

CFPB Sued for Delaying the Section 1071 Rule*

As the law firm previously reported to BCG Members, the CFPB's Section 1071 Small Business Lending Data Collection (SBLDC) Rule (codified in 12 FR Part 1002, Subpart B) has recently come under serious scrutiny. Not only has the rule survived various legal challenges, the compliance dates for the SBLDC Rule were recently delayed by the CFPB in June 2025, and it's expected that the CFPB will substantially revise the rule. Now, consumer advocacy groups have sued the CFPB to implement the SBLDC Rule.

To briefly recap, the SBLDC Rule's compliance dates were initially delayed as a result of preliminary injunctions issued in two notable court cases: *Tex. Bankers Ass'n, et al. v. CFPB, et al.*, 685 F. Supp. 3d 445 (S.D. Tex. 2023) and *The Monticello Banking Company et al. v. Consumer Financial Protection Bureau et al.*, No. 6:23-cv-00148-KKC (E.D. Ky. filed Sept. 14, 2023). The injunctions in both cases were lifted after the courts upheld the validity of the SBLDC Rule and ruled in favor of the CFPB, which had argued in support of enforcing the SBLDC. Thereafter, on June 25, 2024, the CFPB issued an interim final rule extending the compliance dates to compensate for the 290-day period that had elapsed from the issuance of the preliminary injunction and the U.S. Supreme Court's decision in *Cmtv Fin. Servs. Ass'n of Am* (which resulted in the injunctions being lifted).

After the Trump administration took office, the CFPB began shifting its position in both cases. Recently, on May 28, 2025, the CFPB filed a motion to stay proceedings in the *Monticello* case to allow the CFPB time to conduct a new rulemaking under Section 1071 and to reconsider the SBLDC Rule. In the motion, the CFPB expressly states that it plans to extend the current deadlines under the SBLDC Rule, postponing the earliest compliance date for all regulated parties, likely by one year, while it considers the Section 1071 rule. Shortly thereafter, the CFPB issued an interim final rule officially extending the compliance dates for the SBLDC Rule (the "SBLDC IFR"). 90 FR 25874.

While the CFPB recently delayed the compliance dates for the SBLDC Rule, the agency is now facing pressure from consumer advocacy groups to implement the rule without further delay. Specifically, on July 23, 2025, Rise Economy, the National Community Reinvestment Coalition, Main Street Alliance, and Reshonda Young (collectively, the "Plaintiffs") sued the CFPB and its Acting Director, Russell Vought, for delaying the compliance date. The lawsuit alleges that CFPB officials took various actions that were intended to unlawfully delay implementation of the SBLDC Rule in violation of the Administrative Procedures Act (APA). Notably, the Plaintiffs are asking the court to invalidate the SBLDC IFR (which delayed the compliance date for the SBLDC Rule).

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If the court rules in favor of the Plaintiffs, the SBLDC Rule could become effective sooner than what was initially expected. Institutions should closely monitor future developments in this case.

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