

Press Release



CFPB Proposes New Rule to Greatly Increase Reporting Requirements of All Banks

PAULINA ENCK | SEPTEMBER 2, 2021

The Consumer Financial Protection Bureau (CFPB) has introduced a proposed rule that would require lenders to collect a wide range of demographic and financial data on applications for credit made by small businesses. In a new insight, Director of Financial Services Thomas Wade notes that these extensive reporting requirements will add millions of dollars to the compliance costs of a wide range of lenders, including the smallest community banks, in the hope that the CFPB would be able to use this data to better facilitate access to credit for small businesses—by hobbling the providers of that credit.

Wade concludes:

As written, the CFPB rule would greatly increase the reporting requirements of lenders, a cost that will inevitably be passed to consumers. Worse, as drafted the rule would include practically every lender in the country, including small community banks, picking regulatory winners and losers by showing an odd preference for small credit applicants over small lenders. The additional burden would further add to the difficulties of lending startups and decrease competition in lending across the system. Worse still, it is not clear what real purpose these additional requirements would serve. Additional reporting requirements will neither magically create additional available capital at lenders (if anything, it will do the opposite), nor will it make unviable small businesses viable. All this at the cost of the millions of taxpayer dollars required for the CFPB to create and maintain this database of highly sensitive customer and pricing data on a creaking government IT infrastructure vulnerable to cyberattack. This is the worst example of bureaucracy at work – replacing what could simply be a survey of small business credit needs and working with lenders to incentivize small business lending *as required* with onerous reporting requirements that will actively work against this poorly defined goal a full decade after Congress made it so urgent an obligation.

[Read the analysis](#)