

Federal Court Issues Nationwide Injunction of CFPB's Small Business Lending Rule

Article By:

Moorari Shah

A.J. S. Dhaliwal

Matt Benz

On October 26, the United States District Court for the Southern District of Texas issued a nationwide [preliminary injunction](#) barring the CFPB from moving forward with implementing or enforcing the recently finalized Small Business Lending Rule, designed to implement Section 1071 of the Dodd-Frank Act. The injunction will likely remain in effect pending either the outcome of a trial on the underlying merits of the case or the Supreme Court's reversal of *Community Financial Services Association of America Ltd. v. CFPB*. The Southern District of Texas previously issued a similar injunction in July in the same case, however, the original injunction applied only to the parties to the case (see previous blog post [here](#)).

The Small Business Lending Rule, if ultimately implemented and enforced, would require covered financial institutions to collect and report data on small business loan applications, including applications from small businesses with diverse ownership. It also creates the first comprehensive database of small business credit

applications in the United States.

If the Supreme Court does ultimately overrule the Fifth Circuit's ruling in the *Consumer Financial Services* case (see previous blog post [here](#)), the federal district court granting the nationwide injunction required the CFPB to extend all compliance deadlines for the Small Business Lending Rule to compensate for the period in which its implementation and enforcement of the rule was stayed.

Putting it into Practice: The injunction is likely a temporary reprieve as the Supreme Court is expected to reverse the lower court's ruling in *Consumer Financial Services* case finding the CFPB's funding mechanism to be unconstitutional, and other measures to stall the regulations appear to also face an [uphill battle](#). Still, the injunction provides small business lenders with more time to develop programs to facilitate compliance with the Small Business Lending Rule. Lenders should move wisely, given the scope of the new obligations imposed by the rule, as well as the generally increasing regulatory scrutiny over small business lending.

Copyright © 2024, Sheppard Mullin Richter & Hampton LLP.

National Law Review, Volumess XIII, Number 307

Source URL: <https://www.natlawreview.com/article/federal-court-issues-nationwide-injunction-cfpbs-small-business-lending-rule>