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January 17, 2019

The Honorable Roger Williams
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Williams:

On behalf of community bankers nationwide, with more than 50,000 locations, I write to thank you for introducing the Preserving Small Business Act of 2020 (H.R. 5574) which would repeal Section 1071 of the Dodd-Frank Act. Relief from the small business loan application data collection requirements of Section 1071 is critical to preserving the flow of community bank credit to small businesses, and we are pleased to see this reform advanced in legislation.

Dodd-Frank Section 1071 requires the Consumer Financial Protection Bureau (CFPB) to implement new rules and regulations for the collection and reporting of data on financial institutions' small business lending. If implemented, the rules will require the collection and reporting of data in connection with credit applications made by women- or minority-owned businesses of any size as well as all small businesses regardless of ownership. Twelve pieces of data will be required, including the race, sex, and ethnicity of the principal owners of the business. Section 1071 also gives the CFPB discretion to require the reporting of any additional information that would assist the Bureau in fulfilling the purposes of the statute. The Bureau's HMDA rule, which included numerous data fields not required by statute, suggests that it could take a similarly expansive view of its authority under Section 1071.

Small business data collection and reporting will impose significant new and costly burdens on community banks and would only work to delay, thwart the availability, and raise the cost of credit. In the small communities served by community banks, this data collection and publication also raises serious privacy concerns. Moreover, commercial lending is a complex business that cannot be "commoditized" or standardized in the way that consumer lending can. Each individual commercial loan has customized terms based on an analysis of numerous factors.

Complex lending should not be subject to simplified, rigid analysis, which might give rise to unfounded fair lending complaints. For this reason, the rules under Section 1071 could have a chilling effect on lenders' ability to price for risk. This, in addition to the expense of data collection and reporting, may discourage community bank commercial lending market and curb access to small business credit.

Thank you again for introducing H.R. 5574. We look forward to working with you to advance this legislation.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

The Nation's Voice for Community Banks.®

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