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The City of Atlanta Investigates Subprime Lenders

The Atlanta City Council has announced that it will hire a private firm to investigate whether the city should sue dozens of subprime lenders. At this point, the city has not identified any specific lender as a potential defendant.

The announcement comes as Georgia became the state with the seventh-highest foreclosure rate in the nation during the first quarter of 2009. The city claims that it has lost tax revenues due to the high rate of foreclosures. City officials also assert that Atlanta is paying higher public safety and code enforcement costs in communities hit hardest by foreclosures.

If Atlanta decides to pursue litigation, it will join cities across the country that have sued banks, mortgage lending companies and other financial institutions for the subprime fallout. Cleveland, for example, sued 21 of the nation's largest banks and financial institutions, alleging that they knowingly plunged the city into a financial crisis. Cleveland's claims were based on state nuisance laws. At these early stages of Atlanta's investigation, it is unclear what the substantive basis for any claim by the city would be.

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