



February 4, 2025

The Honorable French Hill  
Chair  
House Committee on Financial Services  
United States House of Representatives  
Washington, DC 20515

The Honorable Roger Williams  
Chair  
House Committee on Small Business  
United States House of Representatives  
Washington, DC 20515

Dear Chairman Hill and Chairman Williams,

On behalf of the Equipment Leasing and Finance Association (ELFA), I appreciate the opportunity to submit this letter for the record regarding the ongoing discussion surrounding Section 1071 of the Dodd-Frank Act. ELFA strongly supports the repeal of Section 1071 due to its burdensome impact on small business financing, particularly within the equipment leasing and finance sector. Accordingly, we support the legislation you are considering today that accomplishes that goal.

You have both been leaders in the efforts to rationalize the regulatory approach in this area for many years. Last Congress, the approach of legislative amendments to existing law was the best available option, and you led in these efforts. Today, we believe that with new leadership at the CFPB, the time has come to step away from the long history of Section 1071 and repeal the provision all together. This provision was unworkable when it was passed in 2010, the CFPB rule made it even worse in their rulemaking process by dramatically going beyond the statute, and we believe that the time has come for Congress to repeal the provision.

ELFA represents a broad array of financial services companies that facilitate equipment acquisition for businesses nationwide. Our industry plays a crucial role in supporting economic growth, job creation, and innovation by providing businesses with essential tools and resources to operate and expand. We are at the center of efforts to build the American Manufacturing base here at home. However, the implementation of Section 1071 threatens our ability to accomplish that goal by presenting significant regulatory challenges and driving up the cost of equipment financing for small businesses.

The primary concerns regarding Section 1071 include:

1. **Increased Compliance Costs and Operational Burdens** – The data collection and reporting requirements imposed by Section 1071 are complex and costly, disproportionately affecting small and mid-sized lenders. Compliance expenses divert

resources away from core leasing and financing functions, limiting access to capital for small businesses that rely on these tools to acquire essential equipment.

2. **Privacy and Data Security Risks** – The mandated collection of sensitive business and demographic data raises significant concerns regarding borrower privacy and data security. The risk of unintended disclosure or misuse of collected data could deter small business owners from seeking financing, ultimately harming the very businesses Section 1071 intends to support.
3. **Reduced Competition and Credit Availability** – The increased regulatory burden may lead to market consolidation, discouraging smaller lenders from participating in the equipment finance sector. Reduced competition translates into higher costs and fewer financing options for small businesses, stifling growth and economic activity.
4. **Lack of Clear Benefit to Small Businesses** – The broad data collection requirements fail to account for the unique nature of equipment financing, which differs significantly from traditional small business lending. Unlike conventional credit transactions, equipment finance transactions are often structured based on asset-backed considerations rather than traditional creditworthiness factors. The one-size-fits-all approach of Section 1071 does not align with the realities of the equipment finance industry and the poor quality and inconsistency of the data generated under rule is unlikely to produce meaningful insights that justify the regulatory burden.
5. **Rule Is No Longer Voluntary** – When Congress passed this statute, as unworkable as that may have been, it clearly meant for the provisions to be voluntary, the financial institution must inquire, but the customer is under no obligation to participate. There are many reasons why customers may not want their private information reported to the government, none of them are relevant under this misguided rule. The CFPB in their rule making process turned the voluntary nature of the provision on its head, and even if the customer declined to provide their demographic information, the financial institution still reports the transaction. This means that customers have no option to opt out of having their business's credit application reported to the Government.

Given these concerns, ELFA urges Congress to repeal Section 1071 to prevent unnecessary harm to small business financing. We encourage policymakers to explore alternative approaches that promote responsible lending practices while avoiding unintended consequences that restrict credit access for America's entrepreneurs.

Thank you for considering ELFA's perspective on this critical issue. We appreciate the Committee's commitment to ensuring a regulatory framework that fosters economic growth and supports small businesses. ELFA stands ready to work with Congress to develop policies that promote a fair, efficient, and competitive lending environment.

Sincerely,



Leigh Lytle  
President and CEO