RURAL ADVANCEMENT FOUNDATION INTERNATIONAL – USA

ADDRESS
P.O. BOX 640
PITTSBORO, NC 27312

PHONE
919.542.1396

WEB
RAFIUSA.ORG

January 6, 2022

Small Business Lending Data Collection,
Bureau of Consumer Financial Protection,
1700 G Street NW, Washington, DC 20552

RE: Docket No. CFPB-2021-0015, Small Business Lending Data Collection Under the Equal Credit Opportunity Act (Regulation B)

To Whom It May Concern:

The Rural Advancement Foundation International - USA (RAFI-USA) is a nonprofit organization which challenges the root causes of unjust food systems, supporting and advocating for economically, racially, and ecologically just farm communities. We envision a thriving, sustainable, and equitable food system: where farmers and farmworkers have dignity and agency; where they are supported by just agricultural policies; and where corporations and institutions are accountable to their community.

We work directly with farmers. Among other programs, our work includes:

- advocating for and with farmers who are experiencing financial crisis and helping them access credit
- convening a Farmers of Color Network
- providing infrastructure and emergency grants to farmers.

RAFI-USA applauds the Bureau for their proposed rule amendment to Regulation B to address fair lending concerns as it relates to women-owned and minority-owned businesses. We wholeheartedly support the collection of more data to assist the bureau in fulfilling section 1071's statutory purposes, as well as the explicit inclusion in this rule of agricultural lending.

Black-, indigenous-, and people of color-owned agribusinesses are of special concern to RAFI-USA; we work with a substantial number of BIPOC-owned farm businesses and far too often hear of the discrimination levied against them from the lending community, including both private lenders and the USDA Farm Service Agency. Farm businesses we work with relay to us the horrific stories of dealing with lending institutions: loan officers taking far longer to approve loan applications of farmers of color than those of their white neighbors; or requiring excessive amounts of collateral to secure a loan versus what is required by a white counterpart. As noted in the proposed rule, it is also common for a farmer to never wind up applying for a loan due to discouragement by a loan officer. In one example, a Black female farmer was told she needed to put her house up as collateral for an $8,000 microloan.

In addition to race/ethnicity and gender demographic collection, which is long overdue, we ask that a few specific data points be included in data collection and reporting on lending:

- **Amount of time between a loan's application's initiation and its disbursement to the loan applicant.** Small businesses do not have the luxury of funding reserves as some larger businesses and the timely disbursement of funds could drastically impact their opportunity to succeed. Farmers can and commonly do lose entire seasons of income when the operating loans which they applied for in a timely manner are not approved in a timely manner. This is a common method of discrimination.

- **Amount of funds applied for versus the amount approved.** We commonly work with farmers of color whose loans are approved for far less than what they originally applied for. The collection of this data would give us the needed information to combat prejudicial lending practices that have disadvantaged minority farm businesses.

- **Credit score.** "Credit-worthiness" is an area of discretion for a loan officer, and it is an area where discrimination can occur. To ensure that two farmers with similar credit scores are not being treated differently due to race/ethnicity or gender, credit scores should be reported.

- **Who provided demographic information.** Self-reporting as a best practice should be strongly encouraged for the most accurate information, and lenders should be <u>required</u> to note whether demographic information is "provided"by the applicant or "observed" by the loan officer.

- We also suggest that in collecting demographic information on gender, **additional options beyond "male" and "female" such as "non-binary" and others according to best practices** should be included so that non-binary applicants have an option which accurately represents them. Additionally, having data on lending practices to non-binary applicants will help bring transparency to whether they are being treated equitably, so that they are not invisible in the data.

In order for this extremely important data to do the necessary work of bringing transparency and ultimately equity to small business lending, we also urge CFPB to ensure that the data is made publicly accessible in a timely manner, including the ability to disaggregate by lender so that every lender can be publicly accountable for their own practices and performance.

Again we thank you for the opportunity to comment and support any rule amendment that would strengthen the opportunities for BIPOC- and women-owned businesses and agribusinesses to succeed.

Sincerely,

Margaret Krome-Lukens
Policy Director
Rural Advancement Foundation International-USA