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UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF CALIFORNIA

LEONEL RODRIGUEZ and MARIA DEL)	1:08cv0869 DLB
CARMEN SOTO,)	
)	
)	ORDER GRANTING DEFENDANT’S
Plaintiff,)	MOTION FOR SUMMARY ADJUDICATION
)	AS TO THE FIRST AND SECOND CAUSES
)	OF ACTION
v.)	(Document 34)
)	
COUNTRYWIDE HOMES, et. al.,)	ORDER REQUIRING PLAINTIFFS TO FILE
)	DISMISSAL DOCUMENTS AS TO THE
)	THIRD AND FOURTH CAUSES OF ACTION
)	
Defendants.)	

Defendant Countrywide Home Loans, Inc. (“Countrywide”) filed the instant motion for summary judgment, or summary adjudication in the alternative, on September 11, 2009. The matter was heard on October 30, 2009, before the Honorable Dennis L. Beck, United States Magistrate Judge. Nafiz Cekrige appeared on behalf of Countrywide. Kimberly Mayhew appeared for Plaintiffs Leonel Rodriguez and Maria Del Carmen Soto (“Plaintiffs”).

BACKGROUND

Plaintiffs filed the instant complaint in the Fresno County Superior Court on May 14, 2008. The action was removed to this Court on June 19, 2008. Plaintiffs named Countrywide, Litton Loan Servicing Inc. (“Litton”), and Mortgage Electronic Registration System, Inc. (“MILA”) as Defendants, and allege causes of action for (1) violation of the Real Estate Settlement Procedure Act (“REPSA”), [12 U.S.C. § 2601](#), et seq.; (2) violation of [California Civil Code section 2937](#); (3) wrongful foreclosure; and (4) violation of [California Business and](#)

1 [Profession Code section 17200](#), et. seq. The causes of action are based on Plaintiffs' allegation
2 that Countrywide failed to send them a notice of transfer of servicing letter to their mailing
3 address.

4 Plaintiffs filed a notice of settlement with Defendants Litton and MILA on September 21,
5 2009, and filed a request for dismissal on November 5, 2009.

6 Countrywide filed the instant motion for summary judgment/summary adjudication on
7 September 11, 2009.

8 Plaintiffs filed their opposition on September 22, 2009. While Plaintiffs addressed the
9 [RESPA and California Civil Code section 2937](#) on the merits, they conceded that the wrongful
10 foreclosure claim and the claim for restitution under section 17200 cannot be maintained against
11 Countrywide. Plaintiffs indicate that they will move to dismiss these two causes of action.

12 Countrywide filed its reply on October 23, 2009.

13 **UNDISPUTED MATERIAL FACTS**

14 In June 2006, Plaintiffs refinanced an existing mortgage and obtained a loan from MILA.
15 Undisputed Material Fact ("UMF") 1. The loan secures an interest in property located at 16688
16 2nd Street, Huron, CA, 93234 (the "Property Address"). UMF 2. Plaintiff Rodriguez was listed
17 as the only borrower and his was the only signature on the Loan Application, dated June 28,
18 2006. Plaintiff Soto was not listed as a co-borrower. UMF 3, 4. The Loan Application indicated
19 that title would be held jointly in both Rodriguez and Soto's name. UMF 10. The Balloon
20 Payment Rider is signed by both Rodriguez and Soto. UMF 7. Based on Soto's interest in the
21 property, both Rodriguez and Soto executed the Deed of Trust. UMF 11.

22 On the first page of the Loan Application, there is a slot entitled, "Present Address."
23 UMF 12. That slot contains the Property Address. UMF 13. Below that slot, there is a separate
24 space entitled, "Mailing Address, if different from Present Address." UMF 14. That space is
25 blank and does not contain Plaintiffs' P.O. Box Address. UMF 15. In fact, Plaintiffs' P.O. Box
26 Address does not appear anywhere on the Loan Application. UMF 16.

27 Each Truth In Lending Act Disclosure Statement lists the Property Address as both the
28 "Mailing Address" and "Property Address." The P.O. Box Address does not appear anywhere on

1 these Disclosures. UMF 19. Both Rodriguez and Soto also executed a Notice of Right to Cancel
2 under the Truth in Lending Act. UMF 20. The Notice lists the Property Address as both the
3 “ADDRESS” and “PROPERTY,” and the P.O. Box Address is not listed anywhere on the Notice.
4 UMF 21, 22.

5 Plaintiffs executed these loan documents knowing that the United States Post Office does
6 not deliver to the Property Address that Plaintiffs listed as their mailing address because the
7 property is in a rural area. UMF 23. Soto testified that she has had this P.O. Box for 30 years
8 and she knew to provide other lenders with the P.O. Box Address. UMF 24, 25.

9 Although they could not read English, Plaintiffs both testified and demonstrated at their
10 deposition that they were able to identify addresses on the loan documents. UMF 26. Soto
11 commented that it was “strange” that the P.O. Box Address was not on her loan documents
12 because Plaintiffs “use[d] the P.O. Box for everything.” UMF 27.

13 During the time that Countrywide serviced the loan, a borrower could change his mailing
14 address in writing or by telephone by providing certain information. UMF 29, 30. In September
15 2007, after Countrywide service-released the Loan but while Plaintiffs were still sending their
16 payments to Countrywide, the policy to update a mailing address changed slightly. UMF 31, 32,
17 33. Despite these changes, a specific request to change the mailing address was still required.
18 UMF, 34.

19 In addition, the Deed of Trust and Note also set forth procedures for a borrower to
20 change a mailing address. Paragraph 15 of the Deed of Trust states that the notice address for all
21 notices given by the lender in connection with the Deed of Trust shall be the Property Address
22 unless the borrower designates a separate address in writing. UMF 35. It also states that if a
23 lender has specified a procedure for changing the Property Address as the notice address under
24 the Deed of Trust, a borrower may only change his address through that procedure. UMF 36.
25 Similarly, Paragraph 7 of the Note states that the notice address under the Note is the Property
26 Address, unless the borrower informs the lender of a change of address by first class mail. UMF
27 37.

1 A borrower must expressly request that Countrywide change the mailing address on his or
2 her account. UMF 38. Simply putting an address on a money order does not constitute a request
3 for an address change. UMF 39. Countrywide accepts payments from people other than the
4 borrower, such as family members. UMF 40. The address on a money [order] is not necessarily
5 the borrower's. UMF 41.¹

6 Rodriguez testified that he was completely uninvolved with the Loan. UMF 42. He had
7 no written or oral communications with Countrywide and he did not ask anyone to call
8 Countrywide on his behalf. UMF 43. Neither Soto nor anyone acting on her behalf ever
9 requested that Countrywide change the mailing address on the Loan from the Property Address to
10 the P.O. Box Address. UMF 44. Rodriguez never communicated with Litton and Soto never
11 notified Litton that their Mailing Address was different than their Property Address. UMF 46, 47.

12 On July 26, 2006, Countrywide began servicing the Loan and sent Rodriguez a Welcome
13 Letter at his Property Address. UMF 48. The Welcome Letter was returned to Countrywide on
14 August 3, 2006. UMF 49. Countrywide serviced the loan for only two months. UMF 50. In
15 connection with the transfer of servicing to Litton, Countrywide sent a Good Bye Letter to
16 Plaintiffs at their Property Address on September 8, 2006. UMF 51. The Good Bye Letter
17 informed Plaintiffs that effective October 1, 2006, Litton would be serving the Loan. UMF 52.
18 The Good Bye Letter was returned to Countrywide as undeliverable on September 27, 2006.
19 UMF 53.

20 Per Countrywide internal policies and procedures, once mail is returned, it will examine
21 certain documents to see if an alternate address is available in the files. The primary document in
22 determining a borrower's mailing address is the loan application, "due to the application having
23 the property address as well as mailing address if different." UMF 54. Countrywide will also
24 check a borrower's deed of trust and note for a mailing address. UMF 55. In addition,
25 Countrywide will check to see if there is correspondence from the borrower requesting an address
26 change. UMF 56.

27
28 ¹ Plaintiffs state that they cannot admit or deny this fact because it is unintelligible. Countrywide's
sentence left out the word order, but this omission does not make the statement unintelligible.

1 Here, the Loan Application, Deed of Trust and Note only contain the Property Address as
2 the Mailing Address. UMF 57, 58, 59. Plaintiffs never requested that Countrywide change their
3 Mailing Address from the Property Address to the P.O. Box. UMF 60.

4 Soto was expecting to receive coupons or statements from Countrywide and thought it
5 was “strange” that she was not receiving correspondence from Countrywide. UMF 65. The
6 Payment Letter that both Plaintiffs signed expressly informed them that their Loan may be service-
7 released and provided a toll free number for them to call. UMF 66. Soto demonstrated at her
8 deposition that she could identify telephone numbers on English documents. UMF 67. Soto
9 testified that she did not remember why she did not call the toll free number. UMF 69. Had she
10 called, she could have spoken to someone in Spanish. UMF 70.

11 After Countrywide service-released the Loan to Litton, Soto continued making Loan
12 payments to Countrywide. UMF 71. Rodriguez, the borrower on the account, did not make any
13 payments. UMF 72. [The payments] did not bear the account number or Property Address- the
14 only address associated with the account. UMF 74, 75.² Only one payment, from September
15 2007 (comprised of two money orders) appears to have had a coupon attached to it. UMF 76.
16 All of the identifying features on Soto’s payments, such as the account number, property address
17 and borrower’s name, were placed there by Countrywide employees after they completed their
18 research. UMF 77.

19 Countrywide received 13 payments associated with the Loan after the service-release.
20 UMF 81. Purely for customer service reasons, Countrywide had a policy of forwarding service-
21 released payments when it could determine what account they were associated with. UMF 82.
22 Countrywide forwarded 10 of Soto’s payments to Litton. UMF 84. Of these 10, Countrywide
23 inadvertently cashed one money order, but forwarded the funds to Litton by check. UMF 85.
24 Countrywide returned three money orders to a United States Post Office repository because it
25 could not determine that the payments were associated with the Loan. UMF 86. The money
26

27 ² Plaintiffs again state that they cannot admit or deny this statement because it is unintelligible.
28 Countrywide’s original statement read, “They did not bear the account number or Property Address. . .” It is
obvious to the Court that the statement refers to Ms. Soto’s money orders.

1 orders were not returned to the P.O. Box on the money orders because post office boxes are used
2 in many fraudulent schemes. UMF 88.

3 **LEGAL STANDARD**

4 Summary judgment is appropriate when no genuine issue of material fact exists and the
5 moving party is entitled to judgment as a matter of law. [Celotex Corp. v. Catrett, 477 U.S. 317](#)
6 [\(1986\)](#). “If the party moving for summary judgment meets its initial burden of identifying for the
7 court those portions of the material on file that it believes demonstrates the absence of any
8 genuine issues of material fact,” the burden of production shifts and “the non moving party must
9 set forth, by affidavit or as otherwise provided in Rule 56, ‘specific facts showing that there is a
10 genuine issue for trial.’” [T.W. Electric Service, Inc. v. Pacific Elec. Contractors Ass'n, 809 F.2d](#)
11 [626, 630 \(9th Cir. 1987\)](#) (quoting Fed.R.Civ.P. 56(e)). As to the specific facts offered by the
12 nonmoving party, the court does not weigh conflicting evidence, but draws all inferences in the
13 light most favorable to the nonmoving party. [Id. at 630-31](#).

14 If the moving party meets its initial responsibility, the burden then shifts to the opposing
15 party to establish that a genuine issue as to any material fact actually does exist. [Matsushita Elec.](#)
16 [Indus. Co. v. Zenith Radio Corp., 475 U.S. 574, 586 \(1986\)](#).

17 In attempting to establish the existence of this factual dispute, the opposing party may not
18 rely upon the denials of its pleadings, but is required to tender evidence of specific facts in the
19 form of affidavits, and/or admissible discovery material, in support of its contention that the
20 dispute exists. Rule 56(e); [Matsushita, 475 U.S. at 586 n.11](#). The opposing party must
21 demonstrate that the fact in contention is material, i.e., a fact that might affect the outcome of the
22 suit under the governing law, [Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248 \(1986\)](#); [T.W.](#)
23 [Elec. Serv., Inc. v. Pacific Elec. Contractors Ass'n, 809 F.2d 626, 630 \(9th Cir. 1987\)](#), and that
24 the dispute is genuine, i.e., the evidence is such that a reasonable jury could return a verdict for
25 the nonmoving party, [Wool v. Tandem Computers, Inc., 818 F.2d 1433, 1436 \(9th Cir. 1987\)](#).

26 In the endeavor to establish the existence of a factual dispute, the opposing party need not
27 establish a material issue of fact conclusively in its favor. It is sufficient that “the claimed factual
28 dispute be shown to require a jury or judge to resolve the parties’ differing versions of the truth at

1 trial.” [T.W. Elec. Serv., 809 F.2d at 631](#). Thus, the “purpose of summary judgment is to ‘pierce
2 the pleadings and to assess the proof in order to see whether there is a genuine need for trial.’”
3 [Matsushita, 475 U.S. at 587](#) (quoting Fed. R. Civ. P. 56(e) advisory committee’s note on 1963
4 amendments).

5 In resolving the summary judgment motion, the court examines the pleadings, depositions,
6 answers to interrogatories, and admissions on file, together with the affidavits, if any. [Rule 56 \(c\)](#).
7 The evidence of the opposing party is to be believed, [Anderson, 477 U.S. at 255](#), and all
8 reasonable inferences that may be drawn from the facts placed before the court must be drawn in
9 favor of the opposing party, [Matsushita, 475 U.S. at 587](#) (citing [United States v. Diebold, Inc.,](#)
10 [369 U.S. 654, 655 \(1962\) \(per curiam\)](#)). Nevertheless, inferences are not drawn out of the air, and
11 it is the opposing party’s obligation to produce a factual predicate from which the inference may
12 be drawn. [Richards v. Nielsen Freight Lines, 602 F. Supp. 1224, 1244-45 \(E.D. Cal. 1985\), aff’d,](#)
13 [810 F.2d 898, 902 \(9th Cir. 1987\)](#).

14 Finally, to demonstrate a genuine issue, the opposing party “must do more than simply
15 show that there is some metaphysical doubt as to the material facts Where the record taken
16 as a whole could not lead a rational trier of fact to find for the nonmoving party, there is no
17 ‘genuine issue for trial.’” [Matsushita, 475 U.S. at 587](#) (citation omitted).

18 DISCUSSION

19 A. First Cause of Action Under RESPA

20 1. *Requirements Under RESPA*

21 Plaintiffs bring this action under RESPA, [12 U.S.C. section 2605\(b\)\(1\)](#), which requires:

22 Each servicer of any federally related mortgage loan shall notify the borrower in
23 writing of any assignment, sale, or transfer of the servicing of the loan to any other
person.

24 Regulation X, RESPA’s implementing regulation, reiterates that “each transferor servicer
25 and transferee servicer of any mortgage servicing loan shall deliver to the borrower a written
26 Notice of Transfer...” [24 C.F.R. § 3500.21\(d\)](#).

27 Regulation X does not define the term “deliver,” though the parties agree that delivery
28 includes delivery by mail. In that regard, Regulation X defines “mailing” as follows:

1 The provisions of this part requiring or permitting mailing of documents shall be deemed
2 to be satisfied by placing the document in the mail (whether or not received by the
3 addressee) addressed to the addresses stated in the loan application or in other information
4 submitted to or obtained by the lender at the time of loan application or submitted or
obtained by the lender or settlement agent, except that a revised address shall be used
where the lender or settlement agent has been expressly informed in writing of a change in
address.

5 [24 C.F.R. § 3500.11.](#)

6 2. *Analysis*

7 Countrywide argues that summary judgment is proper because there is no dispute that (1)
8 Plaintiffs provided only the Property Address on their Loan Application, (2) Plaintiffs did not
9 inform Countrywide of a change in address; (3) the other documents signed at settlement (Note,
10 Deed of Trust and Truth in Lending Act Disclosures) indicated that the Property Address was
11 their Mailing Address; and (4) Countrywide sent the Good Bye Letter to the Property Address.

12 The Court's decision turns on the interpretation of the requirements under RESPA. For
13 the reasons discussed below, the Court declines to adopt Plaintiffs' interpretation of RESPA's
14 requirements and finds that summary judgment is appropriate on the RESPA claim, and thus, the
15 [California Civil Code section 2937\(a\)](#) claim. To find otherwise would be to impose a duty on
16 lenders not required by RESPA.

17 Countrywide submits, and the Court agrees, that RESPA requires a lender to send a Good
18 Bye letter to the Mailing Address listed by the borrower in the loan documents. When the
19 borrower submits an express change of mailing address, the lender is required to send the Good
20 Bye letter to the new address.

21 It is undisputed here that Countrywide mailed the Good Bye Letter to the Mailing Address
22 listed in the loan application and all other documents signed at settlement. In each of these
23 documents, the Mailing Address was listed as the Property Address. At no time did Plaintiffs
24 expressly notify Countrywide of a change in their Mailing Address. [24 C.F.R. § 3500.11.](#)

25 Plaintiffs suggest that RESPA "does not prohibit the use of a revised address under other
26 circumstances, such as where the lender has been informed orally of a change of address, or has
27 not been expressly informed, i.e., has notice of a revised address by other means." This reading,
28

1 though unavailing, is Plaintiffs' attempt to introduce an agency argument and impose additional
2 duties on Countrywide, as discussed below.

3 Plaintiffs first attempt to defeat summary judgment by asserting, for the first time, an
4 agency argument that would have the Court impute knowledge of the loan broker to
5 Countrywide. Plaintiffs' agency argument fails for a number of reasons, the most obvious of
6 which is a basic procedural tenet. The issues on summary judgment are framed by the complaint.
7 Indeed, the issues in the complaint guide the parties during discovery and put the defendant on
8 notice of what evidence is necessary to defend against the allegations. For these reasons, a
9 plaintiff cannot oppose summary judgment based on a new theory of liability because it would
10 essentially blind side the defendant with a new legal issue after the bulk of discovery has likely
11 been completed. See eg. Coleman v. Quaker Oats Co., 232 F.3d 1271, 1292-1293 (9th Cir.
12 2000) (where plaintiff did not include legal theory in complaint and did not identify the theory at
13 any time prior to summary judgment, she could not rely on the theory for the first time during
14 summary judgment).

15 Plaintiffs' complaint does not assert an agency theory, nor does it include *any* of the facts
16 Plaintiffs rely on to support this theory. There is no indication that Plaintiffs relied on this agency
17 theory during discovery or communicated the theory to Countrywide in any way. Accordingly,
18 Plaintiffs' agency argument is not properly before the Court. See Klein v. Boeing Co., 847
19 F.Supp. 838, 844 (W.D.Wash.1994) ("Klein never asserted this claim prior to his opposition to
20 Boeing's motion for summary judgment, nor has he moved to amend his complaint to add such a
21 claim. Thus, this claim is not properly before the court.")

22 Even if this Court could consider Plaintiffs' argument, it is baseless. Plaintiffs suggest that
23 they informed their loan broker, who completed the Loan Application in English while Ms. Soto
24 spoke to him in Spanish, that their Mailing Address was the P.O. Box. Without supporting
25 evidence, Plaintiffs argue that whether an agency relationship existed between the original lender,
26 MILA, and the subsequent servicer, Countrywide, is a matter of fact and cannot be decided on
27 summary judgment. Plaintiffs suggest no legal basis for imputing Ms. Soto's alleged verbal
28 communication to Countrywide. Such conclusory arguments do not defeat summary judgment.

1 Plaintiffs' second argument in opposition to summary judgment seeks to impose a duty on
2 lenders to use "reasonable care and diligence in determining the borrower's correct address."
3 Plaintiffs rely wholly on [Wanger v. EMC Mortgage Corp., 103 Cal. App. 4th 1125 \(2002\)](#), where
4 a plaintiff, who had provided her lender with a letter containing a new mailing address, brought an
5 action against the lender after it foreclosed on her property. Although Plaintiff's letter was dated
6 before the date of transfer of service, the lender sent the transfer letter to the old address. In
7 discussing the requirements under RESPA, the Fifth District Court of Appeal held that "a servicer
8 must exercise reasonable care and diligence in determining the correct address of the borrower
9 when mailing a notice of transfer." [Wanger, 103 Cal.App. 4th at 1135](#).

10 The [Wanger](#) case, however, was decided under very different circumstances. There, the
11 plaintiff had notified the lender of her change of address, and a question as to the actual and/or
12 constructive knowledge of the lender arose. The Court's discussion of duty therefore arose in a
13 context where there was reason to believe that the lender *should have known* of the plaintiff's
14 address change because of her letter.

15 In contrast, Plaintiffs do not dispute that they did not expressly advise Countrywide of a
16 new Mailing Address. Under these facts, then, there is no reason to charge Countrywide with any
17 knowledge, constructive or otherwise, that Plaintiffs' P.O. Box was their Mailing Address.

18 In this regard, Plaintiffs' attempt to rely on the address on Ms. Soto's money orders or
19 other documents in their file that may have included the P.O. Box, fails. Such documents include
20 their driver's licenses and letters unrelated to the Loan Application. Plaintiffs use [Wanger](#) to
21 argue that Countrywide should have used reasonable diligence to search for Plaintiffs' last known
22 address because they were on notice that the Property Address was an undeliverable address after
23 the Welcome Letter was returned. To impose such a duty here, however, ignores the
24 straightforward language of Regulation X and would require the lender to undertake a detailed
25 investigation where the borrowers failed to abide by their responsibilities to (1) ensure that the
26 documents they signed under penalty of perjury were accurate; and (2) abide by the lender's
27 policies. Neither the specific language of RESPA nor any reasonable interpretation requires such
28 a result.

1 Insofar as Plaintiffs argue that Countrywide failed to follow their internal policies and
2 procedures, their argument does not change the result. Countrywide' internal policies are distinct
3 from the RESPA requirements and are irrelevant to the RESPA analysis.

4 B. California Civil Code Section 2937

5 1. *Requirements*

6 Similarly, California Civil Code section 2937(b) also requires a transferor of service to
7 provide "written notice to the borrower or subsequent obligor before the borrower or subsequent
8 obligor becomes obligated to make payments to a new servicing agent." Section 2937(e) states
9 that this notice "shall be sent by first- class mail, postage prepaid, to the borrower's or subsequent
10 obligor's address designated for loan payment billings, or if escrow is pending, as provided in the
11 escrow..."

12 2. *Discussion*

13 For the reasons discussed above, Plaintiffs' section 2937 claim cannot survive summary
14 judgment.

15 **ORDER**

16 Countrywide's motion for summary adjudication is GRANTED as to the first and second
17 causes of action. Plaintiffs have indicated that they will be moving to dismiss the third and fourth
18 causes of action, and SHALL file appropriate dismissal documents within ten (10) days of the
19 date of service of this order.

20
21 IT IS SO ORDERED.

22 **Dated: November 10, 2009**

/s/ Dennis L. Beck
UNITED STATES MAGISTRATE JUDGE