

Cooperative Credit Union Association

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Creating Cooperative Power

July 25, 2022

Rohit Chopra
Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

**RE: Agency Information Collection Activities: Sample Form Usability
Research and Communication Testing Research
Docket No. CFPB-2022-0041; OMB Control Number 3170-0022**

Dear Director Chopra:

On behalf of its member credit unions, the Cooperative Credit Union Association, Inc. (“Association”) appreciates the opportunity to comment on the Consumer Financial Protection Bureau’s (“Bureau’s”) proposed research to create a model form for business lending data collection under Section 1071 of the Dodd-Frank Act. The Association is the state trade association representing approximately 200 state and federally chartered credit unions located in the states of Delaware, Massachusetts, New Hampshire, and Rhode Island, which further serve over 3.6 million consumer members. The Association has developed these comments in consultation with our member credit unions.

The Association’s High-Level Comments

- The Association’s credit unions are an important source of credit for woman-owned businesses, minority-owned businesses, and small businesses in their local communities.
- Section 1071 of the Dodd-Frank Act requires credit unions to request demographic information about the owners of businesses that apply for credit, and must submit this data to the Bureau, but applicants are not required to respond.
- In 2021, the Bureau proposed a 251-page rule for Dodd-Frank Section 1071, which, if finalized as proposed, would likely impose significant new compliance costs on credit unions. The Bureau has stated its intention to finalize this rule by March 31, 2023.
- The Association supports the Bureau performing scientific research into the paperwork burdens of Dodd-Frank Section 1071 on business loan applicants.
- We strongly urge the Bureau, however, also to conduct “Credit Union Compliance Burden Research” analyzing the paperwork burdens of Dodd-Frank Section 1071 data collection on credit unions as part of this policymaking workstream.

The Association's Detailed Comments

The Association supports evidence-based policymaking including the Bureau's proposed efforts to research the usability and paperwork burdens related to small business owner demographic information collection under Section 1071 of the Dodd-Frank Act.

In addition, however, we strongly urge the Bureau to research the Section 1071 paperwork burdens on credit unions by conducting "Credit Union Compliance Burden Research."

Congress adopted Section 1071 "to identify business and community development needs and opportunities of women-owned, minority-owned, and small businesses," 15 U.S.C. § 1691c-2, but Section 1071 allows applicants to opt-out of this demographic data collection. Many business loan applicants do in fact opt-out of providing this information, for reasons that are unclear.

The Bureau is planning to create a model data collection form as an example of a how credit unions and other financial institutions could comply with the Dodd-Frank Section 1071 business loan application data collection requirements. As part of this process, the Bureau intends to conduct qualitative research in at least two areas:

1. "The Sample Form Usability Research," which is intended to identify possible concerns or issues small business owners may have with submitting demographic information and explore how to word the information request form to make applicants more willing to submit this data; and
2. "The Communication Testing Research," which is intended to identify small business owners' knowledge and understanding of the upcoming Section 1071 rule as well as concerns that may impact their willingness to complete this type of form.

While the Association supports the Bureau conducting these two research projects, we strongly urge the Bureau also to conduct at least one study in the area of "Credit Union Compliance Burden Research" related to Section 1071.

Credit unions not-for-profit cooperatives that are forced to build compliance expenses into the costs of their lending programs. Increased compliance costs therefore result in increasing rates borrowers must pay at the credit union and also reduces market pressures on for-profit banks to keep their rates reasonable.

Excessive compliance burdens on credit unions therefore negatively impact women-owned, minority-owned, and small businesses, especially in underserved communities, because higher rates and fees become necessary to absorb these increased compliance costs.

Given the voluminousness of the Bureau's proposed regulation to revise Section 1071, we believe that it is incumbent upon the Bureau to research the compliance burdens on credit unions that would be associated with the proposed rule. Changes to form fields in electronic systems, for example, typically force credit unions to pay for costly computer program upgrades and present IT challenges.

There is also the issue of ongoing paperwork burdens related to Section 1071 data collection, which are not insignificant. Some smaller credit unions can be reluctant to establish business lending programs in the first place, despite demand for such loan products, because of high prospective compliance costs both for initial implementation and on an ongoing basis. Section 1071 compliance burdens, however, can be identified through evidence-based research and reduced once those pain points have been identified.

The Association supports the Bureau's research into the paperwork burdens related to the Dodd-Frank Act Section 1071 demographic data collection.

We strongly urge the Bureau, however, also to conduct "Credit Union Compliance Burden Research" as part of this Dodd-Frank Section 1071 workstream.

Evidence-based policymaking in this manner will help limit unnecessary compliance burdens on credit unions. It also will have a positive impact on women-owned, minority-owned, and small businesses through greater access to business credit at better rates.

The Association appreciates the opportunity to comment on the Bureau's proposed research on demographic information collection for business borrowers. If you have any questions about our comments or require further information, please do not hesitate to contact the Association at govaff-reg@ccua.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronald McLean". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Ronald McLean
President/CEO
Cooperative Credit Union Association, Inc.
rmclean@ccua.org