

Banks Committee
Public Hearing March 11, 2010

SB 236 Safe Harbor Fund

Then Dear Co-Chairmen, Ranking Members and Members of the committee:

I am pleased to have the opportunity to offer testimony in support of SB 236 – Connecticut Safe Harbor Fund.

Connecticut has the opportunity to support small business owners and their relationship with their Connecticut community banks. As consolidation, mergers, and acquisitions of lending institutions on a national and global scale continues, small business borrowers have to work hard to maintain their relationship with their local community banks.

Our community banks strive to build and maintain their Connecticut base of customers. In the current economic climate our banks may be forced by regulatory restriction to take steps which will permanently impair the bank- to- customer relationship. If that happens, it may force small business owners out of business and/or into bankruptcy, furthering to the deteriorate Connecticut's economy.

Good community bank relationship customers have and will continue to be hurt by the general credit crunch, economic down turn and its correlation to property and business valuations. Though the FDIC has offered new regulation (see FDIC FIL-61-2009 <http://www.fdic.gov/news/news/financial/2009/fil09061.html>); Connecticut small businesses are still at considerable risk as are their critical relationships with their Connecticut community bank. When community banks are forced to take steps to shore up their balance sheet, they will have to sell distressed loans to third parties, severing their customer relationships and deepening the economic wounds in the communities they were to established serve.

The Connecticut Safe Harbor Fund will provide shelter for small business owners through these difficult economic times helping them to maintain existing relationships and building future opportunities with their Connecticut community banks. Establishing a fund that is required to work with customers (outside of bank regulatory restrictions) will help banks and businesses bridge the economic downturn; it will keep Connecticut small businesses in business, while maintaining positive relations with their community banks. The strength of Connecticut, its economy and its small businesses will benefit now and in the future. This fund is intended to provide business owners time and consideration to reassess their business, recover and rebuild.

If the State of Connecticut can anchor our small business owners in a "safe harbor", we will build stronger commercial ties within the State and boost our economy. It will encourage in-state collaboration, and in doing so will foster an environment for community commitment, stabilization and growth.

I respectfully urge you to pass this bill.

Sincerely,

Susan A. Malan - a Connecticut native