



## **Written Testimony**

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**Chairman and CEO, On Deck Capital, Inc.**

**Symposium on Section 1071 of the Dodd-Frank Act**

**Consumer Financial Protection Bureau**

**November 6, 2019**

Director Kraninger, thank you for the opportunity to provide written testimony on the implementation of Section 1071 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Section 1071).

My name is Noah Breslow and I am the Chairman and CEO of On Deck Capital, Inc. (OnDeck), a national leader in online small business lending. My testimony will include an introduction to OnDeck, a highlight of the issues to consider when discussing the implementation of Section 1071, and an attached resubmission of the Innovative Lending Platform Association's – of which OnDeck is a founding member – public comment to Consumer Financial Protection Bureau's (Bureau) request for information on Section 1071, issued in 2017.

### **Introduction**

Founded in 2006, OnDeck has delivered more than \$14 billion in financing to over 100,000 small businesses. We focus on powering the growth of small business through lending technology and innovation, while priding ourselves on effective risk management, good corporate governance and robust compliance practices.

OnDeck recognized early that the search time and cost to obtain funding from traditional banks could be prohibitively high for small businesses. The Federal Reserve has found that small business borrowers spend on average 26 hours applying for credit, and then often wait weeks for a lending decision and disbursement of loans.

OnDeck has been able to revolutionize this process to create a more efficient, flexible, and transparent process for small businesses. Our loans can be funded in as little as 24 hours, we offer smaller, shorter term loans that match the needs of small business, and we provide each potential customer with a TILA-like disclosure that includes all key terms of the loan in a consolidated, consistent and clear format.

Our loans drive impressive economic impacts. According to a national study, for every \$1 lent to small businesses by online lenders, the business makes an average of \$2.31 in additional sales and that \$1 results in \$3.79 of gross output in the borrower's communities.



## **Section 1071 Considerations**

There are over 25 million small businesses in the United States, accounting for nearly 99 percent of all businesses, and employing nearly half of the private sector workforce. OnDeck is committed to advancing online small business lending policies and best practices that enable this massive cross-section of the American economy to thrive and to continue to serve local communities. To accomplish this goal, we believe that every business should have the same, fair access to financial products. Section 1071 directs the Bureau to compile this data in a safe manner to avoid unintended disparate treatment. If implemented correctly, Section 1071 will provide financial regulators with the data needed to ensure that all lenders to small businesses are complying with necessary equal opportunity and fair lending standards.

That said, if the Bureau does not recognize and mitigate the potential burdens and impacts that collection and reporting of such data could impose on both small businesses and small business lenders, this section will not live up to its intended purpose to promote greater access and financial inclusion.

As you will read in the attached comments, ILPA understands the need for and legal mandate of Section 1071, but also believes the Bureau should work to prevent overlapping and inconsistent regulatory obligations, ensure that the entire small business lending community is included in the collection rule, establish a clear distinction between commercial and consumer lending, and only compile the data defined and enumerated within Section 1071. Additionally, as a voluntary submission for small businesses, the Bureau should clarify that lenders are still legally permitted to fund customers who do not participate in data collection requests and allow financial institutions to rely on self-reporting and third-party sourced applicant data.

Thank you again for the opportunity to provide written testimony on small business data collection, and to take part in this symposium. I look forward to a thoughtful conversation on small business lending.

### **Attachment:**

- Docket No. CFPB-2017-0011 Innovative Lending Platform Association Response to RFI re Small Business Lending Market



September 14, 2017

Monica Jackson  
Office of the Executive Secretary  
Consumer Financial Protection Bureau  
1700 G Street NW  
Washington, DC 20552

**Re: Request for Information Regarding the Small Business Lending Market  
Docket No. CFPB-2017-0011**

Dear Ms. Jackson:

On behalf of the Innovative Lending Platform Association (ILPA), we appreciate the opportunity to submit comments in response to the Consumer Financial Protection Bureau's Request for Information Regarding the Small Business Lending Market.

The ILPA is the leading trade organization for online lending and service companies serving small businesses, and its members include OnDeck, Kabbage, The Business Backer, Breakout Capital, Lendio, PayNet and Orion First. Our members share a commitment to the health and success of small businesses in America and are dedicated to advancing best practices and standards that support responsible innovation and access to capital for small businesses. For example, in June 2016, the ILPA collaborated with the Association for Enterprise Opportunity, the nation's leading non-profit advocate for microbusiness, to develop the SMART Box™, an industry-first model pricing disclosure focused on ensuring that small businesses fully understand the cost and terms of their financing options. The SMART Box™ is a comparison tool intended to foster enhanced disclosure standards for the small business lending industry. It sets forth standardized pricing metrics, metric calculations, and metric explanations to provide business owners with clear and consistent information about the cost of their finance options.<sup>1</sup> ILPA's members believe that promoting sensible and customer-focused practices, like the SMART Box™, will also improve access to capital for small businesses and foster economic growth.

**Commitment to Small Businesses**

The ILPA believes that small business is critical to the U.S. economy and American workforce. According to the Small Business Administration (SBA) there are nearly 28.8 million small businesses in the U.S. employing almost half of the American private sector workforce; and, small businesses accounted for 63.3% of the net new jobs in the American economy over the past two decades. Minority- and women-owned businesses are a significant part of this landscape. The SBA reports that in 2012, 8 million minority-owned businesses contributed \$1.38 trillion in revenue and 7.2 million jobs to the U.S. economy. The National Women's Business Council reports that in 2012, over 9 million women-owned businesses generated \$1.4 trillion in receipts and contributed over 8 million jobs to the U.S. economy.

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<sup>1</sup> More information about SMART Box™ can be found at [innovativelending.org/smart-box](http://innovativelending.org/smart-box).

To grow and invest in their business and employees, small business owners need access to timely and affordable credit. They need capital to purchase inventory and equipment, to upgrade or expand their facilities or operations, and to hire new workers. Unfortunately, small businesses have historically lacked access to capital, a challenge exacerbated by the Great Recession. The cost and approach of traditional underwriting practices continue to render “Main Street” lending economically unviable for many banks, resulting in a credit gap for small businesses that risks their success and vitality. Indeed, given that it costs a bank the same amount to manually underwrite a \$100,000 loan as a \$1,000,000 loan, it is not surprising that bank lending activity has skewed heavily in favor of larger loans to larger businesses – leaving online lenders to fill the void for America’s small businesses.

Online lenders play an important role in addressing this credit shortage for small business. By tailoring their processes to small businesses and using technology to reduce transaction costs, our members are powering lending activity that benefits small businesses traditionally underserved by the mainstream credit market. Online lenders are able to better serve the small business market by using technology to drive efficiencies that make lending feasible and valuable for a busy small business owner. The technological innovations of online lenders have increased efficiencies in the application, underwriting, funding, servicing, and compliance processes. The diverse array of finance options offered by our members is critical to the success of small business and the broader American economy.

The technology used by online lenders also has the potential to expand credit options for businesses in traditionally underserved communities and to advance fair lending practices. By leveraging the reach of the Internet, our platforms remove the geographic constraints of the brick-and-mortar branch, providing small businesses in remote and traditionally under-banked areas with access to more diverse lending options. Online lending technology also removes opportunities for bias in the lending process. Unlike traditional brick-and-mortar lenders, online lenders do not meet applicants face-to-face, removing an opportunity for explicit or implicit bias to creep into credit decisions. Ironically, by requiring online lenders to begin collecting this data, Section 1071 of the Dodd-Frank Wall Street Reform and Consumer Protection Act reintroduces race into the lending process. While online lenders will implement safeguards to segregate race and gender data from underwriting, simply asking customers for this sensitive data creates a perception that race and gender could play a role in credit decisions.

### **Considerations in Implementing Section 1071**

We firmly believe that the Bureau and the ILPA are aligned in wanting to see small businesses in the U.S. succeed. Likewise, our members are committed to fair lending and to enabling traditionally underserved small business communities to efficiently access the capital they need to grow and thrive. Therefore, as the Bureau works to implement Section 1071, we urge you to recognize the potential costs and burdens that collection and reporting could impose on lenders and borrowers alike.

Overlapping and inconsistent state and federal regulatory obligations that restrict or increase the costs of small business lending have the potential to undermine the efficiencies gained through use of technology-driven lending platforms, which will mean less available credit for small businesses. Collection and reporting obligations of the Bureau that overlap, but do not harmonize, with those of other regulators, or that otherwise fail to materially advance the purposes of Section 1071, will require lenders to divert time and resources away from extending credit and serving customers, to instead focus on data collection and reporting activities.

To reduce the cost and burden on lenders and borrowers, the Bureau should not expand its data collection beyond the data points identified in Section 1071. These existing data points are comprehensive and will provide the Bureau a clear picture of today's small business lending market, *assuming* the Bureau avoids calls to exempt segments of the lending industry from collection and reporting obligations. The Bureau can best achieve Congress's objective to assess the health of the small business lending market for minority- and women-owned businesses by imposing a minimally burdensome collection obligation on all industry participants. The opposite approach—mandating collection of additional data points beyond those enumerated in Section 1071 and/or exempting large swaths of the industry—not only leaves the Bureau with an incomplete picture of the overall market, but disproportionately saddles remaining lenders with needlessly onerous collection and disclosure burdens.

Finally, as the Bureau works to implement Section 1071, we urge the Bureau to keep in mind that the small business lending landscape is fundamentally different from consumer lending. Consumer loans are intended for financing personal consumption-driven activities such as the purchase of a home, auto, or television. Business loans, in contrast, are intended to provide a return on invested capital. This return on invested capital is essential to economic growth, higher productivity, more jobs, a higher tax base and other essentials to improve the standard of living. Conflating consumer and commercial markets could have dangerous consequences in decreasing access to capital or limiting customer choice. The federal government has implemented statutory and regulatory data collection and reporting requirements in the consumer lending space to target specific historical problems, but we caution the Bureau against repurposing or replicating data collection and reporting regulations from the consumer lending market and applying those in the small business context. Differences between the markets (and the expected use of funds) should inform thoughtful differences in the Bureau's data collection and reporting regulations.

Our comments emphasize the importance of streamlining the Bureau's data collection and reporting process to avoid stifling innovation or imposing higher costs for our small business borrowers.

## I. SMALL BUSINESS DEFINITION

A clear and easy-to-administer definition of "small business" will make reporting more efficient and ultimately less costly for borrowers. Some of our members collect data under the SBA's North American Industry Classification System (NAICS); however, we would discourage the Bureau from using NAICS codes in the context of defining small business for purposes of Section 1071's disclosure obligations.

NAICS codes were designed by the SBA to determine eligibility for certain federal procurement programs where industry segmentation was important. Under the NAICS, qualification as a small business can be triggered either by employee count or revenue, and the thresholds for qualification vary by industry. This complex standard would be difficult and expensive to administer, requiring extensive technological and operational changes to determine whether a particular business meets one of the two criteria to qualify as a small business under a specific industry code. This complexity will result in substantial added programming cost with little, if any, added benefit in terms of the quality of the data obtained. For purposes of implementing Section 1071, industry differentiation is not meaningful. Promoting a granular, individualized definition of small business with thresholds that differ by industry would result in an incomplete picture of the small business market. Instead, we believe that having a workable, streamlined definition of "small business" will result in reporting that allows the Bureau to most accurately size the small business market and to better achieve the goals of Section 1071.

We strongly encourage the Bureau to define small business based solely on reported gross annual revenue (indexed to inflation) with a single standard that is not adjusted based on the industry. Our members do not currently collect data on customer employees because an employee-based standard is not a meaningful point of comparison across industries given the use of contractors and part-time workers. A requirement to report based on the number of employees could be confusing for applicants given seasonal variances in headcount, the complexity of categorizing contractors and employees, and the prevalence of small businesses that are sole proprietorships or non-employers. As such, an employee-based definition could lead to inconsistent and incomplete results in the reporting. Revenue is a more useful benchmark that can be indexed to inflation to provide lenders a clear and predictable standard.

We also encourage the Bureau to allow members to rely upon revenue data reported by their customers or, alternatively, calculated based on an extrapolation of actual revenue for a specified period of time. Independently verifying the accuracy of such revenue information would be difficult, time-consuming, and expensive. Further, our members use a variety of third-party technology solutions to verify revenue information and do not have access to raw data to independently verify certain self-reported applicant data. And, even if such information were readily available, the type of information collected from an applicant would continue to vary based on the credit event (e.g., whether the credit was an initial or renewal loan) and type of credit product.

Finally, the Bureau also can enhance the efficiency of implementing Section 1071's disclosure obligations by clearly articulating that the determination of whether an applicant qualifies as a "small business" be made as of the date of the application for credit. It is not unusual for newly formed (or seasonal) businesses to have wide swings in revenue. Without a clear time reference, lenders would need to constantly monitor fluctuations in borrowers' revenue (and employee counts if that measure is used) to determine if they qualify as a small business at any time during the reporting period.

In summary, we respectfully provide below three recommendations to aid the Bureau in adopting a simple and straightforward definition for qualification as a small business. We believe these recommendations will present a more reliable snapshot of the small business lending market.

**Recommendations:**

1. *Adopt a uniform definition of small business based on the gross annual revenue of the consolidated business indexed to inflation.* Having a clear, simple standard – that is consistent across industries – will allow our members to streamline data collection and keep costs down for small business customers.
2. *Identify a clear point in time at which the determination of the applicant's status as a small business is made.* Identifying the time of application as the point at which a financial institution determines whether an applicant qualifies as a small business will avoid creating a "moving target" where lenders must monitor or reassess data to determine reporting qualification.
3. *Clarify that financial institutions may rely on self-reported or third-party sourced applicant data for purposes of complying with Section 1071.* Our member companies rely on self-reporting and various third-party technology solutions to confirm identity and other information provided in a credit application and do not have access to information to independently verify certain self-

reported and sometimes third-party provided applicant data. In addition, the scope of data collected depends upon the credit event, e.g., whether the applicant was approved or declined.

## II. DATA POINTS

Data collection and reporting pose operational challenges that will divert time and resources from making loan determinations, increase the processing time and complexity of credit applications and, ultimately, the cost of loan servicing for our small business customers. For many of our members, implementation of the data collection and disclosure obligations in Section 1071 will require collection of data points currently not obtained from applicants. Each additional data point adds a new field on a loan application for customers to complete and requires back-end engineering by lenders to capture the new data and to appropriately store and protect that data. Further, as previously mentioned, there are differences in data collection and verification processes based on the credit event, for example, depending upon whether the credit is approved, and whether it is a renewal or line draw as compared to an initial origination. Given these concerns, we would recommend the Bureau limit its collection to only those data points identified in Section 1071.

The Bureau is proposing to collect information regarding the “amount of the credit applied for and amount approved.” While we recognize this category is contained within the operating statute, we encourage the Bureau to consider that an applicant’s stated credit desires can be arbitrary or might merely be an opening “bid” in what the applicant views as a negotiation with the lender; therefore, comparing the initial credit amount requested against the amount finally approved is not a reliable measure of the health or efficacy of the small business lending environment. Some of our members do not require the customer to be specific in their application as to the amount of credit desired. Further, the amount of credit approved and funded depends on the type of product, term length, re-payment terms, and other credit attributes which may change during the application process after careful discussion and consideration of what is ultimately appropriate for the customer based on their credit profile and needs. In short, the amount applied for would not be a useful metric – and, in fact, could be a misleading metric – to collect and report. We have similar concerns with regard to reporting the “type and purpose of the financing.” As to this data point, the Bureau should make it clear that high-level, general, or categorical information is sufficient.

With respect to subsection (F)’s requirement to report the “gross annual revenue in the last fiscal year,” we urge the Bureau to allow financial institutions to submit the applicant’s self-reported revenue data. In certain situations, our members may not have timely access to tax returns<sup>2</sup> which would enable them to verify self-reported income and instead, may obtain and rely on applicant bank statements for a specified time period. As a result, we urge the Bureau to permit financial institutions to collect and report (without independent verification) applicant’s self-reported gross annual revenue in the last fiscal year. The Bureau might also consider allowing financial institutions to report an applicant’s estimated annualized gross revenue by extrapolating from applicants’ bank statements for a shorter specified time period (e.g., multiplying cash receipts from three months of bank statements by four to extrapolate annual gross revenue).

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<sup>2</sup> Legislation has been introduced to expedite the process of obtaining applicant tax data by requiring the IRS to automate the Income Verification Express Service process by creating an Application Programming Interface (API). See H.R. 5725, the IRS Data Verification Modernization Act of 2016 (McHenry). The ILPA supports such legislation.

In addition, business structures and relationships between parent companies, subsidiaries, and affiliates can be complex. For purposes of determining the annual revenue for an applicant, the Bureau should clarify that the calculation is based on revenue on a consolidated company basis. A calculation of revenue based solely on a subsidiary would be misleading, providing the Bureau with data for a seemingly small business while in reality the business has access to much greater resources and capital. We believe these recommendations with regard to annual revenue would provide the most complete and accurate picture of the size and health of the small business market.

The ILPA also has significant concerns around the collection of data regarding the “race, sex, and ethnicity” of our loan applicants. In addition to the concerns raised above, collecting this data presents considerable engineering and technological challenges as our members must ensure that the data is collected and segregated internally from any employees involved in the underwriting process. Unlike paper applications used by traditional lenders, our members collect loan information from applicants in a simple, fully integrated online process. Online lenders will need to reprogram their application processes and business flow to collect and segregate this sensitive information. This will increase the processing time and complexity of online credit applications and the cost of loan servicing for our small business customers.

Additionally, lenders have no way to independently verify applicants’ responses regarding the “race, sex and, ethnicity of the principal owners” and must rely on the information reported by the applicant. Section 1071 defines a “woman-owned business” and “minority-owned business” as one in which the “principal owner” is an individual who (a) holds more than 50 percent of the ownership or control of the business and (b) accrues more than 50 percent of the net profits or losses of a business.<sup>3</sup> There are challenges in defining and reporting information on whether an applicant is a women- or minority-owned small business based on the demographic information reported by the principal owners. For this data point, the Bureau should clarify that financial institutions may rely on the determination made by applicants regarding whether they qualify under Section 1071’s definitions of minority-owned and women-owned business. Finally, as Section 1071 recognizes that applicants may choose not to provide this information, the Bureau should provide guidance on how to report data for applicants who do not respond to questions about race, sex and ethnicity (i.e., collect and report as “refused to answer” or some similar option).

For each of the data points identified in Section 1071 and discussed above, our members believe that requiring lenders to independently verify the reported data would be time-consuming and costly and could undercut the efficiency provided by online lenders to our customers with little added benefit in terms of implementing Section 1071. Requiring independent verification by the lender could also overlap or conflict with how companies comply with other critical regulations, such as anti-money laundering rules, where sophisticated third-party vendors are utilized. Some data points are simply not independently verifiable by our members, such as the “type and purpose of the loan.” Lenders typically rely upon (and regulators permit reliance upon) applicants to provide the purpose of the requested loan.

Despite these serious practical, cost, customer impact, and system concerns regarding the collection of race, gender and ethnicity of small business owners, we recognize the importance of this data to implement the purposes of Section 1071. To mitigate against some of the forgoing concerns, we make the following specific recommendations.

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<sup>3</sup> 15 U.S.C. §§ 1691c-2(h)(5) & (6).

**Recommendations:**

1. *Establish clear standards describing data to be collected and limit collection and reporting to the data points articulated in Section 1071.* As noted earlier, the data points in Section 1071 already are extremely broad and will provide the Bureau with a comprehensive picture of the small business lending market. Compliance with a mandate to collect these existing data points will be time-consuming and expensive for lenders. Any expansion beyond the existing data points articulated in Section 1071 will unnecessarily compound this burden, and ultimately will be translated into higher lending costs and fewer options for small business borrowers.
2. *Limit public disclosure of collected information to aggregate-level data.* With respect to public requests of information from financial institutions and the Bureau under 15 U.S.C. § 1691-c-2(f)(2)(B) & (C), we caution the Bureau to limit disclosure to aggregate-level data and to refrain from disclosing application numbers. Disclosure of information on a transaction-by-transaction basis tied to a particular lender would deliver to competitors granular insights into the strategies, credit products and dollar amounts, geographical focus, and target customers of other companies and is anti-competitive on its face. Disclosing only aggregate-level data would lessen the risk that the public will be able to tie sensitive information back to a specific institution and a specific individual.
3. *Harmonize the Bureau's data collection requirements with the requirements of other governmental oversight agencies.* This would streamline the collection and reporting processes, helping to keep costs down for our small business customers. The harms of creating additional, unique, and potentially conflicting reporting requirements were discussed earlier in this letter. In addition, our members typically provide loan-level data to bank partners and lenders under credit facilities. However, when reporting to governmental regulators, they have typically provided aggregate-level data and requiring the reporting of loan-level data under Section 1071 would result in overlapping and conflicting regulations. At a minimum, however, we urge the Department to use its discretion to limit public disclosure of information to only aggregate-level data and to refrain from disclosing application numbers.
4. *Confirm that financial institutions may rely on self-reported and third-party sourced applicant data.* Requiring lenders to independently verify data points would require time-consuming and costly changes and would undercut the efficiency benefits provided by online lenders to our customers. Additionally, even with such changes, some data points are not independently verifiable by our members, such as the “type and purpose of the loan” or “race, sex and, ethnicity of the principal owners.”
5. *Confirm that financial institutions may process and fund an application if the applicant chooses not to provide certain data identified in Section 1071.* The Bureau should provide clear guidance on how to report data for applicants who do not respond to self-reported questions. Lenders need assurance from the Bureau that they can process and approve an application if the small business owner chooses not to provide certain information.

### **III. FINANCIAL INSTITUTIONS ENGAGED IN BUSINESS LENDING**

In implementing the data collection and disclosure requirements in Section 1071, we believe it is critical to obtain information on all small business lenders. Currently, Section 1071 requires reporting by “financial institutions,” defined broadly to include “any partnership, company, corporation, association (incorporated or unincorporated), trust, estate, cooperative organization, or other entity that engages in any financial activity.” See 15 U.S.C. § 1691c-2(h)(1). To achieve Section 1071’s stated purpose of assessing the health of the small business lending market for minority- and women-owned businesses, the Bureau needs data from all industry players. Without it, the Bureau will be left with an incomplete (and potentially distorted) view of the overall market. For example, if banks were exempted, then an extensive share of the small business market would be unreported, thereby providing the Bureau with a dangerously incomplete picture of the market. And, if alternative lenders were exempted, then the Bureau’s ability to analyze different market segments would be compromised. We believe that the Bureau can best achieve Congress’s objective by implementing clear, minimally burdensome obligations on all lenders to small businesses.

We also urge the Bureau to identify a single party within the lending process to report data on a particular loan application. Online lending commonly involves multiple entities, including marketplaces, brokers, lending platforms, banks or other loan originators, and other service providers. Requiring multiple entities (or leaving ambiguous which entities) within the lending process to be covered by the reporting obligations would cause confusion and differing compliance, and would distort the results of the captured information, potentially resulting in the over- or under-counting of applicants. We believe that the entity that funded or would have funded the loan is the clearest, most logical choice to collect and report Section 1071 data, as it avoids difficult line-drawing problems and uncertainty that could arise with other standards.

#### **Recommendations:**

1. *Adopt a broad standard of disclosure that does not exempt certain categories of financial institutions or products.* Data collection should apply equally to all financial institutions and all products that are providing capital to small businesses. The data collected will be more meaningful if it represents a complete picture of all lending activity to small businesses.
2. *Impose the collection and reporting obligation on a single entity in the lending process—the entity that originates the loan (or would have originated the loan) to report data.* The ILPA encourages the Bureau to clarify which entity in the lending chain should report data on a particular applicant. We believe that the most logical entity would be the loan originator.

### **IV. ACCESS TO CREDIT AND FINANCIAL PRODUCTS OFFERED TO BUSINESSES**

The ILPA believes that small business success depends on access to a diverse range of financial products for different use cases. To meet that need, our members offer many different financial products including term loans, merchant cash advances, working capital financing, inventory loans, temporary cash flow loans, business credit cards, and lines of credit. While applications for financial products are similar and typically completed through an online process, the information requested varies based on the type of product and the platform technology. In implementing Section 1071, the Bureau should provide clear guidance as to which events trigger data collection and disclosure. We believe that a completed

application, defined as an application where sufficient information has been collected to move to a credit-decisioning phase, offers the most uniform event across financial products and institutions. Preapproval, prequalification, and similar assessments vary widely among lenders and involve very different information requirements, and therefore would be unworkable for the industry and lead to potentially misleading results.

**Recommendation:**

1. *Specify that reporting obligations are triggered by a completed application for a new financial product or renewal/refinancing of an existing product.* The trigger event for reporting should be when an applicant, whether new or returning, has provided enough information for the lender to move to the credit-decisioning phase with regard to that application. Reporting at each credit review would result in inconsistent and problematic results for open-ended credit products, while reporting at the stage that the loan originator receives a completed application will provide the Bureau with the most accurate picture of the small business credit market in line with the purposes of Section 1071.

**V. PRIVACY**

The ILPA has two concerns with regard to privacy in connection with the implementation of Section 1071. First, as to the borrowers, we urge the Bureau not to include any requirement to report application numbers, or at a minimum, not to include application numbers in any publicly reported information. Application numbers potentially can be used to reverse engineer the identity of a particular applicant or business owner, which is inconsistent with Section 1071's mandate not to include personal identifying information. Second, as to lenders, as previously stated, we urge the Bureau not to publicly disclose loan-level data, which would compromise the confidentiality of proprietary lending information and could be used for anticompetitive purposes.

**Recommendations:**

1. *Limit public disclosure of collected information to aggregate-level data.* As mentioned above, publicly disclosing only aggregate-level data, and omitting application numbers, would remove the risk that the public will be able to tie sensitive information back to a specific institution and a specific individual, and would reduce the anticompetitive concerns raised by Section 1071's detailed reporting obligations.
2. *Consult with cybersecurity experts to set up a secure mechanism for data transmission.* The Bureau is responsible for collecting highly sensitive information. Consulting with other agencies and experts to create a secure system to mitigate against cybersecurity risks is critical.

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The ILPA and its members thank the Bureau for the opportunity to provide comments as it seeks to implement Section 1071's directive to assess the health of the market for small business lending, especially as relates to minority- and women-owned businesses. We are committed to advancing online small business lending education, advocacy and best practices. To that end, please let us know if we can answer any questions or be a resource to the Bureau as it moves forward with this process.

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If you have any questions please do not hesitate to contact me at (202) 441-1594 or at  
[info@innovativelending.org](mailto:info@innovativelending.org).

Best regards,

A handwritten signature in black ink, appearing to read "Chris Walters".

Chris Walters  
Executive Director  
Innovative Lending Platform Association