

Support the CFPB's 1071 rule and oppose S.J.Res 32, CRA Resolution to Rescind the Implementation of this Provision from Dodd-Frank

Existing Disparities in Access to Small Business Credit Underscore Need for Robust Data Collection

In the Deep South states of Alabama, Arkansas, Mississippi, Louisiana, and Tennessee, one in three businesses are owned by people of color and nearly 40% are owned by women.¹ In Mississippi and Louisiana, more than 20% of businesses in each state are Black-owned.² They are integral to the fabric of our communities and economies, yet do not receive equal access to capital as other businesses.

- For example, in Arkansas from 2017 to 2020, just 1.5% of SBA 7(a) loans went to Black businesses even though Black-owned businesses comprise 9% of businesses in the state.³ Notably, over 60% of Black-owned businesses in Arkansas are owned by women, and are primarily located in lower-income areas.⁴
- A 2019 survey of Arkansas entrepreneurs illuminates disparities in their experiences in access to capital and finds that between 2017 to 2019, 45% of female entrepreneurs of color were denied a loan, compared to 11% of white female entrepreneurs.⁵
- Similarly, the Federal Reserve finds in their Small Business Credit Survey that less than a quarter (23%) of black owned businesses have accessed credit from a bank in the five years prior to 2020 while 46% of white-owned businesses have accessed credit through a bank over the same period of time.⁶ This lack and disparity in access translates to issues with creating capital reserves to sustain an economic downturn.

Section 1071 Compliance is not Cost-Prohibitive

A number of programs already require data collection around small business loan originations.

¹ Hope Policy Institute Analysis of the SBA Office of Advocacy, "2021 Small Business Profiles For the States, The District of Columbia, and the U.S.," August 2021. Includes both employer and non-employer firms.

² Id.

³ Precise Data Consulting, LLC, "Arkansas Small Business Access to Capital, At a Glance, SBA 7(A) Loans F2017 - F2020," prepared for Winthrop Rockefeller Foundation, December 2020, <https://d2y2zrxf02jgvo7.cloudfront.net/files/capital-access-report-update-final-147-b27b.pdf>

⁴ Kristy Carter, University of Central Arkansas and Women's Foundation of Arkansas, "Women of Color and Business Entrepreneurs in Arkansas," 2020, <https://indd.adobe.com/view/4af11266-20c0-4ab1-919f-c7edf581798f>

⁵ Precise Data Consulting, LLC, "Arkansas Small Business Access to Capital Study," prepared for Winthrop Rockefeller Foundation and Winrock International, June 2019, <https://d2y2zrxf02jgvo7.cloudfront.net/files/capitalaccess-report-final-146-7ecf.pdf>. (reporting findings of survey of 3,000 small business owners, plus focus groups and one-on-one interviews)

⁶ Small Business Credit Survey. Fed Reserve. 2020.

https://www.fedsmallbusiness.org/-/media/project/smallbizcredittenant/fedsmallbusinesssite/fedsmallbusiness/files/2020/2020-sbcs-employer-firms-report.pdf?sc_lang=en&hash=C5F864E21EE64BB72DFA8110FB176186



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- Federal programs that require robust data collection include the U.S. Treasury CDFI Fund and several Small Business Administration programs including the 7(a) Loan Guaranty, Community Advantage, and the Paycheck Protection Program (PPP).
- Similar to the Home Mortgage Disclosure Act, the gathering and reporting of these data will be integrated into the normal costs of doing business.
- Section 1071 would provide a consolidated uniform reporting mechanism that can satisfy requirements across a number of programs, greatly reducing the administrative burden of the current piecemeal approach.
- As more attention is paid towards financing diverse businesses, revenue will be generated from new small business loan originations.
- Conversely, when diverse businesses that should be funded are not, the communities bear the costs of missing these opportunities, many of which are already disproportionately affected by the pandemic. Research shows that from February through April 2020, the number of Black business owners declined by 41% and Latino business owners declined by 32% as compared with a 17% decline for white business owners.⁷

Section 1071 is a critical tool in increasing access to small business capital and closing the racial wealth gap. While white adults have 13 times the wealth of Black adults, the gap closes to three to one when comparing the median wealth of white business owners to Black business owners. Actions to rollback Section 1071 will harm and stunt the economic growth for businesses of color, women owned businesses, and businesses in rural communities who often face challenges in accessing capital.

For further information, please contact [Kiyadh M. Burt](#), Director of Policy at the Hope Policy Institute.

⁷ Fairlie RW (2020). The impact of Covid-19 on small business owners: evidence of early-stage losses from the April 2020 Current Population Survey. National Bureau of Economic Research. Working Paper 27309.
<https://www.nber.org/papers/w27309>

