



# City of Chicago



R2017-392

Office of the City Clerk

## Document Tracking Sheet

**Meeting Date:** 5/24/2017

**Sponsor(s):** Burke (14)

**Type:** Resolution

**Title:** Call for Corporation Counsel to brief members of Committee on Finance on case before U.S. Supreme Court regarding authority of City of Miami to issue legal action against financial institutions for predatory lending practices under Fair Housing Act of 1968 and potential application of such authority in Chicago

**Committee(s) Assignment:** Committee on Finance

RESOLUTION

WHEREAS, the City of Chicago is a home rule unit of government pursuant to the 1970 Illinois Constitution, Article VII, Section 6(a); and

WHEREAS, pursuant to its home rule power, the City of Chicago may exercise any power and perform any function relating to its government and affairs including the power to regulate for the protection of the public health, safety, morals, and welfare; and

WHEREAS, the financial and housing crisis that came to a head in the mid-2000's destabilized and damaged economies and households in cities throughout the country; and

WHEREAS, the crisis cut swaths of economic despair into the City, a point made with the *Chicago Tribune's* 2009 characterization of Chicago's Marquette Park as "ground zero of the international financial collapse;" and

WHEREAS, the crisis was precipitated by unfair mortgage lending practices that led to equity, wealth, and eventually, home losses for homeowners throughout the nation; and

WHEREAS, municipal leaders have long had to wrestle for marginal gains in their efforts against predatory lenders and their treatment of troubled borrowers and properties; and

WHEREAS, in a significant boost to these efforts, on May 1, 2017, the United States Supreme Court ruled that the city of Miami, Florida had standing to sue banks for predatory lending practices under the Fair Housing Act of 1968 (FHA); and

WHEREAS, the FHA prohibits racial discrimination in housing sales, rentals, and services; and

WHEREAS, Miami claims that banks engaged in discriminatory mortgage lending practices by targeting African-American and Latino neighborhoods and residents for risky mortgages with unfavorable terms; and

WHEREAS, Miami contends that these practices led to foreclosures, damaging the city's property tax base, exacerbating segregation, and increasing expenses due to the increased need for services to counteract the blight and unsafe conditions that foreclosures present; and

WHEREAS, like Miami, the cities of Los Angeles and San Francisco have initiated legal action against certain banks for the same practices and they filed an *amicus* brief in Miami's case, which was signed on to by twenty-four other municipalities, including Chicago; and

WHEREAS, in a 2016 ruling that is said to mark the first time a jury considered lender accountability for predatory lending, a New York City federal jury found that a lender discriminated against minority homeowners by purposefully marketing to them subprime mortgages with predatory interests rates, in violation of the FHA, the Equal Credit Opportunity Act, and the New York City Human Rights law; and

WHEREAS, at a local level, in 2008, the Illinois Attorney General was quoted as saying that the foreclosure crisis was “the direct result of unfair, deceptive and discriminatory lending practices by the lending industry;” and

WHEREAS, the City of Chicago’s recovery from the housing crisis-fueled national recession trails that of other areas with *Crain’s Chicago Business* noting in 2016 that Chicago’s aggregate residential property value sat well below its “pre-crash peak” while other metropolitan areas including Miami, Florida have completely recovered; and

WHEREAS, *Crain’s* also noted in 2013 that “few Northern cities were hit harder by the foreclosure crisis” than Chicago; and

WHEREAS, as noted in a 2008 DePaul University study, foreclosures in Chicago have been concentrated in minority communities; and

WHEREAS, an often-cited 2005 study prepared for the Homeownership Preservation Foundation identified how foreclosed and abandoned property can cost the City more than \$20,000, with figures able to exceed \$34,000 for services including inspections, boarding, demolition processes, trash and debris removal, as well as police and fire department activity at the properties; and

WHEREAS, the diminished property tax base resulting from foreclosures and lowered property values directly hampers the City’s ability to fund key services such as education; and

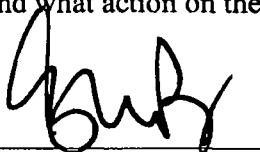
WHEREAS, discriminatory predatory lending has had lasting, profound, and deleterious effects in Chicago; and

WHEREAS, every day that marks a lagged economic recovery, every boarded-up house, and every family having lost wealth, a home, savings, and peace of mind in this City is a call to action; and

WHEREAS, the United States Supreme Court’s decision and our fellow municipalities’ efforts show that such a call to action need not be ignored and Chicago’s particular experience dictates that it must not be ignored; and

WHEREAS, among the City of Chicago’s core duties is leading the charge to prevent and redress housing discrimination and ensuring fiscal soundness; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CHICAGO: that the Corporation Counsel or his designee appear before the City Council Committee on Finance to brief members on the nature of Miami’s case before the United States Supreme Court, the extent to which the City of Chicago is similarly situated to Miami and other municipalities undertaking similar causes of action against lenders, and what action on the City’s behalf the United States Supreme Court’s ruling will prompt.



Edward M. Burke  
Alderman, 14<sup>th</sup> Ward