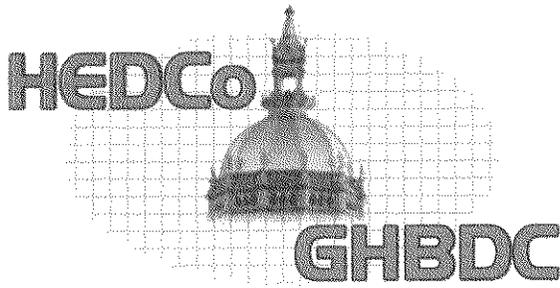
Increased pressure on organizations like HEDCo has taken place as a result of the lending, or lack there of, to the small business community. Many have found their relationships with their banks altered and their access to former levels of credit decreased or discontinued. Organizations like HEDCo and its peers are seeing increased demand for their services from this group of small businesses formally served by the traditional lenders. The number of requests for assistance at higher loan amounts has increased by 25-35% with amounts doubling the size of our average request from \$100,000 to \$200,000 and above. Loans at this level would reduce our capacity to serve our traditional market if we shifted to meet this new demand. Instead, every effort is made to partner with similar agencies to leverage our resources. The persistent nature of the downturn is taxing our capacity to meet loan demands. The proposed legislation offers an opportunity to get new capital to supplement principal repayments from existing loans. Corporate, Foundation and Assistance at the Federal level has been slow to come. It is just in recent months that the current administration has realized that TARP and ARRP

programs have not found their way to those who need help, especially micro enterprise and small businesses. Both are now looking for other than traditional agencies to get help to all of "Main Street".

Similarly, during the current economic downturn, access to capital to assist micro enterprises and small business has not been forthcoming to the agencies that have a proven track record of getting assistance to a market segment that sustains and creates jobs. The eleven million dollars Regional Economic Bond Funds administered by HEDCo has impacted 500+ jobs either sustaining current employment or creating new job opportunities. At a time when job creation is the essential ingredient in the cure for our economic woes, it is essential that the specialized lenders throughout our state have access to funds on a competitive basis that ensure that only those who have proven to be good stewards of funds entrusted to them in prior years, will qualify for access to this proposed pool of funds.

In addition to the "Job Creation" that is possible as a result of the legislation, the source of the funds does not require additional bonding/debt. By utilizing a pool derived from fines levied by the Commissioner of Banking, for infractions by the banking industry, offers an opportunity to act "out of the box" and create positive economic development opportunities for the full length of "Main Street" creating jobs in every community throughout the state.

Thank you for the opportunity to speak in favor of Raised Bill 5050 and why I believe its passage is consistent with the current wisdom on working our way out of this deep recession. Job Creation, micro enterprise and small business lending will create new revenue opportunities for our state.



## HEDCo/GHBDC Fact Sheet

### Organizational Background

HEDCo Began Operation March 1, 1975

GHBDC Began Operation October 1, 1976

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Community Development Financial Institution (CDFI)

Certified Lender Business Consortium Fund for National Minority Supplier Development Council

### Area Served

107 Connecticut Towns

### Scope of Services:

Micro Enterprises and Small Business Training

Problem Solving Assistance

Loan Packaging

Loan Administrative and Servicing

Minority Bonding Pilot Program – State of Connecticut DECD

Business Development and Opportunity Center – MDC – Clean Water Project

### Client Profile

Existing and start up businesses in the 107 towns within the state of Connecticut.

### Funds under Management

\$25 million – 16 Loan Pools

### Loans Packaged

\$110 million since 1984

### Clients Served

700 Business enterprises assisted annually.

### Jobs impacted

Jobs Retained or created exceeds - 5,000 since 1984.

### Organization

Total Staff – 15

CEO - Samuel C. Hamilton, Executive Director

Located - 15 Lewis Street, Hartford, CT 06103

Website - [www.HEDCo-GHBDC.com](http://www.HEDCo-GHBDC.com)