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Re: Reporting of Data on Loans to Small Businesses and Small Farms

Ladies and Gentlemen:

The American Bankers Association, Bank Policy Institute, Consumer Bankers Association, and Independent Community Bankers Association are pleased to respond to the banking agencies' Request for Comment on ways to modify data reporting requirements for Schedule RC-C, Part II of the Consolidated Report of Condition and Income (Call Report) to adequately reflect bank lending to small businesses and small farms.<sup>1</sup> We understand that a Government Accountability

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<sup>1</sup> Reporting of Data on Loans to Small Businesses and Small Farms, 84 Fed. Reg. 55,687 (Oct. 17, 2019).

Office (GAO) report precipitated this Request for Comment. GAO concluded that Call Report data on small business and small farm lending is based on outdated definitions that do not sufficiently capture lending to these segments of the economy, thereby limiting the ability of policymakers to monitor credit conditions facing small businesses and small farms and to adjust monetary policy as needed.<sup>2</sup>

We appreciate the agencies' willingness to consider whether the Call Report's approach to measuring small business lending should be updated. Likewise, we are pleased that the agencies are mindful of the costs and burdens that result from changes to regulatory reporting requirements. In this spirit, we request that the agencies refrain from proposing changes to Schedule RC-C, Part II prior to completing rulemakings pertaining to Community Reinvestment Act (CRA) modernization and implementation of Section 1071 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Both rulemakings will have significant implications regarding the definition and reporting of small business loans. Indeed, the FDIC and the OCC have proposed increasing the size of CRA-eligible small business loans to \$2 million or less. Additionally, the Bureau of Consumer Financial Protection is engaged in rulemaking activities to implement Section 1071, which requires financial institutions to collect and publish data on lending to "women-owned, minority-owned and small businesses."

Any revisions to the Call Report requirements pertaining to small business lending should be coordinated with these rulemakings. We understand that these laws have different, yet overlapping purposes, which may seem to call for different definitions of what constitutes a small business loan. However, it is important that the agencies consider the undue compliance burden of requiring banks to apply inconsistent definitions in their commercial lending programs. Inconsistent definitions would add unnecessary complexity to the bank regulatory framework, and *successive* changes to Schedule RC-C, Part II would increase regulatory burden without serving any business purpose.

We also point out that Call Report requirements for small business lending will apply to all banks, regardless of primary federal regulator. This further underscores the need for an

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<sup>2</sup> See U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-18-312, COMMUNITY BANKS: EFFECT OF REGULATIONS ON SMALL BUSINESS LENDING AND INSTITUTIONS APPEARS MODEST, BUT LENDING DATA COULD BE IMPROVED (2018). The GAO noted that the Call Report's definition of small business loans excludes loans greater than \$1M and has not been adjusted for inflation since 1992. *Id.* In addition, the GAO observed that the data captures loans by their size rather than the size of the borrowing entity, and therefore could include small loans to large businesses. *Id.* The issues similar to concerns articulated in the FDIC's 2018 Small Business Lending Survey. See FED. DEPOSIT INS. CORP., FDIC SMALL BUSINESS LENDING SURVEY (2018), <https://www.fdic.gov/bank/historical/sbls/full-survey.pdf>. The FDIC survey concluded that the Call Report underestimates the true amount of small business lending by banks by at least 11.7 percent. *Id.* at 19.

interagency rulemaking on CRA that provides a consistent definition of small business loan and associated data reporting requirements.

Thank you for the opportunity to comment on this matter. We welcome the opportunity to work with the agencies to develop a holistic approach to Call Report requirements for small business loans.

Sincerely,

American Bankers Association  
Bank Policy Institute  
Consumer Bankers Association  
Independent Community Bankers Association