

Small Business Lending Research

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Bureau Small Business Priorities and Section 1071

- Small businesses represent an important part of the economy that was and is particularly affected by the recent pandemic and recession

- The Bureau has made learning more about the small business lending market a top priority by:
 1. Releasing a Notice of Proposed Rulemaking on small business lending data collection on Sept 1, 2021.
 2. Launching a “Share Your Story” platform for businesses to share stories about applying for credit.

- The Bureau will share recent work on small business lending and proposed future work on small business credit card usage.

Consumer Credit Trends Report

- Commercial and consumer credit are often intertwined for business owners
 - Use of personal credit scores to obtain commercial financing
 - Sometimes commercial credit is furnished to consumer credit bureaus
- On June 30, 2021, the Bureau released a Consumer Credit Trends report, “Commercial Credit on Consumer Credit Reports”
- Analyzed data from the Consumer Credit Panel to learn what types of commercial credit are reported to consumer credit bureaus.
- Described the types of credit tradelines and illuminated certain furnishing strategies by furnishers

Consumer Credit Trends Report Findings

- In an average quarter over 2.8 million consumers had a commercial credit product on their consumer credit report
 - Vast majority of these were business credit cards
- The number of furnishers has decreased over time, largely corresponding to the overall decrease in the number of banks
- Several important furnishing strategies:
 1. *Not furnishing at all.* An implied measure of 89% of all banks do not furnish commercial credit to consumer bureaus
 2. *Furnishing only some credit types.* Very few (non-CC) lines of credit relative to business term loans for furnishers.
 3. *Furnishing only when delinquent.* Some furnishers only furnish commercial accounts when they are seriously delinquent.

Proposed Research: SB Credit Cards and COVID-19

- Both Bureau and external researchers have studied *consumer* credit card trends and the effect of the pandemic on important outcomes
 - Consumer card balances declined significantly during 2020
 - Relationship between pandemic severity and CC transactions
- Use the Bureau's Y14 credit card data to study important trends in *business* credit card usage in the past and during the pandemic
- Add to our knowledge of how the pandemic affected businesses, particularly small businesses
- Learn how business CC spending might differ from consumer spending, particularly during recessions
 - Could have implications for interventions during recessions

Proposed Bureau Research: SB Credit Cards and COVID-19

- Anticipated output: Data Point
- Data: Y-14 Credit Card data
 - Loan-level data on credit cards shared by The Federal Reserve Board
- Broadly describe business credit card usage and changes that occurred during the pandemic
- Examine trends in important measures such as:
 - Balances, purchase volume, utilization, delinquencies, and rates of revolving accounts
- For example, did business owners pay down balances on their business cards during the pandemic, as we saw with consumers?

Proposed Academic Research: SB CC and PPP Loans

- Focus on the effects of the pandemic on SB CC usage and its interaction with the Paycheck Protection Program
- Inspiration from a recent working paper by Horvath, Kay and Wix (2021) on the consumer card market using the Y-14 data
- Use measures of local pandemic severity to estimate the effect of COVID-19 cases on business credit card purchases, utilization, and balances
- Use measure of local PPP dollars to estimate the effect of PPP dollars on credit card measures conditional on pandemic severity
 - Previous studies have shown PPP uptake was only loosely related to pandemic severity

Discussion Questions

- Are there other measures of business credit card usage that you would find interesting to study in our planned research?
 - Are there outcomes, patterns, or focuses specific to *business* credit cards that may differ from *consumer* cards, which you would find interesting to examine?
- What factors or patterns in business credit cards should we monitor as the economy recovers?
- Outside of our proposed business credit card research, are there other small business lending research projects you would suggest the Bureau pursue?