

Banking and Finance Law Daily Wrap Up, CONSUMER FINANCIAL PROTECTION BUREAU—Fair housing groups sue CFPB over removal of disparate impact rule, (May 28, 2026)

Banking and Finance Law Daily Wrap Up

By Joe Cox, J.D.

The complaint by four community groups follows the Bureau's recent final rule that would impact the Equal Credit Opportunity Act.

The National Fair Housing Alliance (NFHA) and three other advocacy groups have filed a [complaint](#) for declaratory and injunctive relief in the U.S. District Court for the District of Columbia against the Consumer Financial Protection Bureau and CFPB director Russ Vought in regard to a final rule the Bureau unveiled last month. The rule would impact the Equal Credit Opportunity Act (ECOA), and in the suit, as well as an accompanying [press release](#), the NFHA made its case against the impact of the new rule. *National Fair Housing Alliance v. Consumer Financial Protection Bureau*, No. 1:26-cv-01820 (D.D.C. May 27, 2026).

The Proposed Rule. In April, the CFPB published a [final rule](#) which looks to significantly impact the ECOA when it takes effect in late July. The rule, which would amend Regulation B, acts in three significant areas: disparate impact, discouragement of applicants, and special purpose credit programs (SPCPs). The rule removes Regulation B provisions recognizing disparate-impact liability, revises the scope and standard for prohibited discouragement, and establishes new prohibitions and conditions for SPCPs offered or participated in by for-profit organizations (see [Banking and Finance Law Daily](#), Apr. 21, 2026).

In terms of disparate-impact liability, the rule specifically states that the ECOA will no longer recognize the “effects test.” While the ECOA will still prohibit discrimination, the ECOA will no longer prohibit facially neutral practices absent intentional discrimination. The regulations against discouragement of applicants have been significantly narrowed and applied only to statements. The rules for SPCPs will eliminate race, color, national origin, or sex as eligibility criteria, and will require organizations administering SPCPs to submit written plans and requires SPCPs to document that its services extended credit to persons who otherwise would not have received such credit.

In the complaint, the NFHA and other organizations seek declaratory and injunctive relief. The suit charges that the rule “is a drastic turn, without justification, from the CFPB’s longstanding interpretation and enforcement of key ECOA provisions.” The suit further charges that the rule is arbitrary and capricious, that the cost-benefit analysis with the rule is further arbitrary and capricious, and that the rulemaking process was flawed. Further, the suit charges that “multiple provisions cannot be squared with the plain text of ECOA, rendering some of the rule changes contrary to law and others outside the scope of the CFPB’s rulemaking authority.”

The NFHA and other organizations plead that the rule has already brought concrete harm and seeks to vacate the rule as arbitrary, capricious, not in accordance with law, without observance of procedure required by law, and in excess of statutory authority.

In the accompany press release, the NFHA further makes its case against the rule. In discussing the suit, NFHA President and CEO Lisa Rice stated, “This is the deliberate dismantling of 50-years of legal jurisprudence, regulatory guidance, and bipartisan consensus that lending discrimination has no place in America. The statute did not change. The legal decisions did not change. Washington’s commitment did. This reversal by the CFPB is a continuation of this Administration’s efforts to gut fair housing and lending protections.”

The NFHA notes that of the 64,500 comments submitted on the proposed rule, 93 percent or more disapproved of at least one of the three major thrusts of the rule. The press release states that the planned rollbacks “will have devastating, chilling effects on protections and programs that have worked to prevent discrimination and expand access to fair lending.”

Attorneys: Steven Y. Bressler (Democracy Forward Foundation) for National Fair Housing Alliance, Rise Economy and BLDS, LLC.

Companies: National Fair Housing Alliance; Rise Economy; BLDS, LLC

MainStory: TopStory BankingFinance CFPB CommunityDevelopment ConsumerCredit ESGNews
EqualCreditOpportunity FairCreditReporting GCNNews Loans

<https://prod.resource.cch.com/resource/scion/document/default/blw01d6387f081cbd44e2a2d87e419ca85d02?cfu=Legal&cpid=WKUS-Legal-Cheetah&uAppCtx=cheetah>