



Compliance Hub - Question of the Week:

Q: We've heard a lot lately about Section 1071 – what's the latest status on those rules (including thresholds and timelines)?

A: Ah, Section 1071 - the gift that keeps on giving...and changing!

The "current" interim final rule extended the Section 1071 small-business-lending compliance dates by roughly a year. Under this rule, Tier 1 institutions would begin collecting demographic data July 1, 2026; Tier 2 by January 1, 2027; and Tier 3 by October 1, 2027. Voluntary collection one year in advance is still fair game (for testing "...procedures and systems for compiling and maintaining this information...").

However, as of November 13th, the CFPB has proposed revisions to Section 1071 via its proposed rule (90 FR 50952) which appears to signal a shift toward a "longer-term, incremental approach." The proposed rule, if adopted, would significantly narrow the scope of the 2023 final rule (currently on hold due to ongoing litigation from the Texas Bankers Association and other plaintiffs) by rolling back several discretionary data points and redefining what counts as a covered transaction.

Under the new draft, lenders would report on a smaller set of core data points, with the CFPB reserving the option to expand requirements later. The proposed rule appears to remove prior requirements to collect details like denial reasons, pricing data, application method, and workforce size, while also excluding merchant cash advances, agricultural credit, and small-dollar loans. Coverage thresholds would seemingly shift as well, and the rule's "small business" definition would tighten to firms with \$1 million or less in annual revenue. The proposed rule can be found at 90 FR 50952. For additional changes and up-to-date news on Section 1071, please check in periodically to our Regulatory Change Management Tracker and our Banker Compliance News, as well as our 1071 Small Business Lending Toolkit.