

Feds Sue the Banks for Foreclosure Fraud: What Will Be Impact on Florida Real Estate? It Doesn't Help.

By Rosa Schechter

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It's already happened: the Federal Housing Finance Agency (FHFA) has filed suit against many of the nation's top banks over alleged bad acts involving mortgage-backed securities, i.e., ForeclosureGate. ([Read the agency press release here.](#))

The question is -- what are the consequences?

Specifically, here is what's happened: the following big name financial institutions have been sued by the federal government - as well as individuals that include not only some of the bank's top officers but also some of the defendant lenders' unaffiliated lead underwriters -- for alleged violations of (1) the Securities Act of 1933, a federal claim for damages that gets these cases filed in federal court as well as (2) analogous claims under state securities law and (3) assorted tort claims under state law including negligent misrepresentation and/or common law fraud.

Torts, of course, bring with them the possibility of compensatory (punitive) damages. These banks and bankers are being sued for intentional bad acts under state and federal law.

Federal and State Law Claims Asserted Against 17 Lenders (and Various Individuals) by the FHFA

Which state law applies depends upon where the lawsuit against the particular defendant has been filed - the FHFA has filed these suits in New York as well as Virginia, etc. [Go here to click on links that will connect you with the particular complaint filed by the feds against each of the following seventeen \(17\) lenders:](#)

1. Ally Financial Inc. f/k/a GMAC, LLC
2. Bank of America Corporation
3. Barclays Bank PLC
4. Citigroup, Inc.
5. Countrywide Financial Corporation
6. Credit Suisse Holdings (USA), Inc.
7. Deutsche Bank AG
8. First Horizon National Corporation
9. General Electric Company
10. Goldman Sachs & Co.

11. HSBC North America Holdings, Inc.
12. JPMorgan Chase & Co.
13. Merrill Lynch & Co. / First Franklin Financial Corp.
14. Morgan Stanley
15. Nomura Holding America Inc.
16. The Royal Bank of Scotland Group PLC
17. Société Générale

What are the Consequences of the Federal Government Suing Banks and Bankers?

The ramifications of these lawsuits is still being pondered by many -- both experts here in the United States as well as across the globe. Of course, there will be serious consequences here and the real question becomes who is going to be hurt by this, and how bad.

Consider the following articles as debate grows on what has happened here:

In the *Wall Street Journal*, Jeffrey Sica writes, "[Empire Of Dirt - "Let them fail: Why Failing Banks Should Fail](#)," opining that the FHFA has lost all respect as a regulator because it was this very agency that has put the U.S. economy in "peril" by its contribution to the failure of both Fannie Mae and Freddie Mac.

At [Bloomberg](#), Paul Miller of FBR Capital Markets & Co. is arguing that the federal government must stop "punishing banks" because it's hurting any possible economic recovery. He's quoted at [Housing Wire](#) as opining that these lawsuits will result in less money available for loans. Period.

Overseas, the BBC is reporting that lenders (at least defendant The Royal Bank of Scotland Group PLC) will be aggressively defending against these suits, which are expected to seek billions of dollars in damage claims, "[Royal Bank of Scotland to Fight US Mortgage Action](#)."

What Does This Mean to Florida?

Florida could well be the poster child of ForeclosureGate -- the Sunshine State is definitely one of the hardest hit economies in the aftermath of all the unprecedented foreclosure fraud that's been reported. The economy is hurting and both government and industry are working hard, feverishly even, to find ways to get Florida out of its current economic quagmire.

How to get from recession to recovery is a hot topic here: environmentalists may clash with developers, for example, but it's not debatable that financing (i.e., banks) are vital to any economic recovery. Money has to be moving here for Florida to rebound, and having the federal government sue these lenders doesn't bode well for Florida's future financial health.

Banks need to be finding ways to loan money and get Florida moving again, and with these lawsuits, one thing is clear: the biggest lenders will be busy finding ways to protect themselves from tort damages.