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Small Business Owners and Community Development Organizations Press Forward Legal Challenge Against CFPB for Illegally Abandoning Progress Towards Anti-Discrimination Lending Protections

CFPB Unlawfully Halted Progress on Mandatory Data Collection Critical For Enforcing Fair Lending Laws; Oregon and Iowa Small Business Owners Detail Harms Caused by Trump Administration's Defiance of the Law

Washington D.C. — Today, on behalf of the California Reinvestment Coalition (CRC), the National Association for Latino Community Asset Builders (NALCAB), and small business owners from Iowa and Oregon, Democracy Forward and co-counsel Hagens Berman Sobol Shapiro LLP [moved](#) for summary judgment in their [lawsuit](#) against the Consumer Financial Protection Bureau for defying the Dodd-Frank Act and halting progress on a critical data collection aimed at protecting women-owned, minority-owned and small businesses against discriminatory lending practices.

Section 1071 of Dodd-Frank requires the CFPB to collect data on lending to women-owned, minority-owned, and small businesses and make it publicly available. This provision was designed by Congress to facilitate enforcement of fair lending laws to curb discrimination, and to identify and remedy “credit deserts” where businesses are unable to obtain the credit they need to grow and serve their communities. Congress mandated that the CFPB issue rules to implement this data collection, yet, in 2018, without any explanation, then-Acting Director Mick Mulvaney unlawfully deferred the required rulemaking process. Since her appointment, Director Kraninger has taken no meaningful steps to remedy this failure.

As plaintiff and Waterloo, Iowa small business owner ReShonda Young states in today’s filing, “Whether intentional or unintentional, credit seems to be far more limited for African-American business owners than for White small business owners. There is, however, no specific data that I can review to try to convince potential lenders or governmental agencies that our market is underserved and viable investment opportunities are being ignored.”

Portland, Oregon small business owner Deborah Field told the court that her “community is a credit desert for small businesses.” Ms. Field, who serves on the Small Business Council for Portland Business Alliance and works to improve access to capital for small businesses, spells out the difficulty with “applying to numerous banks when I know that some of those banks would probably reject my application outright without admitting that they don’t lend to small businesses.” As she emphasizes, “nearly a decade of delay” of enforcement of 1071 leaves business owners like her in the lurch, unable to identify banks that would give her a fair opportunity to obtain the credit she needs.

Without this data, CRC must “devote greater resources to negotiating agreements with lenders to support the credit needs of minority-owned and small businesses... in communities that have historically faced barriers to accessing credit.” NALCAB similarly expects “to spend hundreds of thousands” of dollars in coming years researching credit needs for small businesses in local markets because CFPB continues to withhold Section 1071 data.

The administration’s unlawful delay is all the worse because the CFPB has [explicitly admitted](#) that current data is inadequate to fully understand, let alone remedy, the extent to which discriminatory lending harms business owners in “credit deserts.” The agency even claimed that “with current data it is not possible to confidently answer basic questions regarding the state of small business lending,” something Section 1071 of Dodd-Frank would accomplish if properly implemented by CFPB.

“The Trump administration has violated the law and turned its back on female, minority and small business owners in order to help financial institutions evade scrutiny,” said Democracy Forward Senior Counsel Nitin Shah.

The CFPB’s unlawful rollback of anti-discrimination protections is consistent with a pattern of anti-consumer actions taken under President Trump. The CFPB has failed to take needed steps to protect [consumers](#), [veterans](#), and [student borrowers](#). An April 2019 report described the “[strategic neglect and bureaucratic self-sabotage](#)” that characterized the CFPB’s governance under Mulvaney’s tenure. Another analysis found that under Director Kraninger, CFPB enforcement activity has “[declined](#)” to levels much lower than at any time since the agency’s inception. In June 2017, the agency fired its entire Consumer Advisory Board.

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[The California Reinvestment Coalition](#) builds an inclusive and fair economy that meets the needs of communities of color and low-income communities by ensuring that banks and other corporations invest and conduct business in our communities in a just and equitable manner. We envision a future in which people of color and low-income people live and participate fully and equally in financially healthy and stable communities without fear of displacement, and have the tools necessary to build household and community wealth.

[National Association for Latino Community Asset Builders](#) represents and serves a geographically and ethnically diverse group of more than 100 non-profit community development and asset-building organizations that are anchor institutions in our nation’s Latino communities.

[Democracy Forward](#) is a nonprofit legal organization that scrutinizes Executive Branch activity across policy areas, represents clients in litigation to challenge unlawful actions, and educates the public when the White House or federal agencies break the law.

Press Contacts

Charisma Troiano
(202) 701-1781
ctroiano@democracyforward.org

Irene Chavez
(210) 305.5177
ichavez@nalcab.org