

**“Improving Responsible Lending to Small Businesses”**  
Subcommittee on Oversight and Investigations  
House Financial Services Committee  
November 30, 2009

Opening Statement from Chairman Dennis Moore [KS-03]

Just last week we learned from the F.D.I.C. that lending by U.S. banks plunged by 3 percent in the third quarter, the largest drop since at least 1984 when this kind of information was first collected. This represents the fifth consecutive quarter in which banks have reduced lending. According to the report, banks reduced the amount of money extended to their customers by \$210 billion between July and September, cutting back in almost every category, from mortgage lending to business lending.

What frustrates me the most about this report is the largest banks, the ones that received tens of billions of taxpayer dollars, were responsible for a disproportionate amount – nearly 75 percent – of the lending decline. And this is happening in a quarter when banks posted an aggregate profit of \$2.8 billion.

More than any other time, the banking industry needs to be reinvesting those profits in communities and the local businesses found in the Detroit area and throughout the country so we can turn around this economic decline. Economists say small businesses account for up to 60% of new jobs. It’s time to put people back to work and invest in the small businesses that can be an engine of economic growth.

I look forward to hearing from the business community here in Michigan so we can have a better understanding of the obstacles small and mid-sized firms continue to face in finding credit. We will also hear testimony from banks and credit unions and the challenges they face in increasing prudent lending while remaining safe and sound. Finally, we will hear from regulators responsible for supervising these firms as they work hard to curb the rise in bank failures.

“Improving Responsible Lending to Small Businesses,” the title of today’s hearing, is not an easy thing to do in the current economic environment. But I’m hopeful this hearing will help Congress better appreciate these challenges and allow us to consider new ideas and solutions to address this problem.

In a joint statement released over a year ago, bank regulators warned: “If underwriting standards tighten excessively or banking organizations retreat from making sound credit decisions, [it would lead] to slower growth and potential damage to the economy.” FDIC Chairman Sheila Bair said last week, “We need to see banks making more loans to their business customers.”

I completely agree, and I hope this hearing will drive home a clear message to all stakeholders – banks, credit unions, regulators and the business community. We are all in this together, and until we see an increase in responsible lending to small and mid-sized businesses, I fear the economic recovery our country desperately needs will take too long to materialize.

I look forward to taking the lessons we learn from today’s hearing back to Washington, D.C., and working with Republicans and Democrats on thoughtful, bipartisan solutions to this significant challenge.