Bond Case Briefs

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Cities Go After Lenders.

The foreclosure crisis certainly hurt the millions of homeowners who lost their houses during the Great Recession. But it hurt localities, too. They lost tax revenue. And in a case of cause and effect, they watched as the suddenly vacant houses led to blight, which in turn led to spikes in crime because governments at the time couldn't afford to invest more in their police forces.

So now cities are testing whether they can sue banks for damages under the Fair Housing Act. Los Angeles; Miami; Oakland, Calif.; and Providence, R.I.; have all filed lawsuits against lenders seeking reparations. The lenders are arguing that the act applies to people, not governments. The question of whether cities have the standing to sue is before the U.S. Supreme Court.

The takeaway: If the court rules that cities don't have standing to sue, it would add to the view that financial institutions are not being held accountable for their role in the 2008 crisis. As The Atlantic noted this week, the people who were most damaged by the foreclosure crisis — those who lost their homes — typically don't have the resources to bring lawsuits. Most of the civil suits have been brought by investors who bought bad home loans. In their quest, cities likely represent the last group to try to punish lenders for their practices during the mid-2000s.

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