

Resources

FHFA Files Suit Against City of Chicago to Challenge Vacant Property Ordinance

December 13, 2011

Just days after Las Vegas passed an onerous vacant property ordinance, the Federal Housing Finance Agency (FHFA), for itself and as Conservator for GSE's Fannie Mae and Freddie Mac, has sued the City of Chicago to prevent enforcement of the city's recently amended "Vacant Buildings Ordinance." The step comes after negotiations between the FHFA and the City failed to resolve substantial concerns expressed by the agency over both the ordinance provisions, and the attempted regulation of the FHFA by the City. According to its own press release, FHFA's complaint alleges "that the city's ordinance impermissibly encroaches upon FHFA's role as the sole regulator and supervisor of the Enterprises."

As written, the current ordinance imposes many of the responsibilities of home ownership on lenders (mortgagees) and servicers, including the obligation to maintain, repair and (in effect) partially renovate homes that become vacant. Mortgagees must likewise pay a \$500 registration fee per property, and conduct monthly inspections to determine if properties are vacant. These obligations exist even before the commencement of foreclosure proceedings, and violations of the provisions can reach as much as \$1,000 per day. The suit was filed in the U.S. District Court for the Northern District of Illinois, and may be found at Docket No. 1:11-cv-08795. A copy of the complaint can be found on the pages following this alert.

Should you have any questions about this ordinance or need additional information, please contact **Richard E. Gottlieb**, Director of the Firm's Financial Industry Group, at 312-627-2196, or **Donald C. Lampe**, Leader of the Firm's Financial Industry Regulatory and Compliance Practice, at 704-335-2736.

For more information about Dykema's Consumer Financial Services practice, please contact Richard Gottlieb, Don Lampe, or a listed Dykema lawyer.

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