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Fair Lending Data on Small Business Lending Will Lead to Riskier Loans: Calabria

Katherine Kane | AUG 6, 2012

Working on your wish list for Dodd-Frank repeals? Mark A. Calabria, the director of financial regulation studies at the Cato Institute, has Section 1071, which requires a system for tracking data on lending to women-owned and minority owned small business, on his.

His argument in a *Washington Times* op-ed goes: it backfired on mortgages, e.g. data on fair lending led to a bigger push for riskier lending. And now he's concerned the same thing could happen with small business lending.

He notes that types of firms, with great and lesser risks, also tend to skew with race and gender trends. For instance "16 percent of female-owned firms operate in health care and social assistance, a sector with the comparatively low failure rate of 18 percent," but "Hispanics own a disproportionately high number of construction firms," which have a higher failure rate of 30 percent (for newer firms).

""Equalizing' denial and pricing in the way Dodd-Frank seeks to do necessarily means extending credit to riskier firms," he concludes.

For the full piece see "CALABRIA: Dodd-Frank’s small-business lending time bomb" (may require subscription).