

# CFPB Explores Ways to Assess the Availability of Credit for Small Business

## CFPB Asks for Public Feedback on Ways to Bridge the Information Gap on Small Business Lending

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**WASHINGTON, D.C.** – The Consumer Financial Protection Bureau today launched an inquiry into ways to gather and use new and existing information to identify the financing needs of small businesses, especially those owned by women and minorities. Small businesses typically need access to credit to take advantage of growth opportunities, yet public information on this lending market is inconsistent and incomplete. The Request for Information asks for public feedback to help the Bureau better understand how to bridge this information gap. The Dodd-Frank Wall Street Reform and Consumer Protection Act requires the CFPB to collect data about small business lending to help identify needs and opportunities in the market and to facilitate enforcement of fair lending laws.

"Small businesses fuel America's economic engine, create jobs, and nurture communities. Yet little is known about how well the lending market serves their financing needs," said CFPB Director Richard Cordray. "This inquiry will help us learn how we can best fulfill our duty to collect and report information on small business lending."

### **The Request for Information can be found at:**

Small businesses foster community development and fuel economic growth both nationally and locally, and access to financing is crucial to their success. It is estimated that small businesses provide jobs for almost half of all private sector employees, and have created two out of every three jobs since 1993. A 2013 study by the Federal Reserve Bank of Atlanta found that counties with a higher percentage of their workforce employed by small local businesses showed higher local income and employment rates, and lower poverty rates. Based on publicly available data, and depending on the definition used, there are an estimated 27.6 million small businesses in the United States. This includes 9.8 million businesses owned by women and 7.9 million businesses owned by minorities.

Today, the CFPB is also releasing a white paper reviewing the available evidence concerning the small business lending landscape. The Bureau estimates that small businesses access about \$1.4 trillion in financing. However, current information on how small businesses engage with credit markets is incomplete or dated and does not paint a full picture of access to financing, particularly for small business owned by women and minorities. For example, current information does not reflect whether there is more or

less access to credit for a small business depending on its type or location. Nor does it show to what extent small business lending is shifting from banks to alternative lenders. And it does not indicate whether the tighter credit triggered by the Great Recession still persists.

The CFPB's Request for Information aims to enhance the Bureau's understanding of the small business lending industry. Section 1071 of the Dodd-Frank Act requires financial institutions to compile, maintain, and report information about their applications for loans from small businesses, including those owned by women and minorities, in accordance with regulations to be issued by the Bureau. Today's action is a first step toward crafting a rule for the collection and reporting of this lending data. The CFPB is exploring topics including:

- **What defines a small business:** Despite the pivotal role it plays in the U.S. economy, small business has a number of widely different definitions. Some are based on the number of employees or annual receipts. The Bureau is seeking to learn more about how small businesses are defined by lenders and how that affects their credit application processes. From responses to the Request for Information, the Bureau aims to work toward a practical definition.
- **What institutions lend to small businesses and what products are offered:** In its Request for Information, the CFPB is seeking to learn more about where small businesses turn for financing and the various products they choose. The Bureau is also looking into the roles of lending marketplaces, brokers, dealers, and other third parties in the small business lending application process.
- **What types of business lending information are used by financial institutions:** The Bureau aims to learn more about the business lending information that is currently used, maintained, and reported by financial institutions. This includes what types of data are collected from small business borrowers, and when it is collected during the application process. The Bureau is exploring how best to implement a reporting requirement for this information that will meet the objectives of Section 1071 while minimizing the burden on financial institutions.
- **Privacy impact of the public release of small business lending data:** Some data that may be collected could involve sensitive, private, or confidential information. The CFPB is exploring how to protect the privacy of loan applicants and borrowers, as well as the confidentiality interests of financial institutions in this process. The Request for Information provides an opportunity for the public to discuss ways the information can be shared as required by statute while easing privacy and confidentiality concerns. The CFPB is requesting comments from individual businesses, consumer groups, community development organizations, bank and nonbank lenders, regulators, and all other interested parties. The comment period for the public inquiry will end 60 days after the Request for Information is officially published in the Federal Register.