



Testimony of

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President

Crystal Finishing Systems Inc.

A Wisconsin Corporation

Appearing before

House Financial Services Field Hearing on
Banking Regulations affecting Small Business

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Wausau, Wisconsin



Good Morning:

I would like to thank Chairman Capito and other members of Subcommittee for the invitation and allowing me to speak before you this morning.

My wife Laurie and I have lived the American Dream of starting small businesses, creating jobs, supporting our family and community, and building our dream home. So I am going to give you our perspective on not only small business and banking but as home owners also.

We have enjoyed this success with the help of our local banking system, the SBA, Wisconsin Business Development Corporation, McDevco Corporation and our great customer base. Our core business is Aluminum Extrusion, Painting, Powder coating and Fabrication along with Distribution of our customer's products. Our current business employs 430 fulltime staff with an annual payroll of over \$13 million dollars. Our company annually pays in real estate taxes, our share of payroll taxes, fuel tax over 2.2 million dollars before our company makes dime one profit. I feel this is important as the perception of the public today is businesses and business owners do not pay their fair share of taxes. If we are fortunate enough to have profits these profits result in additional tax contributions.

During the last 3 years we have employed as many as 468 fulltime staff and as low as 305 due to the severe economic conditions. We have gone from a business that banks were competing to do business with to a company that struggled to keep enough financing to keep our business running. The large banks simply look at either your market segment, your ratios after current appraisals and past history, experience or track record means nothing. I have seen a true shift in the current banking climate that has American home owners and small business owners wary of even renewing loans let alone seeking new money for updates or expansion. In today's competitive business climate locally, nationwide and worldwide without constant upgrades to equipment, infrastructure and faculties it is nearly impossible to grow a business, create jobs or simply remodel your home. We have spent countless hours on renewals, thousands of dollars in fees, appraisals just because we are looked at being equal to the risky short term investment return greed of Wall Street when all we want to do is run a business with good long term business plans.

With the pressure that the banks are currently under today to simply look at the bottom line ratios along with deflated appraisals on real estate, equipment and property both Small Businesses and Home Owners are losing their equity. This loss of equity is a direct result of the lack of consumer confidence and the lack of consumer demand resulting in more economic pressure on businesses and workers alike.

The logo for Crystal Finishing Systems, Inc. features the word "CRYSTAL" in a large, bold, serif font, with "FINISHING SYSTEMS, INC." in a smaller, all-caps, sans-serif font below it. The text is overlaid on a stylized graphic of three overlapping, slanted rectangular shapes in shades of blue and purple, creating a sense of depth and movement.

CRYSTAL FINISHING SYSTEMS, INC.

As a home owner you fear to do a home improvement loan only to find out not only do you not qualify for money against equity you thought you had in your home. You may find out that your loan is under collateralized and the bank may ask you to write a check to pay the loan down further. By forcing banks into situations of analyzing loans not on the merit of the project or the past relationship with the customer you are ultimately compounding the already depressed housing market and the commercial real estate market alike. If banks are no longer able to do the right thing with their customers and negotiate payment terms etc. without having to be punished our economy will not recover any time soon.

If this same climate existed when Laurie and I started our business there would be no Crystal Finishing, No 430 jobs today, no 13 million dollar payroll and not tax contribution of 2.2 million from our company before profits.

I again would like to thank you for allowing me the time to share our experience with you.

Mark Matthiae
President



Outline of discussion for the House Financial Services Committee Field Hearing 10-31-2011

1. Point out the differences in lending practices today vs. 3 years ago. What used to take weeks to get financial deals done now takes months, quarters and even years.
2. Discuss the time lag of renewals and added paperwork resulting in added cost and time for appraisals, accountants
3. Discuss Businesses that have had successful track records and then a bad quarter or year and credit is downgraded.
4. Discuss Banks not being able to look at the Merits of individuals and businesses just bottom lines.
5. Too many decisions are being made because of market segments rather than the history of the individual or business.
6. Regulators are forcing banks to reserve extra money on loans that are not bad but have been refinanced or reworked to adjust to the changing economic conditions resulting in less borrowing.
7. Large banks have become worse than small banks willing to just get out of loans even at the cost of jobs and people's lives. In the case of our business we employed 465 in the fall of 2008, the recession hit and we dropped to 300. Our local small bank worked with the USDA, SBA, and Wisconsin Business Development and helped save the 300 jobs and now we are back to 430 jobs with another 75 to 100 additional jobs coming in the next 12 months.