

Director Rohit Chopra
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

January 6, 2022

Re: Section 1071, Small Business Data Collection, Docket No. CFPB-2021-0015

Dear Director Chopra:

Small businesses, community organizations, mission-based lenders and others rooted in and serving the Deep South submit this letter in support of fair lending for small businesses in our region. The proposed rule for collecting small business lending data from financial institutions has the potential to be a significant step toward creating a level playing field for small businesses, ending discriminatory lending practices, and helping close the racial wealth gap here in the Deep South.

In the Deep South states of AL, AR, MS, LA, and TN, 1 in 3 businesses are owned by people of color, and nearly 40% are owned by women. In Mississippi and Louisiana, more than 20% of businesses in the state are Black-owned. They are integral to the fabric of our communities and economies, but yet do not receive equal access to capital as other businesses. For example, in Arkansas, even though Black-owned businesses represent 9% of businesses in the state, they have benefited from just 1.2% of SBA lending in the state. In Tennessee, just 10% of the state-administered small business COVID-relief funds went to businesses owned by people of color. Ensuring fair lending for these businesses is necessary for the economic prosperity of our region.

The CFPB's proposed rule has the potential to provide the necessary accountability and transparency to advance fair lending practices. We are confident this proposal will impact our communities in a positive manner if properly implemented.

For the new rule to effectively address lending disparities in the Deep South, the CFPB must ensure:

- Comprehensive coverage of the small business lending marketplace,
- Collection of the right data points to accurately reflect the reality of small businesses' experiences here in the Deep South, and
- Robust, meaningful, and accessible publication of the data collected.

Comprehensive Coverage of the Small Business Lending Marketplace

The CFPB correctly proposes to cover all lenders except for those making fewer than 25 loans over the course of two years. This exemption should not be expanded. Deep South communities, particularly in rural areas, are more likely to be served by smaller banks that individually may have smaller loan volumes but may disproportionately account for a significant amount of lending in their local community. CFPB also correctly ensures that credit unions, online lenders, government-lending entities, community development financial institutions, and others are required to report their small business lending activities.

The CFPB is correct to include coverage of a broad range of credit products that reflects the variety of ways in which small businesses seek credit. We agree the CFPB should ensure traditional forms of credit, such as small business loans, credit cards, and lines of credit, be documented under the rule, as well as non-traditional forms that tend to be higher cost and predatory, such as merchant cash advances. The CFPB made the correct decision to include farm loans in the scope of loans for which lenders must report under this rulemaking. It is well-documented that Black farmers in the Deep South have faced decades of discrimination from lending institutions, both private lenders and governmental entities. This constrained access to capital has contributed to the staggering loss of Black owned farm land in the Deep South.

Accurate reporting that covers the outcomes of loan applications across a broad type of products will provide concrete data, giving light to – and hopefully preventing – the devastating disparities that many of our small businesses owners and farmers have lived through over the years.

Collection of the Right Data Points

The collected data must be able to illuminate who lenders are serving and who they are excluding. To this end, the CFPB is correct to gather a number of proposed data points beyond what is required by statute. In addition to knowing whether the business is owned by people of color and/or women, data points such as amount of time in business, industry type, number of employees, and pricing are necessary to capture. The CFPB must strengthen its rule by also requiring lenders to report the personal credit scores of those to whom they lend, as well as the structure of the business, such as whether the business is a sole proprietorship or a corporation. Without gathering and reporting credit scores, it will not be possible to determine if Black-owned businesses are receiving credit on the same or different terms than similar white-owned businesses. If the CFPB fails to document the credit scores and business types of lenders' small business lending activities, it will not be able to effectively root out patterns of discriminatory or exclusionary lending practices in our region.

Robust, Meaningful, and Accessible Publication of the Data Collected

Even if all the right data is collected, it will not be meaningful if there is not a transparent and efficient way to review and analyze the data. There are sufficient protections in place to guard against the release of individual borrower data, while providing robust information about the lending activities of specific financial institutions. By making the data accessible, the CFPB will ensure a more fair and transparent marketplace, benefitting small businesses, lenders, and our communities.

The benefits of this proposed rule, particularly if strengthened, far outweigh any costs claimed by opponents. Small businesses owned by people of color and women drive significant economic activity and job creation, which is furthered by fair access to credit on fair terms. Robust data collection and transparency in lending will give women and people of color more opportunities for financial stability, and strengthen the fight to close racial and gender disparities in banking that have existed for far too long.

We hope this rule, once implemented, will effectively capture the experiences across Deep South communities while creating a financial marketplace where businesses owned by women and people of color can thrive.

Sincerely,

ACLU of Mississippi, Jackson, Mississippi
ACT! Albany Community Together Inc, Albany, Georgia
African American Alliance of CDFI CEOs Inc., Orlando, Florida
Alabama Arise, Montgomery, Alabama
Black Belt Community Foundation, Selma, Alabama
Black Clergy Collaborative of Memphis, Memphis, Tennessee
Blackgal Production, Inc, Jackson, Mississippi
C & R Nunnally Enterprises LLC, Holly Springs, Mississippi
Carolina Cardiac Care, Columbia, South Carolina
City of Little Rock - Small Business Development, Little Rock, Arkansas
Communities Unlimited, Inc., Fayetteville, Arkansas
Compurecycling Center, Greenville, Mississippi
Court Avenue Consulting, Memphis, Tennessee
Global Tax & Business Service, LLC, Sumter, South Carolina
HD Installerz, Little Rock, Arkansas
Higher Purpose Co, Clarksdale, Mississippi
Hope Policy Institute, Jackson, Mississippi
IGNITE Alabama, Birmingham, Alabama
Immigrant Alliance for Justice Mississippi, Jackson, Mississippi
INTRO LEGACY Group, LLC, Starkville, Mississippi
KUAP Hot 89.7, Pine Bluff, Arkansas
Louisiana Budget Project, Baton Rouge, Louisiana
Mississippi Bottoms Up Coalition, LLC, Jackson, Mississippi
Mississippi Black Women's Roundtable, Jackson, Mississippi
Mississippi Center for Justice, Jackson, Mississippi
Mississippi Votes, Jackson, Mississippi
NAACP Economic Programs, Alabama
National Association of Social Workers-Mississippi Chapter, Pearl, Mississippi
One Voice, Jackson, Mississippi
Oxfam America, Boston Massachusetts
Power Coalition for Equity and Justice, New Orleans, Louisiana
Precision Financial LLC, Memphis, Tennessee
River City Capital Investment Corp, Memphis Tennessee
Rural Community Assistance Corporation, West Sacramento, California
Southern Rural Black Women's Initiative for Economic and Social Justice, Jackson, Mississippi
Sisters of the Holy Names of Jesus and Mary, Lake Oswego, Oregon
Success Parking Solutions ,LLC, Little Rock, Arkansas
The Patrick School of Culinary Arts, Inc ,Jackson, Mississippi
Turning Points From the Soul, Gulfport, Mississippi
Village Care and Companion, LLC., New Orleans, Louisiana
William Winter Institute for Racial Reconciliation, Jackson, Mississippi
WOW Fitness, Little Rock, Arkansas

For additional information, please contact Hope Policy Institute:
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