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United States Senate

WASHINGTON, DC 20510

March 8, 2010

The Honorable Timothy Geithner
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Geithner,

I am writing to report on testimony and recommendations made last week in a hearing of the Banking Committee's Subcommittee on Economic Policy, which I chair. The hearing, "Restoring Credit to Main Street: Proposals to Fix Small Business and Lending Problems," included testimony from several lending institutions, as well as from Senator Carl Levin and Senator Debbie Stabenow. Senators Levin and Stabenow both highlighted the need for small business legislation to include a collateral support component.

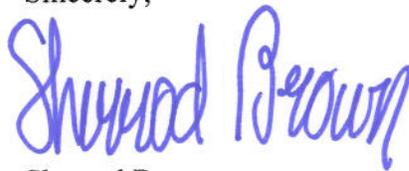
As you are aware, the Federal Deposit Insurance Corporation (FDIC) recently released its latest Quarterly Banking Profile for the fourth quarter of 2009. The report shows that total bank loans and leases declined for the sixth straight quarter, with total loans to commercial and industrial borrowers declining 4.3 percent and real estate construction and development loans declining by 8.4 percent

As loans and leases decline, bank failures are increasing. In 2009, 140 insured depository institutions failed and 20 have failed in the first several weeks of 2010. Sixty-five (65) of the 160 failures have occurred since September 30, 2009. The FDIC also reports that its "Problem List" grew by 150 institutions from September 30, 2009 to December 31, 2009.

While it is clear that Congress and the Administration both recognize the need to capitalize banks in ways to ensure increased small business lending, I share the concerns raised by Senators Levin and Stabenow that we may not fully address the demand for loans, especially from capital intensive businesses in highly economically distressed regions of the country. In many instances, successful businesses that have orders and revenues, or viable plans to diversify, simply cannot stay in operation because banks have been unwilling or unable to lend. Businesses that have had their collateral depreciate, but still have the ability to repay loans, have been unable to find banks that will extend loans.

In the March 2 hearing, Senators Levin and Stabenow effectively illustrated the scope of the collateral support issue. The Chairman of the American Bankers Association (ABA) also addressed the issue, noting that a collateral support program may help fill the access to capital problem many small businesses are facing. I encourage you to review these statements and testimony, and to work with Congress on addressing collateral support in forthcoming small business legislation.

Sincerely,

A handwritten signature in blue ink that reads "Sherrod Brown". The signature is written in a cursive, flowing style.

Sherrod Brown
Chairman, Subcommittee on Economic Policy
Senate Banking Committee