

**Hearing Entitled “Who’s In Your Wallet? Dodd-Frank’s Impact on Families, Communities and Small Businesses”**

**Testimony of Garrick “Gary” Johnson, President, American Flooring Installers, LLC, on behalf of the Ohio Hispanic Chamber of Commerce**

**Before the House Financial Services Committee’s Subcommittee on Oversight and Investigations**

**July 19, 2012**

Good morning, Mr. Chairman, Ranking Member Capuano, and other Members of the Subcommittee. My Name is Gary Johnson, and I am the owner, President and CEO of a small, but fast-growing construction business in Toledo, Ohio, called American Flooring Installers. I am testifying today on behalf of the Ohio Hispanic Chamber of Commerce, where I currently am Chairman. The primary objective of our Chamber is to promote the development and continued growth of the Hispanic business community in Ohio. It is a pleasure to appear before you today.

In my testimony this morning I want to tell you a little bit about my company, and also provide you with a personal account of some of the ways in which I am using financial products and services to run and grow my business. I know that I am here to talk about the effects of regulation, but I hope that if I tell you how my business works, and how I use financial products, it will help when you consider proposals for new regulations. My company currently has 23 full-time employees and we had gross revenues for 2011 of approximately \$1.8 million. I am looking to hire additional workers and we are on track to double our revenues this year. One part of meeting that goal is the financial products and services that we and our customers use.

A healthy financial sector is important for businesses of all sizes, especially small businesses like mine. In the business community, many of us are concerned that the new financial sector law enacted by Congress is indirectly hurting small businesses through tighter

lending standards and new or increased fees for routine financial services for business and consumer banking customers.

Among the subjects that always seem to come up when I talk with other Chamber members is the challenge with cash flow. Many of us believe that this challenge has been exacerbated by the law enacted by Congress in response to the financial crisis. While less regulation in some areas has contributed to the necessity for government to act, over-regulation has made it extremely hard to obtain the necessary funding needed to grow many small businesses. We are concerned that over-regulation is making it harder for banks to make credit card loans to us and harder for our customers to use payment cards too. These cards are essential for cash flow on both the expense and revenue side of a small business. Other options such as lines of credit either take too long to obtain, or simply are not available.

When I accept payment cards from my customers, I get paid faster, and that time-value of money means I get paid more relatively speaking. One tool that I am increasingly using to enhance my cash flow involves the acceptance of payment cards using a device attached to my mobile phone. The device allows me to accept credit and debit card payments while I am face-to-face with a customer. If I am out on a job, using that device, I know whether or not I am going to get my money within the next three days. If the payment is declined, I know about it right then and there and can address it with my customer. If the authorization goes through, then I know I can put that money back to work within three days.

I accept anywhere from \$2,500.00 to \$10,000 per month on cards and it would be great if more of my customers paid me this way instead of sending a check. Again, accepting payment cards enables me to get paid typically within a few days. This is light years faster than the

invoice system I otherwise use that typically results in me receiving a payment from a customer by check which can take as long as 60 or 90 days. Also, with payment cards, small businesses do not need to worry about bounced checks. Even though I pay a fee to accept card payments, I prefer them as a payment method because I get access to my funds almost immediately. That allows me to put that money back to work in my business on a near real-time basis. When I receive payment from my customers more quickly, I can put that money to work quickly in growing my business.

Also, if you consider what I pay to accept payment cards as opposed to the cost of me essentially floating a loan to a customer for 60 to 90 days when I could be putting that cash back to work in my business, it is a no-brainer. I have learned, not from a book, but from my business, about the time value of money. I want to keep going back to that, because knowing the time value of money is one of the keys to successfully growing your business.

The situation I just described hits me in two ways. Even if I was not growing my business, during the 60 to 90 day period I have to wait to have an invoice paid by check, I have to pay the employees that worked on the job out of other funds. I lose the use of that money and the money I am owed. I cannot even earn interest on it and, as I said, I am basically extending a loan. When I am growing my business, the impact is even worse. In my view, if laws and regulations make it harder for banks to make payment cards available to my customers, or make it harder for companies to develop innovative products like my mobile phone device, that hurts my business.

Of course, like all businesses, I want to pay less for almost everything that I use in my business. However, if the State of Ohio limited what I could charge to install a wood floor in a

government building – I do a lot of work for the State of Ohio – to some percentage of my costs, I can guarantee you that I would do my best to recover my costs across the rest of my lines of business. If the limit was too much, would I stop doing that line of business? Probably so. But no matter what, I would try and grow other areas of my business as opposed to devoting resources to that area of business.

Let me be clear that I do support having some “rules of the road,” as long as I know what those rules are and they make it easier – or I should say better – for both my customers and I to do business. Of course, it would not be fair if the rules were drawn up in my favor, and I certainly do not want someone dictating basic choices or business decisions. I think in many cases that we swing back and forth too far in both directions. As a small business, I can’t always see it coming and I can’t always duck. Not only are extremes bad, there is the not knowing what is coming.

So, I just want to say that if Dodd-Frank, or any other legislation like it, does any of the things I have just talked about, then I would most likely oppose it or whatever parts of it had the effects that hurt my business.

While I am here, I also want to talk about how my business uses credit cards for purchasing so that you can consider that when you pass laws. In addition to accepting payment cards, I also use a credit card to pay some of my vendors for supplies and materials. Many small businesses do this. A credit card provides me with an easy way to purchase things I need to keep my business going. It also helps me to continue doing business while enduring the time and process it would take to get a small-business loan. I find that other businesses often prefer when I pay this way because, like me, they want to get paid faster and want to avoid the lag time that

occurs with invoicing and check payments. In fact, some of my suppliers and vendors will give me a discount for timely payments I can make with my credit card. This provides me with another way to help cut costs and grow my business. Like many small businesses, we keep a close eye on the credit available to us, and if over-regulation keeps banks from making that credit available, we will suffer for it.

In my experience, any regulation that increases costs to businesses – regardless of the industry – will ultimately be borne by the businesses’ customers in the form of higher prices. In the case of banks, that can mean increased costs for small businesses in various ways.

It is difficult for me to characterize exactly how the new financial sector law enacted by Congress has impacted the banks because I am not a banker. Others witnesses are better suited to speak to those issues. What I can say is that in the wake of the financial crisis it is crucial that Congress and regulators not react so strongly that the good parts of banking that we rely on – the parts that were not involved in the financial crisis – cease to be viable and healthy. When small business is healthy, the economy is healthy.

I appreciate the opportunity to testify before you today, and would be happy to answer any questions you may have.