



# CFPB SMALL BUSINESS LENDING DATA COLLECTION RULE WILL LIMIT FLOW OF CREDIT

## **DISPLACING CUSTOMIZED SMALL BUSINESS LENDING WILL HARM VULNERABLE SMALL BUSINESSES**

The Consumer Financial Protection Bureau’s (CFPB’s) final rule under Section 1071 of the Dodd-Frank Act requires lenders to collect and report 21 data points for every small business loan application, including the borrower’s race, ethnicity, and gender. These rigid data collection requirements will force lenders to abandon customized lending – the core value proposition offered by community banks – in favor of standardized, “cookie cutter” loan features to document compliance with fair lending requirements. *Unfortunately, the CFPB failed to use its statutory discretion to exempt community banks from data collection and preserve customized lending.*

Customized lending, with individually crafted terms to suit the borrower’s need and preferences, gives small businesses the best chance to succeed. Importantly, customized lending is effective in reaching marginalized borrowers, often women and minorities, without established credit histories or easily appraised collateral and a unique business model. The 1071 rule will limit access to credit for such borrowers.

## **FINAL RULE MAY COMPROMISE BORROWER FINANCIAL PRIVACY**

The new rule may compromise borrower privacy in the small towns and rural communities served by community banks. The breadth of the data required to be collected and potentially published under the new rule may make it possible to identify individual borrowers. Loan offers contain critical business information and reflect the business owner’s personal financial position as a guarantor of the loan.



# CAPITAL SUMMIT 2023

## FINAL RULE WILL MAKE BORROWING MORE COSTLY

The new rule will create significant regulatory compliance costs for community banks, which do not have dedicated legal and compliance teams. These expenses will necessarily increase the cost of borrowing for small businesses, which rely on credit to sustain operations and hire and retain workers.

*The CFPB rule mandates the collection of additional data points not required by statute, thus compounding the compliance burden.*

## MESSAGE FOR YOUR MEMBERS OF CONGRESS

- Support H.J.Res. 50, a resolution of disapproval of the Consumer Financial Protection Bureau's (CFPB's) Small Business Loan Application Data Collection Rule. The resolution was introduced by Reps. Roger Williams, Andy Barr, and Andy Ogles.
- Support H.R. 1806/S. 1159, The Small LENDER Act (Rep. French Hill/Sen. John Boozman) to exempt lenders that make fewer than 500 small business loans annually and narrow the definition of small business (less than \$1 million in annual gross revenues).
- Support H.R. 1810, the Bank Loan Privacy Act (Rep. Blaine Luetkemeyer) to require a rulemaking to determine which data will be published.
- Any exemption of Farm Credit System lenders from Section 1071 should also apply to equivalent loans made by community banks.