

# User testing for sample data collection form for the small business lending final rule

# Background

On March 30, 2023, the Consumer Financial Protection Bureau (CFPB) released a final rule to amend Regulation B to implement changes to the Equal Credit Opportunity Act (ECOA) made by section 1071 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). Consistent with section 1071, the CFPB is requiring covered financial institutions to collect and report data on applications for credit for small businesses, including those that are owned by women or minorities. The data includes information (the “protected demographic information”) about a small business applicant’s status as a minority-owned, women-owned, and/or LGBTQI+-owned business<sup>1</sup> and about the applicant’s principal owners’ ethnicity, race, and sex.<sup>2</sup>

The CFPB’s final rule and related materials can be accessed at <https://www.consumerfinance.gov/1071-rule/>.

Appendix E to the final rule contains a sample data collection form that financial institutions can use to collect small business applicants’ demographic information and the number of their principal owners.<sup>3</sup>

## User testing

Following the release of the NRPM, the CFPB, after the appropriate notice in the *Federal Register* and a thirty-day comment period, sought and received OMB approval to conduct several rounds of message and user testing research related to the sample form and other aspects of this rule.<sup>4</sup> The CFPB conducted qualitative research to learn about small business owners’ likely experience in filling out the sample data collection form. The qualitative research also explored design and language options to potentially increase small business applicants’ willingness to fill out the form.

First, specifically with regard to the introductory text on the sample data collection form, the CFPB engaged a vendor, the Fors Marsh Group (FMG), to conduct in-depth interviews with

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<sup>1</sup> 12 CFR 1002.107(a)(18), (19).

<sup>2</sup> A financial institution will have the obligation to compile and maintain data regarding covered applications from small businesses, as to the ethnicity, race, and sex of an applicant’s principal owners. 12 CFR 1002.107(a)(19). When requesting information about a principal owner’s sex, a financial institution is required to use the term “sex/gender.” Comment 107(a)(19)-15.

<sup>3</sup> An earlier version of the sample data collection form was also included in the NPRM at proposed appendix E.

<sup>4</sup> See CFPB, *Agency Information Collection Activities: Comment Request*, 87 FR 37504 (June 23, 2022).

small business stakeholders and listening sessions with small business owners from July to September 2022 to test different versions of the introductory language. FMG's report regarding this testing is included as appendix A.

Second, as to the sample data collection form more generally, from August to September 2022, CFPB staff conducted qualitative user interviews with small business owners to test small business owners' reactions to different versions of the sample data collection form, including to the specific questions on the form, in both paper and digital formats. The CFPB's report as to its in-person testing of the sample data collection form, in a paper format, is included as appendix B. The CFPB's report as to its testing of a digital version of the sample data collection form, in virtual sessions, is included as appendix C.

The feedback gathered in the process of these testing efforts numbered among the various considerations of the CFPB in the development of the final rule.

# Appendix A: FMG report

# CFPB Formative Research Findings: Sample Data Collection Form Introductory Text



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# BACKGROUND

Consistent with the requirements of the Dodd-Frank Act, in September 2021, the Consumer Financial Protection Bureau (CFPB) issued a notice of the proposed 1071 rule, or the Small Business Data Collection Rule, requiring financial institutions to collect and report certain data in connection with credit applications made by small businesses, including women- or minority-owned small businesses. Small business owners (SBO) will be asked to submit demographic information required for collection by the statute.

FMG was tasked with testing materials associated with the requirement and relevant documents to improve recognition and usage of the proposed rule in a multi-phased approach. The following slides outline findings from the first phase of formative research.

# OBJECTIVES

CFPB therefore solicited a multi-phase formative research effort to understand the messaging that resonates among SBOs about the Small Business Data Collection rule, including introductory text on a sample demographic data collection form. Specifically, CFPB aims to learn about:

- Familiarity of potential loan applicants with the new requirement of filling out a data collection form when applying for a small business loan.
- Barriers that may prevent them from completing the form.

# Executive Summary



# Bottom Line Up Front

In Phase 1, FMG:

1. Conducted **in-depth interviews (IDI)** with small business stakeholders (Stakeholder) to gain insight from their experiences with small business owners (SBO) and to test introductory text for the data collection requirement.
2. Conducted **listening sessions** with SBOs to test introductory text.

Cumulative topline findings from Phase 1 include:



Introductory text that included “Federal Law” upfront was most liked.

- Participants like bold text and the inclusion of context (e.g., “Filling out this form will help to ensure that ALL small business owners are treated fairly”).
- Participants were concerned that loan officers and other personnel may have access to this data.
  - Recommendation:** Emphasize that the proposed rule is required by Federal Law and that providing data will help all SBOs.
  - Recommendation:** Clearly disclose when and how personnel may have access to data.

# Introductory Text

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## Introductory Text C

**Federal law** requires that we request the following information to help ensure that all small business owners applying for loans and other kinds of credit are treated fairly and the communities' small business credit needs are met.

Some loan officers, underwriters, and other employees and officers making determinations concerning an application may have access to the information provided on this form.

However, **FEDERAL LAW PROHIBITS DISCRIMINATION** on the basis of your answers about your business status or your ethnicity, race, or sex/gender. Additionally, we cannot discriminate on the basis of whether you provide this information.

While you are not required to provide this information, we encourage you to do so. Importantly, our staff are not permitted to discourage you in any way from responding to these questions. **Filling out this form will help to ensure that ALL small business owners are treated fairly.**

Stakeholders and SBOs shared similar preferences for introductory text that includes language about federal law up front. Additionally, participants liked text that highlights how providing demographic information will help all SBOs.

From the Stakeholder IDIs and SBO listening sessions, **Introductory Text C** was preferred, with a few recommended edits to the text:

- Clarify when and how loan officers will see demographic information.
- Keep all font size and text consistent across the introduction. Some participants liked the all-capitalized language but agreed that the font size should not differ.



# Small Business Stakeholders IDIs



# Stakeholder Interviews Methodology

Six virtual interviews were conducted with small business owner stakeholders to test two versions of introductory text for a form template. The interviews were conducted between July 27, 2022, and August 10, 2022, using WebEx. Stakeholder participants were recruited by CFPB, and all provided their consent and signed a non-disclosure agreement.

## Overview of Stakeholder Interview Process



1 | CFPB Outreach to Stakeholders

2 | Sign NDA

### *Interview Discussion Topics*

3 | Small Business Data Collection Rule Introductory Text

# Small Business Lending Data Collection

## Introduction Text

Stakeholders were asked to share feedback and rank two versions of sample introductory text for a form for lenders to use when collecting data for the proposed 1071 Rule.

### Introductory Text A

We request the following information to help ensure that all small business owners applying for loans and other kinds of credit are treated fairly and that communities' small business credit needs are met.

Employees and officers making determinations concerning an application, such as loan officers and underwriters, may have access to the information provided on this form. However, **WE CANNOT DISCRIMINATE** on the basis of minority-owned business status, women-owned business status, or a principal owner's ethnicity, race, or sex. Additionally, we cannot discriminate on the basis of whether an applicant provides this information.

Federal law requires that we ask for this information. Applicants are not required to provide this information but are encouraged to do so. Importantly, no lender should discourage you from providing this information.

### Introductory Text B

**Federal law requires that** we request the following information to help ensure that all small business owners applying for loans and other kinds of credit are treated fairly and that communities' small business credit needs are met.

**The** employees and officers making determinations concerning an application, such as loan officers and underwriters, may have access to the information provided on this form. However, **WE CANNOT DISCRIMINATE** on the basis of minority-owned business status, women-owned business status, or a principal owner's ethnicity, race, or sex. Additionally, we cannot discriminate on the basis of whether an applicant provides this information.

Applicants are not required to provide this information but are encouraged to do so. Importantly, no lender should discourage you from providing this information. **Filling out this form will help to ensure that ALL small business owners are treated fairly.**

# Reactions to Introduction Text

## Introductory Text A

- Stakeholders wanted the text to be more straightforward and highlight the purpose of data collection.
- One stakeholder recommended replacing “credit” with “loans” or “lending,” which are more familiar terms to SBOs.
- They liked the bolding of “we cannot discriminate,” because it reiterated how critical the topic is.
- They noted that SBOs may be unclear of the purpose of data collection.
- They recommended adding “federal law requires” to the first sentence.
- They wanted clarity on the reason why SBOs should provide their data.
- They were unclear on when loan officers and underwriters will have access to this information within the review process, due to the ambiguous “may.”

*“I think that I would probably lead with the federal law part and remove “we” throughout this. Almost to say that this is the government’s form and not ours. It needs to be included with the application but it’s not part of the application.” – Stakeholder*

*“I love that it says that no lender should discourage you from sharing this information.”*  
– Stakeholder

# Reactions to Introduction Text

## Introductory Text B

- Introductory Text B was preferred by most stakeholders, because it clearly stated the legal requirement for data collection and highlighted the protection of SBOs against discrimination.
- They noted that SBOs could be confused about whether loan officers would have access to the data collected in the review process because the introductory text includes an ambiguous “may.”
- They said they liked the phrase “Federal law requires,” up front because it puts the onus back on the law and not on the lenders/institutions.
- They said they liked the bolded and all capital phrase “we cannot discriminate,” as it alleviates potential confusion among SBOs.
  - One stakeholder suggested clarifying the bolded text to say, “federal law prohibits discrimination.”
- They appreciated the sentence “filling out this form will help to ensure that ALL small businesses are treated fairly” as it clarifies the intent of data collection and usage.

*“I like the inclusion of what the data is going to be used for in the long term.” – Stakeholder*

*“They’re not helping large businesses grow but the small businesses. It would make them more likely to fill out that form.” – Stakeholder*

# Small Business Lending Data Collection

## Introduction Text

### Sample data collection form

Federal law requires that we request the following information to help ensure that all small business owners applying for loans and other kind of credit are treated fairly and that communities' small business credit needs are met.

The employees and officers making determinations concerning an application, such as loan officers and underwriters, may have access to the information provided on this form. However, WE CANNOT DISCRIMINATE on the basis of minority-owned business status, women-owned business status, or a principal owner's ethnicity, race, or sex. Additionally, we cannot discriminate on the basis of whether an applicant provides this information.

Applicants are not required to provide this information but are encouraged to do so. Importantly, no lender should discourage you from providing this information. Filling out this form will help to ensure that ALL small business owners are treated fairly.

"Federal law requires..." shows the small business owners (SBO) that this information would not be collected unless the federal law required it.

The highlighted sentence was identified as potentially confusing for SBOs, since the word "may" is ambiguous and could lead SBOs to think that the data being collected is reviewed during the loan process.

The use of all capital letters and bold letters was well-received by stakeholders. They noted that it shows how important this topic is, but a stakeholder noted that SBOs may see this and wonder what the information is being used for.

Stakeholders expressed liking that the last sentence is reiterated, so that it is clear on the importance of filling out the form and shows the SBOs what the data is being used for.

# Stakeholder Interview Overall Findings

## Introductory Text Insights

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- Stakeholders preferred introductory text that used “federal law requires” up front and additional anti-discrimination language.
- Some stakeholders felt the language about whether loan officers have access to the demographic data collected during the loan application process may be confusing and may discourage SBOs from disclosing.

# SBO Listening Sessions



# SBO Listening Sessions Methodology

Using insight from the IDIs, four virtual listening sessions were conducted with SBOs (nine participants total) to test a two versions of introductory text for a form template. The sessions were conducted between August 23, 2022, and September 7, 2022, using WebEx. Participants were recruited using a panel provider; all participants provided their consent and signed a non-disclosure agreement.

## Overview of SBO Listening Sessions Process



1 | Recruit SBOs Via Recruitment Panels

2 | Sign NDA

### *SBO Listening Sessions Discussion Topics*

3 | Identify Potential Barriers to SBOs' Completing the Proposed Sample Data Collection Form

4 | Small Business Lending Data Collection Rule Sample Data Collection Form's Introductory Text

# Small Business Lending Data Collection

## Introduction Text

Stakeholders were initially asked to share feedback and rank two versions of sample introductory text for a form for lenders to use to collect data per the proposed 1071 Rule. The first three stakeholders were shown **Introductory Text A and B**.

### Introductory Text A

Federal law requires that we request the following information to help ensure that all small business owners applying for loans and other kinds of credit are treated fairly and that communities' small business credit needs are met.

The employees and officers making determinations concerning an application, such as loan officers and underwriters, may have access to the information provided on this form. However, **WE CANNOT DISCRIMINATE** on the basis of minority-owned business status, women-owned business status, or a principal owner's ethnicity, race, or sex. Additionally, we cannot discriminate on the basis of whether an applicant provides this information.

Applicants are not required to provide this information but are encouraged to do so. Importantly, no lender should discourage you from providing this information. Filling out this form will help to ensure that **ALL** small business owners are treated fairly.

### Introductory Text B

Federal law requires that we request the following information to help ensure that all small business owners applying for loans and other kinds of credit are treated fairly and that communities' small business credit needs are met.

In some circumstances, loan officers, underwriters, and other employees and officers making determinations regarding an application may have access to the information on this form. However, **WE CANNOT DISCRIMINATE** on the basis of **your answers about your business status, ethnicity, race, or sex/gender**. Further, we cannot discriminate on the basis of whether **you** provide this information.

**You** are not required to provide this information but are encouraged to do so. Importantly, **our staff is not permitted in any way to discourage you from responding to these questions**. Filling out this form will help ensure that **ALL** small business owners are treated fairly.

# Reactions to Introduction Text

## Introductory Text A

- Participants assumed lending institutions already have access to this data.
- Participants liked the emphasis on the choice to provide data.
- Participants felt that providing their data could be used to discriminate against them.
- Participants recommended indicating that loan officers or lenders could not see the data to ease fears.
- Participants recommended including a reason for data collection.

*“I assumed they were already doing this, but I like that this is your choice.”*

– SBO Participant

*“Some people may see this as a way to discriminate against them, because you may already feel discriminated against.”*

– SBO Participant

# Reactions to Introduction Text

## Introductory Text B

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- Participants sought clarity on when loan officers and lenders would have access to the data.
- Participants recommended replacing 'you' with 'applicants' to be more generalizable to all SBOs.
- Participants wanted greater emphasis on the choice to provide data, rather than it being a requirement.

*"Right away it's stating that people will have access to some of our information. I guess it doesn't really matter if we're giving them permission or not."*  
– SBO Participant

*"I wouldn't necessarily start off with "you are not required..." I like the way that it is stated in the first one ["applicants are not required"]."*  
– SBO Participant

# Small Business Lending Data Collection

## Introduction Text

Introductory Texts A and B were revised based on feedback heard from the first two SBO listening sessions. Specifically, emphasizing the “**federal law**” requirement in the first sentence and **equity for all SBOs** in the last sentence. The last two listening sessions ( $n = 6$ ) were shown **Introductory Texts C and D**.

### Introductory Text C

**Federal law** requires that we request the following information to help ensure that all small business owners applying for loans and other kinds of credit are treated fairly and the communities’ small business credit needs are met.

Some loan officers, underwriters, and other employees and officers making determinations concerning an application may have access to the information provided on this form. However, **FEDERAL LAW PROHIBITS DISCRIMINATION** on the basis of your answers about your business status or your ethnicity, race, or sex/gender. Additionally, we cannot discriminate on the basis of whether you provide this information.

While you are not required to provide this information, we encourage you to do so. Importantly, our staff are not permitted to discourage you in any way from responding to these questions. **Filling out this form will help to ensure that ALL small business owners are treated fairly.**

### Introductory Text D

**Federal law** requires that we request the following information to help ensure that all small business owners applying for loans and other kinds of credit are treated fairly and that communities’ small business credit needs are met.

Some loan officers, underwriters, and other employees and officers making determinations concerning an application may have access to the information provided on this form. However, **WE CANNOT DISCRIMINATE** on the basis of your answers about your business status or your ethnicity, race, or sex/gender. Additionally, we cannot discriminate on the basis of whether you provide this information.

While you are not required to provide this information, we encourage you to do so. Importantly, our staff are not permitted to discourage you in any way from responding to these questions. **Filling out this form will help to ensure that ALL small business owners are treated fairly.**

# Reactions to Introduction Text

## Introductory Text C

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- Overall, participants preferred this introductory text because it referenced that “federal law” prohibited discrimination.
- Participants felt the language was respectful and clarified that the data would not be used against applicants.
- Participants wanted greater emphasis on institutions not being able to discriminate based on the data collected.
- Participants felt uneasy knowing loan officers and lenders would have access to this data.
- Participants recommended bolding “you are not required to provide this data.”

*“I think it's respectful. It helps us understand why our information is being collected and it won't be used against us. I feel safe.”*  
– SBO Participant

*“It will make me uncomfortable to know that loan officers will have access to that information. It's like delivering your census information to your local housing authority.”*  
– SBO Participant

# Reactions to Introduction Text

## Introductory Text D

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- Participants believed the law already had this protection against discrimination.
- Participants recommended replacing “we” with “federal law” to emphasize the repercussions of discrimination based on data collected.
- Participants were unclear about which staff within financial institutions would have access to the data.

*“I kind of like the first one better. There’s repercussions from ‘federal law prohibits.’ In this one I don’t know that there’s any repercussions.”*  
– SBO Participant

*“I like the first one better. This one says ‘our staff’ but what staff? It’s not clear.”*  
– SBO Participant

# Listening Session Overall Findings and Recommendations

## Introductory Text

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- Participants preferred introductory text that uses “federal law requires” to support anti-discrimination language because it implies consequences for lending institutions that use the data against SBOs.
- Participants felt the language about whether loan officers have access to the demographic data collected during the loan application process was confusing. To encourage SBOs to provide demographic data, emphasize individual SBO choice to provide information.

# THANK YOU!



# Appendix B: CFPB Small Business Lending Rule Sample Data Collection Form Usability Testing

# Small Business Lending Rule Sample Data Collection Form Usability Testing

Summary of results, August-September 2022

## Executive Summary

The CFPB conducted in-person user testing<sup>1</sup> on versions of the sample data collection form for collecting small business applicants' demographic information related to a small business applicant's status as a minority-owned, women-owned, and LGBTQI+-owned business and their principal owners' race, sex, and ethnicity pursuant to the CFPB's final rule (final rule or small business lending rule) implementing section 1071 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The majority of participants understood most of the sample data collection form under consideration for the final rule, in all versions presented, and found it possible to fill out correctly. Several commented that the form was very clear and straightforward. Fifteen of seventeen total participants reported being willing to fill out the form in the context of applying for a business loan.

With regard to the question (the "business status question") about a business' status as a minority-owned, women-owned, or LGBTQI+-owned business on the first page of the form, most participants mentioned that the label "Applicant business status" for the question was unclear, and the majority of participants who saw or heard the alternative label "Applicant owner status" preferred that phrase. Participants who described "business status" as confusing were still able to understand what the question was asking and how to respond correctly, based on reading the answer choices and the definitions, regardless of the format of the answer choices. Participants were evenly split between the two versions of the answer format, when asked which they preferred.

For the question about the number of principal owners on the first page of the form, all participants preferred the language "a principal owner is any individual (not a company)..." to "a principal owner is any natural person..." in the definition of a principal owner. Participants were split between preferring the definition and explanation of principal owner separated into two paragraphs above and below the question.

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<sup>1</sup> The CFPB also conducted testing in virtual sessions on a digital version of the sample data collection form in September 2022, which is the subject of a separate report.

For the introductory text of the form on the first page of the form, while many participants skimmed the introductory text on the form and paragraphs with definitions or explanations, they did notice bolded sections in the introduction, and generally liked having key phrases bolded to stand out.

As to the questions about a principal owner's race and ethnicity, on page two of the form, Non-Hispanic/Latino participants tended not to realize that the section of the form asking about the principal owner's ethnicity needed to be filled out separately from the section of the form asking about the principal owner's race, and skipped responding to that section even if they said they would be willing to provide all of the information the form requested.

## Methodology

The 1071 Demographic Form Usability team within the Office of Technology and Innovation partnered with the Stakeholder Communications and Outreach team within the Director's Front Office to conduct qualitative user interviews. The interviews were intended to test participants' reactions to the print version of the sample data collection form being developed as part of the rulemaking process to generally collect demographic information related to a small business applicant's status as a minority-owned, women-owned, and LGBTQI+-owned business and their principal owners' race, sex, and ethnicity.

### Participants

The research consisted of two rounds of in-person interviews with small business owners in the Washington, D.C. metropolitan area from August 8 to August 15, 2022, and Atlanta, Georgia from August 30 to September 2, 2022. Seven participants were interviewed in the D.C. area, and ten participants were interviewed in Atlanta.

Participants were recruited through the Latino Economic Development Center in the D.C. area and through Georgia Watch and the Atlanta Wealth Building Initiative in Atlanta.

### Test Design

Participants were asked about their experiences applying for business credit, and then shown a version of the sample data collection form. Participants were asked to fill out the form and think-aloud to share their thoughts about the questions on the form.

Interview questions were focused on the design and layout of the form and the wording of questions. The interviews were not intended to get feedback on the substance of the small business lending rule itself, but instead were designed to improve the sample data collection form so that small business applicants are willing to provide their demographic information.

Two versions of the form were created and tested with participants; these were referred to as Version 1 and Version 2. Half of the participants started with Version 1 and half started with Version 2.

Differences between the two versions included:

- Layout of the answers to the business status question (list vs. grid layout),
- Number of principal owners question
  - Example (shown above the question/below the question)
  - Principal owner definition (“Natural person” vs. “Individual (not a company)”)

In response to initial feedback from the first round of interviews, some small changes were made in between the first and second rounds of interviews to the sample data collection form’s introduction and to the heading of the business status question, which were subsequently tested in the second round of interviews (version 2). See the attachment for all versions of the form that were shown to participants.

#### Interview Logistics

Interviews were conducted in-person at each small business owner’s place of business or in a nearby location such as a coffee shop or library. Interviews were conducted between the moderator and the participant with an in-person note taker listening in, and additional note takers and observers listening in over a phone.

Participants were given a nondisclosure agreement to sign. Participants were verbally instructed about their privacy and voluntary participant rights, as well as how their comments may fall under the CFPB’s *ex parte* disclosure policy.<sup>2</sup>

## Responses by Question

Table 1: Experience with Lending

Question	Responses—DC Metro Area	Responses—Atlanta
<b>Q1: Have you applied for a loan, business credit card, or other kinds of financing for your business before? This includes online lending, merchant cash advances, and other credit</b>	<ul style="list-style-type: none"><li>• 6 participants had lines of credit or other loans with small lenders.</li><li>• 3 described their experience as challenging, even with good credit. They described limited support during the process and high interest rates.</li><li>• 1 had funding through a nonprofit organization.</li></ul>	<ul style="list-style-type: none"><li>• 9 had experience applying for business credit, including lines of credit, credit cards, Paycheck Protection Program (PPP) loans, and merchant cash advance.</li><li>• 6 had been successfully approved for at least one type of credit.</li></ul>

<sup>2</sup> CFPB, *Policy on Ex Parte Presentations in Rulemaking Proceedings*, 82 FR 18687 (Apr. 21, 2017).

Question	Responses—DC Metro Area	Responses—Atlanta
	<ul style="list-style-type: none"> <li>• 1 described the process as good with no issues.</li> <li>• 1 had no experience with business lending.</li> </ul>	<ul style="list-style-type: none"> <li>• 1 had no experience with business credit.</li> <li>• 6 reported being repeatedly denied credit from traditional banks.</li> <li>• 4 described the process of providing information as simple, but that getting approval was difficult.</li> <li>• 1 reported a lengthy and difficult process to get approval for a Small Business Administration (SBA) loan.</li> </ul>

Table 2: Reactions to Form

Questions	Responses—DC Metro Area	Responses—Atlanta
<b>Q2: Thinking about what you read, how would you describe the purpose of the form?</b>	<ul style="list-style-type: none"> <li>• 5 said the purpose was for collecting information about the business and owner.</li> <li>• 2 said the form was used to identify demographics to make sure lending is done fairly.</li> <li>• 1 said Federal law requires the information for loans.</li> </ul>	<ul style="list-style-type: none"> <li>• 5 described the purpose as to collect information, without further specifics.</li> <li>• 2 said the purpose was to see if an application qualified for specific targeted loan programs.</li> <li>• 1 said that the information was required by law.</li> <li>• 1 was unsure of the purpose.</li> <li>• 1 had a very strong negative reaction to the detailed demographic data questions. For this participant, we exercised our discretion and ended the session early and did not ask every question in the moderator's guide.</li> </ul>
<b>Q3: Why do you think your lender is asking you for this information?</b>	<ul style="list-style-type: none"> <li>• 4 reported that lenders would use this to prevent discrimination and give more opportunities to minority and women owned businesses.</li> </ul>	<ul style="list-style-type: none"> <li>• 6 thought the lender would use the information to look for potential discrimination.</li> <li>• 2 were unsure, said they didn't know why a lender</li> </ul>

Questions	Responses—DC Metro Area	Responses—Atlanta
	<ul style="list-style-type: none"> <li>3 said the form would collect data on how lenders are helping small businesses and to hold them accountable.</li> </ul>	<ul style="list-style-type: none"> <li>would ask for demographic data.</li> <li>1 said to comply with Federal law.</li> <li>1 believed the information would be used to intentionally discriminate.</li> </ul>
<p><b>(After being asked to fill out entire form)</b></p> <p><b>Q4: Did anything stand out to you as difficult to understand, or hard to fill out correctly?</b></p>	<ul style="list-style-type: none"> <li>3 hesitated on the business status question because they hoped for more information (such as 50% or 51% ownership stake).</li> <li>2 reported that the racial/ethnic options did not list a group they identified with (such as specific countries or indigenous groups).</li> <li>2 participants were surprised that gender did not have detailed selection.</li> <li>1 didn't understand how a business could have 0 owners.</li> <li>1 was hesitant to fill this out because they felt information may be used to discriminate against them, based on their past experiences.</li> <li>1 wanted the difference between race and ethnicity to be made more clear.</li> <li>1 wasn't sure which page was the front of the form and wished the pages were numbered.</li> <li>1 said the form was going to ask about other types of business status, such as if it was an LLC, and was surprised the form focused on demographics.</li> <li>1 said they had not seen “principal owners” as a</li> </ul>	<ul style="list-style-type: none"> <li>4 said they did not find anything difficult to understand or fill out.</li> <li>2 were surprised or confused by the sex/gender question. Of those, 1 did not think it was surprising that the question format was different from the others, 1 was not sure if they should include pronouns or sex assigned at birth.</li> <li>1 was surprised to see the term “American Indian,” and thought it was outdated.</li> <li>1 thought the detailed race information was redundant, if they had already described the business as minority-owned.</li> <li>1 was not sure if the business status question applied only to certified minority-/woman-/LGBTQI+-owned business, or if self-identification was enough.</li> <li>1 did not understand the difference between race and ethnicity.</li> <li>1 participant was not asked this question.</li> </ul>

Questions	Responses—DC Metro Area	Responses—Atlanta
	term on similar forms, just "how many owners."	
<b>Q5: Do you have any questions about what you see on the form?</b>	<ul style="list-style-type: none"> <li>6 did not have initial questions.</li> <li>1 wanted to see more information about limits to the use of this information, but had not fully read the introductory paragraphs.</li> </ul>	<ul style="list-style-type: none"> <li>8 did not have any questions beyond comments they made for question 4.</li> <li>1 wanted a definition of ethnicity.</li> <li>1 participant was not asked this question.</li> </ul>
<b>Q6: Would you be willing to fill out this form as part of a loan application? Why or why not?</b>	<ul style="list-style-type: none"> <li>7 said they would be willing to fill out the form.</li> <li>2 thought this form would be required.</li> <li>1 thought they still might be discriminated against, but would still fill out form because the data is important.</li> </ul>	<ul style="list-style-type: none"> <li>5 reported being willing to fill out the form without any hesitation.</li> <li>Of the 5 willing to fill out the form, 2 specifically thought they might qualify for funding for minority-owned businesses if they filled out the form.</li> <li>3 had some reluctance, and were skeptical that they truly would not be discriminated against, but said they would most likely fill out the form despite that, 1 because they thought the data was important to provide anyway, 2 because they thought the lender would require a response.</li> <li>1 would decline to answer the race and ethnicity questions, but would provide female-owned and sex/gender information.</li> <li>1 was very unwilling to fill out the form.</li> </ul>
<b>Q7: Are there any specific questions you would decline to answer? Anything you would be uncomfortable or worried about answering?</b>	<ul style="list-style-type: none"> <li>7 said they would not decline to answer any questions and during the test, they did not skip any questions on the form.</li> </ul>	<ul style="list-style-type: none"> <li>8 participants reported no questions they would decline to answer.</li> <li>The participant with the strong negative reaction</li> </ul>

Questions	Responses—DC Metro Area	Responses—Atlanta
	<ul style="list-style-type: none"> <li>1 said she was slightly uncomfortable filling out her country because she might be discriminated against.</li> <li>1 said he did not see his ethnic group listed, so he is worried that if he writes something in an “other” field, he would not be represented.</li> </ul>	<p>was willing to respond to the question about minority-owned business status and number of principal owners, chose “do not wish to provide” for the woman-owned and LGBTQI+-owned items, and was very uncomfortable with all of the principal owner demographic questions and did not fill anything out on page 2 of the form.</p> <ul style="list-style-type: none"> <li>1 was willing to provide sex/gender and woman-owned status only and did not trust financial institutions not to discriminate based on race information.</li> <li>7 of the 9 participants who responded in some way to the principal owner demographic information skipped the ethnicity section entirely. 6 of those had stated there were no questions they were unwilling to answer. All of the Atlanta participants identified as Black/African American either verbally or on the form itself, and none identified verbally or on the form as Hispanic/Latino. The participants who skipped the ethnicity section did not seem to differentiate between ethnicity and race, and because they had identified as at least one race (or chosen “do not wish to provide”), they did not believe they were leaving</li> </ul>

Questions	Responses—DC Metro Area	Responses—Atlanta
		<p>the form incomplete. 1 specifically expressed confusion over the difference between ethnicity and race, and was not sure how to respond to that question.</p> <ul style="list-style-type: none"> <li>• 2 participants did choose “Not Hispanic/Latino.”</li> </ul>
<p><b>Q8: Do you think you <i>have to</i> fill out the form? What happens if you don’t?</b></p>	<ul style="list-style-type: none"> <li>• 3 thought the form would be required as part of the lending process and that they would not be able to continue to the next step in the loan process.</li> <li>• Included in those 3, 2 thought that even if the form was required, they could skip certain questions and not be penalized.</li> <li>• 2 said they were not certain if the form was required.</li> <li>• 1 said they thought it was not required.</li> </ul>	<ul style="list-style-type: none"> <li>• 7 thought their loan applications might not be considered complete if they did not fill out the form, and that would factor into being declined for a loan.</li> <li>• Of those 7, 2 said specifically that they saw the information was not required, but they felt it might still be “unofficially” required, and they would still be penalized for not providing it. 1 said they saw they could always say “do not wish to provide,” but that they thought at least that was required.</li> <li>• 2 did not think they would be penalized for not filling out the form, but they might miss out on special programs targeted to their demographic.</li> <li>• 1 participant was not asked this question.</li> </ul>
<p><b>Q9: What do you expect the lender to do with this information once you submit the form?</b></p> <p><b>Is there anything they are not allowed to do?</b></p>	<ul style="list-style-type: none"> <li>• 4 thought this form would hold lenders accountable with laws related to fair lending.</li> <li>• 2 stated that the organizations were not allowed to discriminate.</li> </ul>	<ul style="list-style-type: none"> <li>• 4 thought that banks would use it to track which percentage of their loans were going to minority or woman-owned businesses.</li> <li>• 3 expected lenders would use the information while making loan underwriting decisions, but positively in</li> </ul>

Questions	Responses—DC Metro Area	Responses—Atlanta
	<ul style="list-style-type: none"> <li>3 worried info might be used to discriminate, even if they were not supposed to.</li> <li>3 said organizations were not supposed to share private data provided on the form with other organizations.</li> <li>3 thought this form would be used to collect data about people they are lending to, including giving funding to certain types of people or developing new guidelines.</li> </ul>	<p>the context of programs targeted toward minority businesses.</p> <ul style="list-style-type: none"> <li>2 were unsure what lenders would do with the information or why it was being requested.</li> <li>1 was sure that lenders would use the information to discriminate despite the “we cannot discriminate” language.</li> <li>7 said that lenders were not allowed to discriminate. Of those 7, 3 expressed some skepticism about the statement. They said that discrimination happens anyway even when it is illegal. 2 said they would be more reassured if they had a good relationship with a particular bank, 1 would prefer to fill out the form only after an underwriting decision had been made, or for programs targeted at their demographic.</li> <li>2 expressed hope that banks would not be able to sell or share the information with other parties, but were not sure if it was allowed or not.</li> </ul>
<b>Q10: Have you been asked for information like this before when applying for a loan of any kind, not just for your business?</b>	<ul style="list-style-type: none"> <li>6 responded yes, they had seen questions like these before.</li> <li>Of those, 3 said they had seen similar questions for personal loans such as a home loan.</li> <li>2 had seen similar questions, but not with this level of detail for race and ethnicity.</li> </ul>	<ul style="list-style-type: none"> <li>9 participants stated they had been asked for similar information before, some for mortgages and some for SBA or PPP loans, and were willing to provide demographic information in the past.</li> <li>The participant with the very negative reaction to this form said that they</li> </ul>

Questions	Responses—DC Metro Area	Responses—Atlanta
	<ul style="list-style-type: none"> <li>1 had been asked similar questions for other business financing.</li> <li>Only 1 said they had not been asked similar questions because they have not applied for other loans.</li> </ul>	<p>understood why mortgage data was associated with personal information, and connected it to census data, which they trust.</p> <ul style="list-style-type: none"> <li>1 could not recall for sure, thought possibly they had filled out similar information for student loans.</li> </ul>
<b>Q11: Did any language on the form affect how comfortable you are with providing the information?</b>	<ul style="list-style-type: none"> <li>3 said the language of the form made them feel comfortable providing information, and 3 said no, the language did not make them feel more comfortable, even though they ultimately did provide the information.</li> <li>Of those who felt comfortable, 1 said they were reassured by the language that said the organization could not discriminate.</li> <li>Of those who said the language did not make them more comfortable, 1 said that in the back of their mind, they still think an organization could discriminate.</li> </ul>	<ul style="list-style-type: none"> <li>3 said no specific language stood out, 2 of those said the type of information being asked for was standard and they were generally comfortable providing such information.</li> <li>4 said that seeing “we cannot discriminate” in bold was reassuring.</li> <li>3 participants said that the “we cannot discriminate” language was not convincing to them. 1 suggested that changing the language to say “it’s against the law to discriminate” would be more neutral, since that is true even if some institutions discriminate illegally.</li> </ul>
<b>Q12: Is there any additional information that would make the form clearer or easier to understand?</b>	<ul style="list-style-type: none"> <li>Most participants could not think of a response for this question.</li> <li>1 thought the word ‘staff’ should be expanded upon to define what type of employees this should cover.</li> </ul>	<ul style="list-style-type: none"> <li>Most participants had no suggestions.</li> <li>1 suggested data for a specific bank’s lending to minority groups, to see if they had a chance of getting a loan from that bank.</li> <li>1 who expressed some skepticism about the “we cannot discriminate” language said they would be more likely to trust that</li> </ul>

Questions	Responses—DC Metro Area	Responses—Atlanta
		<p>statement if they could see information about that bank's lending, and how it might be addressing a history of discrimination.</p> <ul style="list-style-type: none"> <li>1 asked that the description for the business status question include the term "self-identified", to clarify that being officially certified was not necessary.</li> </ul>

Table 3: Comparing Two Versions

Questions	DC Metro Area	Atlanta
<p><b>Q13: What do you think of this version of the questions, compared to the first one you saw? Are any of them clearer, easier to understand, or easier to answer?</b></p>		
<p>Q13A: For the first question, about business status: Is one version of the question clearer or easier to answer correctly than the other? If so, which one and why?</p> <ul style="list-style-type: none"> <li>Did the design of the answer options in one version, versus the other, make the one version of the question easier to answer correctly than the other?</li> <li>After having read the question, do you think the name of the question, "Applicant business status," helped make the question clearer or easier to understand?</li> </ul>	<ul style="list-style-type: none"> <li>6 thought the label "Applicant business status" was not clear – 1 said it was fine.</li> <li>Of those that thought it was not clear, 4 suggested using the word owner or ownership because this section is about the owners.</li> <li>3 thought the business status implied other types of statuses, such as if the business was an LLC.</li> <li>For the business status question, 3 thought version 2 provided more options for people who wanted to not provide information.</li> <li>2 thought the grid layout (version 2) was more confusing because they had to check no multiple times</li> </ul>	<ul style="list-style-type: none"> <li>8 preferred the label "Applicant owner status" to "Applicant business status," saying that "owner status" more closely matched the information being asked.</li> <li>2 preferred "business status" in the heading, 1 because it was consistent with the language in the description text below, and 1 because they thought that language would help other who might be hesitant to respond, by making the question about the business rather than personal.</li> <li>Regardless of which version of the form was shown first, all participants were able to understand how to respond to the business status</li> </ul>

Questions	DC Metro Area	Atlanta
	and thought the list layout (version 1) was simpler.	<p>question (with one question about whether certification was required).</p> <ul style="list-style-type: none"> <li>4 participants preferred version 1 of the layout response options, describing it as “simpler” than version 2.</li> <li>4 participants preferred version 2, saying it was clearer to be able to answer “yes/no/decline” for each separate item.</li> <li>1 participant said they had no preference between the two layouts, 1 was not shown both versions of the form.</li> </ul>
<p><b>Q13B: For the second question, about number of principal owners:</b></p> <ul style="list-style-type: none"> <li>In one version, the example is placed below the answer options. Does this structure make the question easier or harder to understand in one version or the other?</li> <li>In one version, the question explains that a principal owner is a “natural person” who owns 25 percent or more of the equity interest of a business</li> </ul>	<ul style="list-style-type: none"> <li>All 7 participants preferred ‘individual (not a company)’ over ‘natural persons’ because they did not relate to the term natural persons.</li> <li>3 preferred having the paragraph split up (with the example at the bottom – form 2) because it was easier to read after the question.</li> <li>1 thought having the example in the top paragraph (version 1) was easier to read, because it explained why there could be 0 principal owners.</li> </ul>	<ul style="list-style-type: none"> <li>All 9 participants who were shown both versions of the form preferred the language “individual” over “natural person.” 2 stated they found “natural person” confusing generally, 1 thought “natural” person might refer to transgender status, 1 thought it might be related to citizenship.</li> <li>5 preferred to have the definition and explanations for principal owner to be split up, 4 preferred the single paragraph format even if they thought the terms were clearer in version 2.</li> </ul>
<p><b>Q14: Do you have other thoughts specifically about the design of this form, or the way questions are written?</b></p>	<ul style="list-style-type: none"> <li>No participants had additional thoughts to share.</li> </ul>	<ul style="list-style-type: none"> <li>5 liked the bolded final sentence in version 2 of the form intro text. They thought it was clearly written and a reassuring statement that helped them</li> </ul>

Questions	DC Metro Area	Atlanta
		be more comfortable filling out the form.

## Responses to the Sex/Gender Question

Several participants voiced that they were surprised that sex/gender was an open answer field, but were able to fill out the form successfully.

- 4 total participants were surprised or confused by the sex/gender question. Of those, 1 didn't understand why the question was free-form text instead of a list of choices.
- 1 participant was not sure if they should include pronouns or sex assigned at birth.
- Of the participants in the DC area, 5 wrote "female" in the sex/gender field, 2 wrote the letter "M."
- Of the participants in Atlanta, 7 wrote "female" and 2 wrote "male."

## Preferences Between Layout Options

After being shown the two versions of the form, participants were asked to state their preferences between different elements.

Table 4: Applicant Business Question

Location	Version 1 List layout	Version 2 Grid layout												
	<p>What is your business status? (Check one or more of the four options below)</p> <p><input type="checkbox"/> Minority-owned business ("minority" defined* below)  <input type="checkbox"/> Women-owned business  <input type="checkbox"/> LGBTQI+-owned business  <input type="checkbox"/> None of these apply  - OR -  <input type="checkbox"/> I do not wish to provide this information</p>	<p>What is your business status? (Select yes/no/do not wish to provide for each status)</p> <table> <tr> <td>Minority*-owned business</td> <td><input type="checkbox"/> Yes</td> <td><input type="checkbox"/> No</td> <td><input type="checkbox"/> Do not wish to provide</td> </tr> <tr> <td>Women-owned business</td> <td><input type="checkbox"/> Yes</td> <td><input type="checkbox"/> No</td> <td><input type="checkbox"/> Do not wish to provide</td> </tr> <tr> <td>LGBTQI+-owned business</td> <td><input type="checkbox"/> Yes</td> <td><input type="checkbox"/> No</td> <td><input type="checkbox"/> Do not wish to provide</td> </tr> </table>	Minority*-owned business	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Do not wish to provide	Women-owned business	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Do not wish to provide	LGBTQI+-owned business	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Do not wish to provide
Minority*-owned business	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Do not wish to provide											
Women-owned business	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Do not wish to provide											
LGBTQI+-owned business	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Do not wish to provide											
DC Area	3 (43%)	4 (57%)												
Atlanta	4 (44%)	4 (44%)												

In Atlanta, one participant expressed no preference on this question, and one was not asked to compare the two versions of the form, so all percentages in this section are out of 9 total.

Table 5: Number of Principal Owners

Location	Version 1 example combined in first paragraph	Version 2 example after the question
	<p>For purposes of this form, a principal owner is any natural person who owns 25 percent or more of the equity interest of a business. A business might not have any principal owners if, for example, it is not directly owned by any natural persons (i.e., if it is owned by another entity or entities) or if no natural person directly owns at least 25 percent of the business.</p> <p>How many principal owners does your business have? (Check one)</p> <p><input type="checkbox"/> 0  <input type="checkbox"/> 1  <input type="checkbox"/> 2  <input type="checkbox"/> 3  <input type="checkbox"/> 4</p>	<p>For purposes of this form, a principal owner is any individual (not a company) who owns 25 percent or more of the equity interest of a business.**</p> <p>How many principal owners does your business have? (Check one)</p> <p><input type="checkbox"/> 0  <input type="checkbox"/> 1  <input type="checkbox"/> 2  <input type="checkbox"/> 3  <input type="checkbox"/> 4</p> <p>**A business might not have any principal owners if, for example, it is not directly owned by an individual (i.e., if it is owned by another entity or entities) or if no individual directly owns at least 25 percent of the business.</p>
DC Area	2 (29%)	5 (71%)
Atlanta	4 (44%)	5 (56%)

Table 6: Principal Owners Definition

Location	Version 1 'Natural Person'	Version 2 'Individual (not a company)'
	<p>Number of principal owners</p> <p>For purposes of this form, a principal owner is any natural person who owns 25 percent or more of the equity interest of a business. A business might not have any</p>	<p>Number of principal owners</p> <p>For purposes of this form, a principal owner is any individual (not a company) who owns 25 percent or more of the equity interest of a business.**</p>
DC Area	0 (0%)	7 (100%)
Atlanta	0 (0%)	9 (100%)

## Recommendations

Table 7: Intro paragraphs

Recommendation	Description
<b>Keep the bolded final sentence in the introduction.</b>	<ul style="list-style-type: none"> <li>The bolded text for “WE CANNOT DISCRIMINATE” and “Filling out this form will help ensure that ALL small business owners are treated fairly,” helped participants understand the purpose of the form more clearly.</li> <li>About half the participants who saw the final line of the intro text bolded specifically mentioned liking that that sentence was bold. One suggested bolding a portion of the first paragraph as well, so each</li> </ul>

<i>Recommendation</i>	<i>Description</i>
	paragraph would have the most important part bolded.

Table 8: Applicant business status section

<i>Recommendation</i>	<i>Description</i>
<b>Use “owner status” rather than “business status.”</b>	<ul style="list-style-type: none"> <li>Approximately half of the participants thought the “Applicant business status” title implied the section what about the classification of the business, such as if a business is an LLC, instead of being a section about the owners.</li> <li>This confusion was not a hinderance to the usability of the question. All participants were able to quickly understand the purpose of the section and fill out the question once they read the answer options.</li> </ul>
<b>Change instructions and question in the “business/owner status” section to be consistent.</b>	<ul style="list-style-type: none"> <li>A majority of participants preferred the heading for the first question on page 1 of the form to say “owner status” rather than business status, but some of the instructions and the question, “What is your business status?” were not consistent with the heading in the version that was tested. If the heading of the question is changed, the other references to “business status” should be changed as well.</li> </ul>
<b>Use the grid layout version for the answers to the business status question.</b>	<ul style="list-style-type: none"> <li>Most participants thought the “Yes/no/decline” data could be entered more granularly in the grid layout from Version 2.</li> <li>All participants were able to answer this question easily, despite the version of the form they were shown first.</li> <li>Participants were evenly divided between preferring the two layouts, so in the absence of usability problems or clear user preferences, the grid version of the layout provides clearer data to report.</li> </ul>

Table 9: Number of principal owners section

<i>Recommendation</i>	<i>Description</i>
<b>In the description, define principal owners as “individual (not a company).”</b>	There was unanimous agreement among participants that “individual (not a company)” was more clear. Many participants weren’t sure how to

<i>Recommendation</i>	<i>Description</i>
	interpret “natural person,” and pointed it out as a source of confusion.
<b>Move the example sentence of why a business may not have any principal owners after the question.</b>	More participants preferred the layout of the principal owner question with the example after the question. Breaking up the paragraph increased readability and understanding.

Table 10: Demographic information section

<i>Recommendation</i>	<i>Description</i>
<b>Provide a definition of the difference between race and ethnicity.</b>	Many participants voiced confusion about the difference between race and ethnicity, or skipped one or the other. Having a brief description of the difference between the two may increase the rate at which users fill out these sections.
<b>Move “Not Hispanic or Latino” to be the first option for the ethnicity section.</b>	Participants didn’t seem to realize that the ethnicity section was distinct from the race question and also many non-Latino participants did not read the list closely after seeing a few options that did not apply to them. Making the “Not Hispanic or Latino” item first may help such participants realize that an item in the list does apply to them.

# Attachment: Form versions<sup>3</sup>

## Round 1: Version 1

### Sample data collection form

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Federal law requires that we request the following information to help ensure that all small business owners applying for loans and other kinds of credit are treated fairly and that communities' small business credit needs are met.

Some employees and officers making determinations concerning an application, such as loan officers and underwriters, may have access to the information provided on this form. However, **WE CANNOT DISCRIMINATE** on the basis of your answers about your business status or your ethnicity, race, or sex/gender. Additionally, we cannot discriminate on the basis of whether you provide this information.

Applicants are not required to provide this information but are encouraged to do so. Importantly, our staff is not permitted in any way to discourage you from responding to these questions. Filling out this form will help to ensure that ALL small business owners are treated fairly.

Applicant business status	Number of principal owners
<p>Please indicate the business status of your small business. For the purposes of this form, your business is a minority-owned, women-owned, or LGBTQI+-owned business if one or more minorities, women, or LGBTQI+ individuals (i) directly or indirectly own or control more than 50 percent of the business AND (ii) receive more than 50 percent of the net profits of the business.</p> <p><b>What is your business status?</b> (Check one or more of the four options below)</p> <p><input type="checkbox"/> Minority-owned business ("minority" defined* below) <input type="checkbox"/> Women-owned business <input type="checkbox"/> LGBTQI+-owned business <input type="checkbox"/> None of these apply - OR - <input type="checkbox"/> I do not wish to provide this information</p>	<p>For purposes of this form, a principal owner is any natural person who owns 25 percent or more of the equity interest of a business. A business might not have any principal owners if, for example, it is not directly owned by any natural persons (i.e., if it is owned by another entity or entities) or if no natural person directly owns at least 25 percent of the business.</p> <p><b>How many principal owners does your business have?</b> (Check one)</p> <p><input type="checkbox"/> 0 <input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4</p>

\*A minority individual is a natural person who is Hispanic or Latino, American Indian or Alaska Native, Asian, Black or African American, or Native Hawaiian or Other Pacific Islander. A multi-racial or multi-ethnic individual is a minority individual for this purpose.

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<sup>3</sup> Page 2 of the form, "Demographic information about principal owners," did not change between rounds and versions and is included just once in this attachment, for Round 1: Version 1.

## Demographic information about principal owners

As a reminder, applicants are not required to provide this information but are encouraged to do so. We cannot discriminate on the basis of any person's ethnicity, race, or sex/gender. Additionally, we cannot discriminate on the basis of whether you provide this information.

**Please fill out one sheet for each principal owner.**

### Race (Check one or more)

**American Indian or Alaska Native** (Please specify the name of your enrolled or principal tribe):

**Asian**

- Asian Indian
- Chinese
- Filipino
- Japanese
- Korean
- Vietnamese
- Other Asian (Please specify your race, for example, Cambodian, Hmong, Laotian, Pakistani, Thai, and so on):

**Black or African American**

- African American
- Ethiopian
- Haitian
- Jamaican
- Nigerian
- Somali
- Other Black or African American (Please specify your race, for example, Barbadian, Ghanaian, South African, and so on):

**Native Hawaiian or Other Pacific Islander**

- Guamanian or Chamorro
- Native Hawaiian
- Samoan
- Other Pacific Islander (Please specify your race, for example, Fijian, Tongan, and so on):

**White**

- OR -

**I do not wish to provide my race**

### Ethnicity (Check one or more)

**Hispanic or Latino**

- Cuban
- Mexican
- Puerto Rican
- Other Hispanic or Latino (Please specify your origin, for example, Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on):

**Not Hispanic or Latino**

- OR -

**I do not wish to provide my ethnicity**

### Sex/Gender (Please specify your sex/gender)

- OR -

**I do not wish to provide my sex/gender**

## Round 1: Version 2

### Sample data collection form

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Federal law requires that we request the following information to help ensure that all small business owners applying for loans and other kinds of credit are treated fairly and that communities' small business credit needs are met.

Some employees and officers making determinations concerning an application, such as loan officers and underwriters, may have access to the information provided on this form. However, **WE CANNOT DISCRIMINATE** on the basis of your answers about your business status or your ethnicity, race, or sex/gender. Additionally, we cannot discriminate on the basis of whether you provide this information.

Applicants are not required to provide this information but are encouraged to do so. Importantly, our staff is not permitted in any way to discourage you from responding to these questions. Filling out this form will help to ensure that ALL small business owners are treated fairly.

#### Applicant business status

---

Please indicate the business status of your small business. For the purposes of this form, your business is a minority-owned, women-owned, or LGBTQI+-owned business if one or more minorities, women, or LGBTQI+ individuals (i) directly or indirectly own or control more than 50 percent of the business AND (ii) receive more than 50 percent of the net profits of the business.

#### What is your business status?

(Select yes/no/do not wish to provide for each status)

Minority\*-owned    Yes    No    Do not wish to provide

Women-owned    Yes    No    Do not wish to provide

LGBTQI+-owned    Yes    No    Do not wish to provide

\*A minority individual is a natural person who is Hispanic or Latino, American Indian or Alaska Native, Asian, Black or African American, or Native Hawaiian or Other Pacific Islander. A multi-racial or multi-ethnic individual is a minority individual for this purpose.

#### Number of principal owners

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For purposes of this form, a principal owner is any individual (not a company) who owns 25 percent or more of the equity interest of a business.\*\*

#### How many principal owners does your business have? (Check one)

- 0
- 1
- 2
- 3
- 4

\*\*A business might not have any principal owners if, for example, it is not directly owned by an individual (i.e., if it is owned by another entity or entities) or if no individual directly owns at least 25 percent of the business.

## Round 2: Version 1

### Sample data collection form

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Federal law requires that we request the following information to help ensure that all small business owners applying for loans and other kinds of credit are treated fairly and that communities' small business credit needs are met.

Some loan officers, underwriters, and other employees and officers making determinations concerning an application may have access to the information provided on this form. However, **WE CANNOT DISCRIMINATE** on the basis of your answers about your business status, ethnicity, race, or sex/gender. Additionally, we cannot discriminate on the basis of whether you provide this information.

While you are not required to provide this information, we encourage you to do so. Importantly, our staff are not permitted to discourage you in any way from responding to these questions. Filling out this form will help to ensure that ALL small business owners are treated fairly.

#### Applicant business status

Please indicate the business status of your small business. For the purposes of this form, your business is a minority-owned, women-owned, or LGBTQI+-owned business if one or more minorities, women, or LGBTQI+ individuals (i) directly or indirectly own or control more than 50 percent of the business AND (ii) receive more than 50 percent of the net profits of the business.

##### What is your business status?

*(Check one or more of the four options below)*

- Minority-owned business ("minority" defined\* below)
- Women-owned business
- LGBTQI+-owned business
- None of these apply

- OR -

- I do not wish to provide this information

\*A minority individual is a natural person who is Hispanic or Latino, American Indian or Alaska Native, Asian, Black or African American, or Native Hawaiian or Other Pacific Islander. A multi-racial or multi-ethnic individual is a minority individual for this purpose.

#### Number of principal owners

For purposes of this form, a principal owner is any natural person who owns 25 percent or more of the equity interest of a business. A business might not have any principal owners if, for example, it is not directly owned by any natural persons (i.e., if it is owned by another entity or entities) or if no natural person directly owns at least 25 percent of the business.

##### How many principal owners does your business have? *(Check one)*

- 0
- 1
- 2
- 3
- 4

version 1

## Round 2: Version 2

### Sample data collection form

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Federal law requires that we request the following information to help ensure that all small business owners applying for loans and other kinds of credit are treated fairly and that communities' small business credit needs are met.

Some loan officers, underwriters, and other employees and officers making determinations concerning an application may have access to the information provided on this form. However, **WE CANNOT DISCRIMINATE** on the basis of your answers about your business status, ethnicity, race, or sex/gender. Additionally, we cannot discriminate on the basis of whether you provide this information.

While you are not required to provide this information, we encourage you to do so. Importantly, our staff are not permitted to discourage you in any way from responding to these questions. **Filling out this form will help ensure that ALL small business owners are treated fairly.**

#### Applicant owner status

Please indicate the business status of your small business. For the purposes of this form, your business is a minority-owned, women-owned, or LGBTQI+-owned business if one or more minorities, women, or LGBTQI+ individuals (i) directly or indirectly own or control more than 50 percent of the business AND (ii) receive more than 50 percent of the net profits of the business.

#### What is your business status?

(Select yes/no/do not wish to provide for each status)

Minority\*-owned    Yes    No    Do not wish to provide

Women-owned    Yes    No    Do not wish to provide

LGBTQI+-owned    Yes    No    Do not wish to provide

\*A minority individual is a natural person who is Hispanic or Latino, American Indian or Alaska Native, Asian, Black or African American, or Native Hawaiian or Other Pacific Islander. A multi-racial or multi-ethnic individual is a minority individual for this purpose.

#### Number of principal owners

For purposes of this form, a principal owner is any individual (not a company) who owns 25 percent or more of the equity interest of a business.\*\*

#### How many principal owners does your business have? (Check one)

- 0
- 1
- 2
- 3
- 4

\*\*A business might not have any principal owners if, for example, it is not directly owned by an individual (i.e., if it is owned by another entity or entities) or if no individual directly owns at least 25 percent of the business.

version 2

# Appendix C: CFPB Small Business Lending Rule Sample Data Collection Digital Form Usability Testing

# Small Business Lending Rule Sample Data Collection Digital Form Usability Testing

Summary of results, September 2022

## Executive Summary

The CFPB conducted user testing<sup>1</sup> in virtual sessions using a digital version of the sample data collection form for collecting small business applicants' demographic information related to a small business applicant's status as a minority-owned, women-owned, and LGBTQI+-owned business and their principal owners' race, sex, and ethnicity pursuant to the CFPB's final rule (final rule or small business lending rule) implementing section 1071 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The majority of participants understood the sample data collection form and were able to fill it out correctly. Eight of eleven participants said they would be willing to fill out the form in the context of applying for a loan. Two said they might, or would probably be willing to fill out the form, but wanted to understand more about the purpose of the questions.

The primary differences between the digital and the paper form responses were in how carefully participants read the introductory text, and in responses to the ethnicity questions. For the digital form, more participants skipped over the introduction entirely, others only noticed one or two phrases in that section. Non-Hispanic/Latino participants did respond to the ethnicity questions at a higher rate than for the paper form, although several still commented on being confused about the meaning of ethnicity. Several also were unfamiliar with the term LGBTQI+, with regard to the question (the "business status question") about a business' status as a LGBTQI+-owned business.

## Methodology

The 1071 Demographic Form Usability team within the Office of Technology and Innovation partnered with the Stakeholder Communications and Outreach team within the Director's Front Office to conduct qualitative user interviews. The interviews were intended to test participants' reactions to the digital version of the sample data collection form being developed as part of the rulemaking process to generally collect demographic information related to a small business applicant's status as a minority-owned, women-owned, and LGBTQI+-owned business and their principal owners' race, sex, and ethnicity.

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<sup>1</sup> The CFPB also conducted testing in in-person sessions using paper versions of the sample data collection form, from August to September 2022, which is the subject of a separate report.

## Participants

The research consisted of one round of interviews conducted via videoconferencing with small business owners across the country, from September 12 to September 22, 2022. A total of eleven participants completed sessions, who were located in Florida, Montana, Nevada, New York, Texas, and Washington states.

Participants were recruited through a combination of contacting nonprofit organizations and Community Development Financial Institutions (CDFIs) that support small businesses, and cold-emailing businesses identified through articles and community college small business development centers about minority- and women-owned small businesses located in geographic areas where the CFPB lacked existing organizational relationships.

The organizations who provided the CFPB with contact information for at least one participant were:

- National Association of Latino Community Asset Builders
- Accompany Capital
- Asian Community Development Council
- Black Business Investment Fund
- Coastal Enterprises, Inc.
- MoFi

## Test Design

Participants were asked about their experience applying for business credit, and then given a link to an interactive prototype of the digital form. Participants were asked to screenshare, then fill out the form and think aloud to share their thoughts about the questions on the form. Digital form participants only saw a single version of the form, based on the language and format of the questions that performed the best in paper form testing.

Interview questions were focused on the design and layout of the form and the wording of questions. Interviews were not intended to get feedback on the substance of the small business lending rule itself, but instead were designed to improve the sample data collection form so that small business applicants are willing to provide their demographic information.

## Interview logistics

Interviews were conducted virtually using Microsoft Teams. Interviews were conducted between the moderator and the participant, with additional note takers in the Teams sessions with their cameras turned off. Three participants joined from mobile devices and were not able to screenshare directly.

Participants were given a nondisclosure agreement to sign and digitally return before interview sessions. Participants were verbally instructed about their privacy and voluntary participant rights, as well as how their comments may fall under the CFPB's *ex parte* disclosure policy.<sup>2</sup>

## Responses by Question

Table 1: Experience with Lending

Question	Responses
<b>Q1: Have you applied for a loan, business credit card, or other kinds of financing for your business before? This includes online lending, merchant cash advances, and other credit</b>	<ul style="list-style-type: none"> <li>10 participants had previously applied for at least one type of business credit in the past.</li> <li>1 was in the process of applying for a business line of credit for the first time.</li> <li>6 participants reported applying for multiple credit products or loans, 5 mentioned only one type of credit.</li> <li>7 reported applying for credit cards, 7 applying for loans, 4 reported lines of credit.</li> <li>3 reported being denied loans from a traditional bank and then working with a CDFI to successfully receive credit.</li> </ul>

Table 2: Reactions to Form

Questions	Responses
<b>Q2: Thinking about what you read, how would you describe the purpose of the form?</b>	<ul style="list-style-type: none"> <li>4 described the purpose as general information or data collection.</li> <li>3 said the form was to gather demographic information.</li> <li>2 said the purpose was for a financial institution to understand who they are lending to.</li> <li>2 were unsure of the purpose and unwilling to guess.</li> </ul>
<b>Q3: Why do you think your lender is asking you for this information?</b>	<ul style="list-style-type: none"> <li>4 said the lender wanted to know more about a potential customer.</li> <li>4 said the lender use the information to determine if an application qualified for targeted loan programs.</li> <li>1 said to gather statistics about who is applying to loan programs.</li> <li>1 said they really didn't know why, the questions seemed unrelated to business lending.</li> <li>1 was aware of the CFPB's proposed rule before the session, and said lenders were asking to comply with the new rule.</li> </ul>
<b>(After being asked to fill out entire form)</b> <b>Q4: Did anything stand out to</b>	<ul style="list-style-type: none"> <li>3 were unsure what LGBTQI+ meant. When we clarified what the letters stood for they understood, but they were not familiar with the abbreviation.</li> </ul>

<sup>2</sup> CFPB, *Policy on Ex Parte Presentations in Rulemaking Proceedings*, 82 FR 18687 (Apr. 21, 2017).

Questions	Responses
<b>you as difficult to understand, or hard to fill out correctly?</b>	<ul style="list-style-type: none"> <li>2 expressed some confusion about the difference between the ethnicity and race sections.</li> <li>1 was unsure at first how to answer the question about the number of their principal owners for their business structure, but read the definition and understood how to answer correctly.</li> </ul>
<b>Q5: Do you have any questions about what you see on the form?</b>	<ul style="list-style-type: none"> <li>7 did not have additional questions.</li> <li>2 reported wanting to know more about why a lender would ask for demographic information for business loans. Neither of these participants read the introductory text.</li> <li>1 reported being unsure at first whether their business counted as minority-owned because it was 25% owned by a White co-owner, but said that the definition information made it clear.</li> <li>1 reported being unsure whether they should include “cis” in their response to the sex/gender question, although ultimately they did not.</li> <li>1 wanted to know why ethnicity only covered Hispanic or Latino identity, and was surprised it didn’t include any other ethnicity options.</li> </ul>
<b>Q6: Would you be willing to fill out this form as part of a loan application? Why or why not?</b>	<ul style="list-style-type: none"> <li>8 said they would be willing to fill out the form, they saw the questions as routine and not sensitive for them.</li> <li>1 said that they probably would, but it might make them think twice about working with a particular lender to be asked these questions for a business loan.</li> <li>1 said they were not sure, and would want to ask why the information was being collected. They skimmed the introductory text and saw the final line about ensuring small businesses are treated fairly, but said that they did not understand what this form had to do with fairness.</li> <li>1 reported that they would decline to fill out the form, because they worried about being discriminated against more because of their responses.</li> </ul>
<b>Q7: Are there any specific questions you would decline to answer? Anything you would be uncomfortable or worried about answering?</b>	<ul style="list-style-type: none"> <li>8 said they would not decline to answer any questions. Of those, 1 specifically said they worried about lending discrimination, but didn’t think filling out this form would change anything, because their lender would already know their race.</li> <li>1 said they would answer the first two questions about business status and number of owners, but would likely decline to answer the principle owner demographic questions.</li> <li>1 said they might not answer the sex/gender or LGBTQI+-owned business status questions, since they didn’t understand what they had to do with business lending.</li> </ul>

Questions	Responses
	<ul style="list-style-type: none"> <li>1 participant, who identified as LGBTQI+, was not worried about lending discrimination, but said that if they lived in a less tolerant area, they might worry about negative personal consequences from a loan officer knowing their response to that question.</li> </ul>
<b>Q8: Do you think you <i>have to</i> fill out the form? What happens if you don't?</b>	<ul style="list-style-type: none"> <li>5 believed the form is required, and their loan application would not be considered complete without the form.</li> <li>3 weren't sure if it was required or not, 2 said they would probably ask their lender for clarification.</li> <li>2 didn't think it was required, but that they might miss out on targeted loan programs if they didn't fill it out.</li> <li>1 said that it was not required, and that they wouldn't experience negative consequences for not filling it out.</li> </ul>
<b>Q9: What do you expect the lender to do with this information once you submit the form?</b> <b>Is there anything they're not allowed to do?</b>	<ul style="list-style-type: none"> <li>4 said the lender would keep it as general information along with the rest of their application.</li> <li>2 said it might be used to identify programs or targeted loans they could be eligible for.</li> <li>2 said they didn't know, since they didn't understand why a lender would be asking for the information.</li> <li>1 said it would be analyzed to see if AAPI and LGBTQI-owned businesses (as this participant identified their business) were getting approved.</li> <li>1 said they believed it would be submitted to the federal government.</li> <li>1 said the lender would investigate to be sure the information was accurate.</li> <li>6 participants said they didn't see anything about what the lender was not allowed to do with the information.</li> <li>4 said they were not allowed to discriminate.</li> <li>1 said the intro describes who might have access, but didn't say anything about who doesn't have access, and was concerned that potentially lots of people would have access to the demographic information. This participant did not comment on the text saying that discrimination is prohibited.</li> </ul>
<b>Q10: Have you been asked for information like this before when applying for a loan of any kind, not just for your business?</b>	<ul style="list-style-type: none"> <li>7 said yes, and that they had filled out the information before. Of those, 1 specified it was for a mortgage, 2 said for SBA loan programs. Of these 7, 2 said the LGBTQI+-owned business status question was new but the rest were not.</li> <li>2 said they hadn't been asked for this type of information for loans before.</li> <li>2 said they couldn't remember or were not sure, but that they would have been willing to answer if asked.</li> </ul>

Questions	Responses
<b>Q11: Did any language on the form affect how comfortable you are with providing the information?</b>	<ul style="list-style-type: none"> <li>9 said that no language on the form stood out to them in any way, to make them more or less comfortable answering the questions.</li> <li>1 said the emphasis on “Federal law prohibits discrimination” made them think more about potential discrimination which made them uneasy, but not ultimately unwilling to answer.</li> <li>1 said they liked the sentence saying the form would help small businesses be treated fairly.</li> </ul>
<b>Q12: Is there any additional information that would make the form clearer or easier to understand?</b>	<ul style="list-style-type: none"> <li>6 participants could not think of a response for this question.</li> <li>1 said that depending on the context of filling out the form for a real lender, they might be more worried about providing the information, and wanted to better understand the purpose of the form and why a lender would ask these questions.</li> <li>1 said they would be more comfortable if they knew the answers wouldn’t affect whether they got a loan (this participant scrolled past the introductory text without reading it).</li> <li>1 said they weren’t sure at first whether ethnicity was a different question from race, and wanted to see more separation between the questions.</li> <li>1 said they didn’t think the headings in the principal owner demographic questions stood out clearly, which made it harder to identify what was a question label.</li> <li>1 said that they almost missed the sex/gender question at the end of the form, and thought it might be better to move it further up the page.</li> </ul>

## Responses to the Sex/Gender Question

Several participants used mobile devices to participate in the sessions and weren’t able to screenshare, which meant we weren’t able to observe answers directly. We asked those participants to “think out loud” and explain what part of the form they were answering, and they all noted responding to the question about a principal owner’s sex/gender, though some did not say what they wrote in. For one participant, the open-response fields did not work correctly, and that participant noted verbally what responses they would give. Two businesses had multiple principal owners, and those participants filled out demographic information for each owner.

- 4 participants answered “female”
- 2 participants answered “male”
- 1 participant responded for 2 principal owners, they responded “male” for one and “female” for the other.

- 1 participant responded for 3 principal owners. This participant filled out “female” for one owner, “male” for another and for the third, hesitated for some time and then asked if “nonbinary” was an appropriate response. When assured that they should give whatever answer was accurate, the participant typed “nonbinary.”

## Recommendations

Table 3: Intro paragraphs

<i>Recommendation</i>	<i>Description</i>
<p><b>Reformat the introductory text to facilitate skimming key information.</b></p>	<ul style="list-style-type: none"> <li>• Overall, about half of participants skipped over the intro text entirely and either said directly that they didn’t bother reading it, or gave responses that indicated they didn’t pay attention. 5 did comment on some aspect of the introductory text, but most did not seem to have read the entire text and only responded to bolded phrases.</li> <li>• This is consistent with existing research about how people read online (Nielsen Norman Group, <a href="#">How Little Do Users Read?</a>). The majority of website users scan very quickly for key information, and only focus in for more detailed reading if it is clear something is of interest to them. Using short headings and bullet points that highlight key information within the first few words helps users identify what is important quickly, and makes it more likely that they will read some portion of text, rather than skipping over full paragraphs entirely.</li> <li>• Below is an example of reformatting the text that helps key information stand out more.</li> </ul>

Federal law requires that we request the following information to help ensure that all small business owners applying for loans and other kinds of credit are treated fairly and that communities' small business credit needs are met.

Some loan officers, underwriters, and other employees and officers making determinations concerning an application may have access to the information provided on this form. However,

- **FEDERAL LAW PROHIBITS DISCRIMINATION** on the basis of your answers about your business status, ethnicity, race, or sex/gender.
- While you are not required to provide this information, we encourage you to do so. We cannot discriminate on the basis of whether you provide this information.
- Our staff are not permitted to discourage you in any way from responding to these questions.

**Filling out this form will help to ensure that ALL small business owners are treated fairly.**

Table 4: Demographic information section

<i>Recommendation</i>	<i>Description</i>
<b>Provide a definition of LGBTQI+.</b>	Several participants were unfamiliar with the abbreviation LGBTQI+, but did understand what “lesbian, gay, bisexual, transgender, queer, intersex” meant. A line spelling out the meaning of the abbreviation would help comprehension.
<b>Provide more visual separation between questions.</b>	<ul style="list-style-type: none"> <li>• A few participants noted that it wasn’t obvious how many separate questions they needed to answer, or that they initially missed a part of a question, though all of the participants whose screens we were able to see did respond to each question in some way.</li> <li>• Additional visual separation and emphasis on the question headings will help avoid any confusion about responding fully to each question.</li> </ul>

# Attachment: Form prototype

## Sample data collection form

Federal law requires that we request the following information to help ensure that all small business owners applying for loans and other kinds of credit are treated fairly and that communities' small business credit needs are met.

Some loan officers, underwriters, and other employees and officers making determinations concerning an application may have access to the information provided on this form. However, **FEDERAL LAW PROHIBITS DISCRIMINATION** on the basis of your answers about your business status, ethnicity, race, or sex/gender. Additionally, we cannot discriminate on the basis of whether you provide this information.

While you are not required to provide this information, we encourage you to do so. Importantly, our staff are not permitted to discourage you in any way from responding to these questions. **Filling out this form will help to ensure that ALL small business owners are treated fairly.**

### Applicant owner status

Please indicate the status of your small business. For the purposes of this form, your business is a minority-owned, women-owned, or LGBTQI+-owned business if one or more minorities, women, or LGBTQI+ individuals (i) directly or indirectly own or control more than 50 percent of the business AND (ii) receive more than 50 percent of the net profits of the business.

#### What is your owner status?

(Select yes/no/do not wish to provide for each status)

##### Minority-owned business

A minority individual is a natural person who is Hispanic or Latino, American Indian or Alaska Native, Asian, Black or African American, or Native Hawaiian or Other Pacific Islander. A multi-racial or multi-ethnic individual is a minority individual for this purpose.

Yes

No

Do not wish to provide

##### Women-owned business

Yes

No

Do not wish to provide

##### LGBTQI+-owned business

Yes

No

Do not wish to provide

### Number of principal owners

For purposes of this form, a principal owner is any individual (not a company) who owns 25 percent or more of the equity interest of a business.\*

#### How many principal owners does your business have?

1

▼

\*A business might not have any principal owners if, for example, it is not directly owned by an individual (i.e., if it is owned by another entity or entities) or if no individual directly owns at least 25 percent of the business.

### Demographic information about principal owners

As a reminder, applicants are not required to provide this information but are encouraged to do so. We cannot discriminate on the basis of any person's ethnicity, race or sex/gender. Additionally, we cannot discriminate on the basis of whether you provide this information.

**Principal owner 1****Race (Check one or more)**

**American Indian or Alaska Native** (Please specify the name of your enrolled or principal tribe):

**Asian**

- Asian Indian
- Chinese
- Filipino
- Japanese
- Korean
- Vietnamese

Other Asian (Please specify your race, for example, Cambodian, Hmong, Laotian, Pakistani, Thai, and so on):

**Black or African American**

- African-American
- Ethiopian
- Haitian
- Jamaican
- Nigerian
- Somali

Other Black or African American (Please specify your race, for example, Barbadian, Ghanaian, South African, and so on):

**Native Hawaiian or Other Pacific Islander**

- Guamanian or Chamorro
- Native Hawaiian
- Samoan

Other Pacific Islander (Please specify your race, for example, Fijian, Tongan, and so on):

**White**

-OR-

**I do not wish to provide my race**

**Ethnicity (Check one or more)**

**Hispanic or Latino**

- Cuban
- Mexican
- Puerto Rican

Other Hispanic or Latino (Please specify your origin, for example, Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on):

**Not Hispanic or Latino**

- OR -

**I do not wish to provide my ethnicity**

**Sex/Gender**

Please specify your sex/gender:

- OR -

**I do not wish to provide my sex/gender**

**Submit**

Note: For the purposes of testing, the default response to “number of principal owners” was set to 1, so that participants could read through the entire set of demographic questions before answering the initial impression questions. If put into actual use, the default for the control will say “select one,” and the number of demographic question sections shown will vary based on the answer.