

ISSUE: Protect Section 1071 of the Dodd-Frank Act to Ensure Better Access to Credit for Small Businesses

Section 1071 of the Dodd-Frank Act requires that the Consumer Financial Protection Bureau (CFPB) centralize the collection of small business lending data and to make that data public. It also requires new data including the race and gender of the small business owner to be reported.

The purpose of this section is to “facilitate the enforcement of fair lending laws and enable communities, governmental entities, and creditors to identify business and community development needs and opportunities of women-owned, minority-owned, and small businesses.” Currently, the collection of small businesses lending data is spread across a number of federal agencies, is not comprehensive, and is not readily available to the public.

Small, women-owned, and minority-owned businesses (SBEs, WBEs and MBEs) drive economic and job growth. Small businesses accounted for approximately 60 percent of net new jobs created from mid-2009 to mid-2013.⁷ Women, African-American, and Hispanic entrepreneurs represent a larger share of small businesses than ever. By one estimate, women entrepreneurs are adding more than 1,000 new businesses in this country every day, and women of color account for roughly 80 percent of those.⁸ Nonetheless, the country continues to rebound from a 40-year decline in startup activity.⁹

Despite their significant role, small, women-owned, and minority-owned businesses struggle the most with access to safe and sustainable credit. Bank balance sheets showed a 20 percent decline in small business lending by 2014, while loans to larger businesses had risen by about four percent over the same period.¹⁰ Also, small businesses, women-owned, and minority-owned businesses face lower approval rates on loans than male-owned and non-minority-owned businesses. For example, available research on minority business lending generally indicates that African-American business owners are denied loans more often or pay significantly higher interest rates than white-owned businesses with similar risk characteristics.¹¹

Despite disparities in lending, a 2008 GAO report found that the lack of data frustrates regulators ability to address it. Better data on lending markets improves access to credit.

Who Can Act:

The U.S. Congress

7 SBA, Frequently Asked Questions about Small Business (March 2014).

8 SBA Cabinet Exit Memo, SBA: Smart , Bold, Accessible (January 5, 2017)

9 Ibid.

10 Mills, Karen Gordon and McCarthy, Brayden, Harvard Business School, *The State of Small Business Lending: Credit Access During the Recovery and How Technology May Change The Game*, p. 4, (July 2014)

11 GAO, *Fair Lending: Race and Gender Data Are Limited for Nonmortgage Lending*. (June 2008)

NCRC's Position:

NCRC opposes the Financial CHOICE Act 2.0, to be sponsored by Representative Jeb Hensarling (R-TX-4), Chairman of the House Financial Services Committee, and any similar proposal by Senator Mike Crapo (R-ID), Chairman of the Committee on Banking, Housing and Urban Affairs. The Financial CHOICE Act proposes a rollback of numerous critical provisions of the Dodd-Frank Act, including a repeal of Section 1071. NCRC opposes any repeal of Section 1071. Better small business lending data must be defended.

SBE, MBE and WBE Procurement: Additionally, to ensure that small, women-owned, and minority-owned businesses can continue to grow, the federal government should increase their contracting and procurement goal with small business from 23 percent to 25 percent and actually adhere to that standard. For years, the government has failed to meet its goals of awarding a mere 23 percent of federal contracts to these businesses, depriving them of at least \$25.7 billion. In addition, many federal programs aimed at providing technical assistance have arbitrary and unnecessarily limiting constraints.