



January 6, 2022

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

To Whom it May Concern:

The Housing & Community Development Network of NJ (The Network) appreciates this opportunity to comment on the proposed rule for collecting and reporting small business data required by Section 1071 of the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd Frank Act). Small businesses are the economic and cultural lifeblood of many low and moderate income communities. Access to affordable credit is difficult for far too many businesses owned by women and people of color and/or that are in disinvested areas. Successful implementation of Section 1071 will help community-based development organizations improve services and lending to small businesses and identify discriminatory practices.

Its implementation is long overdue. We applaud the agency for prioritizing 1071 in its rulemaking. The below outlines the Network's priorities for 1071 implementation.

The regulation should reach lenders in all corners of the small business lending market

The Network agrees that lenders with 25 or more originations should be required to report. For local community development organizations to effectively utilize the information disclosed in 1071, regulation needs to cover a large proportion of the lending market and be transparent at the local level.

All small business lenders should be subject to data disclosure, to include banks, credit unions, online financial technology companies, other non-depository institutions, community development financial institutions and public sector-based lenders.

Further, the Network has a strong desire to see merchant cash advance (MCA) companies subject to data sharing requirements. MCAs advance funds to small businesses and then receive a daily or periodic percentage of those small businesses' receipts. This form of lending has been high cost and can be abusive, particularly among business owners of color and immigrants. Along the same lines, we urge the CFPB to reverse its decision on factors and require them to submit data in order to monitor their financing and ensure it is not abusive.

Pricing information disclosure

The proposed rule offers to collect a number of important data points. We also ask that the Annual Percentage Rate (APR) be collected as an important indicator. It is a commonly used indicator that summarizes a loan's cost. As such, it makes products and lenders more easily compared for accountability purposes.

Data on race, gender, and disability



The Network strongly supports the proposal requiring that regulated institutions request principal owners' ethnicity and race using both aggregate categories as well as disaggregated subcategories, including the disaggregated subcategories with respect to Latinx and Asian Americans, Native Hawaiian, and Pacific Islander populations. The CFPB did not propose to collect information on whether the small business is owned by people with disabilities; this would be critical information to judge the experiences of this population that often faces unfair treatment.

Disclosing credit scores

Collecting and reporting credit scores will be an important data point to consider possible fair lending violations or patterns. HMDA currently considers credit scores. And 1071 should as well. We ask the agency to prioritize collection and disclosure of credit scores as an important means to identifying broader violations of fair lending.

Data must be publicly accessible over the long term

Section 1071 data will be most effective in holding lenders accountable for providing access to reasonably priced credit if it is publicly available in an easy manner for community-based organizations and public officials to use. In contrast, if many variables are not disclosed to the public, lenders cannot be held as accountable. The Network also fears that future leaders of the CFPB could have too much discretion as to whether and how much to enforce data collection requirements. We ask rule makers to carefully consider the amount of discretion future leaders are provided to enforce this rule.

The Housing & Community Development Network of NJ (The Network) is the statewide association of over 250 non-profit housing and community development corporations, private sector lenders and advocates who support the creation of affordable homes and economic opportunities for low- and moderate-income (LMI) residents. Small businesses are critical for the success of our members' efforts.

Sincerely, *who should sign?*

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