

## Fair Housing Takeaways From Colony Ridge Settlement

By **Timothy Ofak and Brian Serafin** (April 8, 2026, 5:56 PM EDT)

In February, the [U.S. Department of Justice](#) and the state of Texas **entered into a settlement** with Colony Ridge Developments LLC to resolve pending enforcement actions against the land developer and its affiliated lender over an alleged predatory land sales and financing scheme targeting Hispanic borrowers.

As one of the first — if not the first — federal government fair lending and fair housing settlements since the current administration came into office, the case stands to offer useful insight into current enforcement priorities and compliance risks.

### Factual and Procedural Background

#### ***DOJ/CFPB Case***

In December 2023, the DOJ and the [Consumer Financial Protection Bureau](#) sued land developer Colony Ridge, its affiliated mortgage lender Colony Ridge Land LLC, and another affiliated entity in the U.S. District Court for the [Southern District of Texas](#).<sup>[1]</sup> The complaint alleged that these Colony Ridge entities engaged in a predatory scheme targeted at Hispanic borrowers in connection with seller-financed lots for the construction of new homes.

The developer directed its marketing toward Hispanic consumers and advertised predominantly in Spanish, and the vast majority of its customers were Hispanic. However, despite advertising and conducting most sales and financing discussions in Spanish, all key transaction documents and disclosures were provided solely in English.

Colony Ridge also allegedly misled buyers about the properties, including alleged false representations that the lots included utility infrastructure — e.g., water, sewer and electrical connections — when in fact many did not, and hiding that the developments were prone to flooding. These issues would cause unanticipated increased construction costs once borrowers began building homes on their lots.

The affiliated lender offered financing with interest rates around 10.9% to 12.9% — compared to prevailing rates at the time that averaged around 2.4% to 4.1%. The lender



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also did not conduct credit checks or analyze borrowers' ability to repay; allowed borrowers to self-report income without documentation; and did not inquire into borrowers' assets, debts, or other liabilities.

After closing, many borrowers experienced financial difficulty in repaying their loans and experienced default and foreclosure rates that were significantly higher than local and national averages. The developer would allegedly repurchase properties at foreclosure for a low price and then repeat the same sale and financing cycle with new buyers.

The DOJ/CFPB complaint included claims for violations of the Equal Credit Opportunity Act; the Fair Housing Act; the Consumer Financial Protection Act's prohibition on unfair, deceptive, or abusive acts or practices; and the Interstate Land Sales Full Disclosure Act, which prohibits certain misleading statements or omissions and requires certain disclosures by real property developers.

In September 2024, the court substantially denied a motion to dismiss by Colony Ridge.[2] Notably, when the new presidential administration came into office in January 2025, the CFPB and DOJ dismissed many other enforcement actions brought under the prior administration, yet did not seek to dismiss the Colony Ridge case. Starting in May 2025, the court stayed the case while the parties conducted mediation and settlement discussions.[3]

### ***State of Texas Case***

In March 2024, the state of Texas [brought a separate suit](#) against Colony Ridge in the Southern District of Texas for alleged violations of state and federal laws prohibiting deceptive trade practices and fraud in connection with real estate transactions.[4] The Texas suit asserted similar facts as the DOJ/CFPB action but did not include any fair lending or fair housing claims.

In October 2024, the court [rejected](#) a motion to dismiss by Colony Ridge,[5] and stayed proceedings in late 2025 pending settlement discussions.[6]

### ***The Settlement Agreement***

In February of this year, the parties announced a joint settlement to resolve both cases.[7] Colony Ridge expressly denied any wrongdoing or liability for damages with respect to either case, but agreed, among other things, to:

- Spend \$48 million on general infrastructure improvements and repairs for the developments, including for drainage and flood control;
- Spend \$20 million on additional law enforcement personnel, facilities and equipment for the developments;
- Make key documents and disclosures available in both English and Spanish;
- Develop new underwriting standards to confirm borrowers' ability to repay their loans;
- Implement plans to prevent or reduce defaults and foreclosures; and
- Undertake other reporting, recordkeeping and compliance enhancements.

The settlement does not require Colony Ridge to pay any fines or civil money penalties, and does not provide any restitution or contractual relief to past customers.

### ***Immigration-Related Issues***

The DOJ's announcement regarding the settlement included a quote from the current head of the DOJ's Civil Rights Division that the "DOJ will go after all lenders, financiers, and land developers who participate in schemes which ultimately encourage illegal immigration." [8]

The state of Texas' post-settlement announcement likewise stated that "Colony Ridge endangered American citizens by allowing illegal aliens to run rampant on its streets, in its schools, and in its community," and also referred to the developments as "an underdeveloped slum designed for black market sales to illegals." [9]

A few other terms in the settlement, beyond the provisions listed above, also touch on immigration-related matters, including: requiring that law enforcement personnel operating in the developments have delegated immigration enforcement authority from the federal government, requiring that purchasers provide certain forms of identification, and requiring that Colony Ridge work with law enforcement to confirm that buyers are not members of a transnational criminal organization. [10]

In light of the settlement's atypical focus on immigration, a coalition of eight fair housing and civil rights advocacy groups led by the [National Fair Housing Alliance](#) filed an amicus brief with the court asking it to reject the settlement because it did not provide relief to past victims of the defendants' alleged predatory actions and "appears intended to subject

them to heightened surveillance, ... potential detention, family separation, or even deportation." [11]

The government responded, claiming that since it is a settlement and not a consent order, the court does not need to approve the settlement for it to go into effect, and that, in any event, the terms provide meaningful protections for residents and directly remediate the alleged predatory practices.[12]

The court **held** a preliminary hearing on March 6 to consider the settlement.[13] At the hearing, the court noted that it had "serious questions" about the nature of the settlement and scheduled a follow-up hearing for April 10.[14]

### **Implications Going Forward**

The current administration has pulled back significantly from the prior administration's fair lending priorities, and the CFPB has indicated that it will "pursue only matters with proven actual intentional racial discrimination and actual identified victims." [15]

The factual allegations against Colony Ridge appear to fit squarely within this rubric. The complaint asserted there was an intentional plan to target Hispanic borrowers for predatory loans, which resulted in alleged actual harm to identifiable borrowers and was not simply based on purported statistical disparities that correlated to various protected characteristics.

The factual allegations in the complaint, as well as the terms of the settlement, also highlight potential compliance concerns that lenders should remain aware of, including:

- Misleading or deceptive advertising and marketing — including misrepresentations made as part of sales pitches and transaction negotiations;
- Targeting or focusing on consumers based on their race, national origin, ethnicity or similar characteristics — especially for loans with atypical features or that seem out of line with prevailing market rates and terms;
- Failing to consider whether borrowers can repay their loans or approving loans without applying standard underwriting criteria — especially where the loans at issue result in defaults and foreclosures well above local and national averages;
- Failing to provide accurate and comprehensible disclosures to borrowers — including by not putting them in a language that borrowers with limited English

proficiency can understand when other aspects of the transaction have already been conducted in a language other than English; and

- Failing to ensure properties are physically safe and suitable for habitation or for construction of new residences.

For companies facing potential enforcement action, this case also suggests that the government is willing to consider creative settlement spending proposals and will not simply demand civil money penalties.

Most of the required spending under the Colony Ridge settlement goes to physical improvements to the property developments or to public safety enhancements.

Companies looking to resolve enforcement actions with the government should therefore think about how to design settlement proposals such that funds are used to benefit customers. As a practical matter, companies would likely be better served by disbursing funds in way that will help their customers — both past and future — as opposed to simply paying the same amount of money to the government as a civil money penalty.

At the same time, statements by the government at the time of the Colony Ridge settlement also appear to link this case with allegations that the companies promoted illegal immigration — another priority of the current administration.

The settlement contains a number of immigration and law enforcement-related terms that have not been seen in past fair lending and fair housing settlements. Companies for which business activities intersect with immigrant populations should therefore consider whether their products or practices could be seen as targeting customers who may not be lawfully present in the country — e.g., limited customer identity verification procedures or waiving the need for customers to provide typical types of documentation.

Going forward, financial services providers will want to carefully track the final outcome of this case and future federal and state enforcement activity to better evaluate how changing priorities may affect them, what they can do to protect themselves, and to ensure their practices comply with federal and state law.

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[1] [CFPB v. Colony Ridge Development LLC](#) , No. 23-cv-4729, Dkt. 1 (S.D. Tex. Dec. 20, 2023).

[2] *Id.* Dkt. 93 (Sept. 13, 2024).

[3] *Id.* Dkt. 118 (May 13, 2025).

[4] *Texas v. Colony Ridge Inc.*, No. 24-cv-941, Dkt. 1 (S.D. Tex. March 14, 2024); *id.* Dkt. 27 (May 24, 2024) (First Amended Complaint).

[5] *Id.* Dkt. 61 (Oct. 11, 2024); *id.* Undocketed Entry (Nov. 26, 2024).

[6] *Id.* Dkt. 89 (Dec. 9, 2025).

[7] *CFPB v. Colony Ridge*, No. 23-cv-4729, Dkt. 149 (S.D. Tex. Feb. 10, 2026); *Texas v. Colony Ridge*, No. 24-cv-941, Dkt. 97 (S.D. Tex. Feb. 10, 2026).

[8] DOJ, Press Release, Civil Rights Division Secures \$68M Settlement in Predatory Land Sales and Lending Lawsuit (Feb. 10, 2026).

[9] [Attorney General of Texas](#), Press Release, Attorney General Paxton Secures Major Victory Stopping Colony Ridge's Illegal Alien Haven and Forcing the Developers to Pay \$68 Million in Penalties (Feb. 10, 2026).

[10] Colony Ridge posted a statement on its website (in English and Spanish) asserting that the settlement "does not require Colony Ridge to provide any special right of access to law enforcement or ICE for customer information. "Colony Ridge, A Message To Our Customers About The Lawsuit Settlement Agreement (Feb. 2026).

[11] *CFPB v. Colony Ridge Development LLC*, No. 23-cv-4729, Dkt. 160-2, at 2-3 (S.D. Tex. March 3, 2026).

[12] Id. Dkt. 167 (March 5, 2026).

[13] Id. Undocketed Entry (March 6, 2026).

[14] Id. Dkt. 173 (March 16, 2026); Law360, DOJ Faces 'Serious Questions' In \$68M Colony Ridge Deal (March 6, 2026).

[15] CFPB, 2025 Supervision and Enforcement Priorities (April 16, 2025).

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