



July 14, 2017

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1625 Eye Street N.W.
Washington, D.C. 20006

RE: Request for Information Regarding the Small Business Lending Market (Docket No. CFPB-2017-0011)

Dear Director Cordray:

As a leading representative of the 28 million small businesses in America, Small Business Majority is writing in response to CFPB's Request for Information on the small business lending market.

Small Business Majority was founded and is run by small business owners to ensure America's entrepreneurs are a key part of an inclusive, equitable and diverse economy. We actively engage our network of more than 55,000 small business owners in support of public policy solutions and deliver information and resources to entrepreneurs that promote small business growth.

While there are many definitions of what qualifies as a small business, we view small businesses as those with 100 or fewer employees. However, the vast majority of such businesses have fewer than 10 employees.

We know access to capital has been a persistent problem for the small business community, particularly since the recession. Indeed, our scientific opinion polling found 90% of small business owners nationwide believe the availability of credit for small businesses is a problem, and 61% agree it is harder to get a loan now than it was in 2008. And, while it has eased in some parts of the small business community, there are significant gaps that remain in critical areas, especially in minority and rural communities and for women and veterans. This is why the amendment to the Equal Credit Opportunity Act (ECOA) mandated by Section 1071 of the Dodd-Frank Act to require financial institutions to compile, maintain and report information concerning credit applications made by women-owned and minority-owned small businesses is an important step in increasing access to finance and enabling business growth and development for these small businesses.

While minority and women's entrepreneurship are on the rise, a number of factors temper further growth. For instance, a U.S. Small Business Administration (SBA) study concluded that the major constraint limiting the growth, expansion and wealth creation of small firms—especially women- and minority-owned businesses—is inadequate capital. Women-owned firms account for 30% of all small companies, yet women account for only 16% of conventional small business loans and 17% of SBA loans. Meanwhile, according to the National Community Reinvestment Coalition, African-American businesses received 2.3% of SBA loans in 2013, down from 11% in 2008.

The above statistics illustrate why the proposed data collection is so important, particularly as there is insufficient information available on flow of credit to women- and minority-owned small businesses. In addition to helping the CFPB enforce fair lending laws, better information will allow for a clearer understanding of the challenges in accessing finance opportunities for women- and

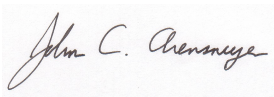
minority-owned businesses and allow for a variety of actors to tailor community development efforts to address funding gaps.

We believe all financial institutions should be subject to the small business lending data collection rule in order to accurately gauge the lending landscape for women- and minority-owned small businesses. As long as the reporting requirements mirror those for the Equal Opportunity Credit Act and the Fair Housing Act, we believe this data collection should not place undue burden on lenders—many of the mission-driven Community Development Financial Institutions (CDFIs) we partner with agree.

In addition to collecting data on term loans, lines of credit and credit card products, we believe lending institutions offering merchant cash advances (MCAs) and invoice financing (or invoice refactoring) should be included as part of the CFPB's data collection. MCA lenders and others operate in an almost entirely unregulated market, and while some lenders behave responsibly, others are the source of predatory practices to which small businesses are especially vulnerable. Invoice factoring is a relatively new source of financing. These products should also be monitored to determine how or if it is serving the credit needs of small businesses.

Small businesses play tremendous roles in driving economic activity and supporting job creation. Without more robust data, we cannot assess how well the market is meeting the needs of small businesses, especially for women- and minority-owned businesses. The data collection mandated by Section 1071 of the Dodd-Frank Act can provide valuable insights to communities, public sector entities and financial institutions.

Sincerely,

A handwritten signature in black ink that reads "John C. Arensmeyer". The signature is written in a cursive style and is positioned above the typed name and title.

John Arensmeyer
Founder and CEO