

# CFPB Reaches Settlement in Redlining Suit Against Nonbank Mortgage Lender

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On November 1, the CFPB filed a proposed [stipulated final order](#) that would resolve the Bureau's pending lawsuit in the Northern District of Illinois against a nonbank mortgage lender and broker for allegedly engaging in redlining and other discriminatory lending practices. In its underlying [complaint](#) filed in 2020, the CFPB alleged that the defendant violated the Equal Credit Opportunity Act ("ECOA") by making statements in podcasts, radio shows, and marketing materials that discouraged prospective African-American applicants in Chicago and the surrounding suburbs from applying for mortgage loans.

In February 2023, the district court [granted](#) the defendant's motion to dismiss the case, holding that the ECOA only prohibits discrimination against applicants and does not prohibit or discuss conduct prior to the filing of an application. However, in July 2024, the Seventh Circuit [reversed](#) the district court's order dismissing the case, holding that the ECOA does indeed authorize the imposition of liability for the discouragement of prospective applicants and that the CFPB has broad authority to prohibit discriminatory redlining practices by financial services companies (see previous blog post [here](#)). The Seventh Circuit then remanded the case to the district court for further proceedings.

If approved by the district court, the settlement would prohibit the defendant from engaging in any actions that violate the ECOA and require the company to pay a \$105,000 penalty to the CFPB's victims relief fund. The settlement additionally laid out that further violations of the ECOA by the company would risk it being held in contempt of court and subjected to additional sanctions.

**Putting It Into Practice:** The settlement comes on the heels of other recent redlining suit settlements by the CFPB and DOJ against a mortgage lender and a credit union (previously discussed [here](#) and [here](#)). The recent string of settlements may signal that regulators are eager to resolve pending fair lending investigations prior to the anticipated administration change in January. In addition, the Bureau might have faced a Supreme Court that is not receptive to their interpretation of ECOA. Regardless, lenders should proceed with caution and ensure their fair lending compliance focuses not only on applicants, but also prospective applicants.

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