



October 2, 2017

Dear Representative/Senator:

The undersigned organizations urge you to oppose bills to repeal Section 1071 of the Dodd-Frank Act¹ and efforts to undermine the effectiveness of the provision. Section 1071 requires the Consumer Financial Protection Bureau (CFPB) to collect and disclose small business lending data. The small business sector is critical to the nation's job creation, economic growth and continued recovery, yet lawmakers, regulators and the communities lack basic information about the credit needs of small businesses and their ability to obtain credit. Section 1071 would provide a better understanding of the small business credit flowing into local communities and the extent to which "credit deserts" and sectors of unmet credit needs exist. Small business lending data transparency will also help identify business and community development needs and opportunities for women-owned, minority-owned and small businesses; and facilitate the enforcement of fair lending laws.

In an effort to assemble a comprehensive picture of the nation's small business lending marketplace and compare lending trends over time, CFPB researchers consulted five different small business surveys and two government datasets.² The CFPB's research revealed the significant gaps in what communities, public sector entities, and financial institutions know about lending to small business:

¹ Including the Community Lending Enhancement and Regulatory Relief (CLEARRR) Act of 2017 (H.R. 2133), the Financial Choice Act of 2017 (H.R. 10), and the FY2018 Financial Services and General Government appropriations bill. In addition, the Treasury Department report, A Financial System That Creates Economic Opportunities (June 2017) also recommends repeal of Section 1071.

² In their recent paper, Key dimensions of the small business lending landscape (May 2017), the CFPB consulted business surveys by the 2015 Joint Federal Reserve Survey, the National Small Business Association (NSBA) 2016 year-End Economic Report (surveys 1,426 small businesses) and the Pepperdine Private Capital Index (1, 888 completed responses); as well as the FFIEC Consolidated Reports of Condition and Income ("Call Report") and Community Reinvestment Act data (these datasets do not cover nonbanks and cover institutions with assets above roughly \$1.2 billion). The report also referenced the Experian/Moody's Analytic Small Business Credit Index (tracks how businesses fare over a period of time relying on credit balances, delinquency rates and other commercial credit coupled with macroeconomic data) and the Wells Fargo/Gallup Small Business Index (surveys a sample of 600 business owners and considers ease of credit while computing a business optimism score).



- **No Comprehensive Data on Small Business Credit Needs:** Given the lack of comprehensive, granular data, it is difficult to measure the degree to which government programs directly address the financial challenges of small business owners and whether there are unmet needs; the level of accessibility of private capital; and the transparency and efficiency of private financing markets. Much of what we know about small business needs relies on subjective survey data based on aggregated business perception and which specific businesses are surveyed.
- **Little Data on Financing Products, Geography & None on Loan Applications & Denials:** Based on conversations with industry and extrapolations of market trends, there is a very limited ability to accurately size the small business lending market (e.g. by broad product categories). While business surveys and indices provide important high level trends on small business credit access, these sources lack consistent national data from all 50 states. There is also no data on loan applications by small businesses or application denials, which are strong measures of credit demand and credit availability and accessibility.
- **Existing Federal Data Limited Largely to Depository Institutions:** Even the limited data available through federal datasets – FFIEC Consolidated Reports of Condition and Income (“Call Reports”) and Community Reinvestment Act (CRA) – do not cover nondepository financial institutions.
- **Little Demographic Data on Business Applicants – Women-Owned and Minority-Owned Businesses:** Survey data and business indices lack consistent understanding of the demographic of business applicants and subsequent approval rates. For example, neither Call Reports nor CRA data – two of the best data sources on loans of \$1 million or less - provide any information on lending to women-owned and minority-owned small businesses in particular.

Several studies have documented the challenges small businesses, particularly those that are women-owned and minority-owned, face in accessing credit, and how regions of the country also experience inequalities in accessing credit, which retards economic growth and opportunity. Consider the following:

- Just five percent of women-owned businesses use bank loans to start their businesses compared to 11 percent of male-owned businesses.³
- The Kauffman Firm Survey reveals that just 28 percent of minority credit seekers were always approved for loan requests, versus 67 percent of white ones.⁴

³ National Women’s Business Council – Problem: Women Entrepreneurs Need Greater Access to Capital, <https://www.nwbc.gov/sites/default/files/Access%20to%20Capital%20Fact%20Sheet.pdf>

⁴ Alicia Robb, Marin Consulting, LLC, Access to Capital among Young Firms, Minority-owned Firms, and High-tech Firms, for the Small Business Administration, April 2013, page 13.



- If minorities owned businesses at the same rate as non-minorities, our country would have 1 million additional businesses and more than 9.5 million additional jobs.⁵
- The National Community Reinvestment Coalition (NCRC) found in a report conducted for the Appalachian Regional Commission that the business lending rate in economically distressed counties in Appalachia was just 44 percent of the national rates.⁶
- The Woodstock Institute found that in Los Angeles and San Diego, businesses in predominantly minority census tracts were 31 percent of businesses, but they received only 21 percent of the loans under \$100,000.⁷
- Preliminary findings of a survey of California-based CDFIs and technical assistance providers by the California Reinvestment Coalition show a majority of respondents believe that Section 1071 data is important to small businesses, that small businesses owned by people of color and women face discrimination when seeking financing, and that small businesses are frequently getting trapped in high-cost, non-bank loans, such as Merchant Cash Advance products. Section 1071 is a critically important tool measuring and boosting access to credit for small businesses, particularly women-owned and minority-owned businesses. Our nation's economy and small businesses stand to benefit from the sunlight of data disclosure.

If you have any questions please feel free to contact Gerron Levi at the National Community Reinvestment Coalition at 202-464-2708.

Sincerely,

National Groups

National Community Reinvestment Coalition (NCRC)
Accion, The U.S. Network
Americans for Financial Reform
Center for Responsible Lending
Friends of the African Union Chamber of Commerce

⁵ Kauffman Foundation, State of Entrepreneurship 2017: Zero Barriers – Three Mega Trends Shaping the Future of Entrepreneurship, http://www.kauffman.org/~media/kauffman_org/resources/2017/state_of_entrepreneurship_address_report_2017.pdf

⁶ NCRC, Access to Capital and Credit in Appalachia and the Impact of the Financial Crisis and Recession on Commercial Lending and Finance in the Region, commissioned by the Appalachian Regional Commission, July 2013, <http://www.ncrc.org/images/accesstocapitalandcreditInappalachia.pdf>

⁷ Woodstock Institute, Patterns of Disparity: Small Business Lending in the Chicago and Los Angeles-San Diego Regions, January 2017, <http://www.woodstockinst.org/research/patterns-disparity-small-business-lending-chicago-and-los-angeles-san-diego-regions>



Main Street Alliance
NAACP
National Association for Latino Community Asset Builders (NALCAB)
National Consumer Law Center (on behalf of its low income clients)
National Fair Housing Alliance
National Trust for Historic Preservation
National Urban League
Opportunity Finance Network
People's Action
Public Law Center
The Leadership Conference on Civil and Human Rights (LCCR)
The Feighan Team
Women's Business Development Center

Local Groups

727 Mgt. LLC
ACCION Chicago
ACCION East
Affordable Homeownership Foundation
African American Chamber of Commerce of Montgomery County
Alabama Small Business Development Initiative
Asian Business Association
Asian Pacific Islander Small Business Program
Asian Economic Development Association
Association for Neighborhood and Housing Development
Baltimore Neighborhoods, Inc.
Birmingham Business Resource Center
Black Economic Council of Massachusetts
BOC Capital Corp.
Building Alabama Reinvestment
CA Community Economic Development Association
California Association for Micro Enterprise Opportunity
California Reinvestment Coalition
California Resources and Training
CASA of Oregon
CDC Small Business Finance
CFORM-CovenantCDC
Chicago Community Loan Fund
Chicanos Por La Causa
Cincinnati Realist Association
City of Dayton Human Relations Council
Community Business Partnership



Communities United For Action
Domar Companies, LLC
Durham Regional Financial Center
East LA Community Corporation
Empire Justice Center
Fair Finance Watch, Bronx, NY
Financial Justice Coalition of Southeast Michigan
First World Architects Studio
Fresno CDFI
Global Network CDC
Hamilton County Community Reinvestment Group
Harlingen CDC
Hawai'i Alliance for Community-Based Economic Development
Henderson and Company
Heritage United Church of Christ
Housing Authority of the City of High Point
Housing and Economic Rights Advocates
Housing Education and Economic Development
IMPACCT Brooklyn
J-RAB
Jewish Community Action
L.A. Keyz Financial Services
Local Initiatives Support Corporation
Long Island Housing Services, Inc.
Los Angeles LDC
Main Street Launch
MANNA, Inc.
Maryland Consumer Rights Coalition
Metropolitan Milwaukee Fair Housing Council
Metropolitan St. Louis Equal Housing and Opportunity Council
Michigan Community Reinvestment Coalition
Multi-Cultural Development Center
Neighborhood Housing Services of South Florida
Network for Developing Conscious Communities
New Frontier CDC
Northwest Indiana Reinvestment Alliance
Norwood Resource Center
Opportunity Fund
Pacific Coast Regional Small Business Development Center
Paragon Management Group, Inc.
Partners in Community Building, Inc.
PathStone Enterprise Center



People For Change Coalition
Pittsburgh Community Reinvestment Group
Prince George's County NAACP
Prestamos CDFI
R Pace Tax Service
REVA Development Corporation
Rebuild Durham Inc.
Rural Community Assistance Corporation
Scott County Housing Council
Spanish Coalition for Housing
The Fair Housing Center
The Greenlining Institute
TSC Grand, Ltd.
Universal Housing Solutions CDC
Urban Economic Development Association of Wisconsin (UEDA)
White Wing Educational Community
Woodstock Institute
Working in Neighborhoods