

Regulatory Alert

Regulatory Insights for Financial Services

November 2025

CFPB Proposal: Small Business Lending Data (Section 1071)

KPMG Regulatory Insights:

- **Regulatory pullback:** Proposed amendments would narrow the regulators' focus to items specified in section 1071 and executive order directives.
- **Regulatory tailoring:** Increased origination threshold (from 100 to 1000) is expected to reduce the number of smaller covered institutions but to continue to cover "well over 90 percent" of small business loan originations.
- **Ongoing legal challenge:** Legal challenges to the 2023 final rule remain ongoing and compliance with the rule has been stayed for some market participants; it is uncertain whether the proposed rule addresses the plaintiffs' concerns.
- **Regulatory uncertainty:** A potential lapse in CFPB funding after December 31, 2025, may impact the agency's operations and rulemaking activity.

The Consumer Financial Protection Bureau (CFPB) issues a [proposed rule](#) that would amend its small business data collection rule under the Equal Credit Opportunity Act and Regulation B, which implements section 1071 of the Dodd-Frank Act. The proposed changes would narrow the scope of the 2023 final rule, as amended, (see KPMG Regulatory Alert [here](#)) in several areas, including:

1. Defined Terms
2. Data Collection
3. Compliance Date

Comments on the proposed rule will be accepted through December 15, 2025.

1. Defined Terms

The CFPB proposes the following changes:

- "Small business": would be amended to include businesses with annual gross revenues of \$1 million or less in the previous fiscal year rather than the current \$5 million threshold.

- "Covered credit transactions": would be amended to exclude merchant cash advances (MCAs), agricultural lending, and small dollar loans (defined as transactions less than \$1,000).
- "Covered financial institutions": would be amended to:
 - Exclude Farm Credit System (FCS) lenders
 - Increase the origination threshold from 100 to 1,000 covered credit transactions for each of two preceding consecutive years (beginning 2026 and 2027).

2. Data Collection

The CFPB states the proposal aims to simplify data collection by focusing on data points "specifically identified in section 1071 and a limited number of other data points needed to facilitate the collection of these statutory data points." As such, the proposed amendments would:

- Eliminate "discretionary" data points including the application method, application recipient, denial reasons, pricing information, and number of workers.

- Eliminate data points to conform with Executive Order 14168, including LGBTQI+-owned business status and the free-form text field to describe the demographic data of the principal owners.
- Seek comments on whether to revise the current requirement to collect both race and ethnicity data points or to require only aggregate data.
- Add the requirement that covered financial institutions must inform applicants of their right to refuse to answer the financial institution's inquiries regarding business status (e.g., women-owned, minority-owned) and "ethnicity, race, and sex" of the principal owners.

3. Compliance date

The proposal would modify compliance expectations by eliminating the tiered compliance dates and requiring all covered financial institutions (as defined by the rule and based on originations in 2026 and 2027) to comply with the rule (as finalized) beginning January 1, 2028.

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