

CFPB Extends Compliance Dates for Small Business Lending Rule

June 26, 2024

On June 25, 2024, the Consumer Financial Protection Bureau (CFPB) formally extended by 290 days the effective date for its [small business lending rule](#), initially released in March 2023.

The final rule initially required large lenders to comply by October 1, 2024, with later compliance dates for smaller lenders. However, on July 31, 2023, a Texas federal court stayed implementation of the rule pending the US Supreme Court's decision on the CFPB's constitutionality in *CFPB v. CFSA*. The Texas court also required the CFPB to extend the rule's compliance deadlines to compensate for the time the stay was in effect. With the Supreme Court's May 16, 2024, ruling that the CFPB is constitutionally funded, the CFPB was then free to set a new effective date.

Lenders with the highest volume of small business loans now have until July 18, 2025, to begin collecting data, while moderate volume and smallest volume lenders have until January 16, 2026, and October 18, 2026, respectively. The deadline for reporting data remains June 1 following the calendar year for which data are collected. While lenders are not required to begin collecting data until the compliance deadlines, they are permitted to begin collecting demographic data up to one year before their required compliance dates in order to test procedures and systems. The CFPB has updated the respective grace periods to reflect the new deadlines. Under the [interim final rule](#), lenders may continue using their small business originations from 2022 and 2023 to determine their initial compliance date, or they may use their originations from 2023 and 2024.

The CFPB has announced that it does not intend to assess penalties for reporting errors in the first 12 months of collection and says that examinations will be conducted "only to assist lenders in diagnosing compliance weaknesses, so long as lenders engage in good faith compliance efforts."

What to expect

As Cooley noted when the final rule came out last year, Rule 1071 will require lenders of all sizes to undertake [significant efforts](#) to achieve compliance – including measures necessary to collect and report accurate data, and to address the fair lending issues raised by collection of demographic data. Although the CFPB's commitment to giving lenders a grace period is helpful, the CFPB still has significant flexibility in determining what constitutes good faith compliance efforts. Furthermore, there is still pending litigation challenging the small business lending rule on the basis of the CFPB's compliance with the Administrative Procedure Act, which could further impact lender implementation obligations.

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