

February 28, 2012

To: Members of the Commerce Committee
Fr: Connecticut Bankers Association
Contacts: Tom Mongellow or Fritz Conway
Re: Raised Bill 5265, AAC Small Business Lending

This bill would seek to create a local State alternative to the federal Small Business Administration's secondary market, for the purchase of the guaranteed portion of SBA small business loans.

The banking industry regularly participates in the origination of SBA loans to Connecticut businesses, and that secondary market allows them to sell off up to eighty percent of the loan, thereby freeing up those monies to lend back into the communities they serve.

Depending on the design of the program, the concept of creating an additional State secondary market for Connecticut originated SBA loans, could enhance the ability for small businesses throughout the state to obtain these important loans and also make it more cost effective for banks to sell the guarantee portion.

An added benefit to the State, would be that the SBA loans it would purchase would be guaranteed by the full faith and credit of the Federal government, and produce a predictable and positive rate of return for the life of the loan.

The Connecticut Bankers Association is frequently asked what could be done on a local basis to enhance lending to small businesses. We have consistently brought up the SBA lending program, with its guarantee and its secondary market as an excellent model to emulate on a state level.

The CBA would welcome the opportunity to work with the Committee on the concepts included in Raised Bill 5265.