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**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

FEDERAL HOUSING FINANCE AGENCY,
on its own behalf and as conservator of Fannie
Mae and Freddie Mac,

Plaintiff,

v.

CITY OF CHICAGO,
a municipal corporation,

Defendant.

No. 11-Cv-08795

Hon. Thomas M. Durkin

AGREED ORDER OF DISMISSAL

Upon the agreement of the parties

IT IS HEREBY ORDERED THAT:

1. For as long as the Federal Housing Finance Agency ("FHFA") continues as Conservator of the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"), the City of Chicago ("City") will not enforce sections 13-12-126 through -128 of the Municipal Code of Chicago ("Code Sections") against FHFA, in its capacity as Conservator, or Fannie Mae or Freddie Mac as Mortgagees, or any entity acting on their behalf as Mortgagees. The City, however, will not be deemed to have violated this Order if it in good faith seeks to enforce the Code Sections against an entity without knowledge that the entity is, or is acting on behalf of, FHFA, in its capacity as Conservator, or Fannie Mae or Freddie Mac as Mortgagee.
2. The City and FHFA desire to work together to achieve their joint goals of preserving and protecting neighborhoods and preserving and enhancing property values, including properties in which Fannie Mae or Freddie Mac have an ownership or security interest,

by ensuring that vacant residential buildings are appropriately addressed, as provided in the Memorandum of Understanding between the City and FHFA dated March 28, 2014, that is attached to this Order as an Exhibit and that is hereby incorporated by reference in its entirety and made a part of this Order as if fully set forth in this Order.

3. For as long as FHFA remains Conservator, FHFA agrees that Fannie Mae and Freddie Mac will voluntarily register vacant properties in which it holds a mortgage interest and which would otherwise be subject to the Code Sections and the City will waive all fees for such registrations. Further, for as long as FHFA remains Conservator, Fannie Mae and Freddie Mac shall not be subject to any penalties or enforcement measures by the City in connection with such properties, including for failure to register such properties, under the Code Sections. The City will provide the registrant with all of the notices provided to other registered mortgagees (e.g. notice of all 3-1-1 and 9-1-1 communications involving the property and dangerous conditions observed by building inspectors).

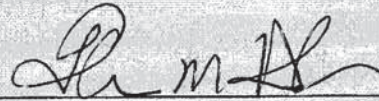
4. FHFA, on behalf of itself and as Conservator for Fannie Mae and Freddie Mac, knowingly and voluntarily waives any and all rights it may have to monetary damages or to otherwise recover any registration fee, fine, or penalty paid to the City pursuant to the Code Sections prior to the date of this Order.

5. The City knowingly and voluntarily waives its right to appeal any decision, order, or judgment entered in this case.

6. Each party to bear its own costs and fees.

7. This case is dismissed with prejudice, by agreement of the parties, subject to the terms of this Order.

SO ORDERED THIS 3 DAY OF April, 2014.



Thomas M. Durkin
United States District Judge

EXHIBIT

**(INCORPORATED BY REFERENCE
INTO ATTACHED ORDER)**

**Memorandum of Understanding Between
Federal Housing Finance Agency on its own
behalf and as Conservator of
Federal National Mortgage Association (“Fannie Mae”) and
Federal Home Loan Mortgage Corporation (“Freddie Mac”)
and the City of Chicago,
Dated March 28, 2014**

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (“MOU”) by and between the Federal Housing Finance Agency (“Agency”), on its own behalf and as conservator for the Federal National Mortgage Association (“Fannie Mae”) and Federal Home Loan Mortgage Corporation (“Freddie Mac”), and the City of Chicago (“City”) (collectively the “Parties”) is made on this 28th day of March, 2014 (the “Effective Date”).

WHEREAS, in 2011 the City enacted an amendment to its vacant and abandoned buildings ordinance, codified at §§ 13-12-126 through -128 of the Municipal Code of Chicago (“Ordinance”), which requires mortgagees of certain improperly-maintained vacant residential properties to register, secure, and maintain those properties during the foreclosure process; and

WHEREAS, on December 12, 2011, the Agency sued the City in the United States District Court for the Northern District of Illinois (“Lawsuit”), alleging that the Ordinance, as applied to the Agency, Fannie Mae, and Freddie Mac, and those acting on their behalf, is preempted by provisions of the Housing and Economic Recovery Act of Economic Recovery Act of 2008 (“HERA”), Pub. L. No. 110-289, 122 Stat. 2654, *codified at* 12 U.S.C. § 4511, *et seq.*; and

WHEREAS, on August 23, 2013, after extensive briefing and argument, the United States District Court for the Northern District of Illinois granted the Agency’s motion for a summary judgment that the Ordinance, as applied to the Agency, Fannie Mae, and Freddie Mac, is preempted by HERA; and

WHEREAS, the City intends to comply with that ruling and to cease enforcing the Ordinance as to the Agency, Fannie Mae, and Freddie Mac and those acting on their behalf unless and until the Agency ceases to act as conservator of Fannie Mae and Freddie Mac; and

WHEREAS, under the direction and supervision of the Agency, Fannie Mae and Freddie Mac have each maintained guidelines for the inspection, maintenance, and securing of vacant residential buildings during the foreclosure process (“Guidelines”) with which the companies that service their mortgages (“Servicers”) are required to comply; and

WHEREAS, the Agency, Fannie Mae, and Freddie Mac intend to continue to enforce and require that their Servicers comply with their Guidelines; and

WHEREAS, the Agency, on its own behalf and as Conservator for Fannie Mae and Freddie Mac and the City desire to work together to achieve their joint goals of preserving and protecting neighborhoods and preserving and enhancing property values, including properties in which Fannie Mae or Freddie Mac have an ownership or security interest, by ensuring that vacant residential buildings are appropriately addressed; and

WHEREAS, the Agency and the City intend to seek an Agreed Order of Dismissal of the Lawsuit.

NOW, THEREFORE, the Parties memorialize their agreement with the following terms:

Definitions

1. **FHFA Defined.** As used in this MOU, "FHFA" means the Agency, Fannie Mae, Freddie Mac, and any person or entity acting on any of their behalf.
2. **Code Sections Defined.** As used in this MOU, "Code Sections" means all ordinances of the City which would require FHFA, when acting as mortgagee, to register, insure, inspect, patrol, secure, or otherwise maintain a property prior to the completion of mortgage foreclosure proceedings, including but not limited to Sections 13-12-126 through -128 and 13-12-140 of the Municipal Code of Chicago.

Non-Enforcement of Code Sections Against FHFA

3. **Voluntary No-Cost Registration of FHFA Properties.** FHFA will voluntarily register vacant properties in which it holds a mortgage interest and which would otherwise be subject to the Code Sections and the City will waive all fees for such registrations. Further, FHFA shall not be subject to any penalties or enforcement measures by the City in connection with such properties, including for failure to register such properties, under the Code Sections. The City will provide the registrant with all of the notices provided to other registered mortgagees (e.g. notice of all 3-1-1 and 9-1-1 communications involving the property and dangerous conditions observed by building inspectors).
4. **Proceedings Under Code Sections.** When FHFA is acting as mortgagee in the name of the Agency, Fannie Mae or Freddie Mac, the City shall not:

a. Initiate proceedings to enforce the Code Sections against FHFA in the City's Department of Administrative Hearings, or if such proceedings are inadvertently initiated, shall promptly move to dismiss FHFA from such proceedings; or

b. Seek any remedy against FHFA under the Code Sections in any proceeding in any other forum, and shall dismiss FHFA from such proceeding unless FHFA is a necessary party for purposes of other counts or claims raised in the proceeding.

This MOU shall not limit the City's ability to obtain any remedy authorized by Illinois law which may result in a priority lien on a property of which FHFA is mortgagee, including but not limited to court orders authorizing the City to demolish, repair, enclose, or clean up a property or appointing a receiver to demolish, repair, enclose, or cleanup a property.

5. Notification of Unintentional Violations. If the City brings an action under the Code Sections against FHFA, the provisions of this MOU shall not apply unless and until FHFA notifies the City in writing that FHFA is the mortgagee of the property in question, as provided in paragraph 12, below, or provides similar written notification to an attorney handling that action on behalf of the City. Upon receipt of such notice, with respect to a particular action, the City shall proceed as provided in paragraph 4, above.

6. MOU as Defense. FHFA may assert this MOU as a defense to any enforcement proceeding brought or pursued by the City under the Code Sections but which should not have been brought or pursued as provided in paragraph 4 or 5 of this MOU.

7. Expiration Date. The provisions of paragraphs 3 through 6 of this MOU shall remain in force unless and until the Agency ceases to act as conservator for Fannie Mae and/or Freddie Mac (the "Expiration Date"), unless the Parties agree in writing to extend such rights and obligations beyond the Expiration Date.

Joint Initiatives

8. Micro Market Recovery Program. The Parties shall work together in good faith to further the City's Micro Market Recovery Program ("MMRP") by identifying properties which Fannie Mae or Freddie Mac own and which are located in MMRP geographic areas ("MMRP Properties"). Such cooperation and collaboration shall include the following:

a. First Look. Fannie Mae and Freddie Mac will work with the National Community Stabilization Trust (“NCST”) to offer the City the opportunity to purchase MMRP Properties before listing such properties for sale.

b. Property Donation. FHFA may donate MMRP Properties to the City or its not-for-profit partners in order to facilitate rehabilitation and reuse of such properties. Any such donation shall only occur upon the agreement of FHFA and the City, and the City shall not be obligated to accept donation of any property offered by FHFA. When the City agrees to accept donation of an MMRP Property: such donation shall be accepted subject to any lien of unbilled real property taxes; the conveyance shall be irrevocable and the recipient shall accept the property as-is and without recourse to FHFA for any preexisting condition; and the City will waive any fines or fees with respect to City municipal code violations during FHFA’s period of ownership, and, to the fullest extent allowed by existing law, any fees due to the City (such as permit or inspection fees) in connection with conveyance of such property to the City.

c. Normal Disposition/Sale. With respect to all other MMRP Properties, FHFA shall follow its normal procedures for marketing and disposing of the property. For MMRP Properties, FHFA may consult the City’s MMRP program administrator to better understand what marketing strategy might be appropriate based on a property’s location. FHFA will make appropriate, economically-justified repairs to MMRP Properties as part of the marketing process.

d. Demolition. If FHFA determines that an FHFA-owned MMRP Property presents health and/or safety issues that cannot be remediated for resale or has no intrinsic value, FHFA may consider demolition of the property. FHFA shall obtain all necessary permits and government approvals before performing demolition activity. FHFA may consult the City on demolitions identified by FHFA or desired by the City to determine if the City is able to demolish the structure(s) for a lower cost than FHFA. If the City is able to provide demolition at a lower cost than FHFA, FHFA may request that the City demolish the structure, subject to reimbursement by FHFA. Any such arrangement shall be documented in a separate written agreement and shall be subject to approval by the City. FHFA shall promptly reimburse demolition costs incurred by the

City under any such agreement. The City shall not take title to real property under any such agreement. In no case shall FHFA convey title to real property or grant a consensual lien on real property to the City in lieu of reimbursement.

e. Vacant MMRP Property Inspections and Affidavits. Upon request by FHFA, the City will inspect specified MMRP Properties and, when appropriate, prepare suitable affidavits to allow FHFA to utilize the expedited judgment and sale procedure for abandoned residential property authorized by 735 ILCS 5/15-1505.8. The City will give priority to such inspections and affidavits and work with FHFA to meet other judicial or legal requirements that will expedite action in furtherance of this MOU.

9. Either the City or FHFA may propose that one or more of the joint initiatives with respect to MMRP Properties, as set forth in Paragraph 8, above, apply to other property in the City which Fannie Mae or Freddie Mac own. Any such joint initiative as to other property shall be subject to the agreement of the City and Fannie Mae or Freddie Mac.

10. Other participants. The City and FHFA will make good faith efforts to engage other private and governmental partners to further the goals of the MMRP program and enhance the value of properties donated pursuant to this MOU.

11. Commitment of Funds. The City shall commit to spend at least \$475,000 in support of the MMRP program in FY2014, which is FHFA's good faith estimate of the amount of registration fees that FHFA has paid to the City pursuant to the Code Sections prior to this MOU.

Communications

12. Designated Contacts. Each party to this MOU shall designate and maintain a person to receive communications made pursuant to this MOU. Any party may change its designated contact by written notice to all other Parties. The initial designated contacts under this MOU shall be:

For the City

Judith Frydland
Deputy Corporation Counsel
30 N. LaSalle Street, 7th Floor
Chicago, IL 60602

judith.frydland@cityofchicago.org
(312) 744-6998

For the City (MMRP-related communications)

Anthony Simpkins
Deputy Commissioner
121 N. LaSalle Street, 10th Floor
Chicago, IL 60602
anthony.simpkins@cityofchicago.org
(312) 744-9777

For FHFA

Alfred Pollard, General Counsel, or such other person as the Agency may designate,
FHFA
400 Seventh St., SW
Washington, DC 20024
(202) 649-3800

For Fannie Mae

P.J. McCarthy
VP for Alternative Dispositions, Real Estate Asset Mgmt (REAM)
Fannie Mae
3900 Wisconsin Avenue
Mailstop: 8H-309
patrick_j_mccarthy@fanniemae.com
202-752-7551

For Freddie Mac

Robert R. Lawrence
Associate General Counsel
General Litigation & Investigations
Legal Division
8200 Jones Branch Drive
McLean, VA 22102
(703) 903-2487

Dispute Resolution

13. Dispute Resolution. If any dispute arises under this MOU, the aggrieved party shall first notify the other party or parties involved, in writing, as provided in paragraph 12. If

such efforts fail to resolve the dispute, the Agency's General Counsel and the City's Corporation Counsel shall confer by telephone in a good faith attempt to resolve the dispute.

Liability

14. **Release and Waiver of Potential Liability** In consideration for this MOU, the City releases and waives any claims it has or may have against FHFA under the Code Sections for any time period prior to the Expiration Date. FHFA releases and waives any claim it has or may have related to the Code Sections, including recovery of payments made under them, at any time prior to the Expiration Date.

15. **No Liability for Officials or Employees**. The Parties agree that no member, official, or employee of any party shall be individually or personally responsible to any other party in the event of the failure to perform any obligation or understanding under this MOU.

16. **Not for Benefit of Any Third Parties**. This MOU and all activities under this MOU are solely for the benefit of FHFA and the City and are not for the benefit of any other person.

Agreed Order of Dismissal

17. **Agreed Order of Dismissal**. Upon execution of this MOU, the City and the Agency shall jointly seek entry of an Agreed Order of Dismissal in the Lawsuit which shall fully incorporate this MOU. The Agreed Order of Dismissal shall incorporate the following stipulations:

a. That the Agency, Fannie Mae, and Freddie Mac knowingly and voluntarily waive any and all rights they may have to monetary damages in the Lawsuit or to otherwise recover any registration fee, fine, or penalty paid to the City pursuant to the Code Sections prior to the date of the Agreed Order of Dismissal.

b. That the City knowingly and voluntarily waives its right to appeal any decision, order, or judgment entered in the Lawsuit.

Other Matters

18. **Direction to Fannie Mae and Freddie Mac**. The Agency shall promptly give direction to Fannie Mae and Freddie Mac to comply with all applicable terms of this MOU. The

Agency, as necessary, shall issue further direction to Fannie Mae and Freddie Mac to insure that the terms of this MOU are fully and timely implemented.

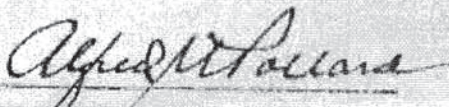
19. Amendment. No amendment of this MOU shall be valid unless in writing and signed by the Parties.

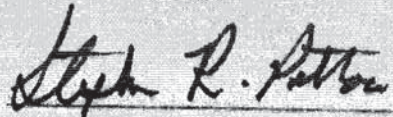
20. Counterparts. This Agreement may be executed by each of the Parties to this Agreement in identical original counterparts, with the same effect as if all of the Parties had signed the same copy and with each counterpart constituting the entire Agreement. Facsimile or PDF signatures will be deemed to have the same force and effect as original signatures.

IN WITNESS WHEREOF, the City, FHFA on its own behalf and as conservator for Fannie Mae and Freddie Mac, have caused this MOU to be duly executed as of the date written above.

Federal Housing Finance Agency

City of Chicago


Alfred Pollard, General Counsel


Stephen R. Patton, Corporation Counsel

Date 3-28-2014

Date 3/28/14