



December 14, 2020

Consumer Financial Protection Bureau
1700 G St. NW
Washington, DC 20552

Dear CFPB 1071 Team,

Thank you for the opportunity to comment on the Consumer Financial Protection Bureau's (CFPB or the Bureau) "Outline of Proposals under Consideration to Implement Section 1071 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)."

Small Business Majority is a national small business organization that empowers America's diverse entrepreneurs to build a thriving and inclusive economy. We engage our network of more than 80,000 small businesses and 1,000 business and community organizations to advocate for public policy solutions and deliver resources to entrepreneurs that promote equitable small business growth. Our deep connections with the small business community along with our scientific research enable us to educate the public about key issues impacting America's entrepreneurs, with a special focus on advancing the smallest businesses and those facing systemic inequalities. We are also a founding member of the Responsible Business Lending Coalition, which has submitted detailed recommendations in response to this request.

We strongly believe successful implementation of Section 1071 of the Dodd-Frank Act would ameliorate the systemic barriers that women business owners and entrepreneurs of color face when attempting to access capital to start, grow and sustain their enterprises. Most recently, structural problems at the outset of the Paycheck Protection Program (PPP) meant that many small businesses owned by people of color were unable to access this vital forgivable loan program designed to help small business owners and their employees weather the current crisis. A [survey of our network](#) in July found that businesses owned by people of color were less likely to obtain PPP than their white counterparts.

Women and people of color have historically faced discrimination in securing small business funding, and an [estimated 90% of women and minority-owned small businesses have been shut out](#) of federal emergency funding. A more [recent survey of Small Business Majority's network](#) illuminates this further, finding that 41% of Black- and Latino-owned businesses may be forced to close their doors by the end of the year if they don't receive financial relief, which will significantly undercut their community's economic health.

These challenges are by no means unique to the economic crisis caused by the coronavirus pandemic due to systemic barriers for people of color and women. For instance, while Black-owned businesses are more likely to apply for bank financing, less than half of those applications were fully funded. What's more, the Federal Reserve also found in 2016 that while women entrepreneurs apply for loans at similar rates to men, only [47% of their applications were funded](#), compared to 61% of applications from male-owned firms.

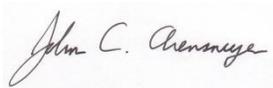
The above statistics illustrate why the proposed data collection is so important, particularly as there is insufficient information available on flow of credit to women- and minority-owned small businesses. In addition to helping the CFPB enforce fair lending laws, better information will allow for a 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 offer the following recommendations to ensure successful implementation of Section 1071 to best serve our nation’s small business community:

- **On limiting data collection for businesses characterized as “small:”** We agree with this recommendation, as it would cover most minority- and women-owned firms in the country.
- **On covered products:** We strongly recommend that the Bureau include merchant cash advance companies (MCAs), invoice factoring and other revenue-based financial institutions in the reporting requirements. Small businesses are increasingly turning to these types of financing options, with 32% of applicants seeking financing from an online lender in 2018, compared to 24% in 2017, according to the Federal Reserve. Federal Reserve data has also shown businesses owned by people of color are [more likely to access these products](#), and they account for a substantial portion of the small business credit landscape. Additionally, the Bureau itself has found evidence of increasing use by small businesses of merchant cash advances (MCAs), estimating that about [1.5 million](#) were issued in 2017.
- **On pricing data to be collected:** We support the Bureau’s proposal to include the collection of pricing data, and we strongly the inclusion of Annual Percentage Rate (APR) in the reporting requirements. APR is the most effective way for businesses to compare two differing products, and it is the metric that is most familiar to borrowers. It also includes all finance charges, such as interest and fees, to account for the all-in price of a financing product.
- **On data collection process:** A business owner’s most valuable asset is their time. Data collection efforts should not place an undue burden on the business owner applicant, and financial institutions should be encouraged to make the process as frictionless as possible.
- For a more detailed list of our recommendations for 1071 implementation, please see the Responsible Business Lending Coalition’s [comment letter](#).

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,



John Arensmeyer
Founder and CEO