

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Re: **Docket No.R-1426 and RIN No. 7100 AD 78** (*Proposed Rules to Implement Section 704B of the ECOA to collect information regarding credit applications by women or minority owned businesses and by small businesses*)

Dear Secretary Johnson:

I am writing from the Sargent Shriver National Center on Poverty Law (Shriver Center), a Chicago -based non-profit policy development and advocacy organization, to comment on the proposed rules to implement Section 704B of the Equal Credit Opportunity Act (ECOA) to require financial institutions to collect and report information concerning credit applications made by women or minority owned businesses and by small businesses (Proposed Rules).

We applaud the Board of Governors (Board) for its actions to implement Section 1071 of the Dodd Frank Wall Street Reform Act (Dodd-Frank Act) to ensure that women and minority owned businesses are treated fairly by financial institutions. We believe that there are ways in which these regulations can be drafted to ensure that women and minority owned businesses are able to access the capital that they need to grow, thrive and contribute to rebuilding our economy.

Section 704B of the ECOA, as added by Section 1071 of the Dodd-Frank Act, requires that financial institutions collect and report information concerning credit applications made by women or minority owned businesses and by small businesses.<sup>1</sup> The stated purpose of Section 704B is to “facilitate enforcement of fair lending laws and enable communities, governmental entities and creditors to identify business and community development needs and opportunities of women-owned, minority-owned and small businesses.”<sup>2</sup>

To accomplish this, the rules implementing this Section will need to specify the data that financial institutions must collect about credit applications from these groups. By overcoming data limitations that have made it difficult to detect possible discrimination in lending practices, such data will be available for analysis and, if necessary, the development of additional anti-discrimination rules and guidelines.

To ensure that appropriate information is collected we offer the following suggestions:

1. Information about the Financial Institution:
  - a. Type of institution;
  - b. Size of institution;
  - c. Asset of institution; and
  - d. Geographic or metropolitan area served.
  
2. Data on Credit Applications from Women and Minority Owned Businesses and Small Businesses:

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<sup>1</sup> 15 U.S.C. 1691c-2.

<sup>2</sup> 15 U.S.C. 1691c-2-a.

- a. Number of credit applications from women and minority owned businesses and small businesses received during the reporting period reported by category and collectively;
  - b. Number of women and minority owned and small business applications approved during the reporting period reported by category and collectively;
  - c. Number of women and minority owned applications denied during the reporting period reported by category and collectively;
  - d. Reasons for denial reported by category and collectively; and
  - e. If available, information on the purpose of the financing request.
3. Data on Applicants:
- a. Data on the size of the applicant and number of employees;
  - b. Data on the industries and locations of applicants;
  - c. Applicants' credit score and/or balance sheet, repayment history, credit report and similar information obtained by the financial institution to assess the applicant's credit risk; and
  - d. Such other information collected by the financial institution on which underwriting decisions were made.

Requiring financial institutions to submit the above information will help fill significant gaps in data regarding small business lending and discrimination, as recognized by the U.S Government Accountability Office.<sup>3</sup>

Such data should be required to be reported at least quarterly. By requiring quarterly reporting the Board will be able to determine quickly any discriminatory trends and take appropriate corrective action in a timely manner.

Finally, in order to fully effectuate the purpose of the newly created Section 704B the proposed rules must be issued as soon as possible and in consultation with the Consumer Financial Protection Bureau (CFPB). While we understand that the creation of regulations takes time, there is no justification for exempting motor vehicle dealers from compliance with the requirements of this Section any longer than absolutely necessary. This is especially true when all other financial institutions will be required to comply as soon as the CFPB, which has become operational on July 21, 2011, issues its regulations on this Section. It is, therefore, imperative that the Board finalize its regulations as quickly as possible to ensure that the data collected and the reporting period are coordinated with the CFPB's requirements, as well as to prevent motor vehicle dealers from unfairly avoiding these requirements.

Again, we commend the Board for its efforts in issuing the proposed rule as an important step in providing needed consumer protections in financial products and services. We hope that the Board includes these suggested improvements to ensure that these regulations are as effective as possible and are finalized quickly.

Sincerely,

Karen Harris

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<sup>3</sup> "Most studies suggest that discrimination may play a role in certain types of mortgage lending, but data limitations have complicated efforts by researchers and regulators to understand the extent to which possible discrimination occurs." UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE, REPORT TO CONGRESSIONAL REQUESTERS, FAIR LENDING: RACE AND GENDER DATA ARE LIMITED FOR NONMORTGAGE LENDING 5, June 2008, *available at* [http://books.google.com/books?hl=en&lr=&id=SKOIalbgIg0C&oi=fnd&pg=PA1&dq=credit+applications+women+and+minority+business&ots=A2435nsC\\_C&sig=qH-IByDGKId-JNDCIaxUZ0CrMjU#v=onepage&q&f=false](http://books.google.com/books?hl=en&lr=&id=SKOIalbgIg0C&oi=fnd&pg=PA1&dq=credit+applications+women+and+minority+business&ots=A2435nsC_C&sig=qH-IByDGKId-JNDCIaxUZ0CrMjU#v=onepage&q&f=false).

Supervising Attorney  
Community Investment Unit  
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