

Senate Hearing

Good morning. My name is Troy Cloutier, and I have worked for MidSouth Bank for more than 18 years. I am the Regional President over the South Region, which includes St. Mary, Terrebonne, and Lafourche parishes — a total population of about 250,000. I have lived in Houma for 7 years, I am on the Executive Committee of the Chamber, a member of South Central Industrial Association and a member of Independent Community Bankers Political Action Committee. MidSouth Bank is a \$950 million dollar bank headquartered in Lafayette, La. MidSouth Bank is one of the biggest users of SBA programs in the state.

MidSouth Bank is an oil and gas bank, with numerous lines of credit extended to companies to pay their daily expenses, including payroll, insurance, payables, and other expenses that arise during a business cycle. We also do boat loans and equipment loans, and currently 32 percent of our loan portfolio is in commercial and industrial loans. Right now we have more than \$80 million in loans in the South Region.

Over the past few months we have seen an increase in companies using their lines of credit for oilfield cleanup work. We have seen all of the boats that we financed go to work to assist with the cleanup of the oil spill. Because of these we have seen loans increase by over \$11million since March of this year. We do not have much financed with the fishing industry.

Going forward we see businesses being very nervous about what is going to happen in the oil industry. Because of the moratorium on deepwater drilling, some of the big companies are planning to go overseas, because they have the financial resources to do so. The smaller companies, however, like the 7 that I have put in business over the past 5 years with SBA loans, are very fearful their work will dry up once bigger companies move overseas and hire other providers. They are holding on to their money and making sure that they do not buy any new equipment or have any additional expenses that might compound their problems once work slows down. Before the moratorium, they had already scaled back where they could just because of the slowdown in the economy. They have laid off people and do not plan on hiring them back anytime soon. I was talking to a machine shop owner the other day and he told me he will work the machine and not hire anyone for at least the next 6 months. He had 5 other workers at the beginning of the year and has cut them all. His business will make it, he says, but it may just be him and his wife running it.

Businesses are also trying to prepare for the new regulations once the moratorium is lifted. Some of the business owners fear the cost of doing business in the Gulf will skyrocket, and not just the deepwater operations. So they are holding on to their cash now. They are worried about the profit of their business going forward, so they are taking care of their families first. Many of them just recovered from the hurricanes — not Katrina but Gustav and Ike, which hit this area very hard and now they are faced with this. We hear so much about Katrina, but we do not hear anything about the other hurricanes that devastated the area below New Orleans.

I was talking to an oilfield executive the other day who pointed out the irony of the fact that businesses moved to the Gulf in the last few years because the political landscape in our country was so stable. Now those same businesses are moving overseas because of the political landscape in the country.

Those who will be most hurt by this are the employees, who are already as leveraged as much as they can be. Many of the employees were working 50-60 hours a week a few years ago and living off of the overtime. They have seen a decrease in salary just because they are not getting the overtime pay. They cannot get a home loan today because of all of the regulations. I personally just moved into a new house, and the mortgage process was a nightmare, and I have great credit. Consumers have a lot of credit card debt. Most consumers today have a very high debt to income because of all of the credit cards they have. It's easy to say they should have done a better job managing their finances, but the fact of the matter is that they are living paycheck to paycheck and they do not have any money in reserve to be out of work for 30-90 days or longer. The only way they can make it is to get more credit cards from one of those big banks. It is also getting much harder for a bank to allow their customers to overdraw their account, which some of them live on. Many of them do not have the skill set to do anything else. They graduated from high school and were attracted to offshore jobs that immediately allowed them to make \$60,000-70,000.

It's what they do, and their work benefits all of us. They just want to get back to work.

And community bankers want to help them do that.

On behalf of the Independent Community Bankers of America, particularly its representation of banks in the states of Louisiana, Mississippi, Alabama and Florida, I would like to appeal to this committee to consider a requirement that some of the money BP has put into trusts be deposited into community banks in these affected states.

The ICBA would also like to express its hope that bank regulators understand the impact this crisis is having on banks in these states and their customers.

And finally, on behalf of MidSouth Bank and other ICBA member banks I would like to urge support for Sen. Mary Landrieu's Small Business Lending Fund. This powerful tool will ensure small businesses get access to the credit they need to create the kind of jobs that will drive our economy and get all of us back to work.