

Survey: Small Business Compliance Cost Survey

Filling out the following survey will take approximately 2 hours. The Consumer Financial Protection Bureau may receive data that includes direct personal, but this information will be kept private except as required by law. If you have any questions or concerns about the survey, please contact Corinne Candilis at Corinne.Candilis@cfpb.gov.

Background

Under Section 1071 of the Dodd-Frank Act, the Equal Credit Opportunity Act was amended to require financial institutions, subject to a regulation to be issued by the Bureau of Consumer Financial Protection (the Bureau), to compile, maintain, and report to the Bureau certain information about applications for credit made by women-owned, minority-owned, and small businesses. Section 1071 includes 13 statutorily-mandated data points, and permits the Bureau to require additional data points that would serve the purposes of the section.

The objective of this survey is to solicit, from institutions offering small business credit products that could potentially be covered by this rule, information about potential one-time costs to prepare to collect and report data. This survey does not cover potential on-going costs from actually collecting and reporting data.

The Bureau is in preliminary stages of developing the regulation required by the Dodd-Frank Act, and no policy decisions have been made regarding the institutions and products to be covered and data points to be reported. Your responses to this survey will help the Bureau think about these issues. The fact that you are receiving this survey does not mean that your institution will necessarily be covered by the rule.

Assumptions

While completing the survey please answer all questions under assumptions that covered institutions would be required to report data at the application level on small business financing that constitutes “credit” for purposes of the Equal Credit Opportunity Act (this includes, for example, term loans, lines of credit and credit cards) for the 13 statutorily-mandated data points (application number, application date, loan type, loan purpose, credit amount requested, credit amount approved, action taken, action date, census tract for the principal place of business, gross annual revenue in the last fiscal year, race, sex, ethnicity of the principal owners of the business) one time per year, and be responsible for validating the accuracy of all data.

For any other potential reporting criteria or requirement, such as the definition of a small business or of a small business loan, please use your institution’s internal definition. For purposes of this survey, assume the Regulation B definition of application. Additionally, for purposes of this survey, do not include any of the costs associated with creating a Firewall. For the purposes of this survey, assume a reporting structure similar to that currently under the Home Mortgage Disclosure Act (HMDA). Finally, please use the comment box in the final question if you would like to share any additional assumptions you made when interpreting and answering any of the questions.

Privacy Act Statement

5 U.S.C. 552a(e)(3)

Your trade association, on behalf of the Consumer Financial Protection Bureau (CFPB), is sending out a survey link that will enable the CFPB to learn about your financial institutions small business credit and estimates of one-time costs.

If you participate in the survey, the CFPB may collect personally identifiable information (PII) such as your name and telephone number from your trade association to facilitate follow up questions to the survey.

Information collected by the CFPB will be treated in accordance with the System of Records Notice (“SORN”), CFPB.022 Market and Consumer Research Records, 83 FR 23435. Although the CFPB does not anticipate further disclosing the information provided, it may be disclosed as indicated in the Routine Uses described in the SORN. Direct identifying information may be used by the CFPB to facilitate the survey and will be kept private except as required by law.

This collection of information is authorized by Pub. L. No. 111-203, Title X, Sections 1013 and 1022, codified at 12 U.S.C. §§ 5493 and 5512.

Participation in this survey is voluntary.

Paperwork Reduction Act Statement:

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The OMB control number for this collection is 3170-0032. It expires on 01/31/2023. Comments regarding this collection of information, including the estimated response time, suggestions for improving the usefulness of the information, or suggestions for reducing the burden to respond to this collection should be submitted to Bureau at the Consumer Financial Protection Bureau (Attention: PRA Office), 1700 G Street NW, Washington, DC 20552, or by email to PRA_Comments@cfpb.gov.

Respondent Information

1. Which best describes your institution type? (select all that apply)
 - a. Bank
 - b. Credit Union
 - c. Community Development Financial Institution (CDFI)
 - d. FinTech Lender
 - e. Institution focused on offering Merchant Cash Advances

- f. Equipment financing: Financing operation of bank
 - g. Equipment financing: Captive financing company
 - h. Equipment financing: Independent financing company
 - i. Other (please list)
2. Do you primarily serve rural or urban communities or an even mix?
- a. Rural communities
 - b. Urban communities
 - c. Even mix
3. What changes have you made or plan to make to your small business product line as a result of the coronavirus? (select all that apply)
- a. No changes
 - b. Tightened small business lending origination criteria
 - c. Additional servicing flexibility to borrowers
 - d. Offered new Small Business Administration (SBA) Paycheck Protection Loans
 - e. Offered other new products targeted at small businesses
 - f. Eliminated staff in small business product line
 - g. Other _____
4. How does your institution define a small business for purposes of determining whether an application from a business is considered for a small business lending product? If the definition varies by line of business or entity, base the response on the area with the highest small business lending production in terms of count not dollars. See Appendix at the end of the survey for definitions of terms.
- a. No formal definition
Note: If this is your response, for all additional survey questions use the CRA definition or any other single definition that would allow you to respond.
 - b. Community Reinvestment Act (CRA) definition
 - c. Small Business Administration (SBA) definition
 - d. Other (please specify all that you consider and the level of the threshold, check the box if you consider NAICS code)
 - i. Loan Amount _____

- ii. Revenue _____
- iii. Total Exposure- see appendix _____
- iv. Number of Employees _____
- v. NAICS Code Check Box
- vi. Assets _____

5. What were your institution's total assets at the end of the last calendar year? For larger institutions with multiple entities or subsidiaries, please report total assets for the primary entities or subsidiaries that engage in small business financing that constitutes "credit" for purposes of the Equal Credit Opportunity Act (this includes, for example, term loans (secured and unsecured), lines of credit and credit cards).
 - a. Less than \$250 million
 - b. \$250 million to \$600 million
 - c. \$600 million to \$1 billion
 - d. \$1 billion to \$10 billion
 - e. \$10 billion to \$100 billion
 - f. \$100 billion to \$500 billion
 - g. Over \$500 billion

6. For each of the following product types, approximately how many total applications for small business credit (as you define small business) did you receive last year? If no formal definition of small business is utilized by your institution, use the CRA definition or any other definition that would allow you to respond to all questions. Per the Background section, please use the Regulation B definition of an application.

<u>Product</u>	<u>Total Number of Business Loan Applications</u>
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Loans	
Lines of Credit	
Commercial Real Estate	
Agriculture	
Credit Cards	
Other (please list)	

7. For each of the following product types, what was the approximate number and dollar amount of originations for small business credit (as you define small business) last year? Only include originations where your institution made the credit decision, so exclude any purchased loans. In

the event of a financial technology partnership, use the number of originations in which the name of your institution is found on the loan agreement with the borrower.

<u>Product</u>	<u>Number of Originations</u>	<u>Dollar Amount</u>
Loans		
Lines of Credit		
Commercial Real Estate		
Agriculture		
Credit Cards		
Other (please list)		

8. What percentage of your institution's overall lending does small business lending (total count of originations of loans, lines of credit and credit cards as you define) comprise?
- 0-10%
 - 11-25%
 - 26-50%
 - 51-75%
 - 76-100%
9. In general, which of the following levels of automation best describes your overall processes to process, decision and document small business lending transactions for each product? If this varies by loan channel or line of business, base the response on the area with the highest small business lending production in terms of count not dollars. Please see the appendix for examples and clarification on the levels of automation.

<u>Highly Automated</u>	<u>Moderately Automated</u>	<u>Minimally Automated</u>
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- Loans
- Lines of Credit
- Commercial Real Estate
- Agriculture

e. Credit Cards

f. Other

10. From the following 10 statutorily-mandated data points, please check the ones that you currently collect in some form. Note that the three statutorily defined data points, race, sex and ethnicity are not included on this list.

a. application number

b. application date

c. loan type

d. loan purpose

e. credit amount requested

f. credit amount approved

g. action taken

h. action date

i. census tract for the principal place of business

j. gross annual revenue in the last fiscal year

11. Do you currently report data under:

a. HMDA

b. CRA

One-time Costs

This section focuses only on potential one-time costs to prepare to collect and report data, and does not cover any costs or time spent actually collecting or reporting data. As described above, please assume reporting at the application level for all 13 statutorily-mandated data points, not only those listed in question 8.

12. In preparing to collect and report the required data, please estimate the total number of hours senior-level, mid-level, and junior-level staff would spend on each of the following tasks, their average wage, along with non-salary expenses. If your institution would not conduct a specific task, or if a specific staff type would not be involved in a particular task, please record 0 hours.

What is the average hourly wage for each of these specific staff types involved in the 1071-related tasks below?

Senior/Executive _____
 Mid-level _____
 Junior _____

Tasks	Types of Staff Involved	Estimated Total Hours Required	Non-salary Expenses
Preparation/Planning All general planning associated with the implementation of 1071	Senior/Executive Mid-level Junior	_____ _____ _____	_____
Updating Computer Systems Updating computer systems to compile, maintain, and report 1071 data	Senior/Executive Mid-level Junior	_____ _____ _____	_____
Testing/Validating Systems Testing and validating computing and personnel systems for 1071 data	Senior/Executive Mid-level Junior	_____ _____ _____	_____
Developing forms/applications Developing the relevant materials to facilitate future lending under post-1071	Senior/Executive Mid-level Junior	_____ _____ _____	_____
Training staff Training staff to comply with new 1071 regulation.	Senior/Executive Mid-level Junior	_____ _____ _____	_____
Developing policies/procedures Developing policies and procedures to facilitate SBL post-1071	Senior/Executive Mid-level Junior	_____ _____ _____	_____
Legal/Compliance review	Senior/Executive	_____	

Legal review of all of the relevant processes and systems specified above.

Mid-level _____
 Junior _____

Post Implementation Review

Fair lending review of data.

Senior/Executive _____
 Mid-level _____
 Junior _____

Other (please list)

a. _____

Senior/Executive _____
 Mid-level _____
 Junior _____

13. Please indicate whether your institution would likely purchase or update necessary systems and/or develop/modify necessary systems in-house.

Purchase Yes/No
 Develop/modify in-house Yes/No

14. If your institution anticipates purchasing or updating computer systems, please estimate the total anticipated 3rd party vendor costs related to these purchases and updates.

15. Please indicate whether your institution would likely use an external law firm or consultant for the Legal/Compliance Reviews mentioned in question 10 and/or conduct these reviews in-house.

Hire Yes/No
 Conduct in-house Yes/No

16. Please indicate whether your institution expects to hire additional full-time or part-time employees to establish compliance programs or develop new reporting capabilities.

Full-time Yes/No
 Part-time Yes/No

17. Please provide estimates for any **additional** one-time costs that were not previously listed that your institution will incur as a result of collection.

18. Please provide your best overall estimate of **total potential one-time costs** in dollars to prepare to collect and report data. If the rulemaking might impact multiple lines of

business or systems, base your estimate on the total for the entire institution.

Costs of Credit to Small Entities

19. How would your institution respond to increased compliance costs if you were required to report data under 1071? Please rank order the responses below from most likely to least likely, where a “1” represents most likely.

- a. Raise rates or fees on small business products _____
- b. Raise rates/fees on other credit products _____
- c. Accept lower profits _____
- d. Exit some geographic markets _____
- e. Tighten underwriting standards _____
- f. Offer fewer or less complex products _____
- g. No longer offer small business credit products _____
- h. Reduce “high-touch” relationship lending _____
- i. Other (please list)
 - _____
 - _____

20. Comment box for any additional information you would like to share. Please do not include any personally identifiable information (PII) relating to any individual or business, including but not limited to: name of applicants or business names, owners, guarantors, social security numbers, tax identification numbers, addresses, telephone numbers, email addresses, trademarks, images, logos, or account numbers.

Appendix: Definition of Terms

CRA definition of Small Business loans

Loans whose original amounts are \$1 million or less and that were reported on the institution’s Call Report or TFR as either “Loans secured by nonfarm or nonresidential real estate” or “Commercial and industrial loans.” Small-farm loans are defined as those whose original amounts are \$500,000 or less and were reported as either “Loans to finance agricultural production and other loans to farmers” or “Loans secured by farmland.”

Definitions/Examples of level of automation

	Marginally Automated	Moderately Automated	Highly Automated
Systems	Store electronic data in EXCEL	Use Loan Origination System (LOS)	Use multiple LOS and central System of Record (SoR)
Integration	None	Have forward integration of systems	Have backward and forward integration of systems
Automation	Manually process applications and data collection	Some manual processing and some automation	Highly automated application and processing
Compliance Program	Have joint compliance and audit office	Have basic internal and external accuracy audit	Have in-depth accuracy and fair lending audit

SBA definition of a Small Business

The SBA provides a set of industry-specific thresholds for average annual receipts and average employment of the business that define a small business. These thresholds are available at https://www.sba.gov/sites/default/files/files/Size_Standards_Table.pdf

Total Exposure

The total amount of credit made available to a borrower by a lender. The magnitude of total exposure indicates the extent to which the lender is exposed to the risk of loss in the event of the borrower's default.

NAICS

The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business. The classifications are available at <https://www.census.gov/eos/www/naics>.