

## EXECUTIVE DIRECTOR'S MESSAGE

David Haithcock, CIB Executive Director



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# The End to Enterprise Zones – Bad Business for California Community Banks

Since August of 2010, we have followed a proposed legislation that would eliminate enterprise zones, which are areas within some communities that are in dire need of economic revitalization. The enterprise zone program in California offers unique opportunities for community banks to lend to underserved small businesses in these zones through incentives such as net interest deduction. From what we have gathered, some banks have looked at participating in the enterprise zone program but have declined. Others have done a little lending while others have committed millions of dollars. The enterprise zone issue has returned front and center this year, along with a new administration. We know for some this isn't necessarily a top legislative priority, but then again for the banks who have committed themselves to the program, it's very important that we maintain the opportunities provided to community banks within the enterprise zone program.

The small businesses located within these zones would most likely not have access to the necessary capital if it weren't for our community banks. For most, community banks can offer a reasonable interest rate for a higher risk borrower by offsetting the rate via the net interest deduction granted through the enterprise program. The bigger banks have shown little interest in this program but once again, California's community banks have stepped in to fill this void. Community bankers have entered into agreements with their borrowers based on terms of the program. Now, Governor Brown is recommending to abolish the program which would have a negative effect on all of the community banks involved.

During a recent visit to Sacramento, one of the surprising aspects we learned from meeting with the various legislators is their lack of knowledge of an enterprise zone located within their district. We are asking community bankers to reach out to their state representatives to let them know what the enterprise zone means to your institution and to maintain the benefits community bankers are able to take advantage of by participating in the program. Your swift action is appreciated. Helpful information to share is the number and dollar volume your bank has committed to the enterprise zone you are involved in and what it would mean if the program ended. Unlike credit unions, there are few government programs that community bankers can take advantage of but the enterprise zone program is one of them. The state needs to place its focus on job creation and not on job elimination.

This is yet another opportunity for community banks to continue to encourage economic development in communities that need it most!

For questions on the enterprise zone program, or specific California legislation contact us at [gocib@cib.org](mailto:gocib@cib.org).



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