



February 8, 2017

The Honorable Donald J. Trump
President, United States of America
The White House
1600 Pennsylvania Ave.
Washington, D.C. 20500

Dear President Trump,

On behalf of the Coalition for Responsible Business Finance, we ask that your Administration promote policies to enhance access to capital for U.S. small businesses through innovations by financial technology (FinTech) small business lending companies.

The Coalition for Responsible Business Finance¹ is a group of FinTech small business lending companies and service providers advocating for the advancement of small business financial technology products and services. The Coalition's purpose is to promote responsible small business lending practices in order to meet the needs of America's small business community.

In addition to business membership, CRBF is proud of its Advisory Board, which includes experts in small business finance and leaders in the advocacy community who have represented the interests of small businesses in our nation's capital for several decades.² Thanks to our Advisory Board, CRBF is able to legitimately present views on alternative financing from the perspective of small business borrowers.

Small businesses employ about half of our country's private sector workforce and are responsible for creating 2/3 of the net new jobs over the past twenty years.³ In order to grow and create jobs, small businesses depend on available and affordable lending capital. FinTech small business lending platforms are becoming an important source of capital for small businesses because technological innovations increase efficiencies in the loan application, underwriting, and funding processes. However, the regulatory framework for the FinTech small business lending industry needs to be updated and reflect the unique characteristics of FinTech small business

¹ Current Members of the Coalition for Responsible Business Finance include: Breakout Capital, the Business Backer, Foundation, Orion First, Paynet, and Provider Web Capital. The Coalition for Responsible Business Finance website is (www.responsiblefinance.com).

² CRBF's Advisory Board includes participants from deBanked, Hudson Cook, Madison Services Group, National Federation of Independent Business, National Small Business Association, Pepper Hamilton, Small Business & Entrepreneurship Council, and the U.S. Chamber of Commerce.

³ U.S. Small Business Administration, Office of Advocacy, Frequently Asked Questions (March, 2014). Viewable at: <https://goo.gl/2H0Ag>.

lending companies. As the regulatory landscape becomes better aligned with the unique characteristics of FinTech companies, they will better fulfill their mission to get critical capital into the hands of small businesses, America's number one job creator.

The Presidential Executive Order on Core Principles for Regulating the United States Financial System, issued on February 3, 2017, called on the Administration to work with several principles in mind including to “restore public accountability within federal financial agencies and rationalize the Federal financial regulatory framework”.⁴ As the FinTech small business sector continues to grow and become a larger provider of capital to small businesses, we encourage your Administration to take action on several items so that small businesses can further depend on financing their activities from FinTech small business lending companies.

The Coalition for Responsible Business Finance recommends the below actions:

- 1) **Direct the Office of the Comptroller of the Currency (OCC) to allow certain FinTech companies to operate under a national bank charter** – Consistent with ongoing efforts at the OCC, a national bank charter would allow FinTech small business lending platforms to promote further innovation in small business financial services offerings. A federal charter would provide flexibility to FinTech small business lenders to expand their existing services. The charter would also provide a national licensing system that would provide more regulatory certainty to Fintech companies, rather than complying with a costly patchwork of regulations from many agencies. Finally, a national bank charter for FinTech companies would encourage competition which would lead to healthier pricing options for small businesses seeking capital. In order to provide certainty to FinTech companies seeking to operate under a national bank charter, we recommend that any final framework contain clear statutes on the OCC's definitions of responsible lending, safety and soundness, and liquidity and capital requirements.
- 2) **Hold quarterly Inter-Agency meetings to discuss FinTech small business lending issues** – The Small Business Administration, the Treasury Department, the Federal Reserve (Fed) the Securities and Exchange Commission, OCC, the Consumer Financial Protection Bureau, and the Federal Trade Commission, should streamline their efforts as it relates to issues affecting the FinTech small business lending industry. Your Administration should create a federal inter-agency working group to meet quarterly and work together to ensure they keep up with this rapidly evolving business sector and help ensure that any federal approach is sensitive to its impact on the sector and on its small business customers.
- 3) **Prevent duplicative and inadequate consumer lending regulations on small business lenders** – Small business loans differ from consumer loans so regulations should treat them differently. Consumer loans are intended for financing personal activities such as financing a home, auto, personal expenses, and other uses. Commercial loans, which

⁴ <https://www.whitehouse.gov/the-press-office/2017/02/03/presidential-executive-order-core-principles-regulating-united-states>

includes small business loans, provide a return on invested capital. This return is essential to economic growth, higher productivity, more jobs, higher tax base and other essentials to improving the standard of living for U.S. citizens. Federal rules should reflect the commercial application of the small business finance sector in order to make sure the flow of capital to small businesses is not held back by consumer lending rules or duplicative and inadequate rules.

- 4) **Establish clear guidance for banks to partner with FinTech small business lending companies** – Banks often partner with FinTech companies to offer new innovative solutions to financial services customers. While we are grateful for the guidance already released by the Fed and the Federal Deposit Insurance Corporation (FDIC), we encourage the Fed, the FDIC, and the OCC to provide streamlined guidance to FinTech companies in order to streamline and provide more certainty to the partnership process. This guidance should include information reporting requirements to improve access to capital for small businesses.
- 5) **Preserve the Interest Deductibility to Encourage Small Businesses to Continue Borrowing to Finance their Activities** – Small businesses finance their operations through lending capital. Currently the federal tax code treats interest on debt as an ordinary business expense. Proposals that would roll back the tax treatment of interest deductibility treatment would be harmful to small businesses trying to access critical capital. During tax reform negotiations, we urge your Administration to continue to allow small businesses to expense interest payments for taxable purposes.

The Coalition for Responsible Business looks forward to working with your Administration to find ways to improve capital access for small businesses. Thank you for your commitment to the health of the small business financing sector. Please contact Chris Walters at cwalters@crbf.biz if you have any questions or to set up a time to discuss our priorities.

Sincerely,



Chris Walters
Executive Director
Coalition for Responsible Business Finance