LOS ANGELES DROPS MORTGAGE DISCRIMINATION CASE AGAINST JPMORGAN

News / Finance

Los Angeles has dropped a lawsuit accusing JPMorgan Chase (JPM.N), the largest U.S. bank, of discriminatory mortgage lending, ending the first of the city's four lawsuits accusing major banks of driving up foreclosures among minority borrowers.

Disclosed in a filing on Tuesday in a California federal court, the agreement ends a lawsuit attempting to hold the bank liable for lost property tax revenues caused by falling home values and the cost of repairing blight in minority neighborhoods hit by foreclosures.

A hangover from the 2007-2008 financial crisis, the lawsuit and others like it were brought by a handful of local governments claiming damages for economic destruction wrought nationwide by foreclosures, lost taxes and neighborhood blight. The legal actions have brought only mixed results as banks strongly contested claims that they discriminated.

Los Angeles is still pursuing similar complaints against Bank of America <BAC.N >, Wells Fargo & Co (WFC.N) and Citigroup Inc (C.N).

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JPMorgan spokesman Jason Lobo said the bank was pleased with the city's decision.

"We have consistently supported the Los Angeles community" and helped thousands of families get into homes they can afford, he said.

A spokesman for the city was not immediately available.

Filed last year in U.S. District Court in Central California, the lawsuit accused JPMorgan of engaging in mortgage discrimination since 2004.

The complaint said the bank practiced "red-lining," or the denial of credit to minority borrowers, and then "reverse red-lining," or targeting minorities for costly subprime loans they could not afford.

In court filings, JPMorgan denied that it discriminated against minority borrowers. It said Los Angeles was trying to make the bank responsible for lending by Washington Mutual, which JPMorgan acquired in 2008 during the financial crisis.

U.S. District Judge Otis Wright dismissed the lawsuit last year, agreeing that under U.S. law, the city could not sue in federal court before exhausting claims involving Washington Mutual at the Federal Deposit Insurance Corp. Los Angeles filed an amended complaint in August 2014.

In a court filing last month, lawyers for JPMorgan said the new complaint should be dropped because the bank did not foreclose on a single loan to African-American or Hispanic borrowers during the time covered by the lawsuit.

The city's lawsuits against Bank of America and Wells Fargo are on appeal in the 9th Circuit after Wright dismissed them earlier this year. A lawsuit against Citigroup is set for trial next year.

A federal appeals on Tuesday court revived similar lawsuits filed by Miami against Wells Fargo, Bank of America and Citigroup.

The Los Angeles case is City of Los Angeles v JPMorgan Chase & Co, U.S. District Court for Central District of California, No 14-cv-4168.

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