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SUPERIOR COURT OF CALIFORNIA
COUNTY OF LOS ANGELES

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SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

DOUGLAS RANDALL, an individual; LOLITA RANDALL, an individual; MARK GENNARO, an individual; MANUEL SEDILLOS, an individual; MICHELLE ROGERS, an individual; ANTONIO HERNANDEZ, an individual; DONNA HERNANDEZ, an individual; LAURO ROBERTO, an individual; AMALIA ROBERTO, an individual; VINCENT LOMBARDO, an individual; LORRAINE LOMBARDO, an individual; SHIRLEY COFFEY, an individual; DINA GARAY, an individual; JAMES FORTIER, an individual; ANGEL DIAZ, an individual; ALICE SHIOTSUGU, an individual; VICENTE PINEDA, an individual; JERRY ROGGE, an individual; MICHAEL SHAFFER, an individual; VICTORIA ARCADI, an individual; DEBORAH BECKER, an individual; YOUSEF LAZARIAN, an individual; LINAT LAZARIAN, an individual; DIANA BOGDEN, an individual; SHILA ARDALAN, an individual; GEORGE CHRIPCZUK, an individual; ROBERT ORNELAS, an individual; LICET ORNELAS, an individual; AMIE GAYE, an individual; KEVIN CURTIS, an individual; STEVEN CHAU, an individual; BIYUN SITU, an individual; ROBERT GANOS, an individual; REGGIE WINANS, an

Case No.: BC526888

COMPLAINT FOR:

1. **INTENTIONAL PLACEMENT OF BORROWERS INTO DANGEROUS LOANS THEY COULD NOT AFFORD THROUGH COORDINATED DECEPTION, IN THE NAME OF MAXIMIZING LOAN VOLUME AND THUS PROFIT**

   COUNT 1- FRAUDULENT CONCEALMENT

   COUNT 2- INTENTIONAL MISREPRESENTATION

   COUNT 3- NEGLIGENT MISREPRESENTATION

   COUNT 4- NEGLIGENCE

   COUNT 5- UNFAIR, UNLAWFUL, AND FRAUDULENT BUSINESS PRACTICES (VIOLATION OF CAL. BUS. & PROF. CODE §17200)

2. **INDIVIDUAL APPRAISAL INFLATION**

   COUNT 6- INTENTIONAL MISREPRESENTATION

   COUNT 7- NEGLIGENT MISREPRESENTATION

   COUNT 8- NEGLIGENCE

   COUNT 9- UNFAIR, UNLAWFUL, AND FRAUDULENT BUSINESS PRACTICES (VIOLATION OF CAL. BUS. & PROF. CODE §17200)

BY FAX

individual; CLEMENTA ESPARZA, an individual; ANDREW ESPARZA, an individual; GERARDO MICHEL, an individual; BEATRIZ MICHEL, an individual; LI HUANG, an individual; WINSTON OFFER, an individual; Michael Backs, an individual; SUSAN IMEL-BACKS, an individual; JOHN FEATHERSTONE, an individual; DEANA FEATHERSTONE, an individual; GUILLERMO MARTINEZ, an individual; SOLEDAD MARTINEZ, an individual; PEARLINE GUSTAFSON, an individual; JAMES GUSTAFSON, an individual; HECTOR PINEDA, an individual; CURTIS MELANCON, an individual; KENNA MELANCON, an individual; DAVID ZAMORA, an individual; GAVIELA ZAMORA, an individual; STEVEN JOHNSON, an individual; James Hughes, an individual; THOMAS BAILEY. an individual; KATHY BAILEY, an individual; LORENZO CABRERA, an individual; ROSA CABRERA, an individual; PEDRO QUIROZ, an individual; LUCINA QUIROZ, an individual; JAIME ARCE, an individual; ANA GARCIA, an individual; JOSE CANCHOLA, an individual; DOLOROES CANCHOLA, an individual; EARL LUEVANO, an individual; HORACIO RAMOS MINJARES, an individual; VERONICA VALADEZ, an individual; DEBRA MEDFORD, an individual

Plaintiffs,

vs.

CITIGROUP INC., a Delaware Corporation; CITIBANK, N.A, a National Association; CITI RESIDENTIAL LENDING, INC., a national banking association; CITI HOLDINGS, a national banking association; CITI MORTGAGE, a national banking association; CITI FINANCIAL aka ONE

3. MARKET FIXING

COUNT 10 – FRAUDULENT CONCEALMENT

COUNT 11 – NEGLIGENCE

COUNT 12- PRICE FIXING - VIOLATION OF SHERMAN ACT 15 USC §1 ET SEQ.

COUNT 13- UNFAIR, UNLAWFUL, AND FRAUDLENT BUSINESS PRACTICES (VIOLATION OF CAL. BUS. & PROF. CODE §17200)

4. DECEPTION IN LOAN MODIFICATIONS

COUNT 14- COUNT 14 : VIOLATION OF CAL. CODE CIV. PROC. § 580B AND §726 PROHIBITING COLLECTION OF DEBT AFTER ELECTING TO FORECLOSE

COUNT 15 – FRAUDULENT CONCEALMENT

COUNT 16 – INTENTIONAL MISREPRESENTATION

COUNT 17 – NEGLIGENT MISREPRESENTATION

COUNT 18- RESCISSION OF CONTRACT AND/OR RESTITUTION ON THE GROUNDS OF FRAUD, AND/OR UNCONSCIONABILITY

COUNT 19 – BREACH OF CONTRACT

COUNT 20- VIOLATION OF THE CRIER RULE (CAL. CIV. CODE §2994G)

COUNT 21- UNFAIR DEBT COLLECTION PRACTICES (VIOLATION OF CAL. CIV. CODE §1788 ET SEQ)

COUNT 22- UNLAWFUL, UNFAIR & FRAUDULENT BUSINESS PRACTICES (VIOLATION OF CAL. BUS. & PROF. CODE §17200)

5. INTENTIONAL UNAUTHORIZED FORECLOSURES PURSUED IN THE NAME OF PROFIT

COUNT 23- WRONGFUL FORECLOSURE

COUNT 24- UNFAIR, UNLAWFUL, AND FRAUDULENT BUSINESS PRACTICES (VIOLATION OF CAL. BUS. & PROF. CODE §17200)

[JURY TRIAL DEMANDED]

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MAIN FINANCIAL a national banking association; ASSOCIATES FIRST CAPITAL CORPORATION, a national banking association; CITI HOME EQUITY, a national banking association; ARGENT MORTGAGE, a Delaware Corporation; ACC CAPITAL HOLDINGS; a Delaware Corporation; AMERIQUEST MORTGAGE CORPORATION, a Delaware Corporation; CR TITLE SERVICES, a Delaware Corporation; NATIONWIDE APPRAISAL & TITLE SERVICES, INC., a Corporation of unknown citizenship; CAL-WESTERN RECONVEYANCE CORPORATION, a California Corporation, a Delaware Corporation; and Does 1 through 1000, inclusive,

Defendants.

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Plaintiffs, and each of them, hereby demand a jury trial and allege as follows:

NATURE OF ACTION

1. **Glossary**. As used herein:

   a. "**DEFENDANTS**" shall collectively refer to each and every Defendant named in this action; such Defendants are all alleged to have acted in coordinated conspiracy with one another.

   b. "**BANK DEFENDANTS**" shall refer, collectively, to all Defendants acting to originate or service loans including: CITIGROUP INC ("**Citi**" or "**Citigroup**")., CITIBANK, N.A. ("**Citibank**"), CITI RESIDENTIAL LENDING, INC ("**Citi Residential**")., CITI HOLDINGS ("**Citi Holdings**"), CITI MORTGAGE ("**CMI"**), CITI FINANCIAL aka ONE MAIN FINANCIAL ("**CFMC**" or "**One Main**"), ASSOCIATES FIRST CAPITAL CORPORATION ("**Associates**"), CITI HOME EQUITY ("**CHE**"), ARGENT MORTGAGE, ACC CAPITAL HOLDINGS, and AMERIQUEST MORTGAGE CORPORATION ("**Ameriquest**").

   c. "**TRUSTEE DEFENDANTS**" shall refer, collectively, to Defendants CR TITLE SERVICES ("**CR Title**") and CAL-WESTERN RECONVEYANCE CORPORATION ("**Cal-Western**").

   d. "**NATS**" or "**Nationwide**" shall refer to Defendant NATIONWIDE APPRAISAL & TITLE SERVICES, INC.

   e. "**DOT**" shall act as an abbreviation for the term: Deed of Trust.

2. This lawsuit arises from Defendants' wrongs and deception in inducing Plaintiffs to enter into mortgages from 2003 through 2008 with the Bank Defendants, as well as deception in loan modifications and wrongful foreclosure activities through current day.

3. The gravamen of Plaintiffs' Complaint is that Defendants had ceased acting as conventional money lenders and instead morphed into an enterprise engaged in systematic fraud upon its borrowers. With profit as their motive, the conspiracy of Defendants set out upon a massive and centrally-directed fraud by which Defendants (1) placed the Plaintiff-homeowners into loans which

Defendants *knew* Plaintiffs could not afford and would default upon to a mathematical certainty, (2) abandoned industry-standard underwriting guidelines, (3) concealed/misrepresented the terms of their loans to borrowers to induce their unwitting consent, and (4) intentionally inflated the appraisal values of homes throughout California in a market-fixing scheme – all for the sole purpose of herding as many borrowers as they could into the largest loans possible which Defendants would then sell on the secondary market at inflated values for unimaginable profit (wildly surpassing the profit they would make by holding the loans), *knowing that their scheme would cause the precipitous decline in values of all homes throughout California*, including those of Plaintiffs herein.

4. Because Bank Defendants stood to reap so much more profit by securitizing and selling these loans on the secondary market, than they would by holding their loans under the conventional "originate to hold model" of traditional banking, Defendants ceased acting as conventional money lenders and instead adopted the "originate to sell" model - originating loans with an eye towards (1) *immediately* selling the loans on the secondary market, while (2) simultaneously becoming a servicer of the loan – both immensely profitable. The result was simple. Because Defendants knew the purchasers of these loans (secondary market investors) would bear all the risk in the event of default, Bank Defendants no longer had any incentive to verify a borrower's creditworthiness, or ensure that the borrower qualified for (or could afford) the loans they were being given. Indeed they had an incentive to do the opposite: the sheer profit made by selling high volumes of these loans.

5. To feed their investors and continue to make such never-before-seen profits, all of which inured to the benefit of the conspiracy of Defendants, Bank Defendants needed more borrowers. In turn, Bank Defendants began (1) disregarding their own as well as industry-standard underwriting standards, (2) intentionally approving borrowers who they knew were grossly under-qualified, who they knew could not afford their loans and who they knew would default to a mathematical certainty, (3) falsifying the income and asset documentation of Plaintiff-borrowers without their consent, and (4) concealing the material terms of their loans to induce a borrower's unwitting consent – all in the name of getting as many loans out the door, and sold to investors for profit, as possible. (Cause of Action for **"Intentional Placement of Borrowers into Dangerous Loans Which They Could Not Afford**")

6. Bank Defendants also ceased acting as a conventional money lender by originating loans

with an eye towards immediately becoming the servicer on the loan. Servicers earn more money from initiating foreclosures and collecting various fees and thus have significantly different incentives and motivations than do lenders. Knowing that they would soon become servicers, Bank Defendants had an (additional) incentive to place borrowers into loans they knew their borrowers could not afford and to conceal highly material information regarding the loans, because as servicers they would make more money by collecting fees from borrowers who couldn't afford their loans such as late fees, default fees, and foreclosure fees. In other words, because Bank Defendants made more money collecting fees from borrowers who couldn't afford their loans, Bank Defendants had an incentive to place their borrowers into loans they couldn't afford. In doing so, Bank Defendants became anything but a conventional money lender – their interests were aligned solely with those of a servicer.

7. Part and parcel with this scheme, the conspiracy of Defendants undertook a scheme to artificially manipulate and inflate California's real estate market through their wholly-owned appraisal subsidiary, Nationwide Appraisal & Title Service, Inc. ("NATS" or "Nationwide") over whom Bank Defendants exercised complete dominion. As is common knowledge in the real estate industry, appraisers are required to calculate the value of a home based almost entirely on the value of other nearby homes (called comparables aka "comps"). Defendants, including Bank Defendants seized on this vulnerability in the system. Exercising dominion over their NATS, Defendants directed NATS to begin systematically inflating the valuations they rendered upon the subject properties of each of their loans (including loans of Plaintiffs herein), *knowing that by doing so* their falsely inflated valuations would act as comps upon which numerous *other* appraisers based their valuations of *other* homes. These inflated appraisals caused other homes to be valued for more than they were worth, which in turn acted as the predicate for even higher appraisals on other homes. The result was a vicious self-feeding exponential cycle, both expected and intended by Defendants - the intentional, systematic, artificial inflation of home values throughout California. Because Bank Defendants had such massive market share, they had the means and the ability to fully manipulate the market on a scale that few others could, and indeed they did. (**The "Market Fixing Scheme Cause of Action" and separately the "Individual Appraisal Fraud Cause of Action"**)

8. Bank Defendants' reasons for artificially inflating the prices of real estate were simple.

First, **by doing so Defendants created the illusion of a naturally-appreciating real economy, which resulted in a purchase *and* refinance boom** – which meant more loans for Defendants, and thus more profit. Second, by doing so, Bank Defendants induced Plaintiffs to enter into contract with them by convincing Plaintiffs that the value of their home was sufficient to justify taking out a loan of that size – or in other words, to assure Plaintiffs that their collateral was sound. Third, by doing so, Bank Defendants intended to induce Plaintiffs to consummate their purchase transactions by falsely reassuring them that they were paying what the home was worth, and not more – the result of which was, once again, more loans generated by Defendants and thus more profit. Fourth, by driving the prices of real estate up, borrowers were forced to take out larger loans to afford the same property, once again resulting in more profit to Bank Defendants. Fifth, then, based on these fraudulently inflated loan amounts, Bank Defendants deceptively extracted excessive and unearned payments, points, fees, and interest from Plaintiffs. All of these profits were shared among the conspiracy of Defendants, and inured to the benefit of the Conspiracy.

9. The inevitable and intended result of Defendants' conspiracy was the creation of a super-heated pricing bubble in the real estate economy, created by and at the direction of the conspiracy of Defendants, designed to manipulate and inflate property values, and effectuated for the sole purpose of lining the conspiracy of Defendant's pockets with money.

10. Bank Defendants and their co-conspirators conducted their scheme *knowing it would cause the wide-spread crash of property values throughout California* and the substantial loss of equity to Plaintiffs, and indeed it did. As a result of Defendants' market fixing scheme, Plaintiffs were forced to pay much more for their homes, then their true uninflated worth. Even for those Plaintiffs who did not purchase their property, but rather refinanced it, the demise of Defendants' scheme drove the value of their property far below its original purchase price, once again resulting in the loss of substantial equity.

11. From 2008 to the present, Californians' home values decreased by considerably more than most other areas in the United States as a direct and proximate result of the Defendants' scheme set forth herein.

12. As a result, Plaintiffs have lost their equity in their homes, if not their homes themselves, their credit ratings and histories were damaged or destroyed, among a host of other damages and harms

which will be laid out in detail throughout this Complaint.

13. The profit-driven scheme/conspiracy did not end there. To further their profit, the conspiracy of Defendants then intentionally steamrolled wrongful and unauthorized foreclosures upon those borrowers whose very peril was caused by Defendants' fraud in the first place. They intentionally initiated these wrongful foreclosures without regard to whether they had authority to foreclose, or had complied with the requirements under California Law, because foreclosure is a profitable business, creating profit not only for the foreclosing trustee, but also the servicing bank, as well as the owner of the Deed of Trust. By initiating such unauthorized/wrongful foreclosures Bank Defendants and Trustee Defendants were able to charging a host of profitable "foreclosure fees' including trustee fees, attorney fees, late fees, default fees, inspection fees, among many others. (**"Intentional Wrongful Foreclosure Cause of Action")**

14. Further, in the face of the escalating foreclosure crisis in the United States and especially in California, the Bank Defendants have further victimized and preyed on those struggling to keep by offering and inducing customers into illusory "Loan Modification" or "Workout Agreements," which purport to offer hope of an opportunity to cure loan default, but in truth and fact are merely a ruse through which the Bank Defendants dupe homeowners into paying them thousands of dollars immediately before they foreclose. On information and belief, the Bank Defendants have reaped illicit profits from these actions exceeding $100 million. (**the "Deception in Loan Modification Cause of Action")**

15. These activities have been the subject of intense scrutiny, enforcement actions and litigation. As recently as April 13, 2011, multiple Federal regulators entered into stipulated consent orders with other similarly situated banks and related entities such as MERS (described below) describing massive failures and taking the first steps toward requiring Defendants and other banks to refund sums to homeowners improperly foreclosed upon by Defendants and other banks.

16. These illusory work-out agreements were nothing more than a cash-grab designed to circumvent California's prohibition against deficiency judgments. Plaintiffs are entitled to rescind and obtain back from the Bank Defendants their promised (and delivered) consideration, namely the payments that were made to the Bank Defendants under the Workout Agreements and Extended

Workout Agreements. Because California law prohibits deficiency judgments, the Bank Defendants were not entitled to require post-election-to-sell payments and foreclose on the loans. In addition, such payments included attorney and other fees which Plaintiffs had no obligation to pay under their mortgages absent Bank Defendants' Work out Agreement Scheme

17. Plaintiffs are entitled to rescind and obtain back from the Bank Defendants their promised (and delivered) consideration, namely the payments that were made to the Bank Defendants under the illusory Workout Agreements and Extended Workout Agreements. Because California law prohibits deficiency judgments, Bank Defendants were not entitled to require post-election-to-sell payments and foreclose on the loans. In addition, such payments included legal and other fees which Plaintiffs had no obligation to pay under their mortgages absent the Bank Defendants' Work out Agreement Scheme.

18. Through this Action, Plaintiffs seek to stop Bank Defendants from preying on their customers through its Workout Agreement Scheme. Where Bank Defendants have exercised their election to sell under non-judicial foreclosure, they must not be permitted to extract thousands of dollars in additional payments with illusory promises and false statements of opportunities to cure defaulted loans. Bank Defendants herein have sold or initiated foreclosures on many of the Plaintiffs in this action. At the very least, Plaintiffs are entitled to a return of the payments they made under the false promise from Bank Defendants, that Plaintiffs would at least have an opportunity to avoid foreclosure.

19. This Complaint alleges in no uncertain terms that had Plaintiff known the truth of any of these material facts, they would never have entered into any loans and/or modifications with Defendants. If the Plaintiffs had later learned the truth, each Plaintiff would have either (1) rescinded the loan transaction under applicable law and/or (2) refinanced the loan transaction with a reputable institution prior to the decline in mortgage values in late 2008. Instead, each Plaintiff reasonably relied on the deceptions of the Defendants in entering their loans, "trial" modification agreements (aka Workout Plans), and forbearing from exercising their rights to rescind or refinance their loans.

20. It bears emphasizing – that this action is not about the harm and frauds that Defendants have perpetrated on third-party investors, but rather the harms and frauds perpetrated upon Plaintiffs herein – the borrowers. The frauds described in the Complaint upon the investor, were merely the

incentive for Defendants' fraud on Plaintiff-borrowers. The Complaint brings no action for Defendants' fraud upon the investors. It only brings an action for fraud upon the borrower-Plaintiffs herein.

21. No business, particularly one as centrally-important to the American economy as banking, should be allowed to so egregiously deceive its consumers. If Banks are to conduct business, their business *must not be* that of fraud and deception.

PARTIES

Plaintiffs

22. All Plaintiffs listed in the above caption are competent adults and individuals residing in the State of California, who borrowed money from one or more of the Defendants or its subsidiaries or affiliates or successors and assigns between January 1, 2003, and December 31, 2008, secured by a deed of trust on his or her California real estate(s). At all material times hereto, one or more of the Defendants have acted as Servicer or some other control or capacity over processing the loan.

23. Based on information now available to them, fewer than 100 plaintiffs are alleging claims in amounts that would, as to them, equal or exceed the jurisdictional amount for federal jurisdiction under 28 U.S.C. § 1332(a).

24. **IN ADDITION TO THE ALLEGATIONS MADE THROUGHOUT THIS COMPLAINT, WHICH APPLY TO ALL PLAINTIFFS (EXCEPT WHERE OTHERWISE NOTED), APPENDIX "A" ("INDIVIDUALIZED PLAINTIFF ALLEGATIONS") PROVIDES INDIVIDUALIZED ALLEGATIONS AS TO EACH AND EVERY PLAINTIFF IN THIS ACTION AND THE SPECIFIC WRONGS DONE BY EACH DEFENDANT.** By this reference, Plaintiffs hereby incorporate Appendix "A" to this Complaint.

25. **Statute of Limitations & Equitable Tolling -** All of the concealments, partial misrepresentations and affirmative misrepresentations were unknown to all Plaintiffs referenced herein at the time of loan origination. Defendants' scheme was built on deception and keeping borrowers in the dark. All Plaintiffs herein discovered these frauds and concealments beginning no more than 3 years prior to the date of filing this action. A reasonable person would have been unable to reasonably discover said frauds any earlier. The circumstances and date of discovery of these wrongs are alleged

1 with specificity as to each and every Plaintiff in Appendix A.
2
3 ***Defendants***

4 26. Defendant Citibank, N.A. ("***Citibank***") is a nationally chartered bank founded in 1812
5 that is the lead bank within Citigroup, Inc. ("**Citi**") a financial holding company regulated by the Federal
6 Reserve. Citibank is the consumer banking division of Citigroup. Citibank is the third largest bank in
7 the nation and is the predominant legal entity representing 63 percent of consolidated holding company
8 assets. The insured legal entities of Citigroup consist of three national banks, one federal savings bank
9 and one state non-member bank.

10 27. Citigroup is the largest consumer finance lender in the world, third largest mortgage
11 servicer and the fourth largest student lender. It is the world's largest credit card lender and the third
12 largest in the United States. It is also one of the world's largest private banking and private wealth
13 management businesses.

14 28. *Citi* has three principal nonbank subsidiaries; Citigroup Global Market Holdings, Inc.
15 (broker-dealer); Citigroup Funding, Inc. (primary funding vehicle of Citigroup); and Associates First
16 Capital Corporation (parent company of CitiFinancial, which provides consumer finance). There is one
17 foreign banking subsidiary Grupo Financiero de Banamex SA de CV (Mexican banking organization).

18 29. *Citi* engages in extensive foreign activities and has operations in over 100 countries. It
19 operates approximately 1,000 retail branches in 13 states (including California), as well as the District of
20 Columbia, and Guam. *Citi* reported foreign assets of $612 billion and foreign deposits of $554 billion
21 held either in direct foreign branches of Citi or in other foreign entities that are mostly owned by the
22 *Citi's* Edge Act investment subsidiary, Citibank Overseas Investment Corp. (COIC). COIC has over 20
23 foreign banks that are headquartered and chartered in countries around the world.

24 30. Defendant Citigroup, Inc ("Citi"). was among the leading providers of mortgages in
25 California during all times relevant to this Complaint. By 2005, *Citi* was the third largest U.S. mortgage
26 lender in the United States, originating over $161 billion in mortgage loans in 2004, over $192 billion in
27 2005, over $226 billion in 2006, and over $252 billion in 2007.

28 31. In 2005, Defendant *Citi* commenced negotiations to acquire what is now known as

CitiFinancial. By late 2005, Citigroup began merging its operations with CitiFinancial and adopting some of CitiFinancial's practices. From and after its acquisition of CitiFinancial in 2005 and continuing to the present, both as a successor in interest to CitiFinancial and as a principal, Citi has engaged in and continued the wrongful conduct complained of herein.

32. All of the mortgage lending operations were considered to be a part of Real Estate Lending ("**REL**"), within the Consumer Lending Group. That included the following subsidiaries: CitiMortgage Inc. ("**CMI**") – prime mortgage lending, primarily first lien mortgages; CitiFinancial Mortgage Corp. ("**CFMC**") – subprime mortgage lending; primarily first lien mortgages and Citi Home Equity ("**CHE**") – prime second lien mortgages.

33. At all times material hereto, Defendant CITIGROUP ("**CITI**") was and is a national banking association, organized and existing under the laws of the State of Delaware, and upon information and belief with its principal place of business in New York, New York, and doing business in the State of California and the County of Los Angeles. Citigroup is the parent company to most of the Defendants listed in this case. It is the ringleader and all Defendants make decisions under the direction of Citigroup.

34. At all times material hereto, Defendant CITIBANK , N.A("**Citibank**") was and is a national banking association, organized and existing under the laws of the State of Delaware, and upon information and belief with its principal place of business in New York, New York, and doing business in the State of California and the County of Los Angeles. Citibank originated Plaintiffs loans through their in branch retail division. Some of these loans were presented to Plaintiffs as prime mortgage and they were nowhere near prime. Loans were shuffled by Citibank to other conglomerates including Citi Residential Lending which was the largest privately held retail subprime mortgage lender in the United States.

35. At all times material hereto, Defendant CITI RESIDENTIAL LENDING, INC. ("**Citi Residential**") was and is a national banking association, organized and existing under the laws of the State of Delaware, and upon information and belief with its principal place of business in Orange, California, and doing business in the State of California and the County of Los Angeles. Citi Residential is one of the subprime divisions owned by Citigroup and has a long history of writing bad loans.

36. Citigroup re-branded Argent Mortgage Company and ACC Capital Holdings the parent company of Ameriquest into Citi Residential Lending after settling one of the largest predatory lending lawsuits in our Nation's history. With company policy of funding loans "by –any-means-necessary", and a simple tag line "Don't judge too quickly, we don't", they set policies in place that would imperil thousands if not hundreds of thousands of homeowners.

37. At all times material hereto, Defendant CITI HOLDINGS ("**Citi Holdings**") was and is a national banking association, organized and existing under the laws of the State of Delaware, and upon information and belief with its principal place of business in New York, New York, and doing business in the State of California and the County of Los Angeles.

38. Citi Holdings is part of Citigroup's reorganization plan of breaking the company into two major segments. Citi Holdings is being used as a securitization arm for Citigroup and is the holding company on many of the Plaintiffs loans. Citi Holdings consists of several business entities including One Main Financial fka Citi Financial. Citi Holdings was specifically formed to spin off all of the bad loans that Bank Defendants wrote and ship them off to the grimm reaper to sell them as distressed assets.

39. Citi Holdings is an integral part of this complaint as defendants are trying to spin off and divest themselves of these troubled loans through a bankruptcy remote entity that will not affect the parent company's bottom line. This so called "special asset pool", manages the assets covered by the loss-sharing agreement with the U.S. government in what is called the ring-fenced portfolio. If Citi Holdings forecloses on a home in this portfolio and loses money, the tax payers pay them back every penny so they have nothing to lose besides a customer.

40. At all times material hereto, Defendant CITI MORTGAGE ("**CMI**") was and is a corporation organized and existing under the laws of the State of Delaware, upon information and belief with its principal place of business in O'Fallon, Missouri, and doing business in the State of California and the County of Los Angeles.

41. CMI is an integral part of this complaint. CMI claims to be the Conforming Loan division of Citigroup and wrote many of the Plaintiffs loans that are subject of this complaint. CMI presented themselves to be a responsible lending arm of Citigroup; however the loans written for Plaintiffs were

less than prime.

42. It is Plaintiffs belief and they hereon allege that CMI's reckless lending standards have caused some Plaintiffs great harm.

43. CMI was accused of similar lending practices by the U.S. Department of Housing and Urban Development. HUD's complaint stated the following:

44. CMI failed to comply fully with all HUD-FHA requirements with respect to certain loans.

45. CMI failed to conduct a full review of certain loans that it endorsed for FHA mortgage insurance pursuant to the DEL Program that experienced early payment defaults: i.e., became 60 days past due within the first six payments.

46. CMI endorsed for FHA mortgage insurance pursuant to the DEL Program certain loans that did not meet underwriting requirements contained in HUD's handbooks and mortgagee letters, and therefore were not eligible for FHA mortgage insurance under the DEL Program.

47. As a result, CMI submitted to HUD-FHA certifications stating that certain loans were eligible for FHA mortgage insurance when in fact they were not; FHA insured certain loans endorsed by CitiMortgage that were not eligible for FHA mortgage insurance and that FHA would not otherwise have insured; and HUD consequently incurred losses when those CitiMortgage-endorsed loans defaulted.

48. At all times material hereto, Defendant CITI FINANCIAL AKA ONE MAIN FINANCIAL ("**One Main**") was and is a national banking association, organized and existing under the laws of the State of Delaware, and upon information and belief with its principal place of business in Baltimore, Maryland, and doing business in the State of California and the County of Los Angeles. This Defendant's tag line is that they supply "money for life's emergencies," Citi Financial continues to act as a predator and take advantage of homeowner's within this complaint. It's widespread and systematic abusive lending practices, commonly known as "predatory lending," have been subject to multiple Government led investigations.

49. ASSOCIATES FIRST CAPITAL CORPORATION ("**Associates**") was and is a corporation organized and existing under the laws of the State of Delaware, with its principal place of

business in Irving, Texas, and doing business in the State of California and the County of Los Angeles. The parent company of Citi Financial and now the re-branded One Main Financial has and continues to act as a predator. Violating California anti-predatory lending statutes and stealing Plaintiffs homes. They have been subjects of numerous Nationwide Governmental Investigations and continue to deceive California Residents.

50. In an Federal Trade Commission lawsuit, director Jodie Bernstein put it best:

51. The Federal Trade Commission today filed a complaint in federal court charging Associates First Capital Corporation and Associates Corporation of North America (collectively, The Associates) with systematic and widespread abusive lending practices, commonly known as "predatory lending";

52. The FTC alleges that The Associates violated the Federal Trade Commission Act through deceptive marketing practices that induced consumers to refinance existing debts into home loans with high interest rates, costs, and fees, and to purchase high-cost credit insurance;

53. “The Associates engaged in widespread deceptive practices”; and

54. "They hid essential information from consumers, misrepresented loan terms, flipped loans, and packed optional fees to raise the costs of the loans. What had made the alleged practices more egregious is that they primarily victimized consumers who were the most vulnerable - hard working homeowners who had to borrow to meet emergency needs and often had no other access to capital."

55. At all times material hereto, Defendant CITI HOME EQUITY was and is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business in New York, New York, and doing business in the State of California and the County of Los Angeles.

56. Plaintiffs believe and hereby allege that Citi Home Equity has stripped them of their equity in their homes. As a one-two punch Citi through all of their subsidiaries would refer clients to this Home Equity division. They would use these high loan to value loans to strip homeowners of every last bit of value that was left in the home. They were used in combo loans nicknamed “PiggyBacks”, by the lending industry.

57. Defendant Citi also acquired ACC CAPITAL HOLDINGS including its three parts ARGENT MORTGAGE (the wholesale lending division), AMERIQUEST MORTGAGE COMPANY

(its retail lending division), and AMC Mortgage Services (a non-Defendant in this action).

58. At all times material hereto, Defendant ARGENT MORTGAGE was and is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business in Orange, California, and doing business in the State of California and the County of Los Angeles.

59. At all times material hereto, Defendant ACC CAPITAL HOLDINGS was and is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business in Orange, California, and doing business in the State of California and the County of Los Angeles.

60. At all times material hereto, Defendant AMERIQUEST MORTGAGE CORPORATION was and is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business in Orange, California, and doing business in the State of California and the County of Los Angeles. Ameriquest was an originator of loans and engaged in the deceptive and misleading lending practices described throughout this Complaint.

61. Defendant NATIONWIDE APPRAISALS & TITLE SERVICES, INC ("**Nationwide**" or "**Nationwide Appraisals**") is a wholly owned subsidiary of CitiGroup; their state of incorporation is unknown.

62. At all times material hereto, Defendant CR TITLE SERVICES, INC. ("**CR TITLE**") was and is a corporation organized and existing under the laws of the state of Delaware, with its principal place of business in O'Fallon, Missouri, and doing business in the State of California and the County of Los Angeles, and has intentionally and maliciously concealed the true names of entities to which Plaintiffs' home loans were transferred by other Defendants. CR Title is one of the Defendants' agents which acts as trustee under the deeds of trust securing real estate loans so as to foreclose on property securing the real estate loans held or serviced by the Defendants. The foregoing is part of a scheme by which the Defendants concealed the transferees of loans and deeds of trust, inter alia in violation of California Civil Code § 2923.5, §2934(a) and 15 U.S.C. § 1641, as more fully described herein.

63. At all times material hereto, Defendant CAL-WESTERN RECONVEYANCE ("**Cal-Western**") – was and is a corporation organized and existing under the laws of the state of California,

1 with its principal place of business in Los Angeles, California, and doing business in the State of
2 California and the County of Los Angeles, and has intentionally and maliciously concealed the true
3 names of entities to which Plaintiffs' home loans were transferred by other Defendants. Cal-Western is
4 one of the Defendants' agents which acts as trustee under the deeds of trust securing real estate loans so
5 as to foreclose on property securing the real estate loans held or serviced by the Defendants. The
6 foregoing is part of a scheme by which the Defendants concealed the transferees of loans and deeds of
7 trust, inter alia in violation of California Civil Code § 2923.5 and 15 U.S.C. § 1641, as more fully
8 described herein.

9 64. Cal-Western and CR Title Services, the Trustee Defendants, are an essential ingredient in
10 the wrongs complained of in this action, in that they intentionally conduct foreclosures at the behest of
11 the conspiracy of Defendants, knowing that said foreclosures are without authority, and do so in the
12 name of profit. Cal-Western and CR Title services are alleged to have acted with malice, and have
13 grossly stepped outside their role as a trustee, instead becoming a vital arm to Defendants' wrongful
14 foreclosures further detailed herein. Plaintiffs seek monetary damages against the Trustee Defendants.

15 65. As used herein the term "**Citi Defendants**" shall refer to all entities owned by Citigroup.
16 In other words the term "Citi Defendants" shall refer to all Defendants in this action with the exception
17 of Cal-Western Reconveyance.

18 66. As used herein the term "**Bank Defendants"** shall refer to all Defendants in this action
19 who originated mortgages and/or loans including CITI RESIDENTIAL LENDING, INC ("**Citi**
20 **Residential**")., CITI HOLDINGS ("**Citi Holdings**"), CITI MORTGAGE ("**CMI"**), CITI FINANCIAL
21 aka ONE MAIN FINANCIAL ("**CFMC**" or "**One Main**"), ASSOCIATES FIRST CAPITAL
22 CORPORATION ("**Associates**"), CITI HOME EQUITY ("**CHE**"), ARGENT MORTGAGE, ACC
23 CAPITAL HOLDINGS, and AMERIQUEST MORTGAGE CORPORATION ("**Ameriquest**").

24 67. At all times material hereto, the business of Defendants was operated through a common
25 plan and scheme designed to conceal the material facts set forth herein from Plaintiffs, from the
26 California public, and from regulators, either directly or as successors-in-interest to other Defendants.

27 68. The concealment was completed, ratified and/or confirmed by each Defendant herein
28 directly or as a successor-in-interest for another Defendant, and each Defendant performed the tortious

acts set forth herein for its own monetary gain and as a part of a common plan developed and carried out with the other Defendants, or as a successor-in-interest to a Defendant that did the foregoing.

69. Plaintiffs believe and thereon allege that the agents and co-conspirators through which the named Defendants operated included, without limitation, financial institutions and other firms that originated loans on behalf of the Defendants, as well as servicers acting on behalf of Defendants. These institutions acted at the behest and direction of the Defendants, or agreed to participate – knowingly or unknowingly - in the fraudulent scheme described herein.

70. Those firms originating loans that knowingly participated in the scheme are jointly and severally liable with the Defendants for their acts in devising, directing, knowingly benefitting from and ratifying the wrongful acts of the knowing participants. Upon learning the true name of such knowing participants, Plaintiffs may seek leave to amend this Complaint to identify such knowing participants as Doe Defendants.

Relationship of Defendants

71. Defendants herein acted pursuant to a coordinated conspiracy.

a. At all times material hereto, the business of Defendants was operated through a common plan and scheme designed to effectuate the wrongs complained of herein, misrepresent and/or conceal material facts set forth herein from Plaintiffs, from the California public, and from regulators, either directly or as successors-in-interest to other Defendants.

b. These wrongful acts including (but not limited to) misrepresentation and concealment were completed, ratified and/or confirmed by each Defendant herein directly or as a successor-in-interest for another Defendant, and each Defendant performed the tortious acts set forth herein for its own monetary gain and as a part of a common plan developed and carried out with the other Defendants, or as a successor-in-interest to a Defendant that did the foregoing.

c. Each Defendant herein agreed to participate in the Conspiracy, shared in the profit of the conspiracy, and took tortious action in furtherance of the conspiracy.

d. Each of the conspirators reached a unity of purpose, common design, and meeting of the

1 minds in the unlawful arrangement and acts alleged throughout this Complaint.

2 e. "Conspiracy is not a cause of action, but a legal doctrine that imposes liability on persons who,
3 although **not actually committing a tort themselves**, share with the immediate tortfeasors a
4 common plan or design in its perpetration." *Applied Equipment Corp. v. Litton Saudi Arabia*
5 *Ltd.,* 7 Cal.4th 503, 510-11 (1994). "By participation in a civil conspiracy, a coconspirator
6 **effectively adopts as his or her own the torts of other coconspirators within the ambit of**
7 **the conspiracy**." *Id.* at 511 (citing *Wyatt v. Union Mortgage Co.,* 24 Cal.3d 773, 784 (1979).
8 "In this way, a coconspirator **incurs tort liability co-equal with the immediate tortfeasors**."
9 *Id.* See also *Vieux v. East Bay Regional Park District,* 906 F.3d 1330, 1343 (9th Cir. 1990)

10 f. As to each and every Cause of Action and Count herein, Plaintiffs allege that such actions
11 were taken at the direction, behest, knowledge, and in furtherance of the conspiracy, with
12 all acts an proceeds inuring to the benefit of the members of the Conspiracy. Defendants
13 knowingly agreed to participate in the conspiracy with one another, and all acted in
14 furtherance of the conspiracy. Defendants have adopted as their own, the torts of their co-
15 conspirators all of which fell within the ambit of the conspiracy alleged throughout this
16 Complaint. All Defendants knowingly and intentionally conspired with one another.
17 Accordingly all Defendants are liable for each Count and Cause of action under a theory
18 of Conspiracy.

19 72. Plaintiffs believe and thereon allege that the agents and co-conspirators through which the
20 named Defendants operated included, without limitation, financial institutions and other firms that originated
21 loans on behalf of the Defendants. These institutions acted at the behest and direction of the Defendants, or
22 agreed to participate – knowingly or unknowingly - in the fraudulent scheme described herein.

23 73. Those companies originating loans that knowingly participated in the scheme are jointly
24 and severally liable with the Defendants for their acts in devising, directing, knowingly benefitting from
25 and ratifying the wrongful acts of the knowing participants. Upon learning the true name of such
26 knowing participants, Plaintiffs may seek leave to amend this Complaint to identify such knowing
27 participants as Doe Defendants.

28 74. For avoidance of doubt, such knowing participants include, without limitation, legal and

natural persons owned in whole or in part by the Defendants or affiliates thereof; legal and natural persons owning directly or through affiliates financial interests in Defendants; legal and natural persons directly or through affiliates acting pursuant to agreements, understandings and arrangements to share in the benefits of the wrongdoing alleged in this Complaint and knowingly, to at least some degree, committing acts and omissions in support thereof; and legal and natural persons knowingly, to at least some degree, acting in concert with the Defendants.

75. As to those legal and natural persons acting in concert without an express legal relationship with Defendants or their affiliates, on information and belief, Defendants knowingly induced and encouraged the parallel acts and omissions, created circumstances permitting and authorizing the parallel acts and omissions, benefited therefrom and ratified the improper behavior, becoming jointly and severally liable therefore.

76. As to those legal and natural persons whose acts and omissions in support of the Defendants scheme were unwitting, on information and belief, Defendants knowingly induced and encouraged the acts and omissions, created circumstances permitting and authorizing the parallel acts and omissions, benefited therefrom and ratified the improper behavior, becoming liable therefore.

77. To the extent that certain Plaintiffs herein become aware of information that provides a basis for asserting the Defendants herein are liable for the origination of their loans, those Plaintiffs reserve the right to seek leave of this Court to re-assert the appropriate claims herein. Plaintiffs are informed and believe, and thereon allege, that: (1) the Defendants are liable for all wrongful acts of the companies which Defendants acquired prior to the date thereof as the successor-in-interest to those companies; (2) Defendants directly and through its subsidiaries and other agents sued herein as Does have continued the unlawful practices of the acquired companies since the dates of their acquisition, including, without limitation thereof, writing fraudulent mortgages as set forth above and concealing wrongful acts that occurred in whole or in part prior thereto, and (3) Defendants and its subsidiaries are jointly and severally liable as alter egos and as a single, greater unified whole.

78. Citi's public disclosures, as reflected in its filings with the SEC, make clear that Citi considers itself both a common enterprise operating as a greater whole and without meaningful distinctions as to its operating units.

79. The other Defendants followed Citi's directions because they are or were either subsidiaries of Citi, directly or indirectly owned, controlled and dominated by Citi, or because they are in an unequal economic and/or legal relationship with Citiby which they are beholden to Citiand are thereby controlled and dominated by Citi.

FIRST CAUSE OF ACTION:
INTENTIONAL PLACEMENT OF BORROWERS INTO DANGEROUS LOANS THEY COULD NOT AFFORD THROUGH COORDINATED DECEPTION, IN THE NAME OF MAXIMIZING LOAN VOLUME AND THUS PROFIT

(***By All Plaintiffs against Bank Defendants, and all other Defendants as Co-Conspirators***)

80. During the 1980s and 1990s, the mortgage securitization business grew rapidly, making it possible for mortgage originators to make more loans than would have been possible using only the traditional primary source of funds from deposits. During that period, Bank Defendants made loans in accordance with its stated underwriting and appraisal standards.

81. Under the traditional mortgage model, which Bank Defendants originally subscribed to, a mortgage originator originated loans to borrowers, *held* the loans to maturity, and therefore retained the credit default risk. As such, under the traditional model, the mortgage originator had a financial incentive to ensure that (i) the borrowers had the financial ability to repay the loans, and (ii) the underlying properties had sufficient value to enable the mortgage originator to recover its principal and interest if the borrowers defaulted on the loans.

82. Traditionally, mortgage lenders financed their mortgage business primarily using funds from depositors, retained ownership of the mortgage loans they originated, and received a direct benefit from the income flowing from the mortgages. When a lender held a mortgage through the term of the loan, it received revenue from the borrower's payments of interest and fees, and also bore the risk of loss if the borrower defaulted and the value of collateral was not sufficient to repay the loan. As a result of this "**originate to hold**" model, the lender had an economic incentive to verify the borrower's creditworthiness through prudent underwriting and to obtain an accurate appraisal of the value of the

underlying property before issuing the mortgage loan.

83. With the advent of securitization, the traditional "originate to hold" model gave way to the "originate to sell" model, in which mortgage originators sold the mortgages and transferred credit risk to their investors through the issuance and sale of Mortgage Backed Securities. Securitization concurrently provided lenders like Bank Defendants with an incentive to increase the number of mortgages they issued and reduced their incentive to ensure the mortgages' credit quality.

84. With the aforementioned mandate for growth as the backdrop and incentive for their fraud, Bank Defendants abandoned the traditional model of "**originate to hold**" and instead adopted the much more lucrative "**originate to sell**" model, and in the early 2000's Bank Defendants began to systematically disregard its stated underwriting guidelines in an effort to originate an unprecedented number of loans for securitization.

85. But to feed its investors and continue to make such never-before-seen profits, Defendants needed more borrowers. In turn, Bank Defendants began disregarding their own underwriting standards, and approving borrowers who were grossly under-qualified, in the name of getting as many loans out the door, and sold to investors for a profit, as possible.

86. In fact they *preferred* under qualified borrowers. Because Bank Defendants had taken out insurance policies against the possibility of default, Bank Defendants and its co-conspirators (Defendants herein) would get paid in the event of a borrower's default. In fact, in many cases, Defendants had taken out numerous redundant insurance policies on the same property, so that when default occurred, Defendants were getting paid out multiple times – they weren't just breaking even, they were *actually turning a profit* when borrowers defaulted. In other words, Bank Defendants had an *incentive* to place borrowers into impossible loans, because by doing so they made profit.

87. With profit as their motive, Bank Defendants, in conspiracy with the other Defendants herein, set out upon a massive and centrally directed fraud by which Bank Defendants placed homeowners into loans which Defendants *knew* Plaintiffs could not afford, abandoned industry standard underwriting guidelines, and intentionally inflated the appraisal values of homes throughout California for the sole purpose of herding as many borrowers as they could into the largest loans possible which Bank Defendants would then sell on the secondary market at inflated values for unimaginable, ill-gotten profit (wildly

surpassing the profit they would make by holding the loans), *knowing that their scheme would cause the precipitous decline in values of all homes throughout California*, including those of Plaintiffs herein.

88. To be clear, it is alleged that Bank Defendants' actions in intentionally placing borrowers into impossible loans in the pursuit of profit , were a substantial factor in if not *the* cause of the generalized market crash which caused the prices of real estate values throughout California to plummet, damaging Plaintiffs herein.

89. Like cattle, Plaintiff-borrowers were led to slaughter by Defendants and their greed. Borrowers were intentionally placed in loans which Defendants knew Plaintiffs could not afford, and whose default they knew was a mathematical certainty.

90. To achieve this loan volume, Bank Defendants (acting in furtherance of the conspiracy of Defendants), intentionally concealed and misrepresented numerous material terms of their loans, to induce Plaintiffs' unwitting, uninformed consent to those loans– for instance going to extraordinary lengths to conceal the true negatively amortizing nature of the loan, or in other instances affirmatively misrepresenting that the true payment of a loan, among numerous other deceptions described below.

91. To further increase their loan volume and maximize their profit, Defendants intentionally abandoned industry standard-underwriting guidelines (as well as their own underwriting guidelines) in order to approve borrowers for loans which Bank Defendants knew were dangerous for them.

Defendants Systematically Abused and Abandoned Industry Standard Underwriting Guidelines to Intentionally Place Unqualified Borrowers into Loans Which Defendants Knew They Could Never Afford

92. As mentioned above, however, Defendants' fraud was multipronged. To feed their investors and continue to make such never-before-seen profits, Bank Defendants needed more borrowers. In turn, Bank Defendants systematically and intentionally began disregarding their own underwriting standards, and approving borrowers who were grossly under-qualified, in the name of getting as many loans out the door, and sold to investors for a profit, as possible.

93. In other words, not only did Bank Defendants inflate appraisal values, hand-in-hand with NATS, in the name of making the loans appear safer to investors, and thus more profitable to the banks

(discussed below in the causes of action for "Individual Appraisal Inflation" and "Market Fixing"), but Bank Defendants also abandoned their own underwriting guidelines to approve more and more borrowers for loans. In doing so, Defendants intentionally placed borrowers into dangerous loans which would imperil their entire livelihoods, and often cases into loans whose default was an absolute mathematical certainty. The result was, once again, more profit obtained through deception.

94. To achieve their fraud, Bank Defendants intentionally and grossly falsified Plaintiffs' salary, income, bank accounts, liquid assets, non-liquid assets, employment, real estate owned values, rental income ad infinitum, and by doing so simultaneously achieved two goals. First, they were able to approve borrowers who could never have been approved under their own published conventional underwriting guidelines (as well as industry standard underwriting guidelines used throughout the United States.) Second, they were able to conceal from the investor the highly risk nature of the loan, which resulted in more profit to the Bank. Investors were willing to pay more money for less risky loans. The translation is that Defendants had every incentive to deceive borrowers into entering loans which they realistically could never afford. The result was that Defendants turned profit, *at the sole expense of their borrowers*. When the music stopped, only the borrowers were left without a chair.

95. Bank Defendants' long-term campaign of misrepresentations, concealments and abandonment of industry standard underwriting guidelines – all of which were designed to maximize loan volume by placing as many borrowers into loans as possible, whether qualified or unqualified – was implemented by the Board, Management and Ownership of the Bank Defendants pursuant to a **top-down policy**. Bank Defendants intentionally put mechanisms and programs in place to allow their own employee's/Loan Consultants/Loan Representatives to **falsify** borrower income, asset and other material information of their borrowers, without a borrower ever knowing that their income or assets had been inflated. One such program was called the **"Stated Income"** program. Under this program, Defendant would take as true any income stated on the application, without requesting any documentation in support. Seizing this unbridled free-for-all, Defendants' **own** employees who were paid commission based on the number and size of loans they got approved, rampantly falsified material income and asset information of their borrowers. By doing so they were paid more commission. But more importantly, Bank Defendant themselves created more products to be sold on the secondary market for even more profit. In other words,

1 Bank Defendants intentionally put policies and programs into motion which would allow it to place
2 unqualified borrowers into dangerous loans – all while maintaining the semblance of propriety, and all
3 without ever having to disclose to their investors that the incomes listed on their loan applications were
4 false.

5 96. Numerous others similar programs were also adopted such as **"stated assets**", and **"low**
6 **documentation loans".** Both of which allowed Bank Defendants to falsify information, and get loans
7 approved which would never been approved under traditional documentation

8 97. Even in the absence of these programs Bank Defendants and their employees
9 nevertheless had the ability to and did, falsify their borrower's income and assets through numerous
10 other means. For example, Defendants would inflate a borrower's income by making it appear as though
11 the borrower was earning rental income on of their other properties when in fact they were earning none.
12 To legitimatize this false income, Defendants would add insult to injury by manufacturing an entirely
13 false rental agreement, showing the false monthly rental income, complete with the forged signature of a
14 non-existent renter.

15 98. Bank Defendants *regularly* inflated borrowers' incomes by over 50% and on many
16 occasions by as much as a mind-numbing 500%.

17 99. Bank Defendants were intentionally turning a blind-eye to the rampant and egregious
18 manipulations of incomes by their own employees, through policies and programs intentionally set forth
19 by Defendants' very own top executives to achieve *just such a result*. The result was that Bank
20 Defendants were able to originate loans which they knew were false, and they intended to be false, but
21 without ever having to *admit* to their secondary market investors that the loans were, in fact, false.

22 100. Bank Defendants knew and intended that their employees would falsify this information,
23 for the very reasons set forth above, and in fact incentivized them through their commission and reward
24 structure to do so. In other words Bank Defendants intended that this program would be abused. And by
25 doing so, allowed and intended for their borrowers to be placed into loans which the borrowers had no
26 chance of being able to afford had their true income/asset information been used .

27 101. Bank Defendants then told their borrowers, and Plaintiffs herein, that a determination by
28 the Bank that they were "*qualified*" for a loan meant that the borrowers would be able to "*afford*" their

loan.

102. Industry Standard and Conventional Underwriting guidelines, including those used by Bank Defendants herein, required that loans with a "front end" debt to income ratio higher than **35%** be rejected. They also required that loans with a "back end" debt to income ratio of higher than **45%** be rejected – and that 45% figure was on the on the *very* high end. For a loan with a 45% "back end" debt to income ratio to be approved, a borrower had to have excellent credentials in all other areas such as 720+ median credit score and high liquid asset reserves totaling more than 12 months of their mortgage payment.

103. However, Bank Defendants in this action regularly approved loans with front end ratios wildly exceeding 35% (and back end ratios wildly exceeding 45%) on a regular basis, and as a matter of course, in violation of their own published underwriting guidelines as well industry standard underwriting guidelines used throughout the banking industry. Bank Defendants intentionally placed borrowers into these dangerous loans, which fall wildly outside of their own underwriting guidelines – and intentionally did so in the name of profit without any regard for a borrower's safety. Then, to ensure that these wrongs and deceptions went unnoticed Defendants embarked on a campaign of concealments and misrepresentations all of which were designed to conceal the true nature and payments of the loan and designed induce the borrower's belief that they could "afford" the loan.

Defendants Turned Substantial Profits Through Their Borrowers' Default Furthering Their Incentive to Intentionally Place Plaintiffs Into Impossible and Unaffordable Loans

104. Not only did Bank Defendants approve under qualified borrowers – they preferred them. That's because a defaulting borrower meant profit for the conspiracy of Defendants.

105. All of the Bank Defendants managed risk through leverage and derivatives trading. With the advent of "Credit Default Swaps" ("CDS"), an insurance policy of sorts, they had the protection they needed to push these loans out the door to grossly under qualified borrowers, without any fear of loss whatsoever. The CDS gave defendants *another* incentive to give grossly under qualified borrowers – whose default was virtually certain. Not only (1) were Defendants incentivized to give loans to unqualified borrowers because they were turning other-worldly profit by selling as many loans on the

1 secondary market as possible, *but also …* (see next paragraph).

2 106. (2) Because Bank Defendants had taken out these insurance policies – aka Credit Default
3 Swaps - against the possibility of default, Citi and its co-conspirators (Defendants herein) would get paid
4 in the event of a borrower's default. In fact, in many cases, Defendants had taken out numerous
5 redundant Credit Default Swaps and insurance policies out on the same property, so that when default
6 occurred, Defendants were getting paid out multiple times – they weren't just breaking even, they were
7 *actually turning a profit* when borrowers defaulted. In other words, Bank Defendants had an *incentive*
8 to place borrowers into impossible loans, because by doing so they were making money.

9 107. This technique gave these Defendants the insurance they needed to pass the risk along to
10 third party without taking the risk themselves. Since they planned on securitizing all of their loans and
11 not keeping any of them, Bank Defendants could not care less about quality or who they hurt. They
12 would push insurance on the investors and actually over insure the loan pools, at times betting that the
13 Plaintiffs and other borrowers would default.

14 108. Since the Defendants created these pools to begin with, they were fully aware of the lack
15 of quality and lack of due diligence that went into setting up these pools. These "swaps" are life
16 insurance policies that are placed on Plaintiffs' loans. If the loan dies, the Defendants get paid.

17 109. But insurance against default wasn't the only way Defendants made money from the
18 losses of their imperiled borrowers. Bank Defendants and Trustee Defendants also made money by
19 charging a litany of unearned and egregiously marked up fees associated with the initiation of and
20 conducting (their own wrongful) foreclosures including: inspection fees, default fees, late fees, advance
21 fees, attorney's fees, and trustee fees. In short Bank Defendants had an incentive *to place Plaintiff*
22 *borrowers into loans they knew their borrowers could not afford* because by doing so, Bank Defendants
23 and Trustee Defendants would turn a profit. Not only that, but Defendants had an incentive *to*
24 *wrongfully initiate foreclosures* because they made money by doing so through the assessment of
25 excessive, disproportionate and unearned fees. This topic is further developed in the Cause of Action for
26 Wrongful Foreclosure (discussed below).
27
28

<u>Defendants Intentionally Misrepresented, Partially Misrepresented, & Concealed Highly Material Information In Order To Induce Plaintiffs to Unknowingly Take Dangerous Loans So that Defendants Could Profit</u>

110. To maximize their profit, Defendants needed loan volume. In turn, Bank Defendants (acting in furtherance of the conspiracy of Defendants), intentionally concealed and misrepresented numerous material terms of their loans, to induce Plaintiffs' unwitting, uninformed consent to those loans , in order to get as many borrowers into loans as possible – for instance going to extraordinary lengths to conceal the true negatively amortizing nature of the loan, or in other instances affirmatively misrepresenting the true payment and terms of a loan, among numerous other deceptions described below.

111. To further their fraud, Bank Defendants, acting at the behest of the Conspiracy of Defendants, operated with the primary imperative of keeping Plaintiffs in the dark about the truth of their scheme and the terms of the loans because Defendants knew that if Plaintiffs knew the truth, Plaintiffs would never have entered into the loans with Bank Defendants.

112. To that end, Bank Defendants embarked on a long term campaign of misinformation, including intentional misrepresentations, partial misrepresentations & half-truths calculated to deceive, as well as active suppression of material facts, all in aims of inducing Plaintiffs to enter into a loan contract with Defendant which they would not have otherwise.

113. Defendants, hand-in-hand with one another, **actively concealed** the following highly material items of information:

a. The fact that Bank Defendants had intentionally abandoned their own as well as industry standard underwriting guidelines *for the purpose of* placing borrowers into loans which they knew borrowers could not afford and upon which they knew borrowers would default to a mathematical certainty;

b. That Bank Defendants had abandoned the "originate to hold" business model of conventional money lenders, and instead became **a loan packaging and re-selling facility in which Bank Defendants originated loans for the sole purpose of reselling them on the secondary market for vast profit** –creating an incentive to place borrowers

into loans which bank defendants knew they could not afford and simultaneously passing along all risk of default to the purchasers of the loan.

c. That Bank Defendants had falsified Plaintiffs' income and asset documentation to intentionally place them into loans they could not otherwise afford;

d. That Bank Defendants internally knew the products they were selling were dangerous and referred to them, among other things as "sacks of shit" as established by numerous internal emails;

e. That Bank Defendants possessed internal reports concluding that if a Plaintiff took a loan from Defendants, that Plaintiff would suffer material losses, including but not limited to the loss of substantial equity;

f. That Bank Defendants knew their scheme would cause a liquidity crisis that would devastate home prices;

g. That Bank Defendants were no longer making loans based on a borrower's qualifications or their ability to afford such a loan and that those ideas were now unimportant to them, but were instead making loans without regard for a borrowers qualifications or ability to afford simply to create sufficient product to sell to investors on the secondary market for profit;

h. That Bank Defendants *knew* Plaintiff-borrowers could not afford the loans they were being placed into and which they knew Plaintiffs would default upon to a mathematical *certainty*, but intentionally placed them into these impossible loans nonetheless in the name of making profit;

i. That Bank Defendants actively concealed the material terms of their loans from their borrowers, including but not limited to the fact a borrower was *certain* to defer interest under an Option ARM loan by making the minimum payment

j. That Defendants were no longer making loans based upon the profitability of their mortgage lending business (but rather instead upon the profitability of sales of these loans to investors and secondary markets);

k. That Because of this profitable scheme and because their loans were insured, Defendants

stood to profit regardless of whether their loans performed and as such had no incentive to insure that the loans they were placing their borrowers into were safe, or that their borrowers were actually qualified for (or could make payments on) the loans into which they were being placed – in fact they had a disincentive to do so;

l. That Bank Defendants were in fact dependent on selling loans it originated into the secondary mortgage market, to sustain its business;

m. That Bank Defendants were making loans simply to create sufficient product to sell to investors for profit;

n. That Bank Defendants had ceased acting as conventional money lenders and had, instead, morphed into an enterprise engaged in systematic fraud on all of its material constituencies, including Plaintiffs;

o. That Bank Defendants had ceased acting as conventional money lenders who carried their own risk and turned profit through the production of low-risk loans, and instead morphed into a loan conveyor belt, packaging loans with little if any regard for their underwriting standards, and selling those loans at substantial profit to investors on the secondary market to whom the risk would be passed on, through fraud and misrepresentation – a business enterprise vastly more profitable than the business model of being a conventional money lender;

p. That in furtherance of this scheme, Bank Defendants had in fact abandoned their conventional lending business and prudent lending standards, consistently lending to those who were grossly under-qualified and who they knew could not afford their loans and would default upon to a mathematical certainty;

q. Bank Defendants knew these loans were unsustainable for themselves and the borrowers and to a certainty would result in a crash that would destroy the equity invested by Plaintiffs and other of Defendants' borrowers;

r. Bank Defendants, their officers and employees internally referred to these loans as "Sacks of Shit" and "Garbage Loans";

s. Bank Defendants knew the sheer scope of their loan portfolio and fraudulent packaging

of the portfolio would cause a liquidity crisis that would devastate home prices and gravely damage Plaintiffs;

t. Bank Defendants knew Plaintiffs would be materially and substantially harmed by contracting with Defendants;

u. Bank Defendants pursuit of a matching strategy in which it matched the terms of any loan being offered in the market, even loans offered by primarily subprime originators dangerously placed borrowers into loans regardless of whether or not they were actually qualified for the loan or could actually afford the loan, instead ceding their underwriting guidelines to whoever was the most lax lender at the time, regardless of whether or not *that* lenders guidelines were proper, safe, negligent or even dangerous or guided by reason;

v. The high percentage of loans it originated that were outside its own already widened underwriting guidelines due to loans made as exceptions to guidelines;

w. Bank Defendants definition of "prime" loans included loans made to borrowers with FICO scores well below any industry standard definition of prime credit quality;

x. The high percentage of Bank Defendants subprime originations that had a loan to value ratio of 100%; and

y. Bank Defendants subprime loans had significant additional risk factors, beyond the subprime credit history of the borrower, associated with increased default rates, including reduced documentation, stated income, piggyback second liens, and LTVs in excess of 95%.

114. The Plaintiffs did not know any of the concealed facts. Defendants had exclusive knowledge of these facts.

115. Bank Defendants, at the benefit of the Conspiracy of Defendants, further stated numerous half-truths and made partial representations calculated to deceive Plaintiffs and to create a substantially false impression. (*Boschma v. Home Loan Center, Inc. (2011) 198 Cal.App.4th 230, 250,* ["Defendant [bank] had a common law duty to avoid making partial, misleading representations that effectively concealed material facts"]; ((*Vega v. Jones, Day, Reavis & Pogue* (2004) 121 Cal.App.4th 282, 292

["**Even where no duty to disclose would otherwise exist**, where one **does** speak he must speak the whole truth to the end that he does not conceal any facts which materially qualify those stated."]). By making such partial misrepresentations, Defendants incurred a duty to speak the whole truth such that Defendants do not conceal any facts which materially qualify those stated. Such **partial misrepresentations** include:

a. Representations calculated to make a borrower believe that his or her payment would only be X dollars, when in reality such payment was only available for a limited undisclosed period of time and would then drastically increase;

b. Representations that a borrower could afford payments under their loan, calculated to make a borrower believe that the loan payment would always be constant, but made knowing that the such payments would later drastically increase and knowing that the borrower would be *unable* to afford such increased payments;

c. Representations that a borrower qualified for a loan, when in reality the borrowers' qualification was only obtained through Defendants falsification of the borrowers' income, asset and other documentation, done without the borrower's knowledge;

d. Defendants' intentional publication and dissemination of their underwriting guidelines intended to create the perception that Bank Defendants lent in conformity with those guidelines and that their lending standards were safe, when in reality Defendants had abandoned their underwriting guidelines and were issuing loans which they knew were in unsafe;

e. Representations made that a borrower *qualified* for a loan (oftentimes based on documents falsified by Defendants) calculated to induce the borrower's belief they could *afford* their loan, when in reality Defendants knew borrowers would be unable to afford their loan as a matter of fact (oftentimes because Defendants had falsified their income and asset documentation as well as abandoned their own underwriting guidelines);

f. Representations to a borrower that his payment would cover both principal and interest, and calculated to induce the borrower to believe that his or her payment would always cover principal and interest, when in reality that same payment would no longer cover

any principal after a very short period of time, and indeed would not even cover the minimum interest on the loan resulting in deferred interest;

g. Representations made in the Loan Documents that by making the minimum payment of an Option ARM loan, a party *may* defer interest (aka "negatively amortize"), when in *reality* by making the minimum payment a party was *certain* to defer interest. **The California Court of Appeals in *Boschma* has held that these identical allegations give rise to an actionable claim for fraudulent concealment**.; The *Boschma* court held that where, as here, the disclosures in Defendants' Option ARM loans discussing negative amortization, only frame negative amortization as a mere **possibility**, rather than the reality which is that when making a minimum payment negative amortization is a **certainty**, the disclosure is insufficient under law, giving rise to a valid cause of action not only for UCL but also for fraudulent concealment . (*Boschma v. Home Loan Center*, Inc. (2011) 198 Cal.App.4th 230.) In so holding the court in *Boschma* explicitly held that Banks have a duty to disclose such material information. Plaintiffs allege that Bank Defendants, identically, failed to disclose the certainty of negative amortization in the Option ARM loans. Plaintiffs have attached supporting documentation. (See Appendix A).

h. The provision of an intentionally ambiguous Truth in Lending Disclosure ("TILDS") Payment Schedule which did not make it clear that borrowers could have avoided negative amortization (under an Option ARM loan) by making payments larger than those that were mandated by the payment schedule, in fact the payment schedule created the materially false impression that by following the payment schedule, Plaintiff borrowers would not negatively amortize their loan;

i. Other partial misrepresentations and half-truths calculated to induce the borrower to fundamentally misunderstand the nature of their loan, such that Plaintiff-borrowers would agree to a loan they would not have otherwise agreed to, such as the meaning of a pre-payment penalty, or whether they had a pre-payment penalty.

116. Bank Defendants, hand in hand with one another, **intentionally and affirmatively misrepresented**:

a. That Plaintiffs would be able to *afford* the loans they were being given;

b. That Defendants' calculations confirmed that Plaintiffs will be able to afford the loans they were being given;

c. That Defendants calculations confirmed that Plaintiffs would be able to shoulder the additional debt resulting from Defendant's loans, even in light of Plaintiffs' other debts and expenses;

d. That the term "qualify" was synonymous with being able to "afford" a loan.

e. That by paying the minimum payment on the Option ARM loan they would not be deferring interest (aka "negatively amortizing"), when in reality, they would be deferring interest;

f. That by paying the minimum payment on the Option ARM loan, Plaintiffs would be paying principal and interest, when in reality the minimum payment did not pay down any principal, and actually resulted in deferred interest (aka negative amortization);

g. That the value arrived at by Defendants' and NATS' appraisals of Plaintiffs' property was indeed the true value of Plaintiffs' property (when in reality Defendants appraisals' were intentionally and artificially inflated, and moreover when Defendants had engaged in a systematic price fixing scheme which had already falsely inflated the value of Plaintiffs' property);

h. The true terms of the their loans, including their interest rate, the terms of their loans, whether the loan was variable or fixed, the duration of any fixed period, and the inclusion of a prepayment penalty;

i. That Defendants only entered into mortgages with qualified borrowers (when in reality Defendants were recklessly and intentionally ignoring their own underwriting standards, and offering mortgages to substantially under-qualified borrowers, including Plaintiffs herein who they knew could not afford their loans);

j. That Defendants were financially sound (when in reality Defendants were dependent on selling their fraudulently-pooled loans to investors and the secondary market to sustain their business);

k. That Defendants held their loans in their own portfolio and did not sell them on the secondary market (when in reality Defendants sold the overwhelming majority of their loans on the secondary market);

l. That Defendants were engaged in lending of the highest caliber (when in reality Defendants (1) were disregarding industry standard quality assurance and underwriting guidelines as well as their own underwriting guidelines, (2) had ceded their underwriting guidelines to the bottom of the market by virtue policy to match loans of any other lender no matter how unsafe, and (3) were lending to under qualified borrowers upon properties which were intentionally overvaluated – all in the name of making as much money on the secondary/investor market as quickly as possible);

m. That the loans they offered were safe and secure (when internally Defendants and their officers were referring to their loans as "SACKS OF SHIT" and "GARBAGE LOANS");

n. That Plaintiffs and other borrowers were qualified for the loans Defendants were placing them into and that Plaintiffs were capable of affording the fully amortized payments on those loans (when internally Defendants knew that Plaintiffs were not qualified, that Plaintiffs could not afford the loan, and that, in many instances, it was a mathematical inevitability that the Plaintiffs would default);

o. That Plaintiffs would be able to refinance their loans at a later date (when internally Defendants knew that Plaintiffs would not be able to refinance Plaintiffs as a result of the depressed real estate market created by Defendants, the overvaluation of Plaintiffs' property, the damage to Plaintiffs' credit score which defendants knew would ensue, and for the many reasons already set forth above);

p. That Defendants would modify Plaintiffs' loans (when in fact Defendants did not modify Plaintiffs' loans, had no intentions to do so, and it was more profitable for Defendants to leave the loans unmodified).

Authority to Bind

117. These representations were not made as statements of opinion, but as statements of fact,

made by the employees and agents of the Citi and Bank Defendants charged with the duty of originating loans ("**Loan Representatives**") and who were specifically employed by Bank Defendants to walk Plaintiff borrowers through the loan process, and vested with the authority, both apparent and actual, to bind Defendants.

118. Each and every one of these Loan Representatives was vested by the respective bank they work for – the bank/lending institution from which a Plaintiff got his/her loan – with both actual and apparent authority to bind that bank/lending institution. These Loan Representatives were the ***primary***, if not sole, interface between the bank/lending institution and the customer/borrower/plaintiff. Defendant banks very much intended to create the distinct perception that the representations made by these Loan Representatives, were factual representations coming directly from the bank, and representations upon which the borrower Plaintiffs could reasonably rely, well above-and-beyond that of mere opinion.

119. Specifically, with regard to the representation made by Bank Defendants to Plaintiff borrowers, that they could "afford" the loans they were being given were statements delivered as statements of fact upon which Plaintiffs could reasonably rely, particularly in light of the specialized expertise of the Defendant employees who made the statements. These employees spend months and years, undergoing specialized education, to learn the highly complicated mathematics of lending such as loan amortization, loan re-casting, front end debt to income ratios, back end debt to income ratios, and loan to value ratios – mathematics which borrowers simply don't understand, nor could they be expected to. Because of their vastly superior knowledge, and because of the actual and apparent authority vested in these employees by the Defendant Banks, as described above, Plaintiffs herein reasonably relied on these statements. By making these false and misleading statements, they incurred a duty to be truthful.

Plaintiffs Reasonably Relied on Defendants' Numerous Deceptions in Deciding to Enter into Contracts With Them

120. Defendants intended to deceive Plaintiffs and induce their reliance, by intentionally misrepresenting and failing to disclose the material facts.

121. Plaintiffs did in fact rely on each of the aforementioned misrepresentations, partial

representations and concealments in deciding to contract with Defendants

122. Plaintiffs reasonably and foreseeably relied upon the deception of Defendants in deciding to enter into a Loan contract with Bank Defendants - Defendants were among the nation's leading providers of Loan. It was highly regarded and by dint of its campaign of deception through securities filings, press releases, public utterances, web sites, advertisements, brokers, loan consultants and branch offices, Bank Defendants had acquired a reputation for performance and quality underwriting.

123. Moreover, as consumers unfamiliar with the myriad intricacies, terms and mathematics of mortgages, it was both reasonable and foreseeable (if not entirely intended) that Plaintiffs would rely on the advice of loan professionals and bank representatives (many of whom held the title "Loan CONSULTANT") trained to understand the highly-complicated terms and mathematics of financing, amortization, indices, margins, and collateralization in the mortgage world, in deciding to contract with Bank Defendants. Their knowledge of this process, its details, as well as their loan products was vastly superior to those of Plaintiff borrowers. Indeed, Bank Defendants had exclusive knowledge of these material facts which were not known to Plaintiff.

124. The reality is that borrowers simply don't understand the highly complicated mathematics of lending such as amortization, loan re-casting, loan to value ratios, or debt to income ratios, etc. Nor could they be expected to – those mathematics require specialized training and education. The borrower's knowledge is inferior. Because of the vast imbalance of knowledge, when a loan consultant tells a borrower that they can afford their loan, borrowers are put in a position where they must repose their trust on their lender's knowledge.

125. Indeed, Bank Defendants induce their borrowers (Plaintiffs) to repose trust in them by holding themselves out as (1) experienced professionals with (2) superior knowledge, education and expertise, and **by offering them financial guidance on how to structure their assets, equity position, and debt – all of which was held out as being for the borrower's (Plaintiffs') benefit**. In many instances Bank Defendants called Borrowers to **solicit loans under the guise of offering them "financial advice" and "investment strategies."** In so acting, Defendants acted as fiduciaries or quasi-fiduciaries.

126. Based upon the Defendants' (1)long term media campaign holding themselves out as a

trustworthy and reputable lending institution, (2) position as leading financial institutions,(3)Defendants' expertise, highly specialized training, unique understanding of the highly complicated terms and mathematics of financing as well as Defendant Banks' capacity as an advisor, in addition to their (4) intentionally misleading and/or partially true statements found in omissions, including in their securities filings, numerous documents, advertisements and other media, statements made by their employees and agents with apparent and/or actual authority and their publicly available underwriting guidelines the Plaintiffs reasonably relied upon the statements and omissions made by Defendants and reasonably relied that no material information necessary to their decisions would be withheld or incompletely, inaccurately or otherwise improperly disclosed. In so relying, the Plaintiffs were gravely damaged as described herein. The Defendants acted willfully with the intention to conceal and deceive in order to benefit therefrom at the expense of the Plaintiffs.

127. Further, Plaintiffs had no way of knowing, among other things, that Defendants (1) were secretly departing from their own stated underwriting guidelines to intentionally approve borrowers for loans they couldn't afford in aims of selling as many loans as possible on the secondary market for profit, or (2) had surreptitiously manipulated the appraised values of their borrower's properties and had otherwise artificially pumped up values of real estate through California (aka "market fixing"). Defendants' knowledge of these items was exclusive. Their scheme was built on keeping borrowers in the dark

128. Furthermore, because of a lender's (2) vastly superior knowledge compared to that of their borrowers, and because of (3) the highly-advisory role a lender takes in the lending process (advising borrowers how much they can afford, what type of loan and term they should take, what size loan to take, how to structure their loan, and what their payments will be), Bank Defendants intentionally placed their borrowers in a position where they *must* repose trust in their lender.

129. In reliance on the above concealments and/or material misrepresentations, Plaintiffs entered into mortgage contracts with Defendants they otherwise would not have entered into and as a result thereof were damaged. This damage was not only foreseeable by Defendants, but actually foreseen (and then concealed) by them.

130. The unraveling of Defendants' scheme has caused the material depression of real estate

1 values throughout California, including the real estate of Plaintiffs herein.
2 131. Defendants knew that within a foreseeable period, its investors would discover that
3 Defendants' borrowers could not afford their loans and the result would be foreclosures and economic
4 devastation.
5 132. Despite their awareness of and concerns about the increasing risk the Defendants were
6 undertaking, they hid these risks from the Plaintiffs, borrowers, potential borrowers, and investors.
7 133. These frauds and concealments, partial misrepresentations and affirmative
8 misrepresentations were unknown to all Plaintiffs referenced herein at the time of loan origination. All
9 Plaintiffs herein discovered these frauds and concealments beginning no more than 3 years prior to the
10 date of filing this action. A reasonable person would have been unable to reasonably discover said
11 frauds any earlier.
12
13 ***Bank Defendants Owed Plaintiffs a Duty***
14 134. For seven separate and independent reasons, Bank Defendants owed Plaintiffs a duty.
15 135. **First** under California Civil Code §1572, parties to a contract have an unequivocal duty
16 to disclose material facts to one another. (*Walker v. KFC Corp*. (S.D.Cal. 1981) 515 F.Supp. 612, 622
17 ["[section] 1572 affirmatively imposes the duty not to suppress facts on persons who are parties to a
18 contract or who are inducing others to enter into a contract."]) Here Plaintiffs are engaged in contracts
19 with respective loan contracts with each of the Bank Defendants, and plaintiffs have alleged numerous
20 failures to disclose such material facts. (See paragraph 333, and Appendix A).
21 136. **Second**, California Civil Code §§1709 and 1710 establish a separate independent duty of
22 disclosure, even in the absence of a contractual relationship, where, as here, Bank Defendants and
23 NATS have made partial inaccurate disclosures which are likely to mislead for want of the missing fact,
24 codifying the long-standing rule that the "telling of a half-truth calculated to deceive, is fraud." Plaintiffs
25 have alleged numerous such partially misleading disclosures at paragraph 336, of this Complaint, and in
26 Appendix A. The Supreme Court of California has held the same. (Warner Constr. Corp., supra, 2
27 Cal.3d at 294 [A defendant has a duty of disclosure "when the defendant makes partial representations
28 but also suppresses some material facts."]).

1 137. **Third**, Bank Defendants and NATS had exclusive knowledge of numerous items of highly
2 material information which they did not disclose. Numerous cases including those from the Supreme Court
3 of California hold that a defendant has a duty of disclosure "when the defendant had exclusive knowledge
4 of material facts not known to plaintiff." *Warner Constr. Corp*., supra, 2 Cal.3d at 294.
5 138. **Fourth**, a Defendant has a duty to disclose "when it actively conceals a material fact
6 from the plaintiff." Warner Constr. Corp., supra, 2 Cal.3d at 294. This Complaint alleges throughout
7 that Bank Defendants and NATS embarked on a campaign of active suppression and concealment of
8 numerous material facts.
9 139. **Fifth**, Numerous court, including the California Court of Appeal have held that where,
10 as here, the disclosures in Plaintiffs' Option ARM loans discussing negative amortization, only frame
11 negative amortization as a mere possibility, rather than the reality which is that when making a
12 minimum payment negative amortization is a certainty, the disclosure is insufficient under law, giving
13 rise to a valid cause of action not only for UCL but also for fraud/misrepresentation. (Boschma v. Home
14 Loan Center, Inc. (2011) 198 Cal.App.4th 230.) The court in Boschma explicitly held that Banks have a
15 duty to disclose such material information. Plaintiffs allege that Bank Defendants, identically, failed to
16 disclose the certainty of negative amortization in the Option ARM loans. Plaintiffs have attached
17 supporting documentation. (See Appendix A).
18 140. **Sixth**, Defendants have **ceased acting as conventional money lenders**. In conducting
19 the wrongs described above and throughout this Complaint, the Bank Defendants stepped vastly outside
20 of their role as conventional money lenders, and instead morphed into an enterprise engaged in
21 intentional fraud upon their borrowers. Among their numerous departures from the actions of a
22 conventional money lender, Defendants:
23 a. **Intentionally falsified the values and appraisals of each of the Plaintiffs' subject**
24 **properties** – numerous courts have held that such falsification of appraisals "do not fall
25 within a bank's role as a traditional money lender." (*Sullivan v. JP Morgan Chase Bank,*
26 *N.A*. (E.D.Cal. 2010) 725 F.Supp.2d 1087, 1094; *Watkinson v. MortgageIT* (2010) 2010
27 WL 2196083 at *9.)
28 b. Artificially and fraudulently inflated the value of all of the California real estate market,

(as opposed to just those of Plaintiffs herein) in **a Price Fixing scheme achieved through pervasive and coordinated falsification of appraisals**, knowing that by doing so their fraudulent appraisals would act as comparables which would artificially inflate the rest of the market (as detailed in the Causes of Action for "Individual Appraisal Inflation" and "Market Fixing" below)

c. **Coerced their appraisers to falsify their appraisals through bribery, undue influence, instruction, appraiser selection manipulation, financial pressure, as well as threats – both explicit and implicit** – that if their appraisals didn't return a valuation above that demanded by Bank Defendants (1) future business with the appraiser would either diminish or discontinue altogether or (2) that the individual appraiser would be fired/blacklisted.

d. Intentionally and knowingly subjected their appraisers to known conflicts of interest.

e. **Intentionally falsifying the income and asset documentation** of their borrowers to place them into loans which Defendants knew Plaintiffs could not afford, and would default upon to a mathematical certainty. Numerous courts have held banks liable for fraud for such identical acts because such acts "do not fall within a bank's traditional role as money lender." (*Sullivan v. JP Morgan Chase Bank, N.A*. (E.D.Cal. 2010) 725 F.Supp.2d 1087, 1094; *Watkinson v. MortgageIT* (2010) 2010 WL 2196083 at *9.)

f. Abandoned the "originate to hold" business model of conventional money lenders, and instead became **a loan packaging and re-selling facility in which bank defendants originated loans for the sole purpose of reselling them on the secondary market for vast profit** –creating an incentive to place borrowers into loans which bank defendants knew they could not afford and simultaneously passing along all risk of default to the purchasers of the loan.

g. Intentionally abandoned industry-standard underwriting guidelines – the hallmark of conventional money lending - in order to place borrowers into loans they knew they could not afford solely in the name of profit;

h. **Originated loans with an eye towards immediately securitizing and re-selling them**

1 **on the secondary market and becoming the servicer on the loan**, thus creating an
2 incentive to place borrowers into loans they knew their borrowers could not afford
3 because by doing so Defendants-now-turned-servicers would be in a position to collect
4 highly-lucrative fees from their imperiled borrowers, such as late fees, default fees, and
5 indeed foreclosure fees. In doing so, Defendants became anything but conventional
6 money lenders – **their interests were directly aligned with those of a servicer**.
7 Numerous courts have held that where, as here, a bank acts as servicer they have exceed
8 their role as a conventional money lender. (*Johnson v. HSBC Bank USA, Nat. Ass'n*
9 (S.D.Cal. 2012) 2012 WL 928433 *4.)

10 i. **Entered into loan modifications with Plaintiffs**. A lender goes beyond its "role as a
11 silent lender and loan servicer [when it] offer[s] an opportunity to plaintiffs for loan
12 modification and to engage with them concerning the trial period plan. ... [T]his is
13 precisely beyond the domain of a usual money lender ... [and] constitutes sufficient active
14 participation to create a duty of care", as held by numerous courts. (*Garcia v. Ocwen*
15 *Loan Serv*., LLC (N.D. Cal.) 2010 WL 1881098 at *3; *Ansanelli v. JPMorgan Chase*
16 *Bank, N.A*., No. C 10-03892 WHA, 2011 U.S. Dist. LEXIS 32350, at *21-22 (N.D.Cal.
17 Mar. 28, 2011; *Johnson v. HSBC Bank USA*, (S.D. Cal. 2012) 2012 WL 928433 at *3.)

18 j. **Engaged in massive intentional fraud upon its borrowers**. While a bank may in the
19 course of conventional lending act negligently from time to time, intentional committed
20 torts cannot be said to be conventional practice for lenders. If Bank Defendants wish to
21 assert that massive intentional fraud on their borrowers is conventional practice for
22 lenders, they should do so at trial. Numerous courts, including the Supreme Court of the
23 United States have recognized that a duty properly attaches to a bank when it acts
24 intentionally, rather than negligently. (*Connor v. Great Western Sav. & Loan Ass'n*
25 (1968) 69 Cal.2d 850, 865; *Nymark v. Heart Fed. Savings & Loan Assn*. (1991) 231
26 Cal.App.3d 1089; *Becker v. Wells Fargo Bank, N.A*. (E.D.Cal. 2011) 2011 WL 3319577;
27 Dumas, supra, 2011 WL 4906412; *Champlaie, supra*, 706 F.Supp.2d at 1060; *Watkinson*
28 *v. MortgageIT, Inc*. (S.D. Cal. 2010) 2010 WL 2196083.)

k. **Seventh**, and finally, even when acting as a conventional money lender, Banks nevertheless owe a duty to their borrowers, when they meet the following test:

> In California, the test for determining whether a financial institution owes a duty of care to a borrower-client " 'involves the balancing of various factors, among which are [1] the extent to which the transaction was intended to affect the plaintiff, [2] the foreseeability of harm to him, [3] the degree of certainty that the plaintiff suffered injury, [4] the closeness of the connection between the defendant's conduct and the injury suffered, [5] the moral blame attached to the defendant's conduct, and [6] the policy of preventing future harm.

(*Nymark v. Heart Fed. Savings & Loan Assn*. (1991) 231 Cal.App.3d 1089, 1098). Each of the 6 elements is amply alleged throughout this Complaint.

141. Defendants' profit-driven scheme to herd as many borrowers into loans at any cost through coordinate deception was implemented pursuant to a top down policy ratified at the highest levels of each of Bank Defendants, and done at the behest of the Conspiracy.

142. Defendants' actions in intentionally placing borrowers into impossible loans in the pursuit of profit , were a substantial factor in if not *the* cause of the generalized market crash which caused the prices of Real Estate values throughout California to plummet, damaging Plaintiffs herein.

143. The unraveling of the Defendants' scheme has materially depressed the price of real estate throughout California, including the real estate owned by the Plaintiffs, resulting in losses to the Plaintiffs.

144. As a result of the foregoing, Plaintiffs' damages herein are exacerbated by a continuing decline in residential property values and further erosion of their credit records.

145. Defendants' concealments and misrepresentations, both as to the their scheme to profiteer from the mortgage melt-down and as to their purported efforts to resolve loan modifications with Plaintiffs, are substantial factors in causing the harm to Plaintiffs described in this Complaint.

146. Without limiting the damages as described elsewhere in this Complaint, Plaintiffs damages arising from this Cause of Action also include loss of equity in their houses, costs and expenses related to protecting themselves, reduced credit scores, unavailability of credit, increased costs of credit, reduced availability of goods and services tied to credit ratings, increased costs of those services, as well as fees and costs, including, without limitation, attorneys' fees and costs.

147. Counts 1 – 5 arise under this Cause of Action, and are brought by all Plaintiffs named in this Cause of Action, against all Defendants named in this Cause of Action.

<u>COUNT 1:</u> FRAUDULENT CONCEALMENT

148. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein

149. Bank Defendants, at the direction, behest, and on behalf of the Conspiracy of Defendants intentionally concealed the material facts alleged above at Paragraph 76 and 78, in order to induce Plaintiffs reliance into entering into Loan Contracts with Bank Defendants

150. Plaintiffs did in fact rely on the non-existence of the concealed facts in deciding to enter into Loan Contracts with Bank Defendants. Had Plaintiffs known the truth, they would not have entered into the Loan Contracts.

151. Defendants had exclusive knowledge of the truth. Their scheme was built on keeping their borrowers (Plaintiffs herein) in the dark.

152. Defendants had a duty to disclose such material information but intentionally failed to do so.

153. As a result of such concealments Plaintiffs were damaged as described in this Cause of Action. Without limiting the damages as described elsewhere in this Complaint, Plaintiffs damages arising from this Cause of Action also include loss of equity in their houses, growth in their loan balances resulting from concealed negative amortization, costs and expenses related to protecting themselves, reduced credit scores, unavailability of credit, increased costs of credit, reduced availability of goods and services tied to credit ratings, increased costs of those services, as well as fees and costs, including, without limitation, attorneys' fees and costs.

154. Defendants' actions in intentionally placing borrowers into impossible loans in the pursuit of profit , were a substantial factor in if not *the* cause of the generalized market crash which caused the prices of Real Estate values throughout California to plummet, damaging Plaintiffs herein.

155. Defendants' intentional, wide-scale, fraudulent conduct also merits the imposition of punitive damages. Plaintiffs respectfully request the award of such punitive damages and any other relief this court shall deem just and proper.

COUNT 2: INTENTIONAL MISREPRESENTATION

156. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein

157. Bank Defendants, at the direction, behest, and on behalf of the Conspiracy of Defendants intentionally misrepresented the material facts alleged above at Paragraphs 77 and 78, in order to induce Plaintiffs reliance into entering into Loan Contracts with Bank Defendants

158. Plaintiffs did in fact rely on the truth of the misrepresented facts in deciding to enter into Loan Contracts with Bank Defendants. Had Plaintiffs known the truth, they would not have entered into the Loan Contracts.

159. Defendants had exclusive knowledge of the truth. Their scheme was built on keeping their borrowers (Plaintiffs herein) in the dark.

160. As a result of such intentional misrepresentations Plaintiffs were damaged as described in this Cause of Action. Without limiting the damages as described elsewhere in this Complaint, Plaintiffs damages arising from this Cause of Action also include loss of equity in their houses, loan payments falsely represented to be much lower than what they truly were, growth in their loan balances resulting from negative amortization which Defendants represented would not occur, costs and expenses related to protecting themselves, reduced credit scores, unavailability of credit, increased costs of credit, reduced availability of goods and services tied to credit ratings, increased costs of those services, as well as fees and costs, including, without limitation, attorneys' fees and costs.

161. Defendants' actions in intentionally placing borrowers into impossible loans in the pursuit of profit , were a substantial factor in if not *the* cause of the generalized market crash which caused the prices of Real Estate values throughout California to plummet, damaging Plaintiffs herein.

162. Defendants' intentional, wide-scale, fraudulent conduct also merits the imposition of punitive damages. Plaintiffs respectfully request the award of such punitive damages and any other relief this court shall deem just and proper.

COUNT 3: NEGLIGENT MISREPRESENTATION

163. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

164. The allegations of this Count are identical to those above in the previous Count except that the degree of intent herein is that of negligence. Put another way, at the time Bank Defendants made the misrepresentations described in this Cause of Action, they did not have reasonable grounds to believe them to be true.

COUNT 4: NEGLIGENCE

165. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein

166. Bank Defendants had a duty to act reasonably, and further had duties of care imposed upon them by law and statute as alleged above at paragraphs 96-102

167. In undertaking to place as many borrowers into loans as possible in the pursuit of profit without regard for their ability to afford them, their creditworthiness, or the distinct risk of default (either a known likelihood of default or reckless disregard thereof) and the commensurate effects such wide scale defaults would have on property values and the economic system, Bank Defendants breached that duty.

168. Bank Defendants further breached their duty by abandoning industry standard underwriting guidelines.

169. Bank Defendants breached their duty in numerous other fashions as described throughout this Complaint, whose allegations in their entirety are incorporated by reference as to all Causes of Action and all Counts.

170. In breaching their duty, Bank Defendants, acting in conspiracy with the other Defendants herein, caused grave damage to Plaintiffs herein and numerous others.

171. These harms were foreseeable if not actually foreseen by Defendants.

172. Further, Defendants' actions in intentionally placing borrowers into impossible loans in the pursuit of profit , were a substantial factor in if not *the* cause of the generalized market crash which caused the prices of Real Estate values throughout California to plummet, damaging Plaintiffs herein

173. Without limiting the damages as described elsewhere in this Complaint, Plaintiffs damages arising from this Cause of Action also include loss of equity in their houses, costs and expenses related to protecting themselves, reduced credit scores, unavailability of credit, increased costs of credit, reduced availability of goods and services tied to credit ratings, increased costs of those services, as well as fees and costs, including, without limitation, attorneys' fees and costs.

COUNT 5: UNFAIR, UNLAWFUL, AND FRAUDULENT BUSINESS PRACTICES (VIOLATION OF CAL. BUS. & PROF. CODE §17200)

174. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

175. Bank Defendants' acts, hand-in-hand with the conspiracy of Defendants, as described in this Cause of Action are Fraudulent as set forth above

176. In addition to being fraudulent, Bank Defendants' actions are also unlawful. Defendants' actions in implementing and perpetrating their fraudulent scheme of inducing Plaintiffs to accept mortgages for which they were not qualified based on inflated property valuations and undisclosed disregard of their own underwriting standards and the sale of overpriced collateralized mortgage pools, all the while knowing that the plan would crash and burn, taking the Plaintiffs down and costing them the equity in their homes and other damages, violates numerous federal and state statutes and common law protections enacted for consumer protection, privacy, trade disclosure, and fair trade and commerce. In addition to being fraudulent and violates numerous federal and state statutes and common law protections enacted for consumer protection, privacy, trade disclosure, and fair trade and commerce.

a. Bank Defendants violated the Truth in Lending Act ("**TILA**") by failing to make the necessary disclosures under Law, including the failure to sufficiently disclose the certainty of negative amortization in their Loan Documents as well as the accompanying Truth In Lending Disclosure Statement. These identical allegations have been recognized by the California Court of Appeal in *Boschma*, to give rise to an actionable claim for Fraudulent Concealment, Violation of TILA & Violation of the UCL.

b. Defendants further violated TILA by failing to properly disclose or fraudulently hiding

prepayment penalties, points, origination discounts, kickbacks, commissions, etc. to Plaintiffs oftentimes resulting in Plaintiff being forced to incur or pay unnecessary or unfair charges which they were never aware of, and which they never had an opportunity to contest.

177. The acts of the Conspiracy of Defendants are also patently unfair as more fully set forth above. Without limiting the allegations above which are fully incorporated herein, Defendants acts are unfair insofar as they intentionally place unsuspecting borrowers into loans which jeopardize their financial livelihoods and risk potential homelessness. Simply put, Defendants' scheme is to use borrowers as pawns to increase their profit. It speaks for itself that such acts are patently unfair.

178. Such acts and practices violate established public policy and the harm they cause to consumers in California greatly outweighs any benefits associated with those practices.

179. These actions were immoral, unethical, oppressive, unscrupulous and substantially injurious to similarly situated borrowers, and Plaintiffs herein. Defendants' conduct had no utility other than for their own ill-gotten gain, and the harm was great not only to Plaintiffs herein, but also to residents of California, broadly, who have seen a decrease in their home and property values as a result of the bursting of the super-heated pricing bubble created by Defendants' fraudulently inflated appraisal; at the time of their fraud, Defendants *knew* that their conduct would cause the precipitous decline in property values throughout the State of California. Defendant's acts caused substantial consumer injury with no benefits to consumer competition. Plaintiffs could not have reasonably avoided these injuries occasioned by Defendants' intentional deceit, misrepresentation, and omission. Further, Defendants acts significantly threatened harm to competition.

180. The unfair, unlawful and fraudulent acts and practices of Defendants named herein present a continuing threat to Plaintiff and to members of the public in that these acts and practices are ongoing and are harmful and disruptive to business and financial markets.

181. Defendant's acts caused substantial consumer injury with no benefits to consumer competition. Plaintiffs could not have reasonably avoided these injuries occasioned by Defendants' intentional deceit, misrepresentation, and omission. Further, Defendants acts significantly threatened harm to competition.

182. Plaintiffs are entitled to restitution of the loan payments obtained by Defendants pursuant to their unlawful, unfair, and fraudulent business practices.

183. Further, as a result of the foregoing conduct, Plaintiffs suffered injury in fact including diminished credit scores with a concomitant increase in borrowing costs and diminished access to credit, fees and costs, including, without limitation, attorneys' fees and costs.

184. As a result of Defendants' unfair competition, Plaintiffs are entitled to restitution for all sums received by Defendants with respect to Defendants' unlawful and/or unfair and/or fraudulent conduct, including, without limitation, interest payments made by Plaintiffs, fees paid to Defendants, including, without limitation, the excessive fees paid at Defendants' direction, and premiums received upon selling the mortgages at an inflated value.

185. Finally, as a result of Plaintiffs were placed into larger loans than they could afford or should have been placed into. The additional fees, points and interests paid as a result of the higher/inflated loan amounts constitute damages, and legally cognizable sources of restitution.

186. Plaintiffs hereby also request injunctive relief against future violation of the same.

SECOND CAUSE OF ACTION: INDIVIDUAL APPRAISAL INFLATION

(*By All Plaintiffs against Bank Defendants and NATS, and all other Defendants as Co-Conspirators*)

187. An accurate appraisal performed pursuant to a legitimate appraisal process is critical to calculating the loan-to-value ("LTV") ratio, a financial metric commonly used to evaluate the risk associated with a mortgage, and which would also be used as part of the valuation of a Mortgage Backed Security (which were sold on the secondary market for profit). The LTV ratio expresses the amount of the mortgage or loan as a percentage of the appraised value of the collateral property. For example, if a borrower seeks to borrow $90,000 to purchase a home appraised for $100,000, the LTV ratio would be $90,000 divided by $100,000, or 90% - which was viewed in the industry as a risky loan. Typically any loan over 80% LTV was considered risky, and would require the purchase of "Mortgage Insurance" to insure against the additional risk associated with such high LTV loans. The idea being that a high LTV means that a borrower has invested little of his own money in the property, and is thus more likely to

walk away from the property when things get tough. Now imagine the above scenario with a slight modification - instead of the above property being appraised at $100,000 dollars, the appraisal was manipulated to reflect that the home was instead $112,500, now the Loan-to-Value ratio would appear as a much safer, and less risky 80% LTV ($90,000 Loan divided by $112,500 property value = 80%).

188. From an **investor's perspective**, a high LTV ratio represents a greater risk of default on the loan, which means they are unwilling to pay as much for that loan as they would one which was less risky. This is true for a number of reasons. First borrowers with a small equity position in the underlying property have "less to lose" in the event of default. Second, even a slight drop in housing prices might cause a loan with a high LTV ratio to exceed the value of the underlying collateral, which might cause the borrower to default and would prevent the issuing trust recouping its expected return in the case of foreclosure and subsequent sale of the property.

189. From the **Defendants' perspective**, Because of their shift from the "originate to hold" model to the "originate to sell" model, Bank Defendants (and the conspiracy of Defendants) were incentivized to enter into as many loans as possible to sell on to the secondary market for profit. Because Bank Defendants weren't holding these loans anymore, they held no risk – they had no reason to ensure that the borrower was adequately qualified, or more importantly, in the context of *this* discussion, that the property had sufficient value, because Bank Defendants immediately turned around and sold that loan. Because investors were willing to pay more for less risky loans (lower LTV loans), Defendants were given an incentive to fraudulently inflate the appraisal values of their property, thus making the collateral (the subject property) of the loan seem safer to the investor, and thus more valuable to them. More value to the investors means more profit to Defendants. And so it began, Bank Defendants acting to the benefit of the conspiracy quickly embarked on a scheme to inflate their appraisals, and more broadly, property values throughout the State of California (discussed below in the Market Fixing Cause of Action), because, in short, they made a *lot more money by doing so*.

190. To maximize their loan volume and accordingly profit, Bank Defendants began falsely inflating and intentionally misrepresenting the appraised values of the Plaintiff's subject properties. Their purpose was three-fold :

a. **First**, by doing so, Bank Defendants induced Plaintiffs to consummate their purchase

transactions by falsely and intentionally reassuring them that they were paying what the home was worth, and not more – the result of which was, once again, more loans generated by Defendants and thus more profit. Put another way, Defendants falsely inflated the appraisals of Plaintiffs' properties in order to assure them that the property was indeed worth what they were paying for it, such that Plaintiff would move forward with the purchase and loan, and not back out. For those who were refinancing, the fraudulent appraisal inflation acted to falsely assure them that sufficient equity existed in their home, to merit incurring additional debt.

b. **Second,** by doing so, Bank Defendants induced Plaintiffs to consummate their transactions by falsely and intentionally reassuring them that their collateral was sound.

c. Third, **because investors were willing to pay more for less risky loans (lower LTV loans), Defendants were given an incentive to fraudulently inflate the appraisal values of their property**, thus making the collateral (the subject property) of the loan seem safer to the investor, and thus more valuable to them. This in turn led to more sales and even more profits on the secondary market.

191. To achieve this, Bank Defendants exercised dominion over Citi's wholly-owned appraisal subsidiary NATS, directing them to provide the results requested, or engaged in a practice of pressuring and intimidating NATS into using appraisal techniques that met Bank Defendants' business objectives even if the use of such appraisal technique was improper and in violation of industry standards. Bank Defendant black-listed appraisers who did not provide appraisal reports with their expectations.

192. In a scathing complaint filed by the Federal Housing Finance Agency on September 2, 2011 they outlined how this brazen planned worked. Citi would use their in-house or contract appraisers at NATS to artificially inflate Plaintiff's home values in order for their loans to be used in Securitization transactions.

193. According to the Financial Crisis Inquiry Commission (FCIC), they identified "inflated appraisals" as a pervasive problem at Citi during the period of the Securitizations in the time span mentioned in this complaint, and determined through its investigation that appraisers were often pressured by mortgage originators, among others, to "produce inflated results."

194. This coercion by Defendants to fraudulently inflate appraisal values was particularly rampant in the context of refinance transactions. When a property didn't appraise for a high enough value, a deal wouldn't "go through" this meant that (1) the loan consultant on the transaction wouldn't get a commission, (2) the Area Divisions (sometimes referred to as "Home Loan Centers" – often comprised of hundreds of loan consultants over several cities, and managed by a single manager) which were paid handsomely for each funded loan wouldn't get paid, and (3) Bank Defendants wouldn't be able to sell the loan on the secondary market for profit. Nobody made money. However, the system was set up to allow coercion, bribery, and undue influence over the appraisers. Loan consultants would contact appraiser and direct them specifically as to what value was "needed" to make the deal go through, some even going so far as to give gifts to the appraisers, and many were given outright bribes. Area Division managers who also had a financial incentive as mentioned earlier, would exercise undue influence and contact appraisers and demand certain values from them, abolishing the exercise of independent thought necessary to render an accurate/good faith appraisals. The same Area Division Managers, because of their power and influence within the company, would even go so far as to call the appraisal group's *managers* and request (read "demand") an appraisal to come in at a certain value, or if that appraisal had already been rendered and it was too low, would request the appraisal value to be "bumped" or increased. The Area Division Managers who often had personal or friendly relationships with NATS' Appraisal *managers* would coerce, bribe or influence, give gifts to or "call in favors" from the Appraisal managers to ensure that the appraised value of the subject property was high enough to make the deal "go through," so that all parties could make their money. The Appraisal managers obliged.

195. On other occasions Bank Defendants, hand-in-hand with NATS, would use overvalued, inflated or out-of-area comps from non-comparable *superior* properties in valuating the subject property for the wrongful purpose of arriving at a higher value than would be supported by nearby or appropriate comps. Bank Defendants intended this to artificially inflate the appraised value of the subject property.

196. On the rare occasion when a loan consultant's or Area Division Manager's influence didn't get the appraiser to inflate the value of the appraisal by a sufficient amount, Defendants' policies gave them another, more effective way to fraudulently inflate the amount – they were allowed to hire an

outside appraiser. It was well known in the industry that outside appraisers would deliver an appraisal in the amount they were told to deliver. Why? Because they were being paid directly by the loan consultant, or the Area Division Manager. In other words, loan consultants and Area Division Manager's had outside appraisers "in their pockets." Outside appraisers would deliver the results (meaning inflated values) they were expected to deliver for two reasons: (1) In the interest of keeping the client happy and hopefully earning future business and (2) for fear of not getting paid on their individual deal if they didn't deliver the results they were expected to deliver. This procedure (allowing the hiring of easily-influenced outside appraises) was explicitly made part of Defendants' own policies, and its use was encouraged by Defendants, as well as their mid-level and upper management.

197. This coercion and influence even existed from the **top down** – Regional Managers (in charge of entire portions of the country, several states large) would also call in favors and demand appraised values to be inflated or changed to make deals happen in the interest of making money. This pattern was not only tolerated by Defendants, but ratified and encouraged by them, because more funded loans meant more money for Defendants (who as described above, held none of the risk). In fact, Defendants had intentionally set up the appraisal system in such a way as to allow for the exercise of influence over appraisals and the appraisal departments. This influence was intended and foreseen.

198. In short, Bank Defendants intentionally designed an appraisal system which they could manipulate through influence and coercion to further their own ends – namely, profit. By its very design, the independence of thought necessary for a professional appraiser to render a good faith opinion was decimated. (1) Defendants held dominion over the very appraisal company which was supposed to render independent appraisals, NATS. Then, (2) Bank Defendants through its explicit (as well as unwritten) policies and procedures, intentionally allowed their own employees who made commission/money as a function of every funded loan (managers, loan consultants, etc.), to contact individual appraisers and bribe, exercise influence, call in favors, harass, and coerce appraisers into rendering the exact value they needed. And finally, when all else failed (3) Defendants set up a fail-safe; they created an internal policy which allowed for the hiring of "outside" appraisers who were particularly well known within the industry for being willing to "fudge" the numbers.

199. Alan Hummel, Chair of the Appraisal Institute, testified before the Senate Committee on

banking that the dynamic between mortgage originators and appraisers created a "terrible conflict of interest" where appraiser "experience[d] systemic problems of coercion" and were "ordered to doctor their reports" or they might be "placed on exclusionary or 'do-not-use' lists." Too often, this pressure succeeded in generating artificially high appraisals and appraisals being doing on a "drive-by" basis which appraisers issued their appraisal without reasonable bases for doing so.

200. A 2007 survey of 1,200 appraisers conducted by October Research Corp., which publishes *Valuation Review* , found that 90% of appraisers reported that mortgage brokers and others pressured them to raise property valuations to enable deals to go through. This figure was nearly double the findings of a similar study conducted just three years earlier. The 2007 study also "found that 75% of appraisers reported 'negative ramifications' if they did not cooperate, alter their appraisal, and provide a higher valuation.

201. Through their intentional misrepresentations and fraudulent appraisal inflation Bank Defendants, and NATS intended to induce Plaintiffs' reliance on the truth of their valuations and representations, and to induce them to move forward with their loan transactions, which were profitable to Bank Defendants and the conspiracy of Defendants – and did indeed induce such reliance.

202. A professional appraiser's (such as those used by Defendants) knowledge of property valuation is vastly superior to that of the lay borrower. The complicated mathematics and calculations of appraisals require highly specialized education. Their training and knowledge is so specialized, in fact, that one cannot act as an appraiser without being properly trained and licensed. It is reasonable and foreseeable that a consumer would rely upon an appraisal arrived at by a professional appraiser – particularly in light of their complicated nature. Plaintiffs did in fact rely on the representations and concealments of these parties.

203. Bank Defendants and NATS knew that it was foreseeable that Plaintiffs would rely on their appraisals and/or (mis)representations of values.

204. These misrepresentations were material to Plaintiffs decision to enter into the Loans

205. Plaintiffs did rely on the truth of such (mis)representations and, in doing so, entered into Loan Contracts with Defendants. Had Plaintiffs known the truth they would not have moved forward with the purchase transactions, or loan transactions.

206. Bank Defendants, together with NATS, perpetrated this systematic appraisal fraud at the direction of and for the benefit of the conspiracy, and with the knowledge, ratification, and acquiescence of their executives and board members.

207. As a result of such Appraisal Inflation, Plaintiffs were induced to pay more for their homes than their true value, induced to take larger loans than would have been necessary, pay larger down payments, pay additional interest, fees, and pay additional property taxes.

208. Counts 6 through 9 arise under this (Second) Cause of Action for Individual Appraisal Inflation, and are brought by all Plaintiffs named in this Cause of Action, against all Defendants named in this Cause of Action.

COUNT 6: INTENTIONAL MISREPRESENTATION

209. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

210. Bank Defendants and NATS, at the direction, behest, and on behalf of the Conspiracy of Defendants intentionally inflated and misrepresented the true values of Plaintiffs' homes, in order to induce Plaintiffs reliance into entering into Loan Contracts with Bank Defendants, as described at length throughout this Cause of Action.

211. Plaintiffs did in fact rely on the truth of the misrepresented facts in deciding to enter into Loan Contracts with Bank Defendants. Had Plaintiffs known the truth, they would not have entered into the Loan Contracts.

212. Defendants had exclusive knowledge of the truth. Their scheme was built on keeping their borrowers (Plaintiffs herein) in the dark.

213. As a result of such Appraisal Inflation, Plaintiffs were induced to pay more for their homes than their true value, induced to take larger loans than would have been necessary, pay larger down payments, pay additional interest, fees, and pay additional property taxes. Without limiting the damages as described elsewhere in this Complaint, Plaintiffs damages arising from this Cause of Action also include loss of equity in their houses, costs and expenses related to protecting themselves, reduced credit scores, unavailability of credit, increased costs of credit, reduced availability of goods and

services tied to credit ratings, increased costs of those services, as well as fees and costs, including, without limitation, attorneys' fees and costs.

214. Defendants' intentional, wide-scale, fraudulent conduct also merits the imposition of punitive damages. Plaintiffs respectfully request the award of such punitive damages and any other relief this court shall deem just and proper.

COUNT 7: NEGLIGENT MISREPRESENTATION

215. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

216. The allegations of this Count are identical to those above in the previous Count except that the degree of intent herein is that of negligence. Put another way, at the time of the misrepresentations described in this Cause of Action (and listed in part above), Bank Defendants and NATS did not have reasonable grounds to believe them to be true.

COUNT 8: NEGLIGENCE

217. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein

218. Bank Defendants and NATS had a duty to act reasonably, and further had duties of care imposed upon them by law and statute as alleged above at paragraphs 97-103 to provide accurate appraisals. Such duties are also established by the applicable standards of care within the profession.

219. In falsely inflating and causing to be inflated the appraisals of Plaintiffs herein NATS and Bank Defendants breached that duty.

220. In (recklessly, knowingly, or intentionally) placing borrowers into loans upon which they would be instantly upside down and be instantly upside down by virtue of inflated valuations – all so that the Conspiracy of Defendants could profit - Bank Defendants further breached their duty.

221. In (recklessly, knowingly, or intentionally) furnishing false and inflated appraisals – all so that the Conspiracy of Defendants could profit –Bank Defendants, and NATS further breached their duty.

222. In (recklessly, knowingly, or intentionally) failing to observe the standards of care in the

1 appraisal profession, NATS breached its duty.

2 223. In undertaking to place as many borrowers into loans as possible in the pursuit of profit
3 without regard for their ability to afford them, their creditworthiness, or the distinct risk of default
4 (either a known likelihood of default or reckless disregard thereof) and the commensurate effects such
5 wide scale defaults would have on property values and the economic system, Bank Defendants breached
6 that duty.

7 224. Bank Defendant additionally breached their duty by coercing and bribing their appraisers,
8 as well as subjecting their appraisers to conflicts of interest, as more fully set forth in this Cause of
9 Action.

10 225. NATS additionally breached their duty by accepting such bribes, and/or acting under
11 known conflicts of interest, as more fully set forth in this Cause of Action.

12 226. Bank Defendants and NATS breached their duty in numerous other fashions as described
13 throughout this Complaint, whose allegations in their entirety are incorporated by reference as to all
14 Causes of Action and all Counts.

15 227. In breaching that duty Bank Defendants, and NATS acting in conspiracy with the other
16 Defendants herein, caused grave damage to Plaintiffs herein and numerous others.

17 228. These harms were foreseeable if not actually foreseen by Defendants.

18 229. Defendants' actions in intentionally manipulating and inflating appraised property values,
19 were a substantial factor in if not *the* cause of the generalized market crash which caused the prices of
20 Real Estate values throughout California to plummet, damaging Plaintiffs herein.

21 230. Further, Defendants' actions in intentionally placing borrowers into impossible loans in
22 the pursuit of profit , were a substantial factor in if not *the* cause of the generalized market crash which
23 caused the prices of Real Estate values throughout California to plummet, damaging Plaintiffs herein

24 231. Without limiting the damages as described elsewhere in this Complaint, Plaintiffs
25 damages arising from this Cause of Action also include loss of equity in their houses, costs and expenses
26 related to protecting themselves, reduced credit scores, unavailability of credit, increased costs of credit,
27 reduced availability of goods and services tied to credit ratings, increased costs of those services, as well
28 as fees and costs, including, without limitation, attorneys' fees and costs.

COUNT 9: UNFAIR, UNLAWFUL, AND FRAUDULENT BUSINESS PRACTICES (VIOLATION OF CAL. BUS. & PROF. CODE §17200)

232. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

233. Bank Defendants' acts in intentionally causing falsely inflated appraisals in order to induce their borrowers to move forward with Loans were unlawful, unfair, **and** fraudulent – all in the disjunctive.

234. Such acts are **fraudulent** for all of the reasons described above, whose allegations are hereby incorporated by reference.

235. These acts are also **unlawful**.

236. California Civil Code §1090.5 "Valuation of real estate; improper influence; violation" forbids the exercise of influence over the valuation of property by any person with an interest in that real estate transaction. Defendants have violated this law.

a. Bank Defendants and their Co-conspirators herein had a direct interest in the valuation of real estate transactions at issue, as they were the institution that was lending on the property, and moreover because they stood to profit from the consummation of the real estate transaction – which depended in large part on a sufficient valuation being returned by the appraiser. Their wrongful influence occurred in connection with the "development, reporting, result, or review of that valuation" in accord with the language of the statute.

b. Defendants herein both in their individual capacity, and in their capacity as co-conspirators with one another and with NATS (Citi's wholly-owned appraisal management company) have violated California Civil Code §1090.5 by violating appraiser independence through, among other things, compensation, coercion, extortion, bribery, intimidation of their appraisers, as well as the appraisal management company itself, and its management and executives, as well as other independent, outside, or "fee appraisers" not employed by Nationwide Appraisals.

c. As described throughout this Complaint at length, Bank Defendants and Defendants

herein as well as their employees, officers, and agents intentionally:

d. Caused the appraisers to base the value of their appraisals on a factor other than the independent judgment of the appraiser;

e. Mischaracterized and/or suborned the mischaracterization of the appraised value of the property securing the extension of credit;

f. Sought to influence the appraiser to facilitating the making of and pricing of their transactions;

g. Sought to influence the appraiser to achieve a targeted value;

h. Withheld or threatened to withhold payment for the appraisal services rendered in conformity with the contract between the parties;

i. Implied, directly or indirectly or threatened that the future retention of the appraiser was contingent upon their return of a satisfactory valuation; and

j. Excluded other appraisers from rendering future valuations based on the return of valuations which did not meet a certain target in the past.

k. Defendants acted with malice and with the intent of artificially inflating California Real estate properties generally, as well as the values of Plaintiffs' individual properties and homes.

237. As alleged at length above, Bank Defendants violated California Civil Code §1090.4 by subjecting, both, their appraisers as well as their appraisal management company, to coercion, undue influence, bribery, instruction, appraiser selection manipulation, financial pressure, as well as threats – both explicit and implicit – that if their appraisals didn't come back in at value (1) future business with the appraisers would either diminish or discontinue altogether or (2) that the individual appraiser would be blacklisted.

238. Bank Defendants also violated 15 U.S.C. §1639e (entitled "Violation of Appraiser Independence") by violating appraiser independence through, among other things, compensation, coercion, extortion, bribery, intimidation of their appraisers, as well as the appraisal management company itself, and its management and executives, as well as other independent, outside, or "fee appraisers" not employed by their Appraisal management company.

a. Bank Defendants herein were in the business of extending credit and providing services related to the extension of credit in the consumer credit transactions secured by the principal dwelling of the customer – Plaintiffs herein.

b. As described throughout this Complaint at length, Bank Defendants herein as well as their employees, officers, and agents, while acting for the benefit of the Conspiracy of Defendants intentionally:

i. Caused the appraisers to base the value of their appraisals on a factor other than the independent judgment of the appraiser;

ii. Mischaracterized and/or suborned the mischaracterization of the appraised value of the property securing the extension of credit

iii. Sought to influence the appraiser to facilitating the making of and pricing of their transactions;

iv. Sought to influence the appraiser to achieve a targeted value; and

v. Withheld or threatened to withhold payment for the appraisal services rendered in conformity with the contract between the parties.

239. Bank Defendants and NATS, acting on behalf of the Conspiracy also violated 12 C.F.R §323.5 by allowing their staff appraisers to have an direct or indirect financial or other interest in the property, namely Bank Defendants and NATS often bribed, or incentivized their staff appraisers for who appraised homes whose loans ended up funding, and further by penalizing and denying the appraiser pay for not valuing a property at a high enough value.

a. As to fee appraisers, outside appraisers and independent appraisers, Bank Defendants and NATS also violated 12 C.F.R. §323.5 in knowingly allowing their loan consultants, brokers, and other such loan origination employees to engage the appraisers themselves directly, knowing that such employees would exercise influence over the appraisers. Further, these fee/outside/independent appraisers were given a direct interest in the transaction – their pay and the possibility of future business would often be contingent on the results they provided, namely high values.

b. Additionally, Bank Defendants and NATS violated this section as to both Staff and

"fee"/outside/independent appraisers by "blacklisting" any appraiser who consistently brought back lower values than expected. In other words, Defendants conditioned the appraiser's very job on their willingness to "play ball" – a strong financial interest in the value of the property if ever there were any. Appraisers who would bring back conservative or low values were let go and never re-hired. This was a well-known reality within the appraisal and banking industry and influenced the independence of thought of any appraiser working with a big bank such as bank Defendant Banks herein. Defendants intended the threat of being blacklisted to deter appraisers from rendering uninhibited good faith appraisals and instead to influence appraisers to exaggerate their values. When taken in the aggregate, Defendants' policies, coercion and acts resulted in the systematic and artificial inflation of California real estate values (as discussed below in the "**Market Fixing"** Cause of Action).

c. The loan transactions alleged in this cause of action qualify as "federally regulated transactions" under the statute because such transactions are defined in the definition section of the statute as "any real-estate-related financial transaction entered into on or after August 9, 1990 that… requires the services of an appraiser."

240. Further, Defendants acts in tricking borrowers to enter into Loans with them by intentionally misleading them about the value of their homes, are fundamentally **unfair** and deceptive. Defendants knowingly placed Plaintiffs borrowers in a position of peril, for their own personal gain.

241. No business, particularly one as centrally-important to the American economy as banking, should be allowed to so egregiously deceive its consumers. If Banks are to conduct business, their business *must not be* that of fraud and deception.

242. Without limiting the allegations above which are fully incorporated herein, Bank Defendants' acts are **unfair** insofar as they intentionally place unsuspecting borrowers into loans which jeopardize their financial livelihoods and risk potential homelessness. Simply put, Defendants' scheme is to use borrowers as pawns to increase their profit. It speaks for itself that such acts are patently unfair.

243. Such acts and practices violate established public policy and the harm they cause to consumers in California greatly outweighs any benefits associated with those practices.

244. These actions were immoral, unethical, oppressive, unscrupulous and substantially injurious to similarly situated borrowers, and Plaintiffs herein. Bank Defendants' and NATS's conduct had no utility other than for their own personal gain, and the harm was great not only to Plaintiffs herein, but also to residents of California, broadly, who have seen a decrease in their home and property values as a result of the bursting of the super-heated pricing bubble created by Defendants' fraudulently inflated appraisal; at the time of their fraud, Defendants *knew* that their conduct would cause the precipitous decline in property values throughout the State of California. Defendant's acts caused substantial consumer injury with no benefits to consumer competition. Plaintiffs could not have reasonably avoided these injuries occasioned by Defendants' intentional deceit, misrepresentation, and omission. Further, Defendants acts significantly threatened harm to competition.

245. Defendant's acts caused substantial consumer injury with no benefits to consumer competition. Plaintiffs could not have reasonably avoided these injuries occasioned by Defendants' intentional deceit, misrepresentation, and omission. Further, Defendants acts significantly threatened harm to competition.

246. Defendants acted with malice and with the intent of artificially inflating California Real estate properties generally, as well as the values of Plaintiffs' individual properties and homes.

247. As a result of Defendants' unfair competition, Plaintiffs are entitled to restitution for all sums received by Defendants with respect to Defendants' unlawful and/or unfair and/or fraudulent conduct, including, without limitation, interest payments made by Plaintiffs, fees paid to Defendants, including, without limitation, the excessive fees paid at Defendants' direction, and premiums received upon selling the mortgages at an inflated value.

248. Plaintiffs are entitled to restitution of the loan payments obtained by Defendants pursuant to their unlawful, unfair, and fraudulent business practices.

249. Further, as a result of the foregoing conduct, Plaintiffs suffered injury in fact including diminished credit scores with a concomitant increase in borrowing costs and diminished access to credit, fees and costs, including, without limitation, attorneys' fees and costs.

250. Finally, as a result of these acts, Plaintiffs were placed into larger loans than they could afford or should have been placed into. The additional fees, points and interests paid as a result of the

higher/inflated loan amounts constitute damages, and legally cognizable sources of restitution.

251. The unfair, unlawful and fraudulent acts and practices of Defendants named herein present a continuing threat to Plaintiff and to members of the public in that these acts and practices are ongoing and are harmful and disruptive to business and financial markets and merit the award of injunctive relief.

THIRD CAUSE OF ACTION: MARKET FIXING

(***By All Plaintiffs against Bank Defendants, and NATS, and all other Defendants as Co-Conspirators***)

252. To further the wrongs alleged throughout this Complaint (and its profit), Bank Defendants, using its size and prominent market share, began **systematically** creating false and inflated property appraisals **throughout California**, hand-in-hand with their wholly-owned appraisal subsidiary NATS, in a Market Fixing Scheme designed to inflate the property values of homes throughout California. (The "Market Fixing Scheme").

253. Though conceptually related to the Cause of Action for Individual Appraisal Inflation, the harms, actions, and reasons behind the Market Fixing Scheme were unique.

254. The cause of action for the broad *market fixing scheme* alleges that Defendants in conspiracy with their wholly-owned appraisal subsidiary, NATS , manipulated/inflated the prices of *all* California real estate prices as compared to their true value. **Everybody**, even people who didn't originate their loans through or get an appraisal from Defendants, were forced to purchase their homes for a higher price than they should have as a result of Defendants' Market Fixing activities – the additional amounts they were forced to pay constitute damage to Plaintiffs. Indeed, these damages accrued to people who didn't even have their properties appraised by Defendants.

255. Plaintiffs reasonably relied on the fact that the market was operating normally and thus the prices people were paying for their homes were uninflated. Defendants however failed to disclose that the market was not operating normally – that they had manipulated it.

256. From **Bank Defendants' perspective**, their reasons (in other words, their intent) for fraudulently inflating Plaintiff's appraisals and engaging in the Market Fixing Scheme was three-fold:

a. **First**, **by doing so Bank Defendants created the illusion of a naturally appreciating**

real economy, which resulted in a purchase *and* refinance boom – which meant more loans for Bank Defendants, and thus more profit for the conspiracy of Defendants. And so it began, Defendants together with NATS quickly embarked on a scheme to inflate their appraisals, and more broadly, property values throughout the State of California, because, in short, they made a *lot more money by doing so*.

b. **Second**, by systematically driving the prices of real estate up, borrowers were required to take out larger loans to afford the same property, once again resulting in more profit to Defendants. The damages to Plaintiffs resulting from these larger loans are discussed below.

c. **Third**, Defendants falsely inflated the appraised values, because by doing so Defendants were able to turn more profit on the sale of these loans to investors. Because investors were willing to pay more for less risky loans (lower Loan-to-Value loans), Bank Defendants and NATS were given an incentive to fraudulently inflate the appraisal values of their property, thus making the collateral (the subject property) of the loan seem safer to the investor, resulting in more profit to Defendants.

257. To carry out this fraud, Bank Defendants used its size and market share as one of the largest lenders in California to systematically create false and inflated property appraisals throughout California, hand-in-hand with their wholly-owned appraisal subsidiary, NATS.

258. At Bank Defendants' direction, NATS began systematically and wrongfully inflating the valuations of properties throughout California – not just on the properties of Plaintiffs herein, but on all properties throughout California. As is common knowledge in the real estate industry, appraisers take the value of other nearby homes (called comparables aka "comps") into account in determining the value of the homes they appraise. **These inflated appraisals and home valuation conducted by Bank Defendants and their subsidiaries *then* acted as comps upon which numerous *other* appraisers based their valuations of *other* homes. The results were a vicious self-feeding exponential cycle, both expected and intended by Defendants. These inflated appraisals caused other homes to be valued for more than they were worth, which in turn acted as the predicate for even higher appraisals and which caused even more homes to be valued for more than they were worth**. The

inevitable and intended result of Defendants' conspiracy was the creation of a super-heated pricing bubble in the real estate economy, created by and at the direction of Defendants, designed to manipulate and inflate property values, and effectuated for the sole purpose of lining Defendants' pockets with money. The harm it inflicted to Plaintiffs herein, California's real estate economy, and more broadly, the American economy mattered little. Defendants were making money and plenty of it.

259. Moreover, as Citi's wholly owned subsidiary, NATS was specifically directed by Defendants to systematically "bump" or inflate appraisal values of homes throughout California, with the intent of creating housing appreciation, leading to a real estate boom, which Defendants could then capitalize on by selling not only more loans, but more loans at even higher loan amounts. From the very top to the very bottom, Defendants created a system intended to render consistently inflated appraisals. But they knew the 'boom' they were creating, was one stilted up and fueled by their fraud – and that when the music stopped playing the house of cards they'd built would come crumbling down destroying any and all equity Plaintiff borrowers had in their home.

260. Rapidly, these two intertwined schemes (the Market Fixing Scheme [Third Cause of Action], and the Scheme to place borrowers into loans they could not afford [First Cause of Action]) grew into a brazen plan to disregard underwriting standards and fraudulently inflate property values – county-by-county, city-by-city, person-by-person – in order to take business from legitimate mortgage-providers, and moved on to massive securities fraud hand-in-hand with concealment from, and deception of, Plaintiffs and other mortgagees on an unprecedented scale.

261. According to the April 7, 2010 FCIC testimony of Richard Bitner, a former executive of a subprime mortgage originator for 15 years and the author of the book *Confessions of a Subprime Lender*, "the appraisal process [was] highly susceptible to manipulation, lenders had to conduct business as though the broker and appraiser couldn't be trusted, [and] either the majority of appraisers were incompetent or they were influenced by brokers to increase the value." He continued:

> To put things in perspective, during my company's history, half of all the loans we underwrote were overvalued by as much as 10%. This means one out of two appraisals was still within an acceptable tolerance for our end investors. Our experiences showed that 10% was the most an appraisal could be overvalued and still be purchased by investors. Another quarter that we reviewed was overvalued by 11-20%. These loans were either declined or we reduced the property to an acceptable tolerance level. The remaining 25% of appraisals that we initially underwrote were so overvalued they defied

all logic. *Throwing a dart at a board while blindfolded would've produced more accurate results*

262. Mr. Bitner testified about the implications of inflated appraisals:

> **If multiple properties in an area are overvalued by 10%, they become comparable sales for future appraisals. The process then repeats itself**. We saw it on several occasions. We'd close a loan in January, and see the subject property show up as a comparable sale in the same neighborhood six months later. Except this time, the new subject property, which was nearly identical in size and style to the home we financed in January, was being appraised for 10% more. Of course, demand is a key component to driving value, but the defective nature of the appraisal process served as an accelerant.

263. Mr. Bitner testified that the engine behind the increased malfeasance was the Wall Street Banks: "[T]he demand from Wall Street investment banks to feed the securitization machines coupled with an erosion in credit standards led the industry to drive itself off the proverbial cliff."

264. In a scathing complaint filed by the Federal Housing Finance Agency on September 2, 2011 they outlined how this brazen planned worked. Bank Defendants would use their in-house or contract appraisers to artificially inflate Plaintiff's home values in order for their loans to be used in Securitization transactions. According to that complaint, "an inflated appraisal will understate, sometimes greatly, the credit risk associated with a given loan", mainly our Plaintiffs' homes.

265. According to the Financial Crisis Inquiry Commission (FCIC), they identified "inflated appraisals" as a pervasive problem at Citi during the period of the Securitizations in the time span mentioned in this complaint, and determined through its investigation that appraisers were often pressured by mortgage originators, among others, to "produce inflated results".

266. Since California homes (including those of Plaintiffs herein) were Bank Defendants' main target, this scheme led directly to a mortgage meltdown for Plaintiffs in this complaint that was substantially worse than any economic problems facing Defendants' borrowers in the rest of the United States.

267. At the time of their respective Purchase and/or Loan Transactions Plaintiffs relied on the fact that the real estate market was operating normally, and thus the prices Plaintiffs were paying were naturally occurring, uninflated prices – a reasonable reliance.

268. Bank Defendants and NATS however intentionally failed to disclose the material fact that the market was not operating normally – but rather that they had systematically and intentionally

manipulated the market hand-in-hand with their co-conspirators, to inflate real estate prices for their own profit.

269. Specifically, Bank Defendants and NATS intentionally **concealed** the material facts that they:

a. had intentionally and falsely inflated the appraisals on Plaintiffs properties throughout California;

b. had subjected their appraisers over whom they exercised complete dominion to a massive conflict of interest precluding them from being able to render good-faith, accurate, technically proper appraisals in conformity with the standards required in the profession;

c. had systematically, intentionally, and artificially inflated the prices of real estate throughout California (otherwise known as "market fixing"), resulting in:

d. had fixed the real-estate market and systematically driven the prices of property well above what they were worth, with the intent of creating the illusion of a naturally-appreciating real estate economy to spur a purchase and refinance boom resulting in more business and thus more profits for the bank;

e. knew that the true uninflated value of Plaintiffs' homes were insufficient to justify the size of the loans Plaintiffs were being given;

f. falsely inflated the appraisals of Plaintiffs' properties in order to place Plaintiffs into loans that they would not otherwise be able to obtain or afford, all so Defendants and their employee-Loan Consultants could turn profit;

g. falsely inflated the appraisals of Plaintiffs' properties in order to assure them that the property was indeed worth what they were paying for it, such that Plaintiff would move forward with the purchase;

h. falsely inflated the appraisals of Plaintiffs' properties to induce plaintiffs to enter into loan and assure them that their collateral was sound;

i. knew that the values being used did not justify the size of the loans being placed on the property, and moreover that Defendants knew such valuations would inevitably result in the home going "upside" down followed by inevitable default;

j. knew their scheme would cause a liquidity crisis that would devastate home prices.

270. As a result everybody, even people who didn't originate their loans through or get an appraisal from Defendants, were forced to purchase their homes for a higher price than they should absent Defendants' Market Fixing activities – the additional amounts they were forced to pay constitute substantial damage to Plaintiffs.

271. This underscores the difference between the Broad Market Fixing Scheme and the Cause of Action for Individual Appraisal Inflation. Yes, they are conceptually related in the sense that Defendants' individual appraisal inflations when taken in the aggregate had the intended cumulative effect of further bolstering their market manipulation/inflation. But their conceptual relationship does not make them the same fraud. Unlike the Broad Market Fixing fraud which involved the fraudulent **concealment** of the material fact that they had **manipulated the market** for the reasons listed in paragraph 221 of this Complaint , the Individual Appraisal inflation was an **affirmative intentional misrepresentation** of the **individual values of Plaintiffs' homes** for the reasons listed in paragraph 157 of this Complaint (i.e. "with the intent of inducing Plaintiffs to enter into their loans… and with the intent of assuring them their collateral was sound", *inter alia*).

272. The following table briefly details some (not all) of the differences between the Market Fixing Cause of Action and the Individual Appraisal Inflation Cause of Action. This table below is not intended to be an exhaustive list of the differences between the two actions. (Table appears on following page).

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	Broad Market Fixing Scheme	**Individual Appraisal Inflation**
Act	the fraudulent **concealment** of the material fact that Defendants had manipulated the market,	affirmative intentional **misrepresentation** of the individual values of Plaintiffs' homes
Intent	(1)To create the illusion of a naturally appreciating real estate economy to stimulate a purchase and refinance boom, (2)By systematically driving the prices of real estate up, borrowers were required to take out larger loans to afford the same property	(1)With the intent of inducing Plaintiffs to enter into their loans… (2)With the intent of assuring them their collateral was sound (3)With the intent of falsely assuring Plaintiffs that the property was indeed worth what they were paying for it such that they would consummate the purchase
Plaintiffs' Reliance	Plaintiffs' reliance was on the fact that the market was operating normally and thus the prices people were paying for their homes were uninflated. Defendants however **failed to disclose** that the market was not operating normally – that they had manipulated it	On the truth of the home value represented by Defendants
Damages	Being forced to purchase property at an inflated property value; Being forced to take out larger loans, pay more interest points, fees, taxes, etc. More damages listed below in ¶273	Fraudulently induced to enter into loan contract Being forced to take out larger loans, pay more interest points, fees, taxes, etc.

273. As a result of Bank Defendants and NATS's Market Fixing Activities, in furtherance of the Conspiracy of Defendants, Plaintiffs were harmed in each of the following manners:

a. **First,** the hyper-inflated property values resulting from Defendants' inflated appraisals and market-fixing scheme directly caused Plaintiffs to pay a substantially higher price for their home than they would have otherwise, and then their home was truly worth at the time. The additional amounts Plaintiffs were forced to pay above and beyond the true uninflated value of their property at the time of purchase, constitutes damage to Plaintiffs directly caused by Defendant's scheme.

b. **Second,** the damage didn't end there however - the unraveling of Defendants' scheme caused the market to be sent into a downward spiral, which Defendants knew and foresaw would be the result of their actions, and caused Plaintiffs' home value to plummet *much below the true value* of the property at the time of purchase. **To be clear, it is alleged that Defendants' Appraisal Inflation and Market Fixing Activities, were a substantial factor in if not *the* cause of the generalized market crash which caused the prices of Real Estate values throughout California to plummet**. This is a separate and distinct loss from item number "a" – item "a" deals with false inflation, while item "b" alleges diminution in value/depression. These two losses in sum constitute Plaintiffs' loss of equity, and can be determined by subtracting the current depressed value of Plaintiffs' property from the artificially inflated price they were forced to purchase it for. Even for those Plaintiffs who did not purchase their property, but rather refinanced it, the demise of Defendants' scheme drove the value of their property far below its original purchase price, once again resulting in the loss of substantial equity;

c. **Third,** another intended effect of Defendants' silent market-fixing/appraisal inflation fraud was that Plaintiffs were forced to take out larger loans to purchase the inflated-value homes. Not only were Plaintiffs forced to pay additional principal on this artificially created-value, but additional interest as well. As an example, let's say that because of Defendants' market inflation, Plaintiffs purchased a home for $600,000 (when in reality its true uninflated value would have been $500,000), and took a loan from

Defendants at 6% interest. Not only were Plaintiffs forced to pay $100,000 more for this home than they should have had to, but they were also forced to pay interest on that additional $100,000 in false value, in the amount of $500 dollars per month. Had Defendants abstained from conducting their fraud, Plaintiffs would never have needed to pay the interest on this falsely created value. The additional interest Plaintiffs were forced to pay constitutes damage to Plaintiffs;

d. **Fourth,** for the same reason as directly above (in sub-paragraph "b"), Plaintiffs were also forced to pay additional fees and points (all of which are a function of the inflated loan size). As is common knowledge throughout the industry, lenders, including Defendants herein, often charge what are known as "points" to originate a loan. Charging one "point" is another way of saying that the bank will charge you 1% of your loan amount. Two points would be 2% of the loan amount. Now, using the above example (of a 500k home, artificially inflated to 600k), let's say a borrower was forced to pay 2 points (or in other words 2% of his total loan amount). Because the loan amount was inflated he was forced to pay 2% of 600k ($12,000), when in reality, had Defendants not embarked on their scheme, he would only have had to pay 2% of 500k ($10,000). The additional $2,000 paid ($12,000 - $10,000) constitutes additional damage.

e. **Fifth,** the falsely-inflated property values also caused Plaintiffs to pay substantially higher property taxes.

f. **Sixth,** Bank Defendants also used these inflated values, to induce Plaintiffs and other borrowers into entering ever-larger loans on increasingly risky terms. The result was more money for the conspiracy of Defendants.

g. **Seventh,** The resultant higher payments coupled with the housing crash (both known if not intended by Defendants) resulted in Plaintiffs' inevitable default, wreaking havoc with their credit, and upon which Bank Defendants and Trustee Defendants charged a host of excessive fees (trustee fees, default fees, cleanup fees, inspection fees, late fees, advance fees, and attorney fees) all of which were marked up dramatically. In short, Defendants couldn't lose; they were making money no matter what, and were benefitting

from Plaintiffs' default. By tossing on so many fees Defendants made it impossible for Plaintiffs to be able to ever pay off their "default" amounts. Why? Because Defendants made money by doing so. Recall, that by this time, Defendant Banks had already sold these loans to their investors, and were only acting as servicers. Servicers have significantly different motivations than do lenders. Servicers earn more from foreclosing even when the noteholder (investors) may benefit financially in the long-term by modifying Plaintiffs' loans. And because they were servicers (rather than note-holders), Bank Defendants' incentives were not to preserve the loans and prevent default, but rather to the contrary, they made money initiating foreclosures and charging fees. In other words Defendant Banks' interests as a servicer were exactly the opposite of those when they originated the loan and were note-holders. Their interests were aligned directly with those of a servicer. They had become anything but a conventional money lender. By making it impossible for Plaintiffs to pay off their unilaterally imposed default amounts, Defendants could come in and scoop up whatever equity Plaintiffs had left in the property. It was a win, win, win scenario.

274. Bank Defendants' and NATS's fraudulent inflation and manipulation of real estate values throughout the State of California, the demise of which sent real estate values spiraling downwards, caused Plaintiffs to be placed in homes that were immediately upside-down, and to instantly lose their equity – if not their homes altogether. And as a result of these two schemes coupled together (the scheme to place borrowers into loans they could not afford, and the Market Fixing Scheme), Plaintiff-borrowers were placed into loans far larger than would be supported by the true value of their property or their income. Then, based on these fraudulently inflated loan amounts, Defendants deceptively extracted excessive and unearned payments, points, fees, and interest from Plaintiffs – all of which comprise damage to Plaintiffs.

275. As a result of the improper scheme undertaken by Bank Defendants and NATS, at the behest and benefit of the Conspiracy, Plaintiffs paid more for their homes then they should have, then adding insult to injury lost their equity in their homes, their credit ratings and histories were damaged or destroyed, and Plaintiffs incurred material other costs and expenses, described herein. At the same time,

Defendants took from Plaintiffs and other borrowers billions of dollars in interest payments and fees and generated billions of dollars in illegal and fraudulently obtained profits by selling their loans at inflated values and using the loans as collateral for fraudulent swaps.

276. Bank Defendants and NATS perpetrated this systematic individual appraisal inflation and market fixing scheme at the direction of and for the benefit of the conspiracy, and with the knowledge and acquiescence of their executives and board members.

277. Defendants had exclusive knowledge of their silent scheme to inflate appraisals and fix the market.

278. Counts 10-13 arise under this (Third) Cause of Action for Market Fixing, and are brought by all Plaintiffs named in this Cause of Action, against all Defendants named in this Cause of Action.

COUNT 10: FRAUDULENT CONCEALMENT

279. All preceding and following paragraphs of this Complaint are incorporated by reference as though fully set forth herein

280. Bank Defendants, and NATS, at the direction, behest, and on behalf of the Conspiracy of Defendants intentionally concealed the material facts alleged above at Paragraph 234 (a)-(j), (namely their systematic market fixing activities) in order to induce Plaintiffs reliance into entering into Loan Contracts with Bank Defendants

281. Plaintiffs did in fact rely on the non-existence of the concealed facts in deciding to enter into Loan Contracts with Bank Defendants. Had Plaintiffs known the truth, they would not have entered into the Loan Contracts.

282. Defendants had exclusive knowledge of the truth. Their scheme was built on keeping their borrowers (Plaintiffs herein) in the dark.

283. Bank Defendants and NATS had a duty to disclose such material information but intentionally failed to do so.

284. As a result of such concealments Plaintiffs were damaged as described in this Cause of Action as set forth above in Paragraph 237(a)-(g)

285. Further, without limiting the damages as described elsewhere in this Complaint, Plaintiffs

damages arising from this Cause of Action also include loss of equity in their houses,, costs and expenses related to protecting themselves, reduced credit scores, unavailability of credit, increased costs of credit, reduced availability of goods and services tied to credit ratings, increased costs of those services, as well as fees and costs, including, without limitation, attorneys' fees and costs.

286. Defendants' actions in systematically and falsely pumping up real estate values throughout California, were a substantial factor in if not *the* cause of the generalized market crash which caused the prices of Real Estate values throughout California to plummet, damaging Plaintiffs herein.

287. These harms were both known and foreseen, if not intended, by the Conspiracy of Defendants.

288. Defendants' intentional, wide-scale, fraudulent conduct also merits the imposition of punitive damages. Plaintiffs respectfully request the award of such punitive damages and any other relief this court shall deem just and proper.

COUNT 11: NEGLIGENCE

289. All preceding paragraphs and following paragraphs are hereby incorporated as though fully set forth herein.

290. Specifically, each and every allegation of Count 8 (for Negligence) arising under the *previous* Cause of Action for Individual Appraisal Inflation, are set forth identically herein and realleged here, in the interest of brevity. All of the wrongs and harms alleged in that Count are specifically brought here in this Count as well.

291. In addition to the allegations of Count 8, Plaintiffs further allege as follows.

292. Bank Defendants and NATS additionally breached their duty by maliciously (or alternatively, knowingly, or recklessly) inflating values of real estate throughout California in a Market Fixing Scheme, as described throughout this Cause of Action.

COUNT 12: PRICE FIXING - VIOLATION OF SHERMAN ACT 15 USC §1 ET SEQ.

293. All preceding paragraphs and following paragraphs are hereby incorporated as though fully set forth herein.

294. The Market Fixing Scheme alleged throughout this Cause of Action falls within the definition of a price fixing conspiracy under 15 USC §1 et seq.

295. Plaintiffs herein bring this count for injuries occurring as a direct result of Bank Defendants' and NATS's (and their Co-Conspirator's) Price Fixing conspiracy, as described throughout this Cause of Action ("Market Fixing").

296. Bank Defendants herein were among the leading lenders at all times alleged herein and had sizeable market share, individually and collectively.

297. The purpose and effect of this anti-competitive conspiracy was to fix, raise, and stabilize the prices of homes throughout California, in order to bolster and increase Defendants' profits at the expense and injury of their borrowers, as well as other fairly competing lending institutions. These actions led to commensurate inflation of real estate values in states contiguous to California.

298. Bank Defendants and NATS collusively and affirmatively conspired with one another to artificially raise the values of real estate throughout California, with effects spreading throughout contiguous states, because in doing so, all parties would see significantly more profit. The Bank Defendants were able to charge higher loan amounts, higher interest, and higher fees and points, while simultaneously able to increase their sales on the secondary market by creating the substantially false impression that the loans being sold were less risky than they were. Because of the intentionally increased danger of their loans, and increased likelihood of default the Servicing Defendants were able to collect highly lucrative late fees, default fees, and other such fees. Both Lending and Servicing Defendants turned additional profit when their borrowers, through their coordinated acts of deception and Market Fixing inevitably defaulted and were foreclosed upon, because Lending and Servicing Defendants were profitably insured against loss. Finally the Trustee Defendants also profited through this price fixing scheme in that more foreclosures allowed them to collect lucrative foreclose fees, trustee fees, inspection fees, and numerous other such fees.

299. Bank Defendants and NATS acted intentionally and with the specific intent of fixing the market, and inhibiting fair competition.

300. Bank Defendants and NATS succeeded in inflating, fixing, and raising real estate prices throughout the areas described, to the grave detriment of their consumers all of whom were

unknowingly forced to pay substantially more for their homes than they would have absent such price/market fixing. Defendants' acts were the direct and proximate causes of Plaintiffs' harms.

301. As a result of such acts Plaintiffs have been damaged as set forth in Paragraph 237 (a)-(g)

302. Further, without limiting the damages as described elsewhere in this Complaint, Plaintiffs damages arising from this Cause of Action also include loss of equity in their houses, costs and expenses related to protecting themselves, reduced credit scores, unavailability of credit, increased costs of credit, reduced availability of goods and services tied to credit ratings, increased costs of those services, as well as fees and costs, including, without limitation, attorneys' fees and costs.

<u>COUNT 13</u>: UNFAIR, UNLAWFUL, AND FRAUDLENT BUSINESS PRACTICES (VIOLATION OF CAL. BUS. & PROF. CODE §17200)

303. All preceding paragraphs and following paragraphs are hereby incorporated as though fully set forth herein.

304. Specifically, each and every allegation of Count 9 (for violation of the UCL) arising under the *previous* Cause of Action for Individual Appraisal Inflation, are set forth identically herein and realleged here, in the interest of brevity. All of the wrongs and harms alleged in that Count are specifically brought here in this Count as well.

305. In addition to the allegations of Count 9, Plaintiffs further allege as follows.

306. Bank Defendants and NATS acts are additionally **fraudulent** as set forth throughout this Third Cause of Action and the preceding Counts, all of which are hereby incorporated by reference.

307. Bank Defendants and NATS's acts are additionally **unfair** in that the intentional systematic manipulation and inflation of real estate values throughout California, causing Plaintiffs (and numerous others) to have to pay substantially more for their homes, loans, taxes, and numerous other fees – all so that the Conspiracy of Defendants could profit is patently unfair.

308. Bank Defendants and NATS acts are additionally **unlawful** in that

a. their market and price fixing activities constitute violation of Anti-Trust law under the Sherman Act.

309. Further as a result of Defendant's (1) artificial and fraudulent inflation of Plaintiffs' property

values, and property values throughout the State of California, as well as (2) Defendants' abandonment of their own as well as industry standard underwriting guidelines, coupled with (3) Defendants incentive to package and sell as many dollars' worth of loans as they could to the secondary market, Defendants placed Plaintiff-borrowers into loans which were considerably larger than were justified by (a) the *true* uninflated valued of their properties, (b) Plaintiffs true uninflated incomes and (c)by Defendants own underwriting guidelines. As a result of Plaintiffs were placed into larger loans than they could afford or should have been placed into. The additional fees, points and interests paid as a result of the higher/inflated loan amounts constitute damages, and legally cognizable sources of restitution.

FOURTH CAUSE OF ACTION: DECEPTION IN LOAN MODIFICATIONS

1. **(*By Plaintiffs***Manuel Sedillo, Michelle Rogers, Antonia Hernandez and Donna Hernandez, Dina Garay, Angel Diaz, Youself Lazarian and Linat Lazarian, Shila Ardalan and Kayvan Hazrati – ***Against Bank Defendants and all other Defendants as Co-Conspirators***)

Defendants' Scheme To Extract Workout Payments From Borrowers In Distress And Then Foreclosing, As Opposed To Genuinely Offering Loan Modifications – Violating California's Prohibition Against Collecting Deficiency Judgments After Electing to Non-Judicially Foreclose

310. In the face of the escalating foreclosure crisis in the United States and especially in California, Bank Defendants have further victimized and preyed on those struggling to keep by offering and inducing customers into illusory "Workout Agreements," (also known as "Trial Payment Plans") or "TPP"s) which purport to offer hope of (1) a permanent loan modification and/or (2) an opportunity to cure loan default, but in truth and fact are merely a ruse through which Bank Defendants dupes homeowners into paying them thousands of dollars immediately before they foreclose. On information and belief, Bank Defendants have reaped illicit profits from these actions exceeding $100 million.

311. Under these Workout Agreements, Bank Defendants promise to (1) permanently modify the borrower's loan, (2)refrain from foreclosing during the pendency of the Workout Agreement, and (3) an opportunity to otherwise cure loan default, if a borrower pays three (sometimes more) "trial

payments" to the lender. Despite their promises to the contrary, Bank Defendants have not fulfilled their promises under the Agreement (breach of contract), and indeed never intend to (fraud). Instead, as alleged below, these Workout agreements are a sham designed to extract payments from borrowers immediately before Bank Defendants foreclose (violation of California's prohibition against collecting deficiency judgments after electing to non-judicially foreclose; *See* Cal. Code Civ. Proc. § 580b and Cal. Code Civ. Proc. § 726).

312. In their capacity as loan servicers, Bank Defendants are paid by and beholden to the investors that hold the principal and interest rights to the loan being serviced. The larger the face value of the pools of loan Bank Defendants service, the more it makes. Quality of servicing and responsiveness to borrowers are irrelevant to the bottom line. In fact, for loans in default, past due, and/or on the brink of foreclosure, Bank Defendants makes ***more money*** in fees. As such, it is in Bank Defendants interest to have loans in default and arrears for as long as possible prior to foreclosure, then foreclosing. Bank Defendants stand only to lose revenue by giving loan modifications to borrowers instead of foreclosing.

313. Bank Defendants' servicing agreements with investors provide that the Bank Defendants gets a set percentage of every dollar it collects from borrowers. If a borrower is in default and not making any payments, Bank Defendants then receive no compensation for servicing the loan. In addition, most of Bank Defendants' loan servicing agreements requires them to advance to investors the monthly payments that defaulted borrowers do not make. This requires Bank Defendants to borrow money from its parent bank to cover such advances. It is thus disastrous to Bank Defendants' profitability to have defaulted loan where no payments are being made.

314. As a result, Bank Defendants designed the "Workout Agreements" at issue here to convert non-performing loans that only cost it money into "cash-flowing" loans that made it money. Its policies from the outset of its use of the Workout Agreements require any borrower asking for a modification to first sign-up for a Workout Agreement, and it financially incentivized its call center employees to push the Workout Agreements on all defaulted borrowers. It is in Bank Defendants interest to delay – but not prevent- foreclosure when by doing so it can avoid making the payment advances to its investors and collect additional sums from distressed borrowers prior to foreclosure.

1 315. Under California's non-judicial foreclosure rules, by electing to foreclose, a party loses
2 the right to collect any amount owed on the loan that exceeds the amount recovered through the
3 foreclosure process. Thus, when a home is worth less than the amount owed, after an election is made to
4 non-judicially foreclose on the borrower, that borrower does not have to repay any deficiency, and Bank
5 Defendants has no legal authority to collect, any arrearage or missed payments on the loan(s).
6 Importantly, once a foreclosure has been initiated, a borrower has no legal obligation to make payments
7 on the loan and the lender has no legal ability to collect any such payments.
8 316. These activities have been the subject of intense scrutiny, enforcement actions and
9 litigation. As recently as April 13, 2011, multiple Federal regulators entered into stipulated consent
10 orders with certain Defendants herein and related entities such as MERS (described below) describing
11 massive failures and taking the first steps toward requiring Defendants and other banks to refund sums
12 to homeowners improperly foreclosed upon by Defendants and other banks.
13 317. Some Plaintiffs entered into "Workout Agreements" with Bank Defendants in which
14 Plaintiffs promised to pay and paid thousands of dollars- including legal and other fees which were not
15 owed under their mortgages- on the seeming return promise of a review for a loan modification and an
16 opportunity to cure their default at the end of a review period. But Bank Defendants' promises in return
17 were empty: At the end of the Workout Agreements it told borrowers to continue to make monthly
18 payments as it "considered" modification. Then it foreclosed on Plaintiffs' homes ***without allowing***
19 ***borrowers access to any "cure method" despite <u>its promises in the Workout Agreements</u> to do so***.
20 318. In fact, Bank Defendants' internal policies and procedures were *not* to render a
21 modification decision during the term of the Workout Agreements and its policy was *not* to provide cure
22 information to the borrower at the end of the Workout Agreement absent a specific request from the
23 borrower. As a result, Bank Defendants fraudulently induced their customers to enter the Workout
24 Agreements and pay them thousands of dollars, while making no legally binding promise in return to
25 Plaintiffs. The Plaintiffs in this action are entitled to rescind. In the alternative, Plaintiffs allege that
26 Bank Defendants breached their duty of good faith and fair dealing when they foreclosed on Plaintiffs'
27 homes without first giving an opportunity to cure the default.
28 319. In return for Plaintiffs' promises to make monthly payments, under the "workout

agreements", which included legal and other fees not required to be paid under Plaintiffs' mortgages, Bank Defendants promised: (a)to permanently modify Plaintiff's loans (b) not to foreclose for the duration of the Workout Agreement; and (c) at the end of the Workout Agreements to provide an opportunity for Plaintiffs to "cure: their loan deficiency through: (1)reinstatement (*i.e.,* bring the loan current); (2) payoff(i.e., refinancing with another lender to pay off the serviced loan); (3) modification; or (4) another workout "option" at the discretion of Bank Defendants.

320. The Workout Agreements signed and offered to Plaintiffs by Bank Defendants were a sham. They were illusory because Bank Defendants made materially false statements in the Workout Agreements and made no legally binding promises in exchange for the borrowers' promises to make payments. The (1) promise of permanent loan modification and (2) "other" workout options were entirely at Bank Defendants' discretion, and thus not a binding promise. Defendants never permanently modified Plaintiffs as promised despite their compliance with every term of the workout offer, including their payment of all trial payments. The options to cure by (3) reinstatement or (4) payoff were also illusory because Bank Defendants' policy was to foreclose on properties ***without providing the opportunity to cure*** default through another means to avoid foreclosure. Borrowers had no opportunity to cure through reinstatement or pay-off their loan because they were not told at least five days before the Trustee's sale date that a modification other workout plan was denied. As a result, Plaintiffs' consent to the Workout Agreements was fraudulently obtained and Bank Defendants' consideration for the Workout Agreements failed, rendering such agreements ***void ab initio*** and subject to rescission. In addition, under the black letter California law, Plaintiffs are entitled to punitive damages where, as here, consent to a contract is fraudulently induced *See Mahon v. Berg*, 267 Cal. App. 2d 588, 589 (1968).

321. Plaintiffs herein have complied with each and every term of the Workout Agreements. Plaintiffs have made all payments required under such agreements. Plaintiff's representations made in connection with such Workout Agreements remain true and correct. Defendants however have not delivered the promised consideration, and are therefore in breach of contract. Defendants have not permanently modified Plaintiffs loans as promised. No opportunity to cure default or deficiency as above described was offered. And in many instances Bank Defendants foreclosed on Plaintiffs while Plaintiffs were still making "trial payments" under the Workout Agreements.

322. Though the language of the Workout Agreements requires them to do so in order to reject a Plaintiff, Bank Defendants never notified any of the Plaintiffs herein, in writing or otherwise, that they were ineligible for a permanent loan modification after they made all of the trial payments during the "trial period".

323. California law requires that if a borrower complies with all the terms of the TPP, then the lender *must offer* a permanent loan modification.

324. Plaintiffs are entitled to rescind and obtain back from Bank Defendants their promised (and delivered) consideration, namely the payments that were made to Bank Defendants under the Workout Agreements and Extended Workout Agreements. Because California law prohibits deficiency judgments, Bank Defendants were not entitled to require, post-election-to-sell payments and foreclose on the loans. Nor were Plaintiffs required to make such payments. These payments were new consideration. Such payments included legal and other fees which Plaintiffs had no obligation to pay under their mortgages absent Bank Defendants' Work out Agreement Scheme.

325. In the alternative, should the Workout Agreements and/or Extended Workout Agreements be deemed enforceable, Bank Defendants has breached its duty of good faith and fair dealing by foreclosing on Plaintiffs' properties without providing the opportunity to cure the loan default at least five days prior to the Trustee's sale. Plaintiffs complied with all of their obligations under the Workout Agreements and Extended Workout Agreements. At the very least, Bank Defendants were required by good faith and fair dealing to provide notice to Plaintiffs that had been rejected and that Plaintiffs needed to invoke another of the permitted means to cure their defaults.

326. Irrespective of validity of the Workout Agreements and Extended Workout Agreements, Bank Defendants has violated the Rosenthal Fair Debt Collections Practices Act, Cal. Civ. Code § 1788, *et seq*., by using false, deceptive and misleading statements in connection with their collection of Plaintiffs' mortgage debt – namely the false promise of modification.

327. Through this Action, Plaintiffs seek to stop Bank Defendants from preying on their customers through its Workout Agreement Scheme. Where Bank Defendants intend to foreclose on a property, and after it has exercised its election to sell under non-judicial foreclosure, it must not be permitted to extract thousands of dollars in additional payments with illusory promises and false

statements of opportunities to cure defaulted loans. Bank Defendants have sold or initiated foreclosures on many of the Plaintiffs in this action. At the very least, Plaintiffs are entitled to a return of the payments they made under the false promise from Bank Defendants that Plaintiffs would at least have an opportunity to avoid foreclosure.

328. Once a lender invokes its power to sell the underlying security for a mortgage (through providing its "Notice of Default and Election to Sell"), it cannot also seek to collect on the underlying note any amount owed in excess of the amount it recovers through the trustee's sale.

a. California law forbids deficiency judgments in non-judicial foreclosure of residential mortgages. *See* Cal. Code Civ. Proc. § 580b. Once a lender invokes its power to sell the underlying security for a mortgage (through providing its "Notice of Default and Election to Sell"), it cannot also seek to collect on the underlying note any amount owed in excess of the amount it recovers through the trustee's sale.

b. The notion that a mortgage lender must elect his remedy is also codified in the "Security First Rule," Cal. Code Civ. Proc. § 726. It provides that where Cal Code Civ. Proc. § 580b applies; an action in foreclosure is the *only* means by which a mortgagor can forcibly collect on a note secured by a deed of trust.

329. California law provides that a Trustee's sale can be postponed by mutual agreement. *See* Cal. Civ. Code § 2994g. However, the new date and time of the postponed sale must be provided by the trustee (and can be "cried") at the time of the prior scheduled sale. *See* Cal. Civ. Code § 2994g (d). Bank Defendants herein count on the crier rule in the design and implementation of its Workout Agreement Scheme. It knows that borrowers will not be present at the first scheduled Trustee's sale because it tells them that such sale is "suspended" or "on hold." Thus, it knows that Plaintiffs will have no way to know whether a new date and time has been set for the foreclosure and will have to rely on Bank Defendants' assurances that such sales will not occur if Bank Defendants' demands for payment are met.

<u>Bank Defendants' Adhesive Workout Agreements Are Unconscionable</u>

330. Plaintiffs have entered in Workout Agreements with Bank Defendants. The terms of Bank Defendants' Workout Agreements are contained in a standard form, which is drafted by Bank Defendants.

331. Moreover, Plaintiffs are not in a bargaining position with respect to the imposition of Bank Defendants' form Workout Agreement. Bank Defendant are a large lenders and loan servicers with substantial assets and resources. Plaintiffs are individual homeowners under financial hardship and have substantially less bargaining power.

332. Bank Defendants prepare the Workout Agreements and presents them to borrowers for their signature.

333. Bank Defendants thus requires borrowers to agree to the Workout Agreement as presented. It does not provide an opportunity to negotiate or opt-out of the unconscionable terms at issue herein. The inequality of bargaining power this results in no real negotiation and absence of a meaningful choice on the part of Plaintiffs.

334. Bank Defendants' form Workout Agreements contain multiple provisions that are unfairly one-sided, overly harsh and punitive to borrowers, and thus substantively unconscionable. Under the terms of the form Workout Agreement, Bank Defendants systematically (1) fail to withdraw foreclosure proceedings against borrowers who are in "Workout Agreements" and who make payments under the Workout Agreement; (2) create payment plans whereby the aggregate payments are insufficient to cure the borrower's deficiency; and (3) initiate foreclosures with no notice and opportunity for the borrower to cure any alleged default.

Bank Defendants Fail To Withdraw Foreclosure Proceedings Even When Borrowers Have Made All Plan Payments Under The Workout Agreement

335. Bank Defendants' Workout Agreements purport to obtain the borrower's agreement that foreclosure proceedings commenced by Bank Defendants will not be withdrawn unless Bank Defendants determines to do so. In this regard, the Workout Agreement provides:

> **Section 2.B.** Except as set forth in Section 2.C. below, the Lender will suspend any scheduled foreclosure sale, provided I continue to meet the obligations under this Plan, but any pending foreclosure will not be dismissed and may be immediately resumed from

the point at which it was suspended if this Plan terminates, and no new notice of default, notice of intent to accelerate, notice of acceleration, or similar notice will be necessary to continue the foreclosure action, all rights to such notices being hereby waived unless prohibited by law;

(See Exhibit "A" to Complaint, p.2)

336. Relying on the above provision, Bank Defendants fails to withdraw foreclosure proceedings while borrowers are supposedly being considered for a loan modification. Once borrowers begin making payments under the Workout Agreement, Bank Defendants unilaterally postpone any pending foreclosure sales date without obtaining the borrowers mutual consent and without informing borrowers of the reset foreclosure dates. It does so *even if* borrowers make all Plan Payments under the Workout Agreement.

337. Bank Defendants' policy of failing to withdraw foreclosure proceedings and resetting the foreclosure sale date without the mutual agreement of, or notice to, borrowers in unfair, unlawful, and injurious to such borrowers. This practice is calculated to ultimately allow Bank Defendants to foreclose without notice or an opportunity to cure after obtaining payments under the Workout Agreement.

338. After inducing Plaintiff Borrowers into entering dangerous loans through outright deception and in the name of greed - loans which would threaten their livelihoods - Defendants refused to modify Plaintiff Borrowers' loans despite laws and court orders which required them to make good faith efforts to do. Why? To protect themselves. Not the borrowers, but themselves. Because Defendants were required to buy back loans from their investors if a material misrepresentation was discovered, Bank Defendants refused to modify loans which qualified in every regard for one, for fear of having their own fraud and falsified information discovered by the investor, and having to buy back their fraudulent loans, and incurring massive loss. In other words, Bank Defendants placed their fiscal interests ahead of borrowers who desperately needed and *qualified* for the modifications, and who would face financial ruin or homelessness without one. Instead, Defendants chose to line their coffers, rather than offer assistance to the very people they imperiled through their greed – assistance they were under a good faith obligation to provide. Simply put, Bank Defendants were looking out for themselves.

339. Plaintiffs believe and hereby allege that the servicers would want to use MERS to keep the investor information private is to obscure truth from the Plaintiffs and the Certificate Holders of the Trust.

340. Every Pooling and Servicing Agreement has strict Warranties and Material

Misrepresentation Provisions that must be honored by the Depositors. In the event that a loan has a material misrepresentation or violates the warranties given to certificate holders and the Trustee of the REMIC, the loan must be purchased from the Certificate Holders and whatever insurance was in place is now void due to fraud being detected on the loan.

341. In the case of loan modifications it benefits the servicer to keep vital information away from the Certificate Holders and the Trustee that oversees the Trust. In the event that fraud is detected on a mortgage loan the "**buy back**" provisions kick in and the servicer or originator, which is sometimes the same company, would be forced to take back the loan. In this case Bank Defendants would be forced to put a dead loan on their balance sheet with no hopes of being able to collect on the insurance policy that is in place due to fraud.

342. When Plaintiffs are desperate for help, Bank Defendants refuses to assist them. In the event that Bank Defendants forwards the true and accurate financial information to the Trustee overseeing the REMIC or to a third party chosen by the Trustee, they can and sometimes do find material misrepresentations that took place at origination. A Plaintiff supplies current financial information up to and including a signed 4506-T and the investor or Bank Defendants through their processing centers find out that the income listed on the initial loan application was not correct.

343. This leads to a chain of events that Plaintiffs and the Courts are unaware of. Based on evidence Plaintiffs will introduce at trial Bank Defendants instructs their employees to decline any application to modify a loan that contains a material misrepresentation for ***fear of having to buy back the loan.***

344. This practice has led to numerous lawsuits including Government lawsuits in which Government Sponsored Enterprises have independently sent out modification requests and have verified fraudulent information was used at the origination of the Plaintiffs loans.

345. This practice alone has led to millions of American's losing their homes for fear of reprisal from investors that were lied to, when they purchased these *Toxic* loans.

Defendants' wrongful acts continue to this day with hardball tactics and deception that continue to threaten Plaintiffs' rights and financial security, as well as the economic future of the State of California. Since 2010, these tactics and Defendants' other wrongful acts have been revealed as a result of extensive

litigation and Government investigations.

<u>Defendants Used The Promise Of Loan Modifications As Bait To Damage Plaintiffs' Credit, Preventing Plaintiffs From Obtaining Financing Anywhere Else</u>

346. Bank Defendants had an unfair and fraudulent pattern on inducing and directing borrowers to fall behind on their payments with the promise that by doing so, they would become eligible for a loan modification. Relying on these representations, Plaintiffs fell behind on their loan payments, but were never offered a loan modification.

347. In doing so, Plaintiffs' credit was substantially damaged, they suffered greatly diminished access to credit and financing, and were penalized with fees, penalties and charges in addition to becoming delinquent on their loan as recommended by the Bank.

348. By recommending that Plaintiffs fall behind, Bank Defendants effectively trapped Plaintiffs into keeping their loan with Defendants, because no other institution would help Plaintiffs after they became delinquent on their mortgage, or after their credit was destroyed.

349. At its most fundamental level, these sorts of unscrupulous business tactics, undermine notions of fair play and good faith in business dealings, and jeopardize the consuming public.

<u>Defendants Used The Promise Of Loan Modifications As Bait For An Outright Cash-Grab With No Intent To Ever Modify Plaintiffs</u>

350. Bank Defendants also had an unfair and fraudulent pattern of offering borrowers what appeared to be Loan modification offers (called "Trial Payment Plans"), but in reality these offers were nothing more than "cash grabs." Defendants never intended to permanently modify Plaintiffs' loans. Specifically, Bank Defendants would offer Plaintiffs and homeowners who were already on the brink of default/foreclosure a lower payment called a "trial payment" or "Workout Agreement." Bank Defendants promised that if Plaintiffs were able to make the trial payment for 3 (or more) months, Defendants would permanently modify Plaintiffs' payment to be the same amount under the trial payments. But Defendants had a pattern of rejecting these loan modifications despite Plaintiffs' compliance with every term of the loan modification offer. Instead Bank Defendants would use the offer

as bait to induce Plaintiffs to make payments which would never be applied to the principal and interest of their loan, but instead would be applied to the mountain of unmerited late charges, and fees, taking what little money the financially imperiled plaintiffs had left, and duping them into spending it on unfairly placed fees and late charges. Bank Defendants never had any intent of modifying their loans, despite Plaintiffs' full compliance with the terms of the offer. Such acts are patently unfair and fraudulent, and Plaintiffs are entitled to remuneration of all payments made under such trial payment plans, as well as an injunction prohibiting Defendants from this deceptive business practice. More specifically, Bank Defendants unlawful and unfair practices in this regard include, but are not limited to, the following:

a. failing to make good faith efforts to provide them with a loan modification and breaching their contractual obligations, written and implied promises, loan servicing functions owed to Plaintiffs, who fulfilled their obligations by making timely modified payments;

b. making false and/or misleading representations that Plaintiffs were eligible and entered into the trial modification period, which would lead to a permanent modification of their mortgage payment;

c. failing to disclose to Plaintiffs that their modified payments may be reported to credit bureaus as default or late payments that would destroy their credit scores;

d. delaying processing, demanding duplicate documentation, and failing to provide adequate information or communication regarding the loan modification programs to Plaintiffs;

e. engaging in conduct that undermines or violates the spirit or intent of the consumer protection laws alleged in this Complaint; and

f. omitting to inform Plaintiffs that they could be rejected from the trial modification period at any point, and that this would result in the immediate demand for a balloon payment consisting of purported delinquency payments and substantial late fees, default fees, foreclosure fees, inspection fees, property preservation fees, trustee fees, trustee sale guarantee fees, mail fees, recording fees, and default servicing fees

351. Counts 14 through 22 arise under this (Fourth) Cause of Action for Deception in Loan Modifications, and are brought by all Plaintiffs named in this Cause of Action, against all Defendants named in this Cause of Action.

COUNT 14: VIOLATION OF CAL. CODE CIV. PROC. § 580B AND §726 PROHIBITING COLLECTION OF DEBT AFTER ELECTING TO FORECLOSE

352. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

353. As described above, California law forbids deficiency judgments in non-judicial foreclosure of residential mortgages. *See* Cal. Code Civ. Proc. § 580b. Once a lender invokes its power to sell the underlying security for a mortgage (through providing its "Notice of Default and Election to Sell"), it cannot also seek to collect on the underlying note any amount owed in excess of the amount it recovers through the trustee's sale.

354. As alleged throughout this Cause of Action, Bank Defendants have entered into Workout Agreements with Plaintiffs after initiating foreclosures on their properties, under which it has intentionally extracted thousands of dollars of payments from each of the Plaintiffs named herein in explicit and *knowing* violation of Cal. Code Civ. Proc §580(b) and §726 prohibiting the collection of payments on the note after the election to foreclose.

355. Bank Defendants' acts comprise a scheme to circumvent the statutory bar against seeking a deficiency judgment. These acts were taken in furtherance of the conspiracy among all Defendants alleged throughout this Complaint.

356. Such unlawfully extracted payments constitute damage to Plaintiffs herein. These payments must be returned to Plaintiffs, plus pre-judgment interest. Further, Bank Defendants should be enjoined from continuing to violate this rule in the future.

COUNT 15: FRAUDULENT CONCEALMENT

357. The preceding paragraphs and the paragraphs following this cause of action are

incorporated by reference as though fully set forth herein

358. Plaintiffs and Bank Defendants were parties to the Loan Workout Agreements described above in this Cause of Action

359. By intentionally failing to disclose the material information described above in this Cause of Action, Bank Defendants fraudulently induced Plaintiffs to enter into such Workout Agreements. To reiterate, *in part* here, Bank Defendants intentionally concealed the materials facts:

a. that the true purpose of such Loan Workout Agreements were to extract additional payments from Plaintiffs, and
b. that Plaintiffs would not be modified despite their exact compliance with the terms of the agreement
c. that such payments would not be applied to their loan balance,
d. that Bank Defendants would report Plaintiffs as delinquent to credit reporting agencies, when making the exact payments required under the Bank Defendants' Trial Payment Plans

360. Bank Defendants were under a duty to disclose this information to Plaintiffs

361. By intentionally failing to disclose such information Bank Defendants intended to induce Plaintiffs reliance to enter in the illusory Workout Agreements, and to induce their payments made thereunder

362. Plaintiffs under this Cause of Action did rely on Bank Defendants' failure to disclose such information in deciding to enter into the Workout Agreements and Extended Workout Agreements

363. If Plaintiffs had known the truth, they would not have entered into the Workout Agreements and Extended Workout Agreements

364. As a result, Plaintiffs were damaged in amount to be determined at trial. At minimum Plaintiffs must be returned all amounts paid by Plaintiffs under the Workout Agreements, as well as pre-judgment interest. Plaintiffs have also been damaged in the form of reduced credit scores, and the unavailability of financing.

365. Plaintiffs are further entitled to an award of punitive damages for Defendants intentional fraudulent conduct.

COUNT 16: INTENTIONAL MISREPRESENTATION

366. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein

367. Plaintiffs and Bank Defendants were parties to the Loan Workout Agreements discussed in this Cause of Action.

368. By intentionally misrepresenting the material information described above in this Cause of Action, Bank Defendants fraudulently induced Plaintiffs to enter into such Workout Agreements. To reiterate, *in part* here, Bank Defendants intentionally misrepresented the materials facts:

a. it wanted to help Plaintiffs maintain ownership of their homes. In particular, Bank Defendants sent the letters and made the statements described herein.

b. that by complying with the Workout Agreements, Plaintiffs loans would be permanently modified

c. that their homes would not be foreclosed as long as Plaintiffs continued to make payments under the Workout Agreements and Extended Workout Agreements. In particular, Plaintiffs were repeatedly told to continue to make payments and that their homes would not be foreclosed, as described herein.

d. whether they were approved for a loan modification and would have a genuine opportunity to cure their loan defaults prior to the execution of a Trustee's sale on their homes. Plaintiffs were never given such an opportunity

e. that upon the expiration of the Work out Agreements, Plaintiffs would have an opportunity to cure their defaults through: (1) reinstatement; (2) payoff; (3) HAMP sponsored Loan Modification; or (4) Investor Sponsored internal modification

f. that plaintiff-borrowers must miss payments (and thus damage their credit) in order to be eligible for modifications

g. that plaintiff-borrowers' homes would not be foreclosed upon while their requests for modifications were pending, but sending foreclosure notices, scheduling auction dates, and even selling consumers' homes while they waited for decisions

h. that their foreclosures would continue to be on hold after the expiration of the Workout Agreements if Plaintiffs continued to make payments to Bank Defendants.

i. regarding the eligibility criteria for modifications and providing consumers with inaccurate and deceptive reasons for denying their requests for modifications

369. At the time Bank Defendants made these representations to the Plaintiffs, Bank Defendants knew they were not true. Bank Defendants intended to and did foreclose during the time period for which the Plaintiffs had already made payments under their Extended Workout Agreements.

370. Bank Defendants made these representations with the purpose of inducing Plaintiffs reliance to enter into the Workout Agreements, and Extended workout Agreements, and to continue to make payments of thousands of dollars per month.

371. Plaintiffs relied on these representations in entering the Workout Agreements, and extended Workout agreements, and in continuing to make payments thereunder.

372. Plaintiffs would not have entered into the Workout Agreements and Extended Workout Agreements had they known that these representations were not true. That is, had they known that they would not have a genuine opportunity to save their homes and to cure, and that Bank Defendants could and would foreclose on their properties without any notice that modifications were denied and after they had paid thousands of dollars to Bank Defendants, Plaintiffs would not have entered into the Workout Agreements to begin with and would not have made the payments during the terms of the Workout Agreements and the Extended Workout Agreements.

373. As a result, Plaintiffs were damaged in amount to be determined at trial. At minimum Plaintiffs must be returned all amounts paid by Plaintiffs under the Workout Agreements, as well as pre-judgment interest. Plaintiffs have also been damaged in the form of reduced credit scores, and the unavailability of financing.

374. Plaintiffs are further entitled to an award of punitive damages for Defendants intentional fraudulent conduct.

COUNT 17: NEGLIGENT MISREPRESENTATION

375. The preceding paragraphs and the paragraphs following this cause of action are

incorporated by reference as though fully set forth herein

376. The allegations of this Count are identical to those above in the previous Count except that the degree of intent herein is that of negligence. Put another way, at the time Bank Defendants made the misrepresentations described in this Cause of Action (and listed in part above), Bank Defendants did not have reasonable grounds to believe them to be true.

COUNT 18: RESCISSION OF CONTRACT AND/OR RESTITUTION ON THE GROUNDS OF FRAUD, AND/OR UNCONSCIONABILITY

377. All preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein

378. As described throughout this Cause of Action, consent to the Workout Agreements and Extended Workout Agreements was not real or free in that it was obtained solely through fraud and misrepresentations as herein alleged.

379. As described throughout this Cause of Action, the Workout Agreements were both procedurally and substantively unconscionable. Rescission is appropriate for this separate and independent reason.

380. Plaintiffs thus seek to rescind the agreements under California Civil Code § 1689 (b)(1). Plaintiffs have retained no consideration provided by Bank Defendants that can be tendered back to Bank Defendants prior to rescission.

COUNT 19: BREACH OF CONTRACT

381. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

382. Plaintiffs and Bank Defendants were parties to the Loan Workout Agreements discussed in this Cause of Action.

383. Plaintiffs furnished consideration under the Loan Workout Agreement in the form of thousands of dollars of payments

384. Bank Defendants breached their obligations to Plaintiffs under Contract as set forth above in this Cause of action, including but not limited to:

a. Breaching its obligations to modify plaintiffs upon their compliance with the terms of the

Workout agreement

b. Breaching its obligation to not foreclose while Plaintiffs made payments under the Workout Agreement

c. Breaching its obligation to allow Plaintiffs an opportunity to cure under the Workout Agreement

385. Separately Bank Defendants has breached the **duty of good faith and fair dealing** implicit in all contracts, as alleged above.

386. As a result, Plaintiffs have been damaged in an amount to be proven at trial. At minimum Plaintiffs must be returned all amounts paid by Plaintiffs under the Workout Agreements, as well as pre-judgment interest.

387. Alternatively Plaintiffs request enforcement of the Workout Agreement. Specifically Plaintiffs request enforcement of the promise of Loan Modification pursuant to the terms and payments made thereunder, and any other legal or equitable remedies which this Court may deem just and proper.

COUNT 20: VIOLATION OF THE CRIER RULE (CAL. CIV. CODE §2994G)

388. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

389. California law provides that a Trustee's sale can be postponed by mutual agreement. *See* Cal. Civ. Code § 2994g. However, the new date and time of the postponed sale must be provided by the trustee (and can be "cried") at the time of the prior scheduled sale. *See* Cal. Civ. Code § 2994g (d).

390. Bank Defendants have violated this law by failing to provide the time of the new postponed sale at the time of the prior scheduled sale.

391. In doing so, Defendants have failed to comply with the fundamental notice requirements of California's non-judicial foreclosure statutes, with which "strict compliance" is required. *Ung v. Koehler* (2005) 37 Cal.App.4th 186, 202. Without proper notice, there is no power of sale, and accordingly the foreclosure sales at issue are void. .

COUNT 21: UNFAIR DEBT COLLECTION PRACTICES

(VIOLATION OF CAL. CIV. CODE §1788 ET SEQ)

392. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

393. Bank Defendants, in their capacity as servicers, are "debt collector" engaging in "debt collection" practices under the Rosenthal Fair Debt Collection Practices Act (the "Rosenthal Act"). See Cal. Civ. Code § 1788.2 (c).

394. Bank Defendants violated the Rosenthal Act by using false, deceptive, and misleading statements and deceptive omissions in connection with its collection of Plaintiffs' mortgage debt, as alleged herein. See Cal. Civ. Code § 1788.17, incorporating 15 U.S.C. § 1692(e). For example(and without limitation), Plaintiffs were consistently led to believe that modification review was pending under the Workout Agreements and that the requests for additional documents and receipt thereof would continue the review process and Workout Agreements. But Bank Defendants unilaterally ceased the review process and foreclosed on dates previously represented as being postponed.

395. The Rosenthal Act was also violated because the Workout Agreements were themselves deceptive in that they ambiguously appeared to offer an opportunity for borrowers to cure their arrearage and save their homes from foreclosure *and* stated that the arrearage would not be cured at the end of the Workout Agreement. The Rosenthal Act allows for a private right of action to the same extent permitted under the federal Fair Debt Collection Practices Act ("FDCPA"). *See* Cal. Civ. Code § 1788.17; *Gonzales v. Arrow Financial Services, LLC*, 233 F.R.D. 577, 581 (S.D. Cal. 2006).

396. Plaintiffs have suffered damages and harm as a result of Bank Defendants' unfair debt collection practices, including irreparable harm to their credit and the amounts paid under the Workout Agreements and Extended Workout Agreements.

COUNT 22: UNLAWFUL, UNFAIR & FRAUDULENT BUSINESS PRACTICES (VIOLATION OF CAL. BUS. & PROF. CODE §17200)

397. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

398. Bank Defendants' acts described in this action are **Unlawful** in that they violate:

a. The prohibition against collection of deficiency judgments after electing to foreclose (Cal. Code Civ. Proc. § 580b)

b. The Security First Rule (Cal. Code Civ. Proc. § 726)

c. The Crier rule (Cal. Civ. Code §2994(g)

d. The Rosenthal Fair Debt Collection Practices Act (Cal. Civ. Code §1788 et seq.)

399. Separately, Bank Defendants' acts as described in this Cause of Action are **Fraudulent** as set forth above (in Counts 15, 16, and 17 *inter alia*)

400. Bank Defendants' acts are also patently **Unfair** as more fully set forth above. Without limiting the allegations above which are fully incorporated herein, Defendants acts are unfair insofar as:

a. they unfairly bait Plaintiffs to make thousands of dollars of monthly payments under the false promise of having their loan modified, when in reality Defendants have no intent of modifying. These illusory work-out agreements were nothing more than unfair, and fraudulent cash-grabs

b. they used the promise of Loan Modification as bait to damage plaintiffs' credit preventing them from obtaining financing anywhere else.

a. they are designed a subterfuge to the crier rule, and are designed to allow Defendants to foreclose on Plaintiffs without their knowledge and without giving them notice.

401. The Bank Defendants' acts and practices violate established public policy and the harm they cause to consumers in California greatly outweighs any benefits associated with those practices.

402. Bank Defendants' conduct offends public policy and/or is immoral, unethical, oppressive, unscrupulous, or substantially injurious to consumers. Bank Defendants' conduct in this regard includes, but is not necessarily limited to, the following:

a. Bank Defendants have commonly failed to withdraw foreclosure proceedings against borrowers who made all Plan Payments under Workout Agreement;

b. Bank Defendants have initiated foreclosure proceedings without providing borrowers notice or opportunity to cure their remaining arrearage or default;

c. Bank Defendants have engaged in conduct that constitutes systematic breach of contract and breach of the implied covenant of good faith and fair dealing.

403. Bank Defendants' conduct as set forth herein resulted in loss of money or property to Plaintiffs, including (1) principal and interest that they were not obligated to pay after Bank Defendants elected to exercise non-judicial foreclosure and to which Bank Defendants had no ability to collect after foreclosure; and (2) legal and other fees that Plaintiffs paid to Bank Defendants under the Workout Agreements and Extended Workout Agreements.

404. Defendant's acts caused substantial consumer injury with no benefits to consumer competition. Plaintiffs could not have reasonably avoided these injuries occasioned by Defendants' intentional deceit, misrepresentation, and omission. Further, Defendants acts significantly threatened harm to competition

405. Plaintiffs' payments made under the Workout Agreements constitute cognizable restitution which must be returned to Plaintiffs as well as pre-judgment interest thereon.

406. The unfair, unlawful and fraudulent acts and practices of Defendants named herein present a continuing threat to Plaintiff and to members of the public in that these acts and practices are ongoing and are harmful and disruptive to business and financial markets. Accordingly, Plaintiffs request injunctive relief to preclude the actions/wrongs described above by Bank Defendants.

FIFTH CAUSE OF ACTION: INTENTIONAL UNAUTHORIZED FORECLOSURES PURSUED IN THE NAME OF PROFIT

(*By Alice Shiotsugu, Jerry Rogge, Manuel Sedillo, Vincent Lombardo and Loraine Lombardo, Michael Backs and Susan Imel-Backs, Curtis Melancon and Kenna Melacon, Youself Lazarian and Linat Lazarian, David Zamora and Gaviela Zamora, Robert Ornelas and Licet Ornelas, Gerado Michel and Beatriz Michel, James Hughes, Li Huang ––Against All Defendants*)

407. Continuing their chronology of profit-driven deception and intentional wrongdoing, Defendants not only (1) intentionally placed Plaintiffs into known dangerous and impossible loans in the name of profit on the secondary market, and, (2) offered Plaintiffs trial loan modifications in an attempt to grab as much cash as they could before foreclosing – none of which would be applied to the principal or interest of Plaintiff's loans - with no intent of ever actually modifying Plaintiffs' loans, but in a final coup-de-grace (3) intentionally foreclosed on plaintiffs despite having no ownership interest in the notes

or deeds of trust, in the name of collecting preposterous and unmerited "foreclosure fees" including: inspection fees, default fees, late fees, advance fees, attorney fees, and trustee fees – hand in hand with the Trustee Defendants, who while purporting to act merely in their capacity as trustee, act intentionally and maliciously to foreclose knowing they have no authority to do so, and in knowing violation of California foreclosure statutes. As discussed above, Trustee Defendants are the vital foreclosure arm of Defendants' fraudulent scheme alleged throughout this Complaint.

408. Bank Defendants along with Trustee Defendants unilaterally charged these ill-defined and ambiguous fees whose amounts were *never* disclosed, nor consented to Plaintiffs in any writing or contract whatsoever. They decided how much they wanted to charge for whatever reason they wanted to charge it. The amounts they charged were tantamount to price gauging, often charging double, triple or even quadruple the fair market value for these "services." The outrageous price markups all inured to the benefit of the conspiracy of Defendants. As Defendants did not have an ownership interest in the property upon which to foreclose, these charges and fees were entirely unjustified, and constitute numerous cognizable sources of restitution.

409. In short, Bank Defendants together with Trustee Defendants made money by initiating foreclosures, and for this very reason intentionally steamrolled wrongful foreclosures over plaintiffs without having any true possessory or ownership interest in the deed of trust – the document which confers the power of foreclosure - threatening to wrongfully dispossess Plaintiffs of their homes and placing them on the streets.

410. In the greed-driven world of Defendants, neither law nor ethics would be allowed to stand as an obstacle in their insatiable hunt for profit.

411. Counts 23 through 24 arise under this (Fifth) Cause of Action for "Intentional Unauthorized Foreclosure in the Pursuit of Profit" and are brought by all Plaintiffs named in this Cause of Action, against all Defendants named in this Cause of Action.

COUNT 23: WRONGFUL FORECLOSURE

412. Bank Defendants' continue to demand payment and to foreclose and threaten to foreclose on Plaintiffs (through co-conspirator Trustee Defendants), despite the facts that:

a. The Foreclosing Defendants have no proof that they own the notes and deeds of trust they

seek to enforce;

b. The Foreclosing Defendants have never received a proper assignment of the Deed of Trust (**"DOT"**) - the document which confers the power of foreclosure. Accordingly, they have no authority to foreclose.

c. There is considerable evidence that the Foreclosing Defendants do not own the notes and deeds of trust they enforce and seek to enforce and based thereon, Plaintiffs allege that they do not; and

413. As alleged with further detail in Appendix A, in many instances, the foreclosing Bank Defendants never properly received an assignment of the DOT (and therefore had no authority to foreclose) because the trusts they were being assigned into had been closed long prior, and therefore could not legally accept assignment of the Loans and DOTs.

a. The reason loans are pooled and placed into these loan trusts named REMIC's is due to income tax purposes. A REMIC is an "SPV" or Special Purpose Vehicle that is treated by the IRS as a "QSPE" or Qualifying Special Purpose Entity. It specifically was designed by Congress to allow the vehicle to not be taxed as the cash flows through the vehicle and distributed to the investor and certificate holders. It is like an S Corp where there is no double taxation.

b. Pooling and Servicing Agreements only allow loans to be placed into a REMIC for **two years** after the set-up of the Trust due to tax implications. A loan substituted in or out of such trust after the two year period, results in a massive tax penalty of 100% of the face value of *all the assets in the trust*.

414. The trusts which foreclosed on many of the Plaintiffs never received assignment of the DOT – the document which confers the power of foreclosure. Specifically, Bank Defendants foreclosed on numerous Plaintiffs herein on behalf of trusts which had no ownership interest whatsoever in the DOT, **because the trusts had been-long closed under the terms of their very own PSA.** In other words Defendants had no authority whatsoever to foreclose on Plaintiffs herein. The foreclosing trust had no ownership interest in the DOT which would give it the power to foreclose.

415. Established authority makes clear that a Plaintiff states a claim for wrongful foreclosure

1 when it is alleged that the assignment to the trust was executed after the closing date of the trust. *Vogan*
2 *v. Wells Fargo Bank, N.A*. (E.D. Cal., Nov. 17, 2011,) 2011 WL 5826016 at *7; *Johnson v. HSBC Bank*
3 *USA, Nat. Ass'n* (S.D. Cal., Mar. 19, 2012) 2012 WL 928433at *3.

4 416. As to other Plaintiffs, Bank Defendants and Trustee Defendants foreclosed on them
5 despite having no ownership interest in the DOT, because the DOT was **never endorsed to them**. In
6 other words, they never had the authority to foreclose. A Plaintiff states a viable claim for wrongful
7 foreclosure when it is alleged that the Defendants are "not the proper parties to foreclose." *Ohlendorf v.*
8 *Am. Home Mortg.,* (E.D.Cal. 2010) 2010 U.S. Dist. LEXIS 31098, at *21–24; *Tamburri v. Suntrust*
9 *Mortgage (N.D. Cal, 2011) 2011 WL 6294472* *11' [same] *Sacchi v. Mortgage Electronic Registration*
10 *Systems, Inc. (**C.D**.Cal. June 24, 2011) 2011 WL 253302* at *8; *Castillo v. Skoba* (S.D.Cal. 2010) 2010
11 WL 3986953, at*2 [same].

12 417. As to other Plaintiffs herein, Bank Defendants and Trustee Defendants had no authority
13 to foreclose because *at the time* they initiated foreclosure (by filing a Notice of Default), they had not
14 yet received an assignment of the DOT. In other words, at the time they initiated foreclosure, they had
15 no authority to foreclose. ""[S]ince the plaintiffs had alleged facts **suggesting the foreclosing party had**
16 **no legal interest in the deed <u>at the appropriate time</u>**, there [is] a valid cause of action." *Tamburri v.*
17 *Suntrust Mortgage (N.D. Cal, 2011) 2011 WL 6294472* *11, citing *Sacchi v. Mortgage Electronic*
18 *Registration Systems, Inc. (**C.D**.Cal. June 24, 2011) 2011 WL 253302* at *8 [[holding plaintiff had stated
19 a valid cause of action for wrongful foreclosure where the foreclosing entity had no authority to
20 foreclose because it had "**no beneficial interest in the Deed of Trust <u>when</u> it acted to foreclose** on
21 Plaintiffs' home."]; *Castillo v. Skoba* (S.D.Cal. 2010) 2010 WL 3986953, at*2 [same]. Foreclosures
22 initiated by or on behalf of a party, who at the time had no authority to foreclose are ***void ab initio***.
23 *Tamburri; Castillo*.

24 418. As to other Plaintiffs still, Bank Defendants and Trustee Defendants had no authority to
25 foreclose because they had failed to comply with Cal. Civ. Code §2923.5 – a necessary prerequisite to
26 foreclosure – which requires a lender to contact its borrower to disclose alternatives to foreclosure.
27 Foreclosing Bank Defendants have failed to, and continue to fail to comply with this legal requirement.

28 419. Still, as to other Plaintiffs, Bank Defendants' and Trustee Defendants' foreclosures were

void because the trustee who conducted the foreclosure sale was an unauthorized trustee who had never been properly substituted as trustee. Under California Law, a foreclosure sale conducted by an unauthorized trustee is void as a matter of law. *Dimock v. Emerald Properties* (2000) 198 Cal.App.4th 868.

420. Finally, such foreclosures were additionally wrongful insofar as they were intentionally occasioned by the Frauds of Defendants who (1) concealed the true terms, payments, and nature of the loans in order to induce borrowers into entering them, knowing that such loans would be impossible for them to afford, and would result in their default to a *mathematical certainty*, and (2) falsely tampered with the appraised values of their homes – so that Bank Defendants, Trustee Defendants, and their conspirators could collect lucrative fees, including **foreclosure fees**. Causing the foreclosure of their borrowers was an intentional part of their fraudulent scheme. It meant more money.

421. Whether or not they can demonstrate ownership of the requisite notes and deeds of trust, Defendants lack the legal right to enforce the foregoing because they have not complied with disclosure requirements intended to assure mortgages are funded with monies obtained lawfully.

422. Plaintiffs allege that Bank Defendants have made demand for payment on the Plaintiffs with respect to Plaintiffs' properties at a time when Defendants are incapable of establishing (and do not have any credible knowledge regarding) who owns the promissory notes Defendants are purportedly servicing. Plaintiffs believe and thereon allege that because Defendants are not the holders of Plaintiffs' notes and deeds of trust and are not operating under a valid power from the various current holders of the notes and deeds of trust, Defendants may not enforce the notes or deeds of trust.

423. Bank Defendants have already foreclosed upon the following property owned by the following Plaintiffs – allegations establishing the specific factual basis of the wrongful nature of the foreclosure as against each of the Plaintiffs below are set forth in **APPENDIX A**.

a. Alice Shiotsugu (Appendix A, ¶12)
28652 Roan Rd.
Rancho Palos Verdes, CA 90275

b. Jerry Rogge (Appendix A, ¶14)
9756 Ivanho St.
Spring Valley, CA 92199

c. Manuel Sedillos (Appendix A, ¶3)
24728 Mill Valley Way
Carson, CA 90745

d. Vincent Lombardo and Lorraine Lombardo (Appendix A, ¶7)
12320 Royal Oaks Dr.
Rancho Cucamonga, CA 91739

e. Michael Backs and Susan Imel-Backs (Appendix A, ¶30)
432 Empire Ave.
Modesto, CA 95354

f. Curtis Melancon and Kenna Melancon (Appendix A, ¶35)
1678 W. Recreo Plaza
Anaheim, CA 92802

g. Yousef Lazarian and Linat Lazarian (Appendix A, ¶17)
15624 Meadow Dr.
Canyon Country, CA 91387

h. David Zamora and Gaviela Zamora (Appendix A, ¶36)
15922 Arbury St.
Hesperia, CA 92345

i. Robert Ornelas and Licet Ornelas (Appendix A, ¶21)
13420 Mystic St.
Whittier, CA 90605

j. Gerardo Michel and Beatriz Michel (Appendix A, ¶27)
2626 East Norm Place,
Anaheim, CA 92086

k. James Hughes (Appendix A, ¶38)
1071 Florey St.
Perris, CA 92571

k. Li Huang (Appendix A, ¶28)
453 E. Walnut Avenue
Glendora, CA 91741

424. Because the foreclosing Bank Defendants are not the holders of the notes and deeds of trust and are not operating under a valid power from the current holders of the notes and deeds of trust, Defendants did not have the right to proceed with the foregoing foreclosures.

425. Bank Defendants, and Trustee Defendants, acted outrageously, persistently, intentionally

and with actual malice in performing the acts alleged in this cause of action. Accordingly, Plaintiff is entitled to exemplary and punitive damages in a sum according to proof and to such other relief as is set forth below in the section captioned Prayer for Relief which is by this reference incorporated herein.

426. As a result of the foregoing unlawful acts Plaintiffs have been damaged in being wrongfully deprived of their homes, losing equity, being forced to incur relocation expenses, suffering emotional distress, being forced to pay foreclosure fees, attorney's fees, trustee fees, suffering damage to their credit scores, experiencing reduced availability of financing, among the other damages described throughout this Complaint.

COUNT 24: UNFAIR, UNLAWFUL, AND FRAUDULENT BUSINESS PRACTICES
(VIOLATION OF CAL. BUS. & PROF. CODE §17200)

427. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

428. Bank Defendants' and Trustee Defendants' acts described in this action are **Unlawful** in that they violate:

a. The requirement to make contact with a defaulting borrower prior to foreclosure in order to explore alternatives to foreclosure (Cal. Civ. Code §2923.5)

b. The requirement that the party on behalf of whom foreclosure is being instituted must first have an ownership interest in the Deed of Trust before acting to foreclose. (Cal. Civ. Code §2924 et seq.)

c. The Requirement that a trustee must first be authorized as a trustee before it can conduct a trustee/foreclosure sale (Cal. Civ. Code §2924 et seq.)

d. The Requirement that a party must first record an NOD before they have the power to foreclose (Cal. Civ. Code §2924 et seq).

e. The Crier Rule (Cal. Civ. Code §2994(g)

f. The Rosenthal Fair Debt Collection Practices Act (Cal. Civ. Code §1788 et seq)

429. Separately, Bank Defendants' acts as described in this Cause of Action are **Fraudulent** as set forth above.

430. Such foreclosures were **additionally** wrongful insofar as they were intentionally

occasioned by the Frauds of Defendants who concealed the true terms, payments, and nature of the loans in order to induce borrowers into entering them, knowing that such loans would be impossible for them to afford, and would result in their default to a *mathematical certainty* – so that Plaintiffs and their conspirators and could collect lucrative fees, including **foreclosure fees**. Causing the foreclosure of their borrowers was an intentional part of their fraudulent scheme. It meant more money.

431. Bank Defendants' and Trustee Defendants' acts in intentionally foreclosing upon their borrowers in the name of profit, and/or without authority, as described above are also unfair.

432. Such acts and practices violate established public policy and the harm they cause to consumers in California greatly outweighs any benefits associated with those practices.

433. These actions were immoral, unethical, oppressive, unscrupulous and substantially injurious to similarly situated borrowers, and Plaintiffs herein. Bank Defendants' and Trustee Defendants' conduct had no utility other than for their own ill-gotten gain, and the harm was great not only to Plaintiffs herein, but also to residents of California, broadly, who have seen a decrease in their home and property values as a result of the bursting of the super-heated pricing bubble created by Defendants' intentional wrongful foreclosure which now devastate real estate values.

434. At the time of their fraud, Defendants *knew* that their conduct would cause the precipitous decline in property values throughout the State of California.

435. Defendant's acts caused substantial consumer injury with no benefits to consumer competition. Plaintiffs could not have reasonably avoided these injuries occasioned by Defendants' intentional deceit, misrepresentation, and omission. Further, Defendants acts significantly threatened harm to competition.

436. Defendant's acts caused substantial consumer injury with no benefits to consumer competition. Plaintiffs could not have reasonably avoided these injuries occasioned by Defendants' intentional deceit, misrepresentation, and omission. Further, Defendants acts significantly threatened harm to competition.

437. Bank Defendants acted with malice and with the intent of artificially inflating California Real estate properties generally, as well as the values of Plaintiffs' individual properties and homes.

438. As a result of Defendants' unfair competition, Plaintiffs are entitled to restitution for all

sums received by Defendants with respect to Defendants' unlawful and/or unfair and/or fraudulent conduct, including, without limitation, interest payments made by Plaintiffs, fees paid to Defendants, including, without limitation, trustee fees, and the excessive fees paid at Defendants' direction, and premiums received upon selling the mortgages at an inflated value.

439. As a result of the foregoing unfair, unlawful, and fraudulent acts Plaintiffs have been damaged in being wrongfully deprived of their homes, losing equity, being forced to incur relocation expenses, suffering emotional distress, being forced to pay foreclosure fees, attorney's fees, trustee fees, suffering damage to their credit scores, experiencing reduced availability of financing, among the other damages described throughout this Complaint.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for judgment against Defendants and each of them as follows:

1. General, Actual, Compensatory, Special and Exemplary damages according to proof under the First, Second, Third, Fourth, Sixth, Seventh, Eighth, Tenth, Eleventh, Twelfth, Fourteenth, Fifteenth, Sixteenth, Seventeenth, Eighteenth, Nineteenth, Twenty-First, and Twenty-Third Counts, and any other Counts for which such relief may be available;

2. Punitive Damages under the First, Second, Sixth, Tenth, Fifteenth, and Sixteenth Counts and any other Counts for which such relief may be available;

3. Statutory relief according to proof under the Twelfth, Fourteenth, Twentieth, and Twenty-First Counts and any other Counts for which such relief may be available;

4. Restitution and Injunctive Relief under the Ninth, Thirteenth, Eighteenth, Twenty-Second and Twenty Fourth Counts and any other Counts for which such relief may be available;

5. Rescission under the Eighteenth Count;

6. On all Counts, for costs of suit herein;

7. On all Counts, for pre- and post-judgment interest;

8. On all Counts for which attorney's fees may be awarded pursuant to the governing contract, by statute or otherwise, reasonable attorneys' fees; and

1 9. On all Counts, for such other and further relief as this Court may deem just and proper.

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3 Dated: November 5, 2013

Respectfully submitted,
BROOKSTONE LAW, PC

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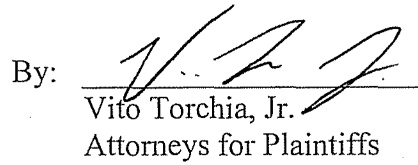
By: 

6 Vito Torchia, Jr.

7 Attorneys for Plaintiffs

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TABLE 1 – APPENDIX "A" to COMPLAINT

INDIVIDUALIZED PLAINTIFF ALLEGATIONS

Name	Appendix "A" Page No.	Appendix "A" Paragraph No.	Lender as Indicated on the Note and Deed of Trust
Douglas Randall	1	1	CMI
Lolita Randall	1	1	CMI
Manuel Sedillo	4	2	CMI
Michele Rogers	7	3	CMI
Antonio Hernandez	11	4	Citicorp Trust Bank, fsb
Donna Hernandez	11	4	Citicorp Trust Bank, fsb
Lauro Roberto	14	5	Coast2Coast Funding Group
Amalia Roberto	14	5	Coast2Coast Funding Group
Vincent Lombardo	17	6	Quick Loan Funding
Lorraine Lombardo	17	6	Quick Loan Funding
Shirley Coffey	21	7	Resource Lenders, Inc.
Dina Garay	25	8	Fieldstone Mortgage Co.
James Fortier	28	9	CMI
Angel Diaz	31	10	Decision One Mortgage Co.
Alice Shiotsugu	35	11	CMI
Vicente Pineda	38	12	Fieldstone Mortgage Co.
Jerry Rogge	42	13	Citi
Michael Shaffer	44	14	CMI
Victoria Arcadi	47	15	Citi
Deborah Becker	47	15	Citi
Yousef Lazarian	50	16	CMI
Linat Lazarian	50	16	CMI
Diana Bogdan	55	17	CMI
Shila Ardalan	59	18	CMI
George Chripczuk	62	19	Fieldstone Mortgage Co.
Robert Ornelas	65	20	CMI
Licet Ornelas	65	20	CMI
Amie Gaye	69	21	DHI Mortgage Co.
Kevin Curtis	69	21	DHI Mortgage Co.
Steven Chau	73	22	CMI
Biyun Situ	73	22	CMI
Reggie Winans	78	24	Millennium Mortgage Corp.
Clementa Esparza	81	25	Crestline Funding Corp.
Andrew Esparza	81	25	Crestline Funding Corp.

Li Huang	87	27	T.J Financial, Inc.
Winston Offer	91	28	Ameriquest Mortgage Co.
Michael Backs	94	29	CMI
Susan Imel-Backs	94	29	CMI
John Featherstone	97	30	Argent Mortgage Co.
Deana Featherstone	97	30	Argent Mortgage Co.
Guillermo Martinez	100	31	Citicrop Trust Bank, fsb
Soledad Martinez	100	31	Citicrop Trust Bank, fsb
Pearline Gustafson	103	32	First Capital Group
James Gustafson	103	32	First Capital Group
Hector Pineda	107	33	ABN AMRO
Curtis Melancon	110	34	Loancity.com
Kenna Melancon	110	34	Loancity.com
David Zamora	113	35	AMC Mortgage Services Co.
Gaviela Zamora	113	35	AMC Mortgage Services Co.
Steven Johnson	116	36	American Brokers Conduit
Lorenzo Cabrera	124	39	CMI
Rosa Cabrera	124	39	CMI
Pedro Quiroz	128	40	CMI
Lucina Quiroz	128	40	CMI
Jaime Acre	131	41	Advantix Lending, Inc.
Ana Garcia	131	41	Advantix Lending, Inc.
Jose Canchola	132	42	New Century Mortgage Corporation
Dolores Canchola	132	42	New Century Mortgage Corporation
Trisha Hicks	135	43	CMI
Horacio Ramos M.	137	44	PacificBanc Mortgage, Inc.
Veronica Valadez	139	45	Argent Mortgage Company, LLC
Debra Medford	142	46	American Brokers Conduit

APPENDIX "A" TO COMPLAINT

1 1. Plaintiffs Douglas Randall and Lolita Randall (collectively referred to as "Mr. and
2 Mrs. Randall") discussed refinancing an existing mortgage on their property located at 10373
3 Santana Street, Santee, CA 92071 and A.P.N.: 381-250-12-00 with Jay Rhodes ("Rhodes"), a
4 Loan Consultant with CMI and Defendants herein (the "Defendants") in or around November
5 2004. In the course of their discussions ranging from November 2004 until January 2005,
6 Defendants and Rhodes steered them into an Adjustable Rate Mortgage in the amount of
7 $310,000.00 with an interest rate at 5.250% for a term of 30 years. Little did Mr. and Mrs.
8 Randall know, however, payments made during the first ten years of their loan were interest-
9 only. Mr. and Mrs. Randall also were not advised the interest rate was "fixed" for only ten years
10 and could adjust every twelve months thereafter. This loan was originated by CMI, on the loan
11 and deed of trust CMI is identified as the lender, and this loan is currently being serviced by
12 CMI. Defendants and Rhodes recommended this loan, representing that it would provide Mr. and
13 Mrs. Randall with an interest rate reduction.

14 Defendants and Rhodes represented to Mr. and Mrs. Randall that their monthly payment
15 would always be $1,356.25. Although the amount of Mr. and Mrs. Randall's monthly payment
16 was $1,356.25, Defendants and Rhodes failed to clarify their partially true representations and
17 advise Mr. and Mrs. Randall that: (1) their monthly payment would not pay down any of their
18 principal balance during the Interest-Only period, or (2) their monthly payment would drastically
19 increase at the end of the Interest-Only period, or (3) the amount of their monthly payment
20 would not remain "fixed" for the entire term of his loan. Further, Defendants and Rhodes
21 represented to them that they were eligible for a Low Doc Loan. Defendants and Rhodes altered
22 Mr. and Mrs. Randall's loan application without their knowing consent or authorization as
23 Rhodes completed Mr. and Mrs. Randall's application without giving Mr. and Mrs. Randall an
24 opportunity to review the loan application; and in doing so, Defendants and Rhodes caused them
25 to be placed into a loan whose payments they could not afford given their true, *un-inflated*
26 monthly income.

27 Defendants and Rhodes also explicitly represented to Mr. and Mrs. Randall that they
28 could afford their loan and further represented that they could shoulder the additional financial

burden of repaying their loan in consideration of their other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $2,110.62. Given Mr. and Mrs. Randall's true monthly income of $5,451.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 38%- even though Defendants and Rhodes were well aware that Mr. and Mrs. Randall were liable for several other existing debts.

Defendants and Rhodes further represented to Mr. and Mrs. Randall that they could rely on the assessment that they were "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Randall's lack of familiarity with how much debt a person can and should reasonably take on compared to their monthly income, and because Mr. and Mrs. Randall reasonably relied on Defendants' and Rhodes' expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Mr. and Mrs. Randall should be shouldering was, Mr. and Mrs. Randall reasonably believed Defendants' and Rhodes' representations that they could afford their loan and its payments.

Although Defendants and Rhodes represented to Mr. and Mrs. Randall that they were "qualified" for their loan and could afford their loan and its monthly payments, Defendants and Rhodes misled Mr. and Mrs. Randall into believing that their monthly payments would always only be $1,356.25. Furthermore, at no point did Defendants or Rhodes clarify Mr. and Mrs. Randall's false belief and advise them that $1,356.25 would not be their permanent payment under the loan, or that every time they made a monthly payment in the amount of $1,356.25, they were not paying down any of their principal balance.

In addition, Defendants and Rhodes represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around January 10, 2005, CMI's appraisal company, an appraisal company under the direct control and supervision of Defendants, conducted an appraisal on Mr. and Mrs. Randall's home, which was fraudulently inflated to an intentionally overstated value. Defendants and Rhodes represented that, per appraisal, Mr. and Mrs. Randall's home was worth $575,000.00 at the time they entered into their loan, and that such a valuation was a true and correct measure of their home's worth. The

current fair market value of Mr. and Mrs. Randall's home is approximately $212,922.00. Mr. and Mrs. Randall allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $362,078.00 ($575,000.00-$212,922.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Rhodes also represented to Mr. and Mrs. Randall that they would be able to refinance their loan at a later time. Mr. and Mrs. Randall relied on this assurance in deciding to enter into the mortgage contract. However, Mr. and Mrs. Randall have not been able to refinance their loan.

Furthermore, Defendants and Rhodes represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Mr. and Mrs. Randall could afford the loan; (4) they were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; and (6) they would be able to refinance their loan.

Moreover, Defendants and Rhodes withheld or incompletely, inaccurately or otherwise improperly disclosed to Mr. and Mrs. Randall that: (1) Defendants and Rhodes knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants' and Rhodes' "qualification" process was for Defendants' own protection and not theirs; (4) that Defendants' and Rhodes' representations that they were "qualified" to pay their loan was not intended to communicate that they could actually "afford" the loan which they were being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Mr. and Mrs. Randall's home to require them to borrow more money with the knowledge that the true value of Mr. and Mrs. Randall's home was insufficient to justify the amount of Mr. and Mrs. Randall's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and

1 inflating property values throughout the State of California that the real estate market would
2 crash and Mr. and Mrs. Randall would lose substantial equity in their home.
3 Based on these misrepresentations and omissions, the material facts concerning Mr. and
4 Mrs. Randall's loan were concealed from them, and they decided to move forward with their
5 loan. On January 31, 2005, Mr. and Mrs. Randall signed the loan and Deed of Trust, before a
6 notary. Had they known the truth however, Mr. and Mrs. Randall would not have accepted the
7 loan. As a result of Defendants' fraudulent acts described throughout this complaint Mr. and
8 Mrs. Randall have lost substantial equity in their home, have damaged or destroyed credit, and at
9 the time Mr. and Mrs. Randall entered into the loan their home was worth $575,000.00, now
10 their home is worth approximately $212,922.00. Mr. and Mrs. Randall did not discover any of
11 these misrepresentations or omissions until after a consultation with legal counsel at Brookstone
12 Law, and through a complete and thorough investigation of the loan documentation, and a
13 discussion of the surrounding facts, the fraudulent acts of the Defendants, as described
14 throughout this complaint, were brought to light on or around April 13, 2011. (True and correct
15 copies of the aforementioned documents are attached hereto as ***Exhibit 1***.)
16 2. Plaintiff Manuel Sedillos ("Sedillos") discussed obtaining a mortgage to purchase
17 his home located at 24728 Mill Valley Way, Carson, CA 90745 and A.P.N.: 7406-046-063 with
18 a Loan Consultant ("Loan Consultant") and representative and authorized agent of CMI and the
19 Defendants (the "Defendants") in or around June 2006. In the course of their discussions ranging
20 from June 2006 until August 2006, Defendants and Loan Consultant steered him into a fixed rate
21 mortgage in the amount of $492,000.00 with an interest rate of 6.750% for a term of 30 years.
22 This loan was originated by CMI, on the note and deed of trust CMI is identified as the lender,
23 and CMI was the servicer of the loan.
24 Defendants and Loan Consultant altered Sedillos's loan application without his knowing
25 consent or authorization as Loan Consultant completed Sedillos's application without giving
26 Sedillos an opportunity to review the loan application. Unbeknownst to him at the time,
27 Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate
28 his income by $9,451.67, a factor of 284%; and in doing so, Defendants and Loan Consultant

1 caused him to be placed into a loan whose payments he could not afford given his true, *un-*
2 *inflated* monthly income.
3 Defendants and Loan Consultant explicitly represented to Sedillos that he could afford
4 his loan; and further represented that he could shoulder the additional financial burden of
5 repaying his loan in consideration of his other existing debts. Defendants and Loan Consultant
6 also represented to him that he could afford hismonthly payment, despite his true monthly
7 income (a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other
8 debts are even considered, in excess of industry standard underwriting guidelines, and in excess
9 of Defendants' own underwriting guidelines). Defendants and Loan Consultant further
10 represented to Sedillos that he could rely on the assessment that he was "qualified" to mean that
11 he could afford the loan. Because of Sedillos's lack of familiarity with how much debt a person
12 can and should reasonably take on compared to his monthly income, and because Sedillos
13 reasonably relied on Defendants' and Loan Consultant's expertise that any payment he was
14 "qualified" for would take into account what the maximum debt a person such as Sedillos should
15 be shouldering was, Sedillos reasonably believed Defendants' and Loan Consultant's
16 representations that he could afford his loan and its payments.
17 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
18 on behalf of Defendants were accurate and made in good faith. On or around July 10, 2006,
19 Richard Beaton, an appraiser under the direct control and supervision of Defendants, conducted
20 an appraisal on Sedillos's home, which was fraudulently inflated to an intentionally overstated
21 value. Sedillos's loan documentation indicates that his home was worth $615,000.00 at the time
22 he entered into his loan. The current fair market value of Sedillos's home is approximately
23 $221,225.00. Sedillos alleges that the appraisal was artificially inflated, and that he has suffered
24 damages in the amount of $393,775.00 ($615,000.00-$221,225.00) due to a substantial loss of
25 equity in his home as a result of Defendants' fraudulent inflation and other acts described herein.
26 Due to the economic crash caused by the Defendants' fraudulent acts described
27 throughout this complaint, Sedillos suffered financial hardship and sought the assistance of the
28 Defendants in repaying his loan. During2009, Sedillos was directed by- representatives and

1 authorized agents of CMI and the Defendants to stop making payments in order to be eligible for
2 a modification. Sedillos relied on Defendants' and Defendants' representatives and authorized
3 agents' advice and stopped making his monthly payments causing him to fall even further
4 behind. However, Defendants refused -to modify his loan, in order to foreclose on Sedillos's
5 home. Defendants wrongfully foreclosed on Sedillos's home.

6 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
7 reputable and complied with industry standard underwriting guidelines and were engaged in
8 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
9 made in good faith; (3) Sedillos could afford the loan; (4) he was "qualified" for his loan; and (5)
10 and "qualified" meant that he could afford his loan.

11 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
12 otherwise improperly disclosed to Sedillos that: (1) Defendants and Loan Consultant knew that
13 he could not and would not be able to afford his loan and that there was a very high probability
14 that he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan,
15 and did sell his loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's
16 "qualification" process was for Defendants' own protection and not his; (4) that Defendants' and
17 Loan Consultant's representations that he was "qualified" to pay his loan was not intended to
18 communicate that he could actually "afford" the loan which he was being given; (5) Defendants
19 had abandoned its conventional lending business, prudent lending standards, and industry
20 standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
21 Sedillos's home to require him to borrow more money with the knowledge that the true value of
22 Sedillos's home was insufficient to justify the amount of Sedillos's loan; or (7) Defendants knew
23 that due to its scheme of fraudulently manipulating and inflating property values throughout the
24 State of California that the real estate market would crash and Sedillos would lose substantial
25 equity in his home.

26 Based on these misrepresentations, the material facts concerning Sedillos's loan were
27 concealed from him, and he decided to move forward with his loan. On August 1, 2006, Sedillos
28 signed the loan and Deed of Trust, before a notary. Had he known the truth however, Sedillos

1 would not have accepted the loan. As a result of Defendants' fraudulent acts described
2 throughout this complaint Sedillos has lost substantial equity in his home, has damaged or
3 destroyed credit, and at the time Sedillos entered into the loan his home was worth $615,000.00,
4 now his home is worth approximately $221,225.00. Sedillos did not discover any of these
5 misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a
6 complete and thorough investigation of the loan documentation, and a discussion of the
7 surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint,
8 were brought to light on or around February 3, 2011. (True and correct copies of the
9 aforementioned documents are attached hereto as ***Exhibit*** **2**.)
10 3. Plaintiff Michelle Rogers ("Rogers") discussed obtaining a mortgage to purchase
11 her home located at 1951 West 235th Street, Torrance, CA 90501 and A.P.N.: 7360-005-041with
12 Bob Melian ("Melian"), a Loan Consultant and representative and authorized agent of CMI and
13 the Defendants (the "Defendants") in or around March 2006. In the course of their discussions
14 ranging from March 2006 until May 2006, Defendants and Melian steered Rogers into an
15 Interest-Only ARM in the amount of $552,000.00 with an interest rate at 5.750% for a term of 30
16 years. Little did Rogers know, however, payments made during the first five years of her loan
17 were interest-only. Rogers also was not advised the interest rate was "fixed" for only five years
18 and could adjust every twelve months thereafter. Defendants and Melian eagerly advised Rogers
19 to enter into the loan at the time, saying that CMI was "giving away loans" and that this loan had
20 the lowest interest rate and best terms possible. This loan was originated by CMI, on the note and
21 the deed of trust CMI is identified as the lender, and this loan is currently being serviced by CMI.
22 Defendants and Melian represented to Rogers that her monthly payment would always be
23 $2,645.00. Although the amount of Rogers's monthly payment was $2,645.00, Defendants and
24 Melian failed to clarify their partially true representations and advise Rogers that: (1) her
25 monthly payment would not pay down any of their principal balance during the Interest-Only
26 period, or (2) her monthly payment would drastically increase at the end of the Interest-Only
27 period, or (3) the amount of her monthly payment would not remain "fixed" for the entire term
28 of his loan.

Further, Defendants and Melian represented to her that she was eligible for a Low Doc Loan. Unbeknownst to her at the time, Defendants and Melian used this low documentation requirement to fraudulently inflate her income and inflate her total assets by approximately 70%; and in doing so, Defendants and Melian caused her to be placed into a loan whose payments she could not afford given her true, *un-inflated* monthly income. Defendants and Melian altered Rogers's loan application without her knowing consent or authorization as Melian completed Rogers's application without giving Rogers an opportunity to review the loan application. By doing so, Defendants and Melian wildly and intentionally neglected their own underwriting guidelines and approved this loan to get as many loans out the door as possible in the name of making spectacular profit by selling these loans on the secondary market.

Defendants and Melian also explicitly represented to Rogers that she "has nothing to worry about" and can "easily" afford her loan and further represented that she could shoulder the additional financial burden of repaying her loan in consideration of her other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $4,124.22. Given Rogers's true monthly income of $2,000.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 200%- grossly in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines.

Defendants and Melian represented that Rogers could afford her monthly payments based on her then fiancé's income outside of the loan application. Defendants and Melian further represented to Rogers that she could rely on the assessment that she was "qualified" to mean that she could afford the loan. Because of Rogers's lack of familiarity with how much debt a person can and should reasonably take on compared to her monthly income, and because Rogers reasonably relied on Defendants' and Melian's expertise that any payment she was "qualified" for would take into account what the maximum debt a person such as Rogers should be shouldering was, Rogers reasonably believed Defendants' and Melian's representations that she could afford her loan and its payments.

Although Defendants and Melian represented to Rogers that she was "qualified" for her

1 loan and could afford her loan and its monthly payments, Defendants and Melian misled Rogers
2 into believing that her monthly payments would always only be $2,645.00. Furthermore, at no
3 point did Defendants or Melian clarify Rogers's false belief and advise her that $2,645.00 would
4 not be her permanent payment under the loan, or that every time she made a monthly payment in
5 the amount of $2,645.00, she was not paying down any of her principal balance.

6 In addition, Defendants and Melian represented that appraisals conducted by or on behalf
7 of Defendants were accurate and made in good faith. On or around April 13, 2006, an appraisal
8 company under the direct control and supervision of Defendants conducted an appraisal on
9 Rogers's home, which was fraudulently inflated to an intentionally overstated value. Defendants
10 and Melian represented that, per appraisal, Rogers's home was worth $690,000.00 at the time she
11 entered into her loan, and that such a valuation was a true and correct measure of her home's
12 worth. The current fair market value of Rogers's home is approximately $318,618.00. Rogers
13 alleges that the appraisal was artificially inflated, and that she has suffered damages in the
14 amount of $371,382.00 ($690,000.00-$318,618.00) due to a substantial loss of equity in her
15 home as a result of Defendants' fraudulent inflation and other acts described herein.

16 Defendants and Melian also represented to Rogers that she would be able to refinance her
17 loan at a later time. Rogers relied on this assurance in deciding to enter into the mortgage
18 contract. However, Rogers has not been able to refinance her loan because the home was
19 eventually worth less than she owed. Defendants and Melian also represented that it would
20 modify Rogers's loan, and Rogers relied on this representation in deciding to enter into the loan.
21 In addition, on September 12, 2010, Rogers was steered by "Lin", a representative of
22 Defendants, to stop making payments in order to be eligible for a modification. Rogers relied on
23 Defendants' and Lin's advice and stopped making her monthly payments causing her to fall even
24 further behind. However, Rogers was unable to modify her loan.

25 Furthermore, Defendants and Melian represented that: (1) Defendants were reputable and
26 complied with industry standard underwriting guidelines and were engaged in lending of the
27 highest caliber; (2) property appraisals done by Defendants were accurate and made in good
28 faith; (3) Rogers could afford the loan; (4) she was "qualified" for her loan; (5) "qualified" meant

1 that she could afford her loan; (6) Defendants would modify her loan in the future; and (7) she
2 would be able to refinance her loan.
3 Moreover, Defendants and Melian withheld or incompletely, inaccurately or otherwise
4 improperly disclosed to Rogers that: (1) Defendants and Melian knew that she could not and
5 would not be able to afford her loan and that there was a very high probability that she would
6 default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan, and did sell
7 her loan at fraudulently inflated prices; (3) Defendants' and Melian's "qualification" process was
8 for Defendants' own protection and not hers; (4) that Defendants' and Melian's representations
9 that she was "qualified" to pay her loan was not intended to communicate that she could actually
10 "afford" the loan which she was being given; (5) Defendants had abandoned its conventional
11 lending business, prudent lending standards, and industry standard underwriting guidelines; (6)
12 Defendants influenced the appraiser to over-value Rogers's home to require her to borrow more
13 money with the knowledge that the true value of Rogers's home was insufficient to justify the
14 amount of Rogers's loan; or (7) Defendants knew that due to its scheme of fraudulently
15 manipulating and inflating property values throughout the State of California that the real estate
16 market would crash and Rogers would lose substantial equity in her home.
17 Based on these misrepresentations and omissions, the material facts concerning Rogers's
18 loan were concealed from her, and she decided to move forward with her loan. On May 2, 2006,
19 Rogers signed the loan and Deed of Trust, before a notary. Had she known the truth however,
20 Rogers would not have accepted the loan. As a result of Defendants' fraudulent acts described
21 throughout this complaint Rogers has lost substantial equity in her home, has damaged or
22 destroyed credit, and at the time Rogers entered into the loan her home was worth $690,000.00,
23 now her home is worth approximately $318,618.00. Rogers did not discover any of these
24 misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law,
25 and through a complete and thorough investigation of the loan documentation, and a discussion
26 of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this
27 complaint, were brought to light on or around March 2, 2011. (True and correct copies of the
28 aforementioned documents are attached hereto as ***Exhibit* 3**.)

4. Plaintiffs Antonio Hernandez and Donna Hernandez ("Mr. and Mrs. Hernandez") discussed refinancing an existing mortgage on their property located at 4612 Highland Street, Montclair, CA 91763 and A.P.N.: 1009-043-07-0000 with Vincent Fuentes ("Fuentes"), a Loan Consultant and representative and authorized agent of Citi and the Defendants (the "Defendants"), in or around July 2006. In the course of their discussions ranging from July 2006 until September 2006, Defendants and Fuentes steered them to enter into fixed rate mortgage in the amount of $337,461.07 with an interest rate of 9.577% for a term of 30 years – an exorbitant and predatory rate by any measure, particularly in 2006 when rates were at a low. This loan was originated by Citicorp Trust Bank, fsb who assigned all beneficial interest to CMI on October 22, 2010. This loan is currently being serviced by CMI. Defendants and Fuentes recommended the loan, stating that the loan was so good that Mr. and Mrs. Hernandez would have no problem paying off the loan in 15 years.

Further, Defendants and Fuentes represented that Mr. and Mrs. Hernandez were eligible for a Low Doc Loan. Unbeknownst to them at the time, Defendants and Fuentes used this low documentation requirement to fraudulently inflate their income; and in doing so, Defendants and Fuentes caused them to be placed into a loan whose payments they could not afford given their true, *un-inflated* monthly income. Defendants and Fuentes altered Mr. and Mrs. Hernandez's loan application without their knowing consent or authorization as Fuentes completed Mr. and Mrs. Hernandez's application without giving Mr. and Mrs. Hernandez an opportunity to review the loan application.

Defendants and Fuentes explicitly represented to Mr. and Mrs. Hernandez that they could afford their loan; and further represented that they could shoulder the additional financial burden of repaying their loan in consideration of their other existing debts. Defendants and Fuentes also represented to them that they could afford a $2,856.46 monthly payment, despite their $5,451.76 true monthly income (a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 52%- even though Defendants and Fuentes were aware of Mr. and Mrs. Hernandez's other existing debts). Defendants and Fuentes further represented to Mr. and Mrs. Hernandez that they could rely on the assessment that they were

1 "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Hernandez's lack of
2 familiarity with how much debt a person can and should reasonably take on compared to their
3 monthly income, and because Mr. and Mrs. Hernandez reasonably relied on Defendants' and
4 Fuentes's expertise that any payment they were "qualified" for would take into account what the
5 maximum debt a person such as Mr. and Mrs. Hernandez should be shouldering was, Mr. and
6 Mrs. Hernandez reasonably believed Defendants' and Fuentes's representations that they could
7 afford their loan and its payments.

8 In addition, Defendants and Fuentes represented that appraisals conducted by or on
9 behalf of Defendants were accurate and made in good faith. On or around August 16, 2006,
10 Finiti, LLC, an appraisal company under the direct control and supervision of Defendants,
11 conducted an appraisal on Mr. and Mrs. Hernandez's home, which was fraudulently inflated to
12 an intentionally overstated value. Defendants and Fuentes represented that, per appraisal, Mr.
13 and Mrs. Hernandez's home was worth $500,000.00 at the time they entered into their loan, and
14 that such a valuation was a true and correct measure of their home's worth. The current fair
15 market value of Mr. and Mrs. Hernandez's home is approximately $198,294.00. Mr. and Mrs.
16 Hernandez alleges that the appraisal was artificially inflated, and that they have suffered
17 damages in the amount of $301,706.00 ($500,000.00-$198,294.00) due to a substantial loss of
18 equity in their home as a result of Defendants' fraudulent inflation and other acts described
19 herein.

20 Defendants and Fuentes also represented to Mr. and Mrs. Hernandez that they would be
21 able to refinance their loan at a later time. Mr. and Mrs. Hernandez relied on this assurance in
22 deciding to enter into the mortgage contract. However, Mr. and Mrs. Hernandez have not been
23 able to refinance their loan. Defendants and Fuentes also represented that it would modify Mr.
24 and Mrs. Hernandez's loan, and Mr. and Mrs. Hernandez relied on this representation in deciding
25 to enter into the loan.

26 Furthermore, Defendants and Fuentes represented that: (1) Defendants were reputable
27 and complied with industry standard underwriting guidelines and were engaged in lending of the
28 highest caliber; (2) property appraisals done by Defendants were accurate and made in good

faith; (3) Mr. and Mrs. Hernandez could afford the loan; (4) they were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; (6) they would be able to modify their loan (7) they would be able to refinance their loan.

Moreover, Defendants and Fuentes withheld or incompletely, inaccurately or otherwise improperly disclosed to Mr. and Mrs. Hernandez that: (1) Defendants and Fuentes knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants' and Fuentes's "qualification" process was for Defendants' own protection and not theirs; (4) that Defendants' and Fuentes's representations that they were "qualified" to pay their loan was not intended to communicate that they could actually "afford" the loan which they were being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Mr. and Mrs. Hernandez's home to require them to borrow more money with the knowledge that the true value of Mr. and Mrs. Hernandez's home was insufficient to justify the amount of Mr. and Mrs. Hernandez's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Mr. and Mrs. Hernandez would lose substantial equity in their home.

Based on these misrepresentations, the material facts concerning Mr. and Mrs. Hernandez's loan were concealed from them, and they decided to move forward with their loan. On September 7, 2006, Mr. and Mrs. Hernandez signed the loan and Deed of Trust, before a notary. Had they known the truth however, Mr. and Mrs. Hernandez would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Mr. and Mrs. Hernandez have lost substantial equity in their home, have damaged or destroyed credit, and at the time Mr. and Mrs. Hernandez entered into the loan their home was worth $500,000.00, now their home is worth approximately $198,294.00. Mr. and Mrs. Hernandez did not discover any of these misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion

1 of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this
2 complaint, were brought to light on or around March 28, 2011. (True and correct copies of the
3 aforementioned documents are attached hereto as ***Exhibit* 4**.)

4 5. Plaintiffs Lauro Roberto and Amalia Roberto ("Mr. and Mrs. Roberto") discussed
5 refinancing an existing mortgage on their property located at 1194 South Lucerne Boulevard,
6 Los Angeles, CA 90019 and A.P.N.: 5082-008-028 with a Loan Consultant ("Loan Consultant")
7 with Coast 2 Coast Funding Group, Inc., a correspondent of Citi and the Defendants (the
8 "Defendants"), and authorized by Defendants to lend on their behalf, in or around February
9 2009. In the course of their discussions ranging from February 2009 until April 2009, Defendants
10 and Loan Consultant steered Mr. and Mrs. Roberto to enter into a fixed rate mortgage in the
11 amount of $485,000.00 with an interest rate of 5.875% for a term of 30 years. This loan was
12 originated by CMI, the note and deed of trust identifies Coast 2 Coast Funding Group, Inc. as the
13 lender, and CMI is currently servicing the loan.

14 Further, Defendants and Loan Consultant stated that Mr. and Mrs. Roberto were eligible
15 for a Low Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used
16 this low documentation requirement to fraudulently inflate their income by $7,567.25, a factor of
17 152%; and in doing so, Defendants and Loan Consultant caused them to be placed into a loan
18 whose payments they could not afford given their true, *un-inflated* monthly income. Defendants
19 and Loan Consultant altered Mr. and Mrs. Roberto's loan application without their knowing
20 consent or authorization as Loan Consultant completed Mr. and Mrs. Roberto's application
21 without giving Mr. and Mrs. Roberto an opportunity to review the loan application. In fact,
22 Defendants and Loan Consultant took Mr. and Mrs. Roberto's loan application over the phone.

23 Defendants and Loan Consultant explicitly represented to Mr. and Mrs. Roberto that they
24 could afford their loan; and further represented that they could shoulder the additional financial
25 burden of repaying their loan in consideration of their other existing debts. Defendants and Loan
26 Consultant also represented to them that they could afford their monthly payment, despite their
27 true monthly income (a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before
28 any other debts are even considered, in excess of industry standard underwriting guidelines, and

in excess of Defendants' own underwriting guidelines). Defendants and Loan Consultant further represented to Mr. and Mrs. Roberto that they could rely on the assessment that they were "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Roberto's lack of familiarity with how much debt a person can and should reasonably take on compared to their monthly income, and because Mr. and Mrs. Roberto reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Mr. and Mrs. Roberto should be shouldering was, Mr. and Mrs. Roberto reasonably believed Defendants' and Loan Consultant's representations that they could afford their loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around March 27, 2009, Bowers Appraisal Group, an appraisal company under the direct control and supervision of Defendants, conducted an appraisal on Mr. and Mrs. Roberto's home, which was fraudulently inflated to a and intentionally overstated value. Defendants and Loan Consultant represented that, per appraisal, Mr. and Mrs. Roberto's home was worth $725,000.00 at the time they entered into their loan, and that such a valuation was a true and correct measure of their home's worth. The current fair market value of Mr. and Mrs. Roberto's home is approximately $432,333.80. Mr. and Mrs. Roberto allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $292,667.00 ($725,000.00-$432,333.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Mr. and Mrs. Roberto that they would be able to refinance their loan at a later time. Mr. and Mrs. Roberto relied on this assurance in deciding to enter into the mortgage contract. However, Mr. and Mrs. Roberto have not been able to refinance their loan. Defendants and Loan Consultant also represented that it would modify Mr. and Mrs. Roberto's loan, and Mr. and Mrs. Roberto relied on this representation in deciding to enter into the loan. Mr. and Mrs. Roberto applied for a modification while they were still current on their payments, however, they were unable to modify their loan.

1 In addition, Mr. and Mrs. Roberto were directed by a representative and authorized agents of
2 Defendants to stop making payments in order to be eligible for a modification. Mr. and Mrs.
3 Roberto relied on Defendants' and Defendants' representatives and authorized agent's advice
4 and stopped making their monthly payments causing them to fall even further behind. However,
5 Mr. and Mrs. Roberto were unable to modify their loan.

6 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
7 reputable and complied with industry standard underwriting guidelines and were engaged in
8 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
9 made in good faith; (3) Mr. and Mrs. Roberto could afford the loan; (4) they were "qualified" for
10 their loan; (5) "qualified" meant that they could afford their loan; (6) Defendants would modify
11 their loan in the future; and (7) they would be able to refinance their loan.

12 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
13 otherwise improperly disclosed to Mr. and Mrs. Roberto that: (1) Defendants and Loan
14 Consultant knew that they could not and would not be able to afford their loan and that there was
15 a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an
16 incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants'
17 and Loan Consultant's "qualification" process was for Defendants' own protection and not
18 theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to
19 pay their loan was not intended to communicate that they could actually "afford" the loan which
20 they were being given; (5) Defendants had abandoned its conventional lending business, prudent
21 lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the
22 appraiser to over-value Mr. and Mrs. Roberto's home to require them to borrow more money
23 with the knowledge that the true value of Mr. and Mrs. Roberto's home was insufficient to
24 justify the amount of Mr. and Mrs. Roberto's loan; or (7) Defendants knew that due to its scheme
25 of fraudulently manipulating and inflating property values throughout the State of California that
26 the real estate market would crash and Mr. and Mrs. Roberto would lose substantial equity in
27 their home.

28 Based on these misrepresentations, the material facts concerning Mr. and Mrs. Roberto's

loan were concealed from them, and they decided to move forward with their loan. On April 17, 2009, Mr. and Mrs. Roberto signed the loan and Deed of Trust, before a notary. Had they known the truth however, Mr. and Mrs. Roberto would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Mr. and Mrs. Roberto have lost substantial equity in their home, have damaged or destroyed credit, and at the time Mr. and Mrs. Roberto entered into the loan their home was worth $725,000.00, now their home is worth approximately $432,333.00. Mr. and Mrs. Roberto did not discover any of these misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around January 26, 2011. (True and correct copies of the aforementioned documents are attached hereto as ***Exhibit* 5**.)

6. Plaintiffs Vincent Lombardo and Lorraine Lombardo (collectively referred to as "Mr. and Mrs. Lombardo") discussed refinancing an existing mortgage on their property located at 12320 Royal Oaks Drive, Rancho Cucamonga, CA 91739 and A.P.N.: 0227-667-24-0000 with Towfic Dalou ("Dalou") a Loan Officer with Quick Loan Funding, a correspondent of Citi and the Defendants (the "Defendants"), and authorized by Defendants to lend on their behalf, in or around June 2006. In the course of their discussions ranging from June 2006 until July 2006, Defendants and Dalou steered them into an adjustable rate mortgage in the amount of $743,750.00 with an interest rate at 8.250% for a term of 30 years. Little did Mr. and Mrs. Lombard know, however, their loan was amortized over 40 years but payable in 30 years. Mr. and Mrs. Lombardo were also not advised the interest rate was "fixed" for only two years and could adjust every six months thereafter. The maximum interest rate is 14.250%. This loan was originated by Citi, on the note and deed of trust Quick Loan Funding is identified as the lender, and Citi was the servicer of the loan. .

Defendants and Dalou represented that this loan was Mr. and Mrs. Lombardo's best option and that they would be able to refinance the Loan in two years for a lower interest rate without any repayment penalties. Defendants and Dalou also represented to Mr. and Mrs.

Lombardo that their monthly payment would always be $5,311.41. Although the amount of Mr. and Mrs. Lombardo's monthly payment was $5,311.41, Defendants and Dalou failed to clarify their partially true representations and advise Mr. and Mrs. Lombardo that: (1) their monthly payment would drastically increase at the end of the Fixed Interest Rate period, or (2) the amount of their monthly payment would not remain "fixed" for the entire term of his loan.

Further, Defendants and Dalou represented that they were eligible for a Low Doc Loan. Unbeknownst to them at the time, Defendants and Dalou used this low documentation requirement to fraudulently inflate their income by $15,901.16, a factor of 198%; and in doing so, Defendants and Dalou caused them to be placed into a loan whose payments they could not afford given their true, *un-inflated* monthly income. Defendants and Dalou altered Mr. and Mrs. Lombardo's loan application without their knowing consent or authorization as Dalou completed Mr. and Mrs. Lombardo's application without giving Mr. and Mrs. Lombardo an opportunity to review the loan application.

Defendants and Dalou also explicitly represented to Mr. and Mrs. Lombardo that they could afford their loan and further represented that they could shoulder the additional financial burden of repaying their loan in consideration of their other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $8,328.92. Given Mr. and Mrs. Lombardo's true monthly income of $8,000.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 104%- grossly in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants and Dalou further represented to Mr. and Mrs. Lombardo that they could rely on the assessment that they were "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Lombardo's lack of familiarity with how much debt a person can and should reasonably take on compared to their monthly income, and because Mr. and Mrs. Lombardo reasonably relied on Defendants' and Dalou's expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Mr. and Mrs. Lombardo should be shouldering was, Mr. and Mrs. Lombardo reasonably believed Defendants' and Dalou's representations that they could afford their loan and its payments.

1 Although Defendants and Dalou represented to Mr. and Mrs. Lombardo that they were
2 "qualified" for their loan and could afford their loan and its monthly payments, Defendants and
3 Dalou misled Mr. and Mrs. Lombardo into believing that their monthly payments would always
4 only be $5,311.41. Furthermore, at no point did Defendants or Dalou clarify Mr. and Mrs.
5 Lombardo's false belief and advise them that $5,311.41 would not be their permanent payment
6 under the loan.

7 In addition, Defendants and Dalou represented that appraisals conducted by or on behalf
8 of Defendants were accurate and made in good faith. On or around June 18, 2006, M&M
9 Appraisal, an appraisal company under the direct control and supervision of Defendants,
10 conducted an appraisal on Mr. and Mrs. Lombardo's home, which was fraudulently inflated to an
11 intentionally overstated value. Mr. and Mrs. Lombardo's loan documentation indicates that their
12 home was worth $880,000.00 at the time they entered into their loan. The current fair market
13 value of Mr. and Mrs. Lombardo's home is approximately $333,136.25. Mr. and Mrs. Lombardo
14 allege that the appraisal was artificially inflated, and that they have suffered damages in the
15 amount of $546,863.75 ($880,000.00-$333,136.25) due to a substantial loss of equity in their
16 home as a result of Defendants' fraudulent inflation and other acts described herein.

17 Due to the economic crash caused by the Defendants' fraudulent acts descsribed
18 throughout this complaint, Mr. and Mrs. Lombardo sought the assistance of the Defendants in
19 repaying their loan. When they entered into the loan, Defendants and Dalou represented to Mr.
20 and Mrs. Lombardo that Defendants would refinance their loan at a later time. Mr. and Mrs.
21 Lombardo relied on this assurance in deciding to enter into the mortgage contract. However, Mr.
22 and Mrs. Lombardo have not been able to refinance their loan because their home no longer had
23 sufficient equity to justify the size of their loan. Defendants and Dalou also represented that it
24 would modify Mr. and Mrs. Lombardo's loan, and Mr. and Mrs. Lombardo relied on this
25 representation in deciding to enter into the loan. Defendants refused to modify Mr. and Mrs.
26 Lombardo's loan in order to foreclose on their home.

27 Additionally, the foreclosure against Mr. and Mrs. Lombardo was wrongful for several
28 reasons. First, the foreclosure is void because the Assignment of Deed of Trust ("ADOT"),

recorded August 10, 2010, that transferred beneficial interest to CitiGroup Global Markets Realty Corp. was backdated to give it the appearance that it was executed before the September 30, 2010 Assignment of Deed of Trust and the September 30, 2010 Notice of Default. Numerous authorities hold that such backdating is impermissible. Thus, the ADOT is void because of this backdating and CitiGroup Global Markets Realty Corp. never received beneficial interest. Thus, CitiGroup Global Markets Realty Corp. did not have the right to assign beneficial interest to Citi Property Holdings Inc. with the September 30, 2010 ADOT, and Citi Property Holdings Inc. did not have authority to initiate foreclosure since it did not properly receive any beneficial interest in the property.

Secondly, the foreclosure is void because the October 22, 2010 Substitution of Trustee was backdated to give it the appearance that it was executed before the Trustee's Deed Upon Sale (executed January 10, 2011) such that the foreclosure would not appear to be void. Numerous authorities hold that such backdating is impermissible. Thus, the Substitution of Trustee is void and the Law Offices of Les Zieve was never truly substituted as a trustee and did not have the authority to conduct a foreclosure sale, making this foreclosure void.

Furthermore, Defendants and Dalou represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Mr. and Mrs. Lombardo could afford the loan; (4) they were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; (6) Defendants would modify their loan in the future; and (7) they would be able to refinance their loan.

Moreover, Defendants and Dalou withheld or incompletely, inaccurately or otherwise improperly disclosed to Mr. and Mrs. Lombardo that: (1) Defendants and Dalou knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants' and Dalou's "qualification" process was for Defendants' own protection and not theirs; (4) that Defendants' and Dalou's representations that they were "qualified" to pay their loan was not intended to

1 communicate that they could actually "afford" the loan which they were being given; (5)
2 Defendants had abandoned its conventional lending business, prudent lending standards, and
3 industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
4 Mr. and Mrs. Lombardo's home to require them to borrow more money with the knowledge that
5 the true value of Mr. and Mrs. Lombardo's home was insufficient to justify the amount of Mr.
6 and Mrs. Lombardo's loan; or (7) Defendants knew that due to its scheme of fraudulently
7 manipulating and inflating property values throughout the State of California that the real estate
8 market would crash and Mr. and Mrs. Lombardo would lose substantial equity in their home.

9 Based on these misrepresentations and omissions, the material facts concerning Mr. and
10 Mrs. Lombardo's loan were concealed from them, and they decided to move forward with their
11 loan. On July 8, 2006, Mr. and Mrs. Lombardo signed the loan and Deed of Trust, before a
12 notary. Had they known the truth however, Mr. and Mrs. Lombardo would not have accepted the
13 loan. As a result of Defendants' fraudulent acts described throughout this complaint Mr. and
14 Mrs. Lombardo have lost substantial equity in their home, have damaged or destroyed credit, and
15 at the time Mr. and Mrs. Lombardo entered into the loan their home was worth $880,000.00,
16 now their home is worth approximately $333,136.25. Mr. and Mrs. Lombardo did not discover
17 any of these misrepresentations or omissions until after a consultation with legal counsel at
18 Brookstone Law, and through a complete and thorough investigation of the loan documentation,
19 and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described
20 throughout this complaint, were brought to light on or around February 8, 2011. (True and
21 correct copies of the aforementioned documents are attached hereto as ***Exhibit* 6**.)

22 7. Plaintiff Shirley Coffey ("Coffey") discussed refinancing an existing mortgage on
23 her property located at 5143 Conrad Avenue, San Diego, CA 92117 and A.P.N.: 355-412-26-00
24 with a Loan Consultant ("Loan Consultant") with Resource Lenders, Inc., a correspondent of Citi
25 and the Defendants (the "Defendants"), and authorized by Defendants to lend on their behalf, in
26 or around March 2008. In the course of their discussions ranging from March 2008 until May
27 2008, Defendants and Loan Consultant steered her into an adjustable rate mortgage in the
28 amount of $295,000.00 with an interest rate at 5.875% for a term of 30 years. Little did Coffey

know, however, payments made during the first ten years of the loan were interest-only. Coffey was also not advised the interest rate was "fixed" for only five years and could adjust every twelve months thereafter. The maximum interest rate is 10.875%. This loan was originated by Citi, on the note and deed of trust Resource Lenders, Inc. is identified as the lender, and CMI is currently servicing the loan.

Defendants and Loan Consultant advised Coffey to use the proceeds from this loan to cover any shortages she might experience with the promise that Defendants would again refinance her loan at a later time. Defendants further represented this loan would allowher to take advantage of the equity in her home that "would continue to increase." Additionally, Coffey was advised to refinance a total of *seven* times, with equity being taken out of her home each time – a predatory lending tactic giving the loan consultant *seven* times commission, and creating a substantial windfall for the bank who charged exorbitant fees and costs for each of the seven refinances, stripping the equity from Coffey's home..

Defendants and Loan Consultant also represented to Coffey that her monthly payment would always be $1,411.00. Although the amount of Coffey's monthly payment was $1,411.00, Defendants and Loan Consultant failed to clarify their partially true representations and advise Coffey that: (1) her monthly payment would not pay down any of their principal balance during the Interest-Only period, or (2) her monthly payment would drastically increase at the end of the Interest-Only period, or (3) the amount of her monthly payment would not remain "fixed" for the entire term of his loan.

Defendants and Loan Consultant recommended the loan and advised Coffey that she would be able to continually refinance in order to cover any shortages she may experience. Further, Defendants and Loan Consultant advised her that she was eligible for a Low Doc Loan. Unbeknownst to her at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate her income; and in doing so, Defendants and Loan Consultant caused her to be placed into a loan whose payments she could not afford given her true, *un-inflated* monthly income. Defendants and Loan Consultant altered Coffey's loan application without her knowing consent or authorization as Loan Consultant completed Coffey's

application without giving Coffey an opportunity to review the loan application.

Defendants and Loan Consultant also explicitly represented to Coffey that she could afford her loan and further represented that she could shoulder the additional financial burden of repaying her loan in consideration of her other existing debts; yet failed to disclose that the fully amortized monthly payment would be substantially more than the monthly payments. Given Coffey's monthly payments of $1,411.00 and Coffey's true monthly income of $2,400.00, the "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, is over 58%- in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines - even without calculating the debt-to-income ratio using the higher, fully amortized payment. Defendants and Loan Consultant further represented to Coffey that she could rely on the assessment that she was "qualified" to mean that she could afford the loan. Because of Coffey's lack of familiarity with how much debt a person can and should reasonably take on compared to her monthly income, and because Coffey reasonably relied on Defendants' and Loan Consultant's expertise that any payment she was "qualified" for would take into account what the maximum debt a person such as Coffey should be shouldering was, Coffey reasonably believed Defendants' and Loan Consultant's representations that she could afford her loan and its payments.

Although Defendants and Loan Consultant represented to Coffey that she was "qualified" for her loan and could afford her loan and its monthly payments, Defendants and Loan Consultant misled Coffey into believing that her monthly payments would always only be $1,411.00. Furthermore, at no point did Defendants or Loan Consultant clarify Coffey's false belief and advise her that $1,411.00 would not be her permanent payment under the loan, or that every time she made a monthly payment in the amount of $1,411.00, she was not paying down any of her principal balance.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around April 24, 2008, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Coffey's home, which was fraudulently inflated to an intentionally overstated value.

Defendants and Loan Consultant represented that, per appraisal, Coffey’s home was worth substantially more than its current fair market value of approximately $282,201.70. Coffey alleges that the appraisal was artificially inflated, and that she has suffered damages due to a substantial loss of equity in her home as a result of Defendants’ fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Coffey that she would be able to refinance her loan at a later time. Coffey relied on this assurance in deciding to enter into the mortgage contract. After seven times Coffey had refinanced, she was put in a situation in which she really did need to refinance in order to get out of the dangerous loans. Coffey applied to refinance her loan. However, Defendants and Loan Consultant refused, and instead advised her to fall behind on her payments. Defendants and Loan Consultant also represented that it would modify Coffey’s loan, and Coffey relied on this representation in deciding to enter into the loan. In addition, in December 2009, Coffey was advised by a representative of Defendants to stop making payments in order to be eligible for a loan modification. Coffey relied on Defendants’ and Defendants’ representatives and authorized agents’advice and stopped making her monthly payments causing her to fall even further behind. However, the Defendants refused to permanently modify her loan.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Coffey could afford the loan; (4) she was “qualified” for her loan; (5) “qualified” meant that she could afford her loan; (6) she would be able to modify her loan; and (7) she would be able to refinance her loan. At no point was it revealed to Coffey that she would be paying only the interest portion of her loan for the first 10 years.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Coffey that: (1) Defendants and Loan Consultant knew that she could not and would not be able to afford her loan and that there was a very high probability that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her

1 loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's
2 "qualification" process was for Defendants' own protection and not hers; (4) that Defendants'
3 and Loan Consultant's representations that she was "qualified" to pay her loan was not intended
4 to communicate that she could actually "afford" the loan which she was being given; (5)
5 Defendants had abandoned its conventional lending business, prudent lending standards, and
6 industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
7 Coffey's home to require her to borrow more money with the knowledge that the true value of
8 Coffey's home was insufficient to justify the amount of Coffey's loan; or (7) Defendants knew
9 that due to its scheme of fraudulently manipulating and inflating property values throughout the
10 State of California that the real estate market would crash and Coffey would lose substantial
11 equity in her home.

12 Based on these misrepresentations and omissions, the material facts concerning Coffey's
13 loan were concealed from her, and she decided to move forward with her loan. On May 13,
14 2008, Coffey signed the loan and Deed of Trust, before a notary. Had she known the truth
15 however, Coffey would not have accepted the loan. As a result of Defendants' fraudulent acts
16 described throughout this complaint Coffey has lost substantial equity in her home, has damaged
17 or destroyed credit, and at the time Coffey entered into the loan her home was worth
18 substantially more than its current fair market value. Coffey did not discover any of these
19 misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law,
20 and through a complete and thorough investigation of the loan documentation, and a discussion
21 of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this
22 complaint, were brought to light on or around February 22, 2011.

23 8. Plaintiff Dina Garay ("Garay") discussed refinancing an existing mortgage on her
24 property located at 3966 Camellia Drive, San Bernardino, CA 92404 and A.P.N.: 0155-222-08-
25 0000 with a Loan Consultant ("Loan Consultant") with Fieldstone Mortgage Company, a
26 correspondent of Citi and the Defendants (the "Defendants"), and authorized by Defendants to
27 lend on their behalf, in or around April 2007. In the course of their discussions ranging from
28 April 2007 until June 2007, Defendants and Loan Consultant steered her to enter into Fixed Rate

1 Balloon Loan in the amount of 339,500.00 for a term of 40 years, but payable in 30 years. This
2 loan was originated by CMI, on the note and deed of trust Fieldstone Mortgage Company is
3 identified as the lender, and CMI is currently servicing the loan. Garay was unaware of the
4 practical ramifications of her loan because her Loan Consultant did not explain to her that her
5 loan was amortized over 40 years, but the loan would become mature in only 30 years.
6 Further, Defendants and Loan Consultant advised her that she was eligible for a Low Doc
7 Loan. Unbeknownst to her at the time, Defendants and Loan Consultant used this low
8 documentation requirement to fraudulently inflate her income; and in doing so, Defendants and
9 Loan Consultant caused her to be placed into a loan whose payments she could not afford given
10 her true, *un-inflated* monthly income. Defendants and Loan Consultant altered Garay's loan
11 application without her knowing consent or authorization as Loan Consultant completed Garay's
12 application without giving Garay an opportunity to review the loan application.
13 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
14 on behalf of Defendants were accurate and made in good faith. On or around June 7, 2007, an
15 appraisal company under the direct control and supervision of Defendants conducted an appraisal
16 on Garay's home, which was fraudulently inflated to an intentionally overstated value. The
17 current fair market value of Garay's home is approximately $286,703.35. Garay alleges that the
18 appraisal was artificially inflated, and that she has suffered substantial damages due to a
19 substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other
20 acts described herein.
21 Defendants and Loan Consultant also represented to Garay that she would be able to
22 refinance her loan at a later time. Garay relied on this assurance in deciding to enter into the
23 mortgage contract. However, Garay has not been able to refinance her loan because the value of
24 the house had become lower than the value of the loan. In addition, Garay was told by a
25 representative of Defendants to stop making payments in order to be eligible for a modification.
26 Garay relied on Defendants' and Defendants' representatives and authorized agents' advice and
27 stopped making her monthly payments causing her to fall even further behind. However, Garay
28 was unable to modify her loan.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Garay could afford the loan; (4) she was "qualified" for her loan; (5) "qualified" meant that she could afford her loan; (6) she would be able to modify her loan; and (7) she would be able to refinance her loan. At no point was it revealed to Garay that the loan she was entering into was a Balloon Loan.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Garay that: (1) Defendants and Loan Consultant knew that she could not and would not be able to afford her loan and that there was a very high probability that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not hers; (4) that Defendants' and Loan Consultant's representations that she was "qualified" to pay her loan was not intended to communicate that she could actually "afford" the loan which she was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Garay's home to require her to borrow more money with the knowledge that the true value of Garay's home was insufficient to justify the amount of Garay's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Garay would lose substantial equity in her home.

Based on these misrepresentations, the material facts concerning Garay's loan were concealed from her, and she decided to move forward with her loan. On June 28, 2007, Garay signed the loan and Deed of Trust, before a notary. Had she known the truth however, Garay would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Garay has lost substantial equity in her home, has damaged or destroyed credit, and at the time Garay entered into the loan her home was worth substantially

more than the $286,703.35 it is worth today. Garay did not discover any of these misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around February 28, 2011.

9. Plaintiff James Fortier ("Fortier") discussed obtaining a mortgage to purchase his home located at 2255 Santa Fe Avenue, Torrance, CA 90501 and A.P.N.: 7359-026-072 with Nellie Melian ("Melian"), a Loan Consultant and representative and authorized agent of CMI and the Defendants (the "Defendants") in or around February 2007. In the course of their discussions ranging from February 2007 until March 2007, Defendants and Melian steered him into an adjustable rate mortgage in the amount of $632,000.00 with an interest rate at 5.875% for a term of 30 years. Little did Fortier know, however, payments made during the first five years of the loan were interest-only. Fortier also was not advised the interest rate was "fixed" for only five years and could adjust every twelve months thereafter. The maximum interest rate is 10.875%. This loan was originated by CMI, on the note and deed of trust CMI is identified as the lender, and this loan is currently being serviced by CMI. Defendants and Melian further steered Fortier to enter into a "piggy-back" loan in the amount of $118,500.00. The loan-to-value ratio of Fortier's loan is 95%.

Defendants and Melian represented to Fortier that his monthly payment would always be $3,200.00. Although the amount of Fortier's monthly payment was $3,200.00, Defendants and Melian failed to clarify their partially true representations and advise Fortier that: (1) his monthly payment would not pay down any of his principal balance during the Interest-Only period, or (2) his monthly payment would drastically increase at the end of the interest-only period, or (3) the amount of his monthly payment would not remain "fixed" for the entire term of his loan.

Further, Defendants and Melian represented to him that he was eligible for a Low Doc Loan. Unbeknownst to him at the time, Defendants and Melian used this low documentation requirement to fraudulently inflate his income; and in doing so, Defendants and Melian caused him to be placed into a loan whose payments he could not afford given his true, *un-inflated*

monthly income. Defendants and Melian altered Fortier's loan application without his knowing consent or authorization as Melian completed Fortier's application without giving Fortier an opportunity to review the loan application.

Defendants and Melian also explicitly represented to Fortier that he could afford his loan and further represented that he could shoulder the additional financial burden of repaying his loan in consideration of his other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was more than $4,000.00. Given Fortier's true monthly income of $6,700.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 59%- in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants and Melian further represented to Fortier that he could rely on the assessment that he was "qualified" to mean that he could afford the loan. Because of Fortier's lack of familiarity with how much debt a person can and should reasonably take on compared to his monthly income, and because Fortier reasonably relied on Defendants' and Melian's expertise that any payment he was "qualified" for would take into account what the maximum debt a person such as Fortier should be shouldering was, Fortier reasonably believed Defendants' and Melian's representations that he could afford his loan and its payments. Although Defendants and Melian represented to Fortier that he was "qualified" for his loan and could afford his loan and its monthly payments, Defendants and Melian misled Fortier into believing that his monthly payments would always only be $3,200.00. Furthermore, at no point did Defendants or Melian clarify Fortier's false belief and advise him that $3,200.00 would not be his permanent payment under the loan.

In addition, Defendants and Melian represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around February 24, 2007, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Fortier's home, which was fraudulently inflated to an intentionally overstated value. Defendants and Melian represented that, per appraisal, Fortier's home was worth $790,000.00 at the time he entered into his loan, and that such a valuation was a true and correct measure of his

1 home's worth. The current fair market value of Fortier's home is approximately $347,456.00.
2 Fortier alleges that the appraisal was artificially inflated because he later noticed that other
3 homes in the area were selling for much less around the same time. Fortier further alleges that he
4 has suffered damages in the amount of $442,544.00 ($790,000.00-$347,456.00) due to a
5 substantial loss of equity in his home as a result of Defendants' fraudulent inflation and other
6 acts described herein.

7 Defendants and Melian also represented to Fortier that he would be able to refinance his
8 loan at a later time. Fortier relied on this assurance in deciding to enter into the mortgage
9 contract. However, Fortier has not been able to refinance his loan because Defendants would not
10 finance him. Defendants and Melian also represented that it would modify Fortier's loan, and
11 Fortier relied on this representation in deciding to enter into the loan. Fortier was able to modify
12 his loan but only after he stopped making payments under the advice of Defendants. The
13 modification of his loan did nothing but defer $175,198.10 of fraudulently obtained fees,
14 penalties, and interest to the back of his loan.

15 Furthermore, Defendants and Melian represented that: (1) Defendants were reputable and
16 complied with industry standard underwriting guidelines and were engaged in lending of the
17 highest caliber; (2) property appraisals done by Defendants were accurate and made in good
18 faith; (3) Fortier could afford the loan; (4) he was "qualified" for his loan; (5) "qualified" meant
19 that he could afford his loan; (6) Defendants would modify his loan in the future; and (7) he
20 would be able to refinance his loan.

21 Moreover, Defendants and Melian withheld or incompletely, inaccurately or otherwise
22 improperly disclosed to Fortier that: (1) Defendants and Melian knew that he could not and
23 would not be able to afford his loan and that there was a very high probability that he would
24 default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan, and did sell
25 his loan at fraudulently inflated prices; (3) Defendants' and Melian's "qualification" process was
26 for Defendants' own protection and not his; (4) that Defendants' and Melian's representations
27 that he was "qualified" to pay his loan was not intended to communicate that he could actually
28 "afford" the loan which he was being given; (5) Defendants had abandoned its conventional

1 lending business, prudent lending standards, and industry standard underwriting guidelines; (6)
2 Defendants influenced the appraiser to over-value Fortier's home to require him to borrow more
3 money with the knowledge that the true value of Fortier's home was insufficient to justify the
4 amount of Fortier's loan; or (7) Defendants knew that due to its scheme of fraudulently
5 manipulating and inflating property values throughout the State of California that the real estate
6 market would crash and Fortier would lose substantial equity in his home.

7 Based on these misrepresentations and omissions, the material facts concerning Fortier's
8 loan were concealed from him, and he decided to move forward with his loan. On March 13,
9 2007, Fortier signed the loan and Deed of Trust, before a notary. Had he known the truth
10 however, Fortier would not have accepted the loan. As a result of Defendants' fraudulent acts
11 described throughout this complaint Fortier has lost substantial equity in his home, has damaged
12 or destroyed credit, and at the time Fortier entered into the loan his home was worth
13 $790,000.00, now his home is worth approximately $347,456.00. Fortier did not discover any of
14 these misrepresentations or omissions until after a consultation with legal counsel at Brookstone
15 Law, and through a complete and thorough investigation of the loan documentation, and a
16 discussion of the surrounding facts, the fraudulent acts of the Defendants, as described
17 throughout this complaint, were brought to light on or around March 2, 2011. (True and correct
18 copies of the aforementioned documents are attached hereto as ***Exhibit* 7**.)

19 10. Plaintiff Angel Diaz ("Diaz") discussed obtaining a mortgage to purchase his
20 home located at 11944 Oakwood Drive, Fontana, CA 92337 and A.P.N.: 0236-412-23-0000 with
21 a Loan Consultant ("Loan Consultant") with Decision One Mortgage Company, LLC, a
22 correspondent of CMI and the Defendants (the "Defendants"), and authorized by Defendants to
23 lend on their behalf, in or around October 2006. In the course of their discussions ranging from
24 October 2006 until November 2006, Defendants and Loan Consultant steered him into an
25 adjustable rate mortgage in the amount of $300,000.00 with an interest rate at 6.090% for a term
26 of 30 years. Little did Diaz know, however, payments made during the first five years of the loan
27 were interest-only. Diaz also was not advised the interest rate was "fixed" for only two years and
28 could adjust every six months thereafter. The minimum interest rate on this loan is 6.09%. Loan

1 Consultant also steered Diaz into a "piggy-back" loan in the amount of $75,000.00 with an
2 interest rate at 8.99% for a term of 15 years. Diaz was not advised that although this loan is
3 payable in 15 years, it is amortized over 30 years, resulting in a huge balloon payment at the end
4 of the 15 year loan term. The loan-to-value ratio of Diaz's loans is 100%. Diaz's loans were
5 originated by CMI, on the note and deed of trust Decision One Mortgage Company, LLC is
6 identified as the lender, and the loan is currently being serviced by CMI.
7 Defendants and Loan Consultant represented to Diaz that his monthly payment would
8 always be $1,522.50. Although the amount of Diaz's monthly payment was $1,522.50,
9 Defendants and Loan Consultant failed to clarify their partially true representations and advise
10 Diaz that: (1) his monthly payment would not pay down any of their principal balance during the
11 Interest-Only period, or (2) his monthly payment would drastically increase at the end of the
12 Interest-Only period, or (3) the amount of his monthly payment would not remain "fixed" for
13 the entire term of his loan.
14 Further, Defendants and Loan Consultant represented to him that he was eligible for a
15 Low Doc Loan. Unbeknownst to him at the time, Defendants and Loan Consultant used this low
16 documentation requirement to fraudulently inflate his income by $7,430.00, a factor of 231%;
17 and in doing so, Defendants and Loan Consultant caused him to be placed into a loan whose
18 payments he could not afford given his true, *un-inflated* monthly income. Defendants and Loan
19 Consultant altered Diaz's loan application without his knowing consent or authorization as Loan
20 Consultant completed Diaz's application without giving Diaz an opportunity to review the loan
21 application.
22 Defendants and Loan Consultant also explicitly represented to Diaz that he could afford
23 his loan and further represented that he could shoulder the additional financial burden of
24 repaying his loan in consideration of his other existing debts; yet failed to disclose that the fully
25 amortized monthly payment on the loan was $2,832.55. Given Diaz's true monthly income of
26 $3,200.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio,
27 before any other debts are even considered, of over 88%- in excess of industry standard
28 underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants

1 and Loan Consultant further represented to Diaz that he could rely on the assessment that he was
2 "qualified" to mean that he could afford the loan. Because of Diaz's lack of familiarity with how
3 much debt a person can and should reasonably take on compared to his monthly income, and
4 because Diaz reasonably relied on Defendants' and Loan Consultant's expertise that any
5 payment he was "qualified" for would take into account what the maximum debt a person such
6 as Diaz should be shouldering was, Diaz reasonably believed Defendants' and Loan Consultant's
7 representations that he could afford his loan and its payments.
8 Although Defendants and Loan Consultant represented to Diaz that he was "qualified"
9 for his loan and could afford his loan and its monthly payments, Defendants and Loan Consultant
10 misled Diaz into believing that his monthly payments would always only be $1,522.50.
11 Furthermore, at no point did Defendants or Loan Consultant clarify Diaz's false belief and advise
12 him that $1,522.50 would not be his permanent payment under the loan, or that every time he
13 made a monthly payment in the amount of $1,522.50, he was not paying down any of his
14 principal balance.
15 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
16 on behalf of Defendants were accurate and made in good faith. On or around November 1, 2006,
17 an appraisal company under the direct control and supervision of Defendants conducted an
18 appraisal on Diaz's home, which was fraudulently inflated to an intentionally overstated value.
19 Defendants and Loan Consultant represented that, per appraisal, Diaz's home was worth
20 $375,000.00 at the time he entered into his loan, and that such a valuation was a true and correct
21 measure of his home's worth. The current fair market value of Diaz's home is approximately
22 $171,275.00. Diaz alleges that the appraisal was artificially inflated, and that he has suffered
23 damages in the amount of $203,725.00 ($375,000.00-$171,275.00) due to a substantial loss of
24 equity in his home as a result of Defendants' fraudulent inflation and other acts described herein.
25 Defendants and Loan Consultant also represented to Diaz that he would be able to
26 refinance his loan at a later time. Diaz relied on this assurance in deciding to enter into the
27 mortgage contract. However, Diaz has not been able to refinance his loan. In addition, on
28 November 30, 2009, Diaz was advised by a representative of Defendants to stop making

payments in order to be eligible for a modification. Diaz relied on Defendants' and Defendants' representatives and authorized agents' advice and stopped making his monthly payments causing him to fall even further behind. However, Diaz was unable to modify his loan.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Diaz could afford the loan; (4) he was "qualified" for his loan; (5) "qualified" meant that he could afford his loan; and (6) he would be able to refinance his loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Diaz that: (1) Defendants and Loan Consultant knew that he could not and would not be able to afford his loan and that there was a very high probability that he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan, and did sell his loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not his; (4) that Defendants' and Loan Consultant's representations that he was "qualified" to pay his loan was not intended to communicate that he could actually "afford" the loan which he was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Diaz's home to require him to borrow more money with the knowledge that the true value of Diaz's home was insufficient to justify the amount of Diaz's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Diaz would lose substantial equity in his home.

Based on these misrepresentations and omissions, the material facts concerning Diaz's loan were concealed from him, and he decided to move forward with his loan. On November 22, 2006, Diaz signed the loan and Deed of Trust, before a notary. Had he known the truth however, Diaz would not have accepted the loan. As a result of Defendants' fraudulent acts described

1 throughout this complaint Diaz has lost substantial equity in his home, has damaged or destroyed
2 credit, and at the time Diaz entered into the loan his home was worth $375,000.00, now his home
3 is worth approximately $171,275.00. Diaz did not discover any of these misrepresentations or
4 omissions until after a consultation with legal counsel at Brookstone Law, and through a
5 complete and thorough investigation of the loan documentation, and a discussion of the
6 surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint,
7 were brought to light on or around March 21, 2011. (True and correct copies of the
8 aforementioned documents are attached hereto as ***Exhibit* 8**.)
9 11. Plaintiff Alice Shiotsugu ("Shiotsugu") discussed refinancing an existing
10 mortgage on her property located at 28652 Roan Road, Rancho Palos Verdes, CA 90275 and
11 A.P.N.: 7554-018-011 with Bobik Melian ("Melian), a Loan Consultant and representative and
12 authorized agent of CMI and the Defendants (the "Defendants"), in or around April 2006. In the
13 course of their discussions ranging from April 2006 until June 2006, Defendants and Melian
14 steered her into an Interest-Only ARM in the amount of $830,000.00 with an interest rate at
15 5.500% for a term of 30 years. Little did Shiotsugu know, payments made during the first five
16 years of the loan were interest-only. Shiotsugu was also not advised the interest rate was "fixed"
17 for only five years and could adjust every twelve months thereafter. Defendants and Melian also
18 steered Shiotsugu into a "piggy-back" loan – a Home Equity Line of Credit in the amount of
19 $230,000.00 with an interest rate at 7.060% for a term of 30 years. These loans were originated
20 by CMI, and the loans were serviced by CMI.
21 Melian and Defendants recommended the loan, representing that Shiotsugu could
22 refinance her loan at any time in the future because property values were on the rise and would
23 continue to rise. Melian and Defendants also represented that the amount at which her home was
24 appraised was a "conservative" amount explaining that the banks are more conservative than the
25 appraisers. Defendants and Melian represented to Shiotsugu that her monthly payment would
26 always be $3,804.17. Although the amount of Shiotsugu's monthly payment was $3,804.17,
27 Defendants and Melian failed to clarify their partially true representations and advise Shiotsugu
28 that: (1) her monthly payment would not pay down any of their principal balance during the

1 Interest-Only period, or (2) her monthly payment would drastically increase at the end of the
2 Interest-Only period, or (3) the amount of her monthly payment would not remain "fixed" for
3 the entire term of his loan.
4 Further, Defendants and Melian advised her that she was eligible for a Low Doc Loan.
5 Unbeknownst to her at the time, Defendants and Melian used this low documentation
6 requirement to fraudulently inflate her income by $4,000, a factor of 40%, and in doing so,
7 Defendants and Melian caused her to be placed into a loan whose payments she could not afford
8 given her true, *un-inflated* monthly income. Defendants and Melian altered Shiotsugu's loan
9 application without her knowing consent or authorization as Melian completed Shiotsugu's
10 application without giving Shiotsugu an opportunity to review the loan application.
11 Defendants and Melian also explicitly represented to Shiotsugu that she could afford her
12 loan and further represented that she could shoulder the additional financial burden of repaying
13 her loan in consideration of her other existing debts; yet failed to disclose that the fully amortized
14 monthly payment on the loan was $6,256.12. Given Shiotsugu's true monthly income of
15 $10,000.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio,
16 before any other debts are even considered, of over 62%- in excess of industry standard
17 underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants
18 and Melian further represented to Shiotsugu that she could rely on the assessment that she was
19 "qualified" to mean that she could afford the loan. Because of Shiotsugu's lack of familiarity
20 with how much debt a person can and should reasonably take on compared to her monthly
21 income, and because Shiotsugu reasonably relied on Defendants' and Melian's expertise that any
22 payment she was "qualified" for would take into account what the maximum debt a person such
23 as Shiotsugu should be shouldering was, Shiotsugu reasonably believed Defendants' and
24 Melian's representations that she could afford her loan and its payments.
25 Although Defendants and Melian represented to Shiotsugu that she was "qualified" for
26 her loan and could afford her loan and its monthly payments, Defendants and Melian misled
27 Shiotsugu into believing that her monthly payments would always only be $3,804.17.
28 Furthermore, at no point did Defendants or Melian clarify Shiotsugu's false belief and advise her

1 that $3,804.17 would not be her permanent payment under the loan, or that every time she made
2 a monthly payment in the amount of $3,804.17, she was not paying down any of her principal
3 balance.

4 In addition, Defendants and Melian represented that appraisals conducted by or on behalf
5 of Defendants were accurate and made in good faith. On or around May 2006, an appraisal
6 company under the direct control and supervision of Defendants conducted an appraisal on
7 Shiotsugu's home, which was fraudulently inflated to a and intentionally overstated value.
8 Defendants and Melian represented that, per appraisal, Shiotsugu's home was worth
9 $1,350,000.00 at the time she entered into her loan, and that such a valuation was a true and
10 correct measure of her home's worth. The current fair market value of Shiotsugu's home is
11 approximately $907,556.00. Shiotsugu alleges that the appraisal was artificially inflated, and that
12 she has suffered damages in the amount of $442,444.00 ($1,350,000.00-$442,444.00) due to a
13 substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other
14 acts described herein.

15 Defendants and Melian also represented to Shiotsugu that she would be able to refinance
16 her loan at a later time. Shiotsugu relied on this assurance in deciding to enter into the mortgage
17 contract. However, Shiotsugu has not been able to refinance her loan. Defendants and Melian
18 also represented that it would modify Shiotsugu's loan, and Shiotsugu relied on this
19 representation in deciding to enter into the loan. In addition, in December 2008, Shiotsugu was
20 steered by a representative of Defendants to stop making payments in order to be eligible for a
21 modification. Shiotsugu relied on Defendants' and Defendants' representatives and authorized
22 agents' advice and stopped making her monthly payments causing her to fall even further
23 behind. Ultimately, however, the Defendants refused to assist Shiotsugu in repaying her loan in
24 order to foreclose on her home. The Defendants wrongfully foreclosed on her home.

25 Furthermore, Defendants and Melian represented that: (1) Defendants were reputable and
26 complied with industry standard underwriting guidelines and were engaged in lending of the
27 highest caliber; (2) property appraisals done by Defendants were accurate and made in good
28 faith; (3) Shiotsugu could afford the loan; (4) she was "qualified" for her loan; (5) "qualified"

meant that she could afford her loan; (6) Defendants would modify her loan in the future; and (7) she would be able to refinance her loan in the future.

Moreover, Defendants and Melian withheld or incompletely, inaccurately or otherwise improperly disclosed to Shiotsugu that: (1) Defendants and Melian knew that she could not and would not be able to afford her loan and that there was a very high probability that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Melian's "qualification" process was for Defendants' own protection and not theirs; (4) that Defendants' and Melian's representations that she was "qualified" to pay her loan was not intended to communicate that she could actually "afford" the loan which she was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Shiotsugu's home to require her to borrow more money with the knowledge that the true value of Shiotsugu's home was insufficient to justify the amount of Shiotsugu's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Shiotsugu would lose substantial equity in her home.

Based on these misrepresentations and omissions, the material facts concerning Shiotsugu's loan were concealed from her, and she decided to move forward with her loan. On June 26, 2006, Shiotsugu signed the loan and Deed of Trust, before a notary. Had she known the truth however, Shiotsugu would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Shiotsugu has lost substantial equity in her home, has damaged or destroyed credit, and at the time Shiotsugu entered into the loan her home was worth $1,350,000.00, now her home is worth approximately $907,566.00. Shiotsugu did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around July 7, 2011.

12. Plaintiff Vicente Pineda ("Pineda") discussed obtaining a mortgage to purchase

his home located at 1432 Murchison Street, Los Angeles, CA 90033 and A.P.N.: 5202-012-007 with a Loan Consultant ("Loan Consultant") with Fieldstone Mortgage, a correspondent of CMI and the Defendants (the "Defendants"), and authorized by the Defendants to lend on their behalf, in or around March 2007. In the course of their discussions ranging from March 2007 until May 2007, Defendants and Loan Consultant steered him into an adjustable rate mortgage in the amount of $399,000.00 with an interest rate at 7.375% for a term of 30 years. Little did Pineda know, although his loan is payable in 30 years, it is amortized over 40 years resulting in a huge balloon payment due at the end of the 30 year loan term. Pineda also was not advised the interest rate was "fixed" for only two years and could adjust every six months thereafter. Further, Pineda was not informed his interest rate would never fall below 7.375%. This loan was originated by CMI, on the note and deed of trust Fieldstone Mortgage Company is identified as the lender, and CMI is currently servicing the loan.

Defendants and Loan Consultant represented that this loan was the best loan for Pineda and that he would be able to refinance the loan in the future. Defendants and Loan Consultant represented to Pineda that his monthly payment would always be $2,588.92. Although the amount of Pineda's monthly payment was $2,588.92, Defendants and Loan Consultant failed to clarify their partially true representations and advise Pineda that: (1) his monthly payment would drastically increase at the end of the fixed rate period, (2) the amount of his monthly payment would not remain "fixed" for the entire term of his loan, or (3) he would be liable for a huge lump sum payment at the end of the loan term.

Further, Defendants and Loan Consultant advised him that he was eligible for a Low Doc Loan. Unbeknownst to him at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate his income by $2,900.00, a factor of 80%; and in doing so, Defendants and Loan Consultant caused him to be placed into a loan whose payments he could not afford given his true, *un-inflated* monthly income. Defendants and Loan Consultant altered Pineda's loan application without his knowing consent or authorization as Loan Consultant completed Pineda's application without giving Pineda an opportunity to review the loan application.

Defendants and Loan Consultant also explicitly represented to Pineda that he could afford his loan and further represented that he could shoulder the additional financial burden of repaying his loan in consideration of his other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $3,720.99. Given Pineda's true monthly income of $3,600.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 102%- grossly in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants and Loan Consultant further represented to Pineda that he could rely on the assessment that he was "qualified" to mean that he could afford the loan. Because of Pineda's lack of familiarity with how much debt a person can and should reasonably take on compared to his monthly income, and because Pineda reasonably relied on Defendants' and Loan Consultant's expertise that any payment he was "qualified" for would take into account what the maximum debt a person such as Pineda should be shouldering was, Pineda reasonably believed Defendants' and Loan Consultant's representations that he could afford his loan and its payments. Although Defendants and Loan Consultant represented to Pineda that he was "qualified" for his loan and could afford his loan and its monthly payments, Defendants and Loan Consultant misled Pineda into believing that his monthly payments would always only be $2,588.92. Furthermore, at no point did Defendants or Loan Consultant clarify Pineda's false belief and advise him that $2,588.92 would not be his permanent payment under the loan.

Defendants and Loan Consultant also represented to Pineda that he would be able to refinance his loan at a later time. Pineda relied on this assurance in deciding to enter into the mortgage contract. However, Pineda has not been able to refinance his loan. Defendants and Loan Consultant also represented that it would modify Pineda's loan, and Pineda relied on this representation in deciding to enter into the loan. However, Pineda was unable to modify his loan.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and

made in good faith; (3) Pineda could afford the loan; (4) he was "qualified" for his loan; (5) "qualified" meant that he could afford his loan; (6) Defendants would modify his loan in the future; and (7) he would be able to refinance his loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Pineda that: (1) Defendants and Loan Consultant knew that he could not and would not be able to afford his loan and that there was a very high probability that he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan, and did sell his loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not his; (4) that Defendants' and Loan Consultant's representations that he was "qualified" to pay his loan was not intended to communicate that he could actually "afford" the loan which he was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Pineda's home to require him to borrow more money with the knowledge that the true value of Pineda's home was insufficient to justify the amount of Pineda's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Pineda would lose substantial equity in his home.

Based on these misrepresentations and omissions, the material facts concerning Pineda's loan were concealed from him, and he decided to move forward with his loan. On May 11, 2007, Pineda signed the loan and Deed of Trust, before a notary. Had he known the truth however, Pineda would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Pineda has lost substantial equity in his home, and has damaged or destroyed credit. Pineda did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around May 3, 2011. (True and correct copies of the aforementioned documents are attached

1 hereto as ***Exhibit* 9**.)

2 13. Plaintiff Jerry Rogge ("Rogge") discussed refinancing an existing mortgage on his
3 property located at 9756 Ivanho Street, Spring Valley, CA 92199 and A.P.N.: 579-201-15-00
4 with a Loan Consultant ("Loan Consultant") and representative and authorized agent of Citi and
5 the Defendants (the "Defendants"), in or around October 2004. In the course of their discussions
6 ranging from October 2004 until November 2004, Defendants and Loan Consultant steered him
7 into an adjustable Home Equity Line of Credit in the amount of $100,000.00 with an interest
8 rate of 5.000% for a term of 30 years. This loan was originated by Citi, and Citi was the servicer
9 of the loan..

10 Defendants and Loan Consultant represented to Rogge that his monthly payment would
11 always be $685.82. Although the amount of Rogge's monthly payment was $685.82,
12 Defendants and Loan Consultant failed to clarify their partially true representations and advise
13 Rogge that: (1) his monthly payment would increase when the interest rate adjusted; or (2) the
14 amount of his monthly payment would not remain "fixed" for the entire term of his loan.

15 Defendants and Loan Consultant also explicitly represented to Rogge that he could afford
16 his loan and further represented that he could shoulder the additional financial burden of
17 repaying his loan in consideration of his other existing debts; yet failed to disclose the fully
18 amortized monthly payments on the loan. Instead, Defendants and Loan Consultant represented
19 that Rogge would have no problem making payments on this loan while making payments on his
20 other existing loans and debts. However, Rogge was unaware that by taking on this loan, it
21 would push him over the edge and he would not be able to make payments on all existing debts,
22 causing his home to be foreclosed on. Defendants and Loan Consultant further represented to
23 Rogge that he could rely on the assessment that he was "qualified" to mean that he could afford
24 the loan. Because of Rogge's lack of familiarity with how much debt a person can and should
25 reasonably take on compared to his monthly income, and because Rogge reasonably relied on
26 Defendants' and Loan Consultant's expertise that any payment he was "qualified" for would take
27 into account what the maximum debt a person such as Rogge should be shouldering was, Rogge
28 reasonably believed Defendants' and Loan Consultant's representations that he could afford his

loan and its payments. Although Defendants and Loan Consultant represented to Rogge that he was "qualified" for his loan and could afford his loan and its monthly payments, Defendants and Loan Consultant misled Rogge into believing that his monthly payments would always only be $685.82. Furthermore, at no point did Defendants or Loan Consultant clarify Rogge's false belief and advise him that $685.82 would not be his permanent payment under the loan.

Due to the economic crash caused by the Defendants' fraudulent acts described throughout the complaint, Rogge suffered from financial hardship and sought the assistance of the Defendants in repaying his loan. Defendants and Loan Consultant promised on numerous occasions that Rogge should not be concerned about the terms of his loan because Defendants would refinance him in the future, however, Rogge's numerous attempts to refinance have all been unsuccessful. Rogge was unable to refinance his loan because his home no longer had sufficient equity to justify the size of this loan. In addition, Rogge applied for a loan modification, and on October 1, 2009, Rogge was advised by Citi and a representative and authorized agent of Citi to stop making payments in order to be eligible for a modification. Rogge relied on Defendants' and Defendants' representatives and authorized agents' advice and stopped making his monthly payments causing him to fall even further behind. However, Defendants refused to modify Rogge's loan in order to foreclose on his home. The Defendants wrongfully foreclosed on Rogge's home..

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Rogge could afford the loan; (4) he was "qualified" for his loan; (5) "qualified" meant that he could afford his loan; and (6) he would be able to modify his loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Rogge that: (1) Defendants and Loan Consultant knew that he could not and would not be able to afford his loan and that there was a very high probability that he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan, and

did sell his loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not his; (4) that Defendants' and Loan Consultant's representations that he was "qualified" to pay his loan was not intended to communicate that he could actually "afford" the loan which he was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Rogge would lose substantial equity in his home.

Based on these misrepresentations and omissions, the material facts concerning Rogge's loan were concealed from him, and he decided to move forward with his loan. On November 23, 2004, Rogge signed the loan and Deed of Trust, before a notary. Had he known the truth however, Rogge would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint, Rogge has damaged or destroyed credit. Rogge did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around June 3, 2011.

14. Plaintiff Michael Shaffer ("Shaffer") discussed refinancing an existing mortgage on his property located at 23490 Old Ranch Road, Alpine, CA 91901 and A.P.N.: 406-240-36-00 with a Loan Consultant ("Loan Consultant") and representative and authorized agent of CMI and the Defendants (the "Defendants"), in or around February 2008. In the course of their discussions ranging from February 2008 until April 2008, Defendants and Loan Consultant steered him to enter into a fixed rate mortgage in the amount of $367,500.00 for a term of 30 years with an interest rate of 5.625%. This loan was originated by CMI, and it is currently being serviced by CMI.

Defendants and Loan Consultant represented to Shaffer that he was eligible for a Low Doc Loan. Unbeknownst to him at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate his income; and in doing so, Defendants and

Loan Consultant caused him to be placed into a loan whose payments he could not afford given his true, *un-inflated* monthly income. Defendants and Loan Consultant altered Shaffer's loan application without his knowing consent or authorization as Loan Consultant completed Shaffer's application without giving Shaffer an opportunity to review the loan application.

Defendants and Loan Consultant explicitly represented to Shaffer that he could afford his loan; and further represented that he could shoulder the additional financial burden of repaying his loan in consideration of his other existing debts. Defendants and Loan Consultant also represented to him that he could afford a $2,650.00 payment, including taxes and insurance, despite his $6,000.00 true monthly income (a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 44% - even though Defendants and Loan Consultant were well aware of other existing debts Shaffer was liable for). Defendants and Loan Consultant further represented to Shaffer that he could rely on the assessment that he was "qualified" to mean that he could afford the loan. Because of Shaffer's lack of familiarity with how much debt a person can and should reasonably take on compared to his monthly income, and because Shaffer reasonably relied on Defendants' and Loan Consultant's expertise that any payment he was "qualified" for would take into account what the maximum debt a person such as Shaffer should be shouldering was, Shaffer reasonably believed Defendants' and Loan Consultant's representations that he could afford his loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around March 2008, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Shaffer's home, which was fraudulently inflated to an intentionally overstated value. Defendants and Loan Consultant represented that, per appraisal, Shaffer's home was worth $560,000.00 at the time he entered into his loan, and that such a valuation was a true and correct measure of his home's worth. The current fair market value of Shaffer's home is approximately $280,000.00. Shaffer alleges that the appraisal was artificially inflated, and that he has suffered damages in the amount of $280,000.00 ($560,000.00-$280,000.00) due to a substantial loss of

equity in his home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Shaffer that he would be able to refinance his loan at a later time. Shaffer relied on this assurance in deciding to enter into the mortgage contract. However, Shaffer has not been able to refinance his loan. Defendants and Loan Consultant also represented that it would modify Shaffer's loan, and Shaffer relied on this representation in deciding to enter into the loan. In addition, on August 19, 2010, Shaffer was advised by a representative of Citi and the Defendants to stop making payments in order to be eligible for a modification. Shaffer relied on Defendants' and Citi's representatives and authorized agents' advice and stopped making his monthly payments causing him to fall even further behind. However, Shaffer was unable to modify his loan.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Shaffer could afford the loan; (4) he was "qualified" for his loan; (5) "qualified" meant that he could afford his loan; (6) he would be able to modify his loan in the future; and (7) he would be able to refinance his loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Shaffer that: (1) Defendants and Loan Consultant knew that he could not and would not be able to afford his loan and that there was a very high probability that he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan, and did sell his loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not his; (4) that Defendants' and Loan Consultant's representations that he was "qualified" to pay his loan was not intended to communicate that he could actually "afford" the loan which he was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Shaffer's home to require him to borrow more money with the knowledge that the true value of Shaffer's home was insufficient to justify the amount of Shaffer's loan; or (7) Defendants knew that due to

its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Shaffer would lose substantial equity in his home.

Based on these misrepresentations, the material facts concerning Shaffer's loan were concealed from him, and he decided to move forward with his loan. On April 10, 2008, Shaffer signed the loan and Deed of Trust, before a notary. Had he known the truth however, Shaffer would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint, Shaffer has lost substantial equity in his home, has damaged or destroyed credit, and at the time Shaffer entered into the loan his home was worth $560,000.00, now his home is worth approximately $260,000.00. Shaffer did not discover any of these misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around July 11, 2011. (True and correct copies of the aforementioned documents are attached hereto as ***Exhibit*** **10**.)

15. Plaintiffs Victoria Arcadi and Deborah Becker ("Arcadi and Becker") discussed refinancing an existing mortgage on their property located at 4000 Meridian Blvd #323, Mammoth Lakes, CA 93546 and A.P.N.: 245-323-000000 with a Loan Consultant (the "Loan Consultant") with United Pacific Mortgage, a correspondent of CMI and the Defendants (the "Defendants"), and authorized by Defendants to lend on their behalf, in or around January 2005. In the course of their discussions ranging from December 2005 until March 2005, Defendants and Loan Consultant steered them into fixed rate mortgage in the amount of $263,260 for a term of 30 years and an interest rate of 6.500%. This loan was originated by CMI, on the note and deed of trust United Pacific Mortgage is identified as the lender, and this loan is currently being serviced by CMI. A year later and a half later, Defendants and Loan Consultant steered Arcadi and Becker into another fixed rate mortgage in the amount of $145,900.00 for a term of 30 years and an interest rate of 6.500%. This loan was originated by Citi, on the note and deed of trust United Pacific Mortgage is identified as the lender, and CMI is currently servicing the loan.

1 Further, Defendants and Loan Consultant told Arcadi and Becker that they were eligible
2 for a Low Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used
3 this low documentation requirement to fraudulently inflate their income; and in doing so,
4 Defendants and Loan Consultant caused them to be placed into a loan whose payments they
5 could not afford given their true, *un-inflated* monthly income. Defendants and Loan Consultant
6 altered Arcadi and Becker's loan application without their knowing consent or authorization as
7 Loan Consultant completed Arcadi and Becker's application without giving Arcadi and Becker
8 an opportunity to review the loan application.

9 Defendants and Loan Consultant explicitly represented to Arcadi and Becker that they
10 could afford their loan; and further represented that they could shoulder the additional financial
11 burden of repaying their loan in consideration of their other existing debts. Defendants and Loan
12 Consultant also represented to them that they could afford a $1,663.92 monthly payment on the
13 first loan along with a $1,069.54 monthly payment on the second loan, despite their $8,000.00
14 true monthly income (a "front-end debt-to-income ratio, meaning a debt-to-income ratio, before
15 any other debts are even considered, of over 34% - despite this property being a rental property,
16 and despite Defendants' knowledge that Arcadi and Becker had other liens on their primary
17 residence). Defendants and Loan Consultant further represented to Arcadi and Becker that they
18 could rely on the assessment that they were "qualified" to mean that they could afford the loan.
19 Because of Arcadi and Becker's lack of familiarity with how much debt a person can and should
20 reasonably take on compared to their monthly income, and because Arcadi and Becker
21 reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were
22 "qualified" for would take into account what the maximum debt a person such as Arcadi and
23 Becker should be shouldering was, Arcadi and Becker reasonably believed Defendants' and
24 Loan Consultant's representations that they could afford their loan and its payments.

25 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
26 on behalf of Defendants were accurate and made in good faith. On or around January 2009, an
27 appraisal company under the direct control and supervision of Defendants conducted an appraisal
28 on Arcadi and Becker's home, which was fraudulently inflated to a and intentionally overstated

value. Defendants and Loan Consultant represented that, per appraisal, Arcadi and Becker's home was worth $405,000.00 at the time they entered into their loan, and that such a valuation was a true and correct measure of their home's worth. The current fair market value of Arcadi and Becker's home is approximately $220,000.00. Arcadi and Becker allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $185,000.00 ($405,000.00-$220,000.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Arcadi and Becker that they would be able to refinance their loan at a later time. Arcadi and Becker relied on this assurance in deciding to enter into the mortgage contract. However, Arcadi and Becker have not been able to refinance their loan despite numerous attempts. Defendants and Loan Consultant also represented that it would modify Arcadi and Becker's loan, and Arcadi and Becker relied on this representation in deciding to enter into the loan. However, Arcadi and Becker were unable to modify their loan for the following reasons: First, Defendants lost their information, and then once Defendants acknowledged that it received the information, Defendants then said it was not the right information. Arcadi and Becker then resubmitted their information, but Defendants again claimed it did not receive the information. Next, Defendants assigned a new representative to handle the application, further delaying the process. During this process, Arcadi and Becker were foreclosed on by Defendants. At no point did Arcadi and Becker receive any notification or warnings of Defendants' intent to sell their home. In total, Arcadi and Becker have been denied for a modification on three separate occasions.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Arcadi and Becker could afford the loan; (4) they were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; (6) they would be able to modify their loan in the future; and (7) they would be able to refinance their loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or

otherwise improperly disclosed to Arcadi and Becker that: (1) Defendants and Loan Consultant knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to pay their loan was not intended to communicate that they could actually "afford" the loan which they were being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Arcadi and Becker's home to require them to borrow more money with the knowledge that the true value of Arcadi and Becker's home was insufficient to justify the amount of Arcadi and Becker's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Arcadi and Becker would lose substantial equity in their home.

Based on these misrepresentations, the material facts concerning Arcadi and Becker's loan were concealed from them, and they decided to move forward with their loan. On February 9, 2005, Arcadi and Becker signed the loan and Deed of Trust, before a notary. Had they known the truth however, Arcadi and Becker would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Arcadi and Becker have lost substantial equity in their home, have damaged or destroyed credit, and at the time Arcadi and Becker entered into the loan their home was worth $405,000.00, now their home is worth approximately $220,000.00. Arcadi and Becker did not discover any of these misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around June 1, 2011.

16. Plaintiffs Yousef and Linat Lazarian ("Mr. and Mrs. Lazarian") discussed

refinancing an existing mortgage on their property located at 15624 Meadow Drive, Canyon County, CA 91387 and A.P.N.: 2837-034-152 with a Loan Consultant ("Loan Consultant"), a representative and authorized agent of CMI and Defendants (the "Defendants"), in or around February 2007. In the course of their discussions ranging from February 2007 until April 2007, Defendants and Loan Consultant steered them into an adjustable rate mortgage in the amount of $491,200.00 with an interest rate at 6.375% for a term of 30 years. Little did Mr. and Mrs. Lazarian know, however, payments made during the first seven years of their loan were interest-only. Mr. and Mrs. Lazarian also were not advised the interest rate was "fixed" for only seven years and could adjust every twelve months thereafter. The maximum interest rate is 11.375%. In addition, Loan Consultant and Defendants also steered Mr. and Mrs. Lazarian into a "piggy-back" loan in the amount of $92,100.00 for a term of 30 years and an interest rate at 7.360%. Mr. and Mrs. Lazarian's loans were originated by CMI, and the loans are currently being serviced by CMI.

Defendants and Loan Consultant represented to Mr. and Mrs. Lazarian that they would be able to refinance either of their loans at any time. Defendants and Loan Consultant represented to Mr. and Mrs. Lazarian that their monthly payment would always be $2,609.50. Although the amount of Mr. and Mrs. Lazarian's monthly payment was $2,609.50, Defendants and Loan Consultant failed to clarify their partially true representations and advise Mr. and Mrs. Lazarian that: (1) their monthly payment would not pay down any of their principal balance during the Interest-Only period, (2) their monthly payment would drastically increase at the end of the Interest-Only period, or (3) the amount of their monthly payment would not remain "fixed" for the entire term of his loan.

Further, Defendants and Loan Consultant advised them that they were eligible for a Low Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate their income by $28,000.00, a factor of 466%; and in doing so, Defendants and Loan Consultant caused them to be placed into a loan whose payments they could not afford given their true, *un-inflated* monthly income. Defendants and Loan Consultant altered Mr. and Mrs. Lazarian's loan application without their knowing consent

or authorization as Loan Consultant completed Mr. and Mrs. Lazarian's application without giving Mr. and Mrs. Lazarian an opportunity to review the loan application.

Defendants and Loan Consultant also explicitly represented to Mr. and Mrs. Lazarian that they could afford their loan and further represented that they could shoulder the additional financial burden of repaying their loan in consideration of their other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $3,064.45. Mr. and Mrs. Lazarian were also obligated to make a $635.17 monthly payment on the piggy-back loan. Given Mr. and Mrs. Lazarian's true monthly income of $6,000.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 62%- in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants and Loan Consultant further represented to Mr. and Mrs. Lazarian that they could rely on the assessment that they was "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Lazarian's lack of familiarity with how much debt a person can and should reasonably take on compared to their monthly income, and because Mr. and Mrs. Lazarian reasonably relied on Defendants' and Loan Consultant's expertise that any payment they was "qualified" for would take into account what the maximum debt a person such as Mr. and Mrs. Lazarian should be shouldering was, Mr. and Mrs. Lazarian reasonably believed Defendants' and Loan Consultant's representations that they could afford their loan and its payments.

Although Defendants and Loan Consultant represented to Mr. and Mrs. Lazarian that they were "qualified" for their loan and could afford their loan and its monthly payments, Defendants and Loan Consultant misled Mr. and Mrs. Lazarian into believing that their monthly payments would always only be $2,609.50. Furthermore, at no point did Defendants or Loan Consultant clarify Mr. and Mrs. Lazarian's false belief and advise them that $2,609.50 would not be their permanent payment under the loan, or that every time they made a monthly payment in the amount of $2,609.50 they were not paying down any of their principal balance.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around March 25, 2007, an

appraisal company under the direct control and supervision of Defendants conducted an appraisal on Mr. and Mrs. Lazarian's home, which was fraudulently inflated to an intentionally overstated value. Mr. and Mrs. Lazarian's loan documentation indicates that their home was worth $700,000.00 at the time they entered into their loan. The current fair market value of Mr. and Mrs. Lazarian's home is approximately $255,000.00. Mr. and Mrs. Lazarian allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $455,000.00 ($700,000.00-$255,000.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Due to the economic crash caused by the Defendants' fraudulent acts described throughout this complaint, Mr. and Mrs. Lazarian suffer from financial hardship and sought the assistance of the Defendants in repaying their loan. At the time they entered into the loan Defendants and Loan Consultant represented to Mr. and Mrs. Lazarian that they would be able to refinance their loan at a later time. Mr. and Mrs. Lazarian relied on this assurance in deciding to enter into the mortgage contract. However, Mr. and Mrs. Lazarian have not been able to refinance their loan because their home no longer has sufficient equity to justify the size of their loan.. Defendants and Loan Consultant also represented that it would modify Mr. and Mrs. Lazarian's loan, and Mr. and Mrs. Lazarian relied on this representation in deciding to enter into the loan. When Mr. and Mrs. Lazarian applied for a loan modification, they were advised by Defendants and representatives and authorized agents of Defendants to stop making payments in order to be eligible for a modification. Mr. and Mrs. Lazarian relied on Defendants' and Defendants' representatives and authorized agent's advice and stopped making their monthly payments causing them to fall even further behind. Defendants placed Mr. and Mrs. Lazarian on a trial loan modification. Mr. and Mrs. Lazarian complied with every term of the trial loan modification, however, Defendants refused to modify their loan in order to foreclose on their home.

The foreclosure against Mr. and Mrs. Lazarian would be wrongful because at the time the NOD was recorded (July 24, 2011), the foreclosing trustee (Cal-Western Reconveyance Corp.) did not have the legal authority to initiate the foreclosure because the foreclosing trustee was

never properly substituted as trustee. Under California law, a trustee sale conducted by an unauthorized trustee is void as a matter law. The original trustee under the Deed of Trust (recorded April 13, 2007) was Verdugo Trustee Service Corporation.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Mr. and Mrs. Lazarian could afford the loan; (4) they were “qualified” for their loan; (5) “qualified” meant that they could afford their loan; (6) Defendants would modify their loan in the future; and (7) they would be able to refinance their loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Mr. and Mrs. Lazarian that: (1) Defendants and Loan Consultant knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants’ and Loan Consultant’s “qualification” process was for Defendants’ own protection and not theirs; (4) that Defendants’ and Loan Consultant’s representations that they was “qualified” to pay their loan was not intended to communicate that they could actually “afford” the loan which they were being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Mr. and Mrs. Lazarian’s home to require them to borrow more money with the knowledge that the true value of Mr. and Mrs. Lazarian’s home was insufficient to justify the amount of Mr. and Mrs. Lazarian’s loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Mr. and Mrs. Lazarian would lose substantial equity in their home.

Based on these misrepresentations and omissions, the material facts concerning Mr. and Mrs. Lazarian’s loan were concealed from them, and they decided to move forward with their loan. On April 13, 2007, Mr. and Mrs. Lazarian signed the loan and Deed of Trust, before a

notary. Had they known the truth however, Mr. and Mrs. Lazarian would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Mr. and Mrs. Lazarian have lost substantial equity in their home, have damaged or destroyed credit, and at the time Mr. and Mrs. Lazarian entered into the loan their home was worth $700,000.00, now their home is worth approximately $255,000.00. Mr. and Mrs. Lazarian did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around July 27, 2011. (True and correct copies of the aforementioned documents are attached hereto as ***Exhibit* 11**.)

17. Plaintiff Diana Bogdan ("Bogdan") discussed refinancing an existing mortgage on her property located at 9038 Ashcroft Avenue, West Hollywood, CA 90048 and A.P.N.: 4336-021-003 with a Loan Consultant ("Loan Consultant") and representative and authorized agent of CMI and Defendants (the "Defendants"), in or around September 2006. In the course of their discussions ranging from September 2006 until November 2006, Defendants and Loan Consultant steered her into an adjustable rate mortgage in the amount of $911,200.00 with an interest rate at 6.125% for a term of 30 years. Little did Bogdan know, however, payments made during the first five year of the loan were interest-only. Bogdan was also not advised the interest rate was "fixed" for only five years and could adjust every twelve months thereafter. The maximum interest rate is 11.125%. Defendants and Loan Consultant also steered Bogdan into a "piggy-back" fixed rate Home Equity Line of Credit in the amount of $227,800.00 for a term of 30 years and an interest rate of 8.565%. Bogdan's loans were originated by CMI, and the loans are currently being serviced by CMI.

Defendants and Loan Consultant represented to Bogdan that her monthly payment would always be $4,650.92. Although the amount of Bogdan's monthly payment was $4,650.92, Defendants and Loan Consultant failed to clarify their partially true representations and advise Bogdan that: (1) her monthly payment would not pay down any of their principal balance during the Interest-Only period, (2) her monthly payment would drastically increase at the end of the

Interest-Only period, or (3) the amount of her monthly payment would not remain "fixed" for the entire term of his loan.

Further, Defendants and Loan Consultant advised her that she was eligible for a Low Doc Loan. Unbeknownst to her at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate her income by $16,000.00, a factor of 200%; and in doing so, Defendants and Loan Consultant caused her to be placed into a loan whose payments she could not afford given her true, *un-inflated* monthly income. Defendants and Loan Consultant altered Bogdan's loan application without her knowing consent or authorization as Loan Consultant completed Bogdan's application without giving Bogdan an opportunity to review the loan application.

Defendants and Loan Consultant also explicitly represented to Bogdan that she could afford her loan and further represented that she could shoulder the additional financial burden of repaying her loan in consideration of her other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $5,536.55. Bogdan was also obligated to make a $1,762.09 monthly payment on the piggy-back loan. Given Bogdan's true monthly income of $8,000.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 91%- in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants and Loan Consultant further represented to Bogdan that she could rely on the assessment that she was "qualified" to mean that she could afford the loan. Because of Bogdan's lack of familiarity with how much debt a person can and should reasonably take on compared to her monthly income, and because Bogdan reasonably relied on Defendants' and Loan Consultant's expertise that any payment she was "qualified" for would take into account what the maximum debt a person such as Bogdan should be shouldering was, Bogdan reasonably believed Defendants' and Loan Consultant's representations that she could afford her loan and its payments.

Although Defendants and Loan Consultant represented to Bogdan that she was "qualified" for her loan and could afford her loan and its monthly payments, Defendants and Loan Consultant misled Bogdan into believing that her monthly payments would always only be

$4,650.00. Furthermore, at no point did Defendants or Loan Consultant clarify Bogdan's false belief and advise her that $4,650.00 would not be her permanent payment under the loan, or that every time she made a monthly payment in the amount of $4,650.00, she was not paying down any of her principal balance.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On October 19, 2006, Blue Sky Appraisals, Inc., an appraisal company under the direct control and supervision of Defendants, conducted an appraisal on Bogdan's home, which was fraudulently inflated to $1,150,000.00- an intentionally overstated value. The current fair market value of Bogdan's home is approximately $776,050.00. Bogdan alleges that the appraisal was artificially inflated, and that she has suffered damages in the amount of $373,950.00 ($1,150,000-$776,050.00) due to a substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Bogdan that she would be able to refinance her loan at a later time. Bogdan relied on this assurance in deciding to enter into the mortgage contract. However, Bogdan has not been able to refinance her loan because her true monthly income and the little, if any, equity that remained in her home were insufficient to justify the size of her loan. Defendants and Loan Consultant also represented that it would modify Bogdan's loan, and Bogdan relied on this representation in deciding to enter into the loan. In addition, Bogdan was advised by a representative of Defendants to stop making payments in order to be eligible for a modification. Bogdan relied on Defendants' and Defendants' representatives and authorized agents' advice and stopped making her monthly payments causing her to fall even further behind. However, Bogdan was unable to modify her loan. Defendants unfairly put Bogdan on a "trial payment plan", but in reality Defendants never intended to modify Bogdan's loan. Defendants even verbally promised that they would modify her loan; however, Defendants never confirmed the modification in writing. Moreover, Defendants delayed processing, repeatedly demanding that Bogdan provide duplicate documents. Ultimately, the Defendants have refused to permanently modify her loan.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were

1 reputable and complied with industry standard underwriting guidelines and were engaged in
2 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
3 made in good faith; (3) Bogdan could afford the loan; (4) she was "qualified" for her loan; (5)
4 "qualified" meant that she could afford her loan; (6) Defendants would modify her loan in the
5 future; and (7) she would be able to refinance her loan in the future.
6 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
7 otherwise improperly disclosed to Bogdan that: (1) Defendants and Loan Consultant knew that
8 she could not and would not be able to afford her loan and that there was a very high probability
9 that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her
10 loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's
11 "qualification" process was for Defendants' own protection and not hers; (4) that Defendants'
12 and Loan Consultant's representations that she was "qualified" to pay her loan was not intended
13 to communicate that she could actually "afford" the loan which she was being given; (5)
14 Defendants had abandoned its conventional lending business, prudent lending standards, and
15 industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
16 Bogdan's home to require her to borrow more money with the knowledge that the true value of
17 Bogdan's home was insufficient to justify the amount of Bogdan's loan; or (7) Defendants knew
18 that due to its scheme of fraudulently manipulating and inflating property values throughout the
19 State of California that the real estate market would crash and Bogdan would lose substantial
20 equity in her home.
21 Based on these misrepresentations and omissions, the material facts concerning Bogdan's
22 loan were concealed from her, and she decided to move forward with her loan. On November 7,
23 2006, Bogdan signed the loan and Deed of Trust, before a notary. Had she known the truth
24 however, Bogdan would not have accepted the loan. As a result of Defendants' fraudulent acts
25 described throughout this complaint Bogdan has lost substantial equity in her home, has
26 damaged or destroyed credit, and at the time Bogdan entered into the loan her home was worth
27 $1,150,000.00, now her home is worth approximately $776,050.00. Bogdan did not discover any
28 of these misrepresentations or omissions until after a consultation with legal counsel at

1 Brookstone Law, and through a complete and thorough investigation of the loan documentation,
2 and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described
3 throughout this complaint, were brought to light on or around September 19, 2011. (True and
4 correct copies of the aforementioned documents are attached hereto as ***Exhibit* 12**.)

5 18. Plaintiff Shila Ardalan ("Ardalan") discussed obtaining a mortgage to purchase
6 her home located at 465 Puerto Del Mar, Pacific Palisades, CA 90272 and A.P.N.: 4414-007-004
7 with Michelle Alvorado ("Alvorado"), a Loan Consultant and representative and authorized
8 agent of CMI and Defendants (the "Defendants"), in or around February 2007. In the course of
9 their discussions ranging from February 2007 until April 2007, Defendants and Alvorado steered
10 her into a fixed rate Interest-Only loan in the amount of $1,000,000.00 with an interest rate at
11 6.25% for a term of 30 years. In addition, Defendants and Alvorado also steered Ardalan into a
12 fixed rate "piggy-back" loan in the amount of $64,000.00 for a term of 30 years. Ardalan's loans
13 were originated by CMI, and the loans are also currently being serviced by CMI.

14 Defendants and Alvorado represented to Ardalan that her monthly payment would always
15 be $5,208.00. Although the amount of Ardalan's monthly payment was $5,028.00, Defendants
16 and Alvorado failed to clarify their partially true representations and advise Ardalan that: (1) her
17 monthly payment would not pay down any of their principal balance during the Interest-Only
18 period, or (2) her monthly payment would drastically increase at the end of the Interest-Only
19 period, or (3) the amount of her monthly payment would not remain "fixed" for the entire term
20 of his loan.

21 Further, Defendants and Alvorado advised her that she was eligible for a Low Doc Loan.
22 Unbeknownst to her at the time, Defendants and Alvorado used this low documentation
23 requirement to fraudulently inflate her income; and in doing so, Defendants and Alvorado caused
24 her to be placed into a loan whose payments she could not afford given her true, *un-inflated*
25 monthly income. Defendants and Alvorado altered Ardalan's loan application without her
26 knowing consent or authorization as Alvorado completed Ardalan's application without giving
27 Ardalan an opportunity to review the loan application.

28 Defendants and Alvorado also explicitly represented to Ardalan that she could afford her

loan and further represented that she could shoulder the additional financial burden of repaying her loan in consideration of her other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $6,157.17. Ardalan was also obligated to make a $428.38 monthly payment on the piggy-back loan. Defendants and Alvorado further represented to Ardalan that she could rely on the assessment that she was "qualified" to mean that she could afford the loan. Because of Ardalan's lack of familiarity with how much debt a person can and should reasonably take on compared to her monthly income, and because Ardalan reasonably relied on Defendants' and Alvorado's expertise that any payment she was "qualified" for would take into account what the maximum debt a person such as Ardalan should be shouldering was, Ardalan reasonably believed Defendants' and Alvorado's representations that she could afford her loan and its payments. Although Defendants and Alvorado represented to Ardalan that she was "qualified" for her loan and could afford her loan and its monthly payments, Defendants and Alvorado misled Ardalan into believing that her monthly payments would always only be $5,208.00. Furthermore, at no point did Defendants or Alvorado clarify Ardalan's false belief and advise her that $5,208.00 would not be her permanent payment under the loan, or that every time she made a monthly payment in the amount of $5,208.00, she was not paying down any of her principal balance.

In addition, Defendants and Alvorado represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around April 3, 2007, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Ardalan's home, which was fraudulently inflated to an intentionally overstated value. Defendants and Alvorado represented that, per appraisal, Ardalan's home was worth $1,330,000.00 at the time she entered into her loan, and that such a valuation was a true and correct measure of her home's worth. The current fair market value of Ardalan's home is approximately $1,099,050.00. Ardalan alleges that the appraisal was artificially inflated, and that she has suffered damages in the amount of $230,950.00 ($1,330,000.00-$1,099,050.00) due to a substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Alvorado also represented to Ardalan that she would be able to refinance her loan at a later time. Ardalan relied on this assurance in deciding to enter into the mortgage contract. However, Ardalan has not been able to refinance her loan. Defendants and Alvorado also represented that it would modify Ardalan's loan, and Ardalan relied on this representation in deciding to enter into the loan. In addition, Ardalan was advised by a representative of Defendants, to stop making payments in order to be eligible for a modification. Ardalan relied on Defendants' and Defendants' representatives and authorized agents' advice and stopped making her monthly payments causing her to fall even further behind. However, Ardalan was unable to modify her loan. Defendants rejected Ardalan's modification despite Ardalan complied with every term during the trial loan modification period. Currently Ardalan is waiting for Defendants' approval on the 3rd loan modification application. Moreover, Defendants brought foreclosure proceedings against Ardalan while she was in the process of applying for a modification.

Furthermore, Defendants and Alvorado represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Ardalan could afford the loan; (4) she was "qualified" for her loan; (5) "qualified" meant that she could afford her loan; (6) Defendants would modify her loan in the future; and (7) she would be able to refinance her loan in the future.

Moreover, Defendants and Alvorado withheld or incompletely, inaccurately or otherwise improperly disclosed to Ardalan that: (1) Defendants and Alvorado knew that she could not and would not be able to afford her loan and that there was a very high probability that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Alvorado's "qualification" process was for Defendants' own protection and not hers; (4) that Defendants' and Alvorado's representations that she was "qualified" to pay her loan was not intended to communicate that she could actually "afford" the loan which she was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting

1 guidelines; (6) Defendants influenced the appraiser to over-value Ardalan's home to require her
2 to borrow more money with the knowledge that the true value of Ardalan's home was
3 insufficient to justify the amount of Ardalan's loan; or (7) Defendants knew that due to its
4 scheme of fraudulently manipulating and inflating property values throughout the State of
5 California that the real estate market would crash and Ardalan would lose substantial equity in
6 her home.

7 Based on these misrepresentations and omissions, the material facts concerning Ardalan's
8 loan were concealed from her, and she decided to move forward with her loan. On April 24,
9 2007, Ardalan signed the loan and Deed of Trust, before a notary. Had she known the truth
10 however, Ardalan would not have accepted the loan. As a result of Defendants' fraudulent acts
11 described throughout this complaint Ardalan has lost substantial equity in her home, has
12 damaged or destroyed credit, and at the time Ardalan entered into the loan her home was worth
13 $1,330,000.00, now her home is worth approximately $1,099,050.00. Ardalan did not discover
14 any of these misrepresentations or omissions until after a consultation with legal counsel at
15 Brookstone Law, and through a complete and thorough investigation of the loan documentation,
16 and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described
17 throughout this complaint, were brought to light on or around September 9, 2011. (True and
18 correct copies of the aforementioned documents are attached hereto as ***Exhibit* 13**.)

19 19. Plaintiff George Chripczuk ("Chripczuk") discussed refinancing an existing
20 mortgage on his property located at 15817 Mariposa Drive, Fontana, CA 92336 and A.P.N.:
21 0228-631-23 with a Loan Consultant ("Loan Consultant") with Fieldstone Mortgage Company, a
22 correspondent of CMI and Defendants (the "Defendants"), and authorized by Defendants to lend
23 on their behalf, in or around April 2007. In the course of their discussions ranging from April
24 2007 until June 2007, Defendants and Loan Consultant steered Chripczuk into an adjustable rate
25 mortgage in the amount of $450,000.00 with the interest rate at 7.150%. Little did Chripczuk
26 know, however, the loan is amortized over 40 years, but payable in full in 30 years with huge
27 balloon payment due at the end of the loan term. Chripczuk also was not advised the interest rate
28 was "fixed" for only three years and could adjust every six months thereafter. Further, Chripczuk

was not informed that his interest rate could never be lower than 7.150%. Chripczuk's loan was originated by CMI, on the note and deed of trust Fieldstone Mortgage Company is identified as the lender, and the loan is currently being serviced by CMI.

Defendants and Loan Consultant represented the loan, representing that it was the best loan product that fit Chripczuk's financial needs, it would save Chripczuk money in the long-run, and it offered Chripczuk the opportunity to pay off his home sooner. Further, Defendants and Loan Consultant advised him that he was eligible for a Low Doc Loan. Unbeknownst to him at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate his income; and in doing so, Defendants and Loan Consultant caused him to be placed into a loan whose payments he could not afford given his true, *un-inflated* monthly income. Defendants and Loan Consultant altered Chripczuk's loan application without his knowing consent or authorization as Loan Consultant completed Chripczuk's application without giving Chripczuk an opportunity to review the loan application.

Defendants and Loan Consultant explicitly represented to Chripczuk that he could afford his loan; and further represented that he could shoulder the additional financial burden of repaying his loan in consideration of his other existing debts. Defendants and Loan Consultant also represented to him that he could afford a $2,845.60 monthly payment. However, Chripczuk was obligated to make a $3,039.33, despite his $5,000.00 true monthly income (a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 61%- in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines). Defendants and Loan Consultant further represented to Chripczuk that he could rely on the assessment that he was "qualified" to mean that he could afford the loan. Because of Chripczuk's lack of familiarity with how much debt a person can and should reasonably take on compared to his monthly income, and because Chripczuk reasonably relied on Defendants' and Loan Consultant's expertise that any payment he was "qualified" for would take into account what the maximum debt a person such as Chripczuk should be shouldering was, Chripczuk reasonably believed Defendants' and Loan Consultant's representations that he could afford his loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around June 2, 2007, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Chripczuk's home, which was fraudulently inflated to an intentionally overstated value. Defendants and Loan Consultant represented that, per appraisal, Chripczuk's home was worth $450,000.00 at the time he entered into their loan, and that such a valuation was a true and correct measure of his home's worth. The current fair market value of Chripczuk's home is approximately $204,850.00. Chripczuk alleges that the appraisal was artificially inflated, and that he has suffered damages in the amount of $245,150.00 ($450,000.00-$204,850.00) due to a substantial loss of equity in his home as a result of Defendants' fraudulent inflation and other acts described herein.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Chripczuk could afford the loan; (4) he was "qualified" for his loan; (5) "qualified" meant that he could afford his loan; (6) Defendants would modify his loan in the future; and (7) he would be able to refinance his loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Chripczuk that: (1) Defendants and Loan Consultant knew that he could not and would not be able to afford his loan and that there was a very high probability that he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan, and did sell his loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not his; (4) that Defendants' and Loan Consultant's representations that he was "qualified" to pay his loan was not intended to communicate that he could actually "afford" the loan which he was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Chripczuk's home to require him to borrow more money with the knowledge that the true value

1 of Chripczuk’s home was insufficient to justify the amount of Chripczuk’s loan; or (7)
2 Defendants knew that due to its scheme of fraudulently manipulating and inflating property
3 values throughout the State of California that the real estate market would crash and Chripczuk
4 would lose substantial equity in his home.

5 Based on these misrepresentations, the material facts concerning Chripczuk’s loan were
6 concealed from him, and he decided to move forward with his loan. On June 22, 2007,
7 Chripczuk signed the loan and Deed of Trust, before a notary. Had he known the truth however,
8 Chripczuk would not have accepted the loan. As a result of Defendants’ fraudulent acts
9 described throughout this complaint Chripczuk has lost substantial equity in his home, has
10 damaged or destroyed credit, and at the time Chripczuk entered into the loan his home was worth
11 $450,000.00, now his home is worth approximately $204,850.00. Chripczuk did not discover any
12 of these misrepresentations until after a consultation with legal counsel at Brookstone Law, and
13 through a complete and thorough investigation of the loan documentation, and a discussion of
14 the surrounding facts, the fraudulent acts of the Defendants, as described throughout this
15 complaint, were brought to light on or around October 4, 2011. (True and correct copies of the
16 aforementioned documents are attached hereto as ***Exhibit*** **14**.)

17 20. Plaintiffs Robert Ornelas and Licet Ornelas (“Mr. and Mrs. Ornelas”) discussed
18 obtaining a mortgage to purchase their home located at 13420 Mystic Street, Whittier, CA 90605
19 and A.P.N.: 8167-024-020 with a Loan Consultant (“Loan Consultant”) with BrooksAmerica
20 Mortgage Corporation, a correspondent of CMI and Defendants (the “Defendants”) and
21 authorized by Defendants to lend on their behalf, in or around February 2005. In the course of
22 their discussions ranging from February 2005 until April 2005, Defendants and Loan Consultant
23 steered them into an adjustable rate mortgage in the amount of $328,000.00 with an interest rate
24 at 5.500% for a term of 30 years. Little did Mr. and Mrs. Ornelas know, however, payments
25 made during the first ten years of the loan are interest-only. Mr. and Mrs. Ornelas were also not
26 advised the interest rate was “fixed” for only five years and could adjust every six months
27 thereafter. Mr. and Mrs. Ornelas’ loan was originated by CMI, on the note and deed of trust
28 BrooksAmerica Mortgage Corporation is identified as the lender, and the loan is currently being

serviced by CMI.

Defendants and Loan Consultant represented that this loan was the best option for Mr. and Mrs. Ornelas considering the amount of the loan and their combined income. Defendants and Loan Consultant represented to Mr. and Mrs. Ornelas that their monthly payment would always be $1,503.34. Although the amount of Mr. and Mrs. Ornelas' monthly payment was $1,503.34, Defendants and Loan Consultant failed to clarify their partially true representations and advise Mr. and Mrs. Ornelas that: (1) their monthly payment would not pay down any of their principal balance during the Interest-Only period, (2) their monthly payment would drastically increase at the end of the Interest-Only period, or (3) the amount of their monthly payment would not remain "fixed" for the entire term of his loan.

Further, Defendants and Loan Consultant advised them that they were eligible for a Low Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate their income by $3,100.00, a factor of 62%, and overstated their assets by about $44,000.00; and in doing so, Defendants and Loan Consultant caused them to be placed into a loan whose payments they could not afford given their true, *un-inflated* monthly income. Defendants and Loan Consultant altered Mr. and Mrs. Ornelas' loan application without their knowing consent or authorization as Loan Consultant completed Mr. and Mrs. Ornelas' application without giving Mr. and Mrs. Ornelas an opportunity to review the loan application.

Defendants and Loan Consultant also explicitly represented to Mr. and Mrs. Ornelas that they could afford their loan and further represented that they could shoulder the additional financial burden of repaying their loan in consideration of their other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $1,654.55. Given Mr. and Mrs. Ornelas' true monthly income of $5,000.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 33% - even though Defendants and Loan Consultant were well aware of other existing debts Mr. and Mrs. Ornelas were liable for. Defendants and Loan Consultant further represented to Mr. and Mrs. Ornelas that they could rely on the assessment that they were "qualified" to mean that they

1 could afford the loan. Because of Mr. and Mrs. Ornelas' lack of familiarity with how much debt
2 a person can and should reasonably take on compared to their monthly income, and because Mr.
3 and Mrs. Ornelas reasonably relied on Defendants' and Loan Consultant's expertise that any
4 payment they were "qualified" for would take into account what the maximum debt a person
5 such as Mr. and Mrs. Ornelas should be shouldering was, Mr. and Mrs. Ornelas reasonably
6 believed Defendants' and Loan Consultant's representations that they could afford their loan and
7 its payments. Although Defendants and Loan Consultant represented to Mr. and Mrs. Ornelas
8 that they were "qualified" for their loan and could afford their loan and its monthly payments,
9 Defendants and Loan Consultant misled Mr. and Mrs. Ornelas believing that their monthly
10 payments would always only be $1,503.34. Furthermore, at no point did Defendants or Loan
11 Consultant clarify Mr. and Mrs. Ornelas' false belief and advise them that $1,503.55 would not
12 be their permanent payment under the loan, or that every time they made a monthly payment in
13 the amount of $1,503.55, they were not paying down any of their principal balance.
14 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
15 on behalf of Defendants were accurate and made in good faith. On or around March 22, 2005, an
16 appraisal company under the direct control and supervision of Defendants conducted an appraisal
17 on Mr. and Mrs. Ornelas' home, which was fraudulently inflated to an intentionally overstated
18 value. Defendants and Loan Consultant represented that, per appraisal, Mr. and Mrs. Ornelas'
19 home was worth $410,000.00 at the time they entered into their loan, and that such a valuation
20 was a true and correct measure of their home's worth. The current fair market value of Mr. and
21 Mrs. Ornelas' home is approximately $226,950.00. Mr. and Mrs. Ornelas allege that the
22 appraisal was artificially inflated, and that they have suffered damages in the amount of
23 $183,050.00 ($410,000.00-$226,950.00) due to a substantial loss of equity in their home as a
24 result of Defendants' fraudulent inflation and other acts described herein.
25 Due to the economic crash caused by the Defendants' fraudulent acts described
26 throughout this complaint, Mr. and Mrs. Ornelas suffer from financial hardship and sought the
27 assistance of the Defendants in repaying their loan. When they applied for their loan, Defendants
28 and Loan consultant represented that Mr. and Mrs. Ornelas would be able to refinance their loan.

1 However, when Mr. and Mrs. Ornelas attempted to refinance their loan, they discovered that
2 their loan had a five year pre-payment penalty and it would cost them around $10,000.00 to get
3 out of their loan. Neither Defendants nor Loan Consultant disclosed this to them at the time they
4 entered into their loan. In addition, Mr. and Mrs. Ornelas could not refinance their loan because
5 their home no longer had sufficient equity to justify the size of their loan. Defendants and Loan
6 Consultant also represented that it would modify Mr. and Mrs. Ornelas' loan, and Mr. and Mrs.
7 Ornelas relied on this representation in deciding to enter into the loan. When Mr. and Mrs.
8 Ornelas applied for a loan modification, they were advised by Defendants and a representative
9 and authorized agent of Defendants to stop making payments in order to be eligible for a
10 modification. Mr. and Mrs. Ornelas relied on Defendants' and Defendants' representatives and
11 authorized agents' advice and stopped making their monthly payments causing them to fall even
12 further behind. However, Defendants refused to modify their loan in order to foreclose on their
13 home.
14 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
15 reputable and complied with industry standard underwriting guidelines and were engaged in
16 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
17 made in good faith; (3) Mr. and Mrs. Ornelas could afford the loan; (4) they were "qualified" for
18 their loan; (5) "qualified" meant that they could afford their loan; (6) Defendants would modify
19 their loan in the future; and (7) they would be able to refinance their loan in the future.
20 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
21 otherwise improperly disclosed to Mr. and Mrs. Ornelas that: (1) Defendants and Loan
22 Consultant knew that they could not and would not be able to afford their loan and that there was
23 a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an
24 incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants'
25 and Loan Consultant's "qualification" process was for Defendants' own protection and not
26 theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to
27 pay their loan was not intended to communicate that they could actually "afford" the loan which
28 they were being given; (5) Defendants had abandoned its conventional lending business, prudent

lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Mr. and Mrs. Ornelas' home to require them to borrow more money with the knowledge that the true value of Mr. and Mrs. Ornelas' home was insufficient to justify the amount of Mr. and Mrs. Ornelas' loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Mr. and Mrs. Ornelas would lose substantial equity in their home.

Based on these misrepresentations and omissions, the material facts concerning Mr. and Mrs. Ornelas' loan were concealed from them, and they decided to move forward with their loan. On April 11, 2005, Mr. and Mrs. Ornelas signed the loan and Deed of Trust, before a notary. Had they known the truth however, Mr. and Mrs. Ornelas would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint, Mr. and Mrs. Ornelas have lost substantial equity in their home, have damaged or destroyed credit, and at the time Mr. and Mrs. Ornelas entered into the loan their home was worth $410,000.00, now their home is worth approximately $226,950.00. Mr. and Mrs. Ornelas did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around October 26, 2011. (True and correct copies of the aforementioned documents are attached hereto as ***Exhibit*** **15**.)

21. Plaintiffs Kevin Curtis and Amie Gaye ("Curtis and Gaye") discussed obtaining a mortgage to purchase their home located at 12668 Chapman Avenue #2212, Garden Grove, CA 92840 and A.P.N.: 936-19-188 with Dio Kapitan ("Kapitan") with DHI Mortgage Company, a correspondent lender of CMI and the Defendants (the "Defendants"), and authorized by Defendants to lend on their behalf, in or around July 2007. In the course of their discussions ranging from July 2007 until September 2007, Defendants and Kapitan steered them into a fixed rate mortgage in the amount of $391,435.00 with an interest rate at 6.500% for a term of 30 years. Little did Curtis and Gaye know, however, payments made during the first ten years of

their loan were interest-only. Kapitan recommended the loan, representing that this loan was the best loan Defendants and Loan Consultant could qualify Curtis and Gaye for. The originator of Curtis' and Gaye's loan was CMI, on the note and deed of trust DHI Mortgage Company is identified as the lender, and the loan is currently being serviced by CMI.

Defendants and Kapitan represented to Curtis and Gaye that their monthly payment would always be $2,120.28. Although the amount of Curtis' and Gaye's monthly payment was $2,120.28, Defendants and Kapitan failed to clarify their partially true representations and advise Curtis and Gaye that: (1) their monthly payment would not pay down any of their principal balance during the Interest-Only period, (2) their monthly payment would drastically increase at the end of the Interest-Only period, or (3) the amount of their monthly payment would not remain "fixed" for the entire term of his loan.

Further, Defendants and Kapitan advised them that they were eligible for a Low Doc Loan. Unbeknownst to them at the time, Defendants and Kapitan used this low documentation requirement to fraudulently inflate their income by $1,560.00, a factor of 25%; and in doing so, Defendants and Kapitan caused them to be placed into a loan whose payments they could not afford given their true, *un-inflated* monthly income. Defendants and Kapitan altered Curtis' and Gaye's loan application without their knowing consent or authorization as Kapitan completed Curtis' and Gaye's application without giving Curtis and Gaye an opportunity to review the loan application.

Defendants and Kapitan also explicitly represented to Curtis and Gaye that they could afford their loan and further represented that they could shoulder the additional financial burden of repaying their loan in consideration of their other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $2,918.44. Given Curtis' and Gaye's true monthly income of $6,240.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 47%- in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants and Kapitan further represented to Curtis and Gaye that they could rely on the assessment that they were "qualified" to mean that they could afford the loan. Because of

Curtis' and Gaye's lack of familiarity with how much debt a person can and should reasonably take on compared to their monthly income, and because Curtis and Gaye reasonably relied on Defendants' and Kapitan's expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Curtis and Gaye should be shouldering was, Curtis and Gaye reasonably believed Defendants' and Kapitan's representations that they could afford their loan and its payments.

Although Defendants and Kapitan represented to Curtis and Gaye that they were "qualified" for their loan and could afford their loan and its monthly payments, Defendants and Kapitan misled Curtis and Gaye into believing that their monthly payments would always only be $2,210.28. Furthermore, at no point did Defendants or Kapitan clarify Curtis' and Gaye's false belief and advise them that $2,210.28 would not be their permanent payment under the loan, or that every time they made a monthly payment in the amount of $2,210.28, they were not paying down any of their principal balance.

In addition, Defendants and Kapitan represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around September 4, 2007, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Curtis' and Gaye's home, which was fraudulently inflated to an intentionally overstated value. Defendants and Kapitan represented that, per appraisal, Curtis' and Gaye's home was worth $391,435.00 at the time they entered into their loan, and that such a valuation was a true and correct measure of their home's worth. The current fair market value of Curtis' and Gaye's home is approximately $204,000.00. Curtis and Gaye allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $188,435.00 ($391,435.00-$204,000.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Furthermore, Defendants and Kapitan represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Curtis and Gaye could afford the loan; (4) they were "qualified" for their loan; (5)

1 "qualified" meant that they could afford their loan; (6) Defendants would modify their loan in
2 the future; and (7) they would be able to refinance their loan in the future.
3 Moreover, Defendants and Kapitan withheld or incompletely, inaccurately or otherwise
4 improperly disclosed to Curtis and Gaye that: (1) Defendants and Kapitan knew that they could
5 not and would not be able to afford their loan and that there was a very high probability that they
6 would default and/or be foreclosed upon; (2) Defendants had an incentive to sell their loan, and
7 did sell their loan at fraudulently inflated prices; (3) Defendants' and Kapitan's "qualification"
8 process was for Defendants' own protection and not theirs; (4) that Defendants' and Kapitan's
9 representations that they were "qualified" to pay their loan was not intended to communicate that
10 they could actually "afford" the loan which they were being given; (5) Defendants had
11 abandoned its conventional lending business, prudent lending standards, and industry standard
12 underwriting guidelines; (6) Defendants influenced the appraiser to over-value Curtis' and
13 Gaye's home to require them to borrow more money with the knowledge that the true value of
14 Curtis' and Gaye's home was insufficient to justify the amount of Curtis' and Gaye's loan; or (7)
15 Defendants knew that due to its scheme of fraudulently manipulating and inflating property
16 values throughout the State of California that the real estate market would crash and Curtis and
17 Gaye would lose substantial equity in their home.
18 Based on these misrepresentations and omissions, the material facts concerning Curtis'
19 and Gaye's loan were concealed from them, and they decided to move forward with their loan.
20 On September 26, 2007, Curtis and Gaye signed the loan and Deed of Trust, before a notary.
21 Had they known the truth however, Curtis and Gaye would not have accepted the loan. As a
22 result of Defendants' fraudulent acts described throughout this complaint Curtis and Gaye have
23 lost substantial equity in their home, have damaged or destroyed credit, and at the time Curtis
24 and Gaye entered into the loan their home was worth $391,435.00, now their home is worth
25 approximately $204,000.00. Curtis and Gaye did not discover any of these misrepresentations or
26 omissions until after a consultation with legal counsel at Brookstone Law, and through a
27 complete and thorough investigation of the loan documentation, and a discussion of the
28 surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint,

1 were brought to light on or around November 30, 2011. (True and correct copies of the
2 aforementioned documents are attached hereto as ***Exhibit*** **16**.)
3 22. Plaintiffs Steven Chau and Bi-Yun Situ ("Chau and Situ") discussed refinancing
4 an existing mortgage on their property located at 33648 Spring Brook Circle, Temecula, CA
5 92592 and A.P.N.: 966-021-015 with a Loan Consultant ("Loan Consultant") and representative
6 and authorized agent of CMI and the Defendants (the "Defendants"), in or around August 2008.
7 In the course of their discussions ranging from August 2008 until October 2008, Defendants and
8 Loan Consultant steered them into a fixed rate mortgage in the amount of $264,000.00 with the
9 interest rate at 5.875% for a term of 15 years. The originator of Chau and Situ's loan was CMI,
10 and the loan is also currently being serviced by CMI.
11 Defendants and Loan Consultant explicitly represented to Chau and Situ that they could
12 afford their loan; and further represented that they could shoulder the additional financial burden
13 of repaying their loan in consideration of their other existing debts. Defendants and Loan
14 Consultant also represented to them that they could afford a $2,209.99 monthly payment, despite
15 their $7,000.00 true monthly income (a "front-end" debt-to-income ratio, meaning a debt-to-
16 income ratio, before any other debts are even considered, of over 32% - even though Defendants
17 and Loan Consultant were well aware of Chau's and Situ's other existing debts). Defendants and
18 Loan Consultant further represented to Chau and Situ that they could rely on the assessment that
19 they were "qualified" to mean that they could afford the loan. Because of Chau's lack of
20 familiarity with how much debt a person can and should reasonably take on compared to their
21 monthly income, and because Chau and Situ reasonably relied on Defendants' and Loan
22 Consultant's expertise that any payment they were "qualified" for would take into account what
23 the maximum debt a person such as Chau and Situ should be shouldering was, Chau and Situ
24 reasonably believed Defendants' and Loan Consultant's representations that they could afford
25 their loan and its payments.
26 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
27 on behalf of Defendants were accurate and made in good faith. On or around September 12,
28 2008, an appraisal company under the direct control and supervision of Defendants conducted an

appraisal on Chau and Situ's home, which was fraudulently inflated to an intentionally overstated value. Defendants and Loan Consultant represented that, per appraisal, Chau and Situ's home was worth $350,000.00 at the time they entered into their loan, and that such a valuation was a true and correct measure of their home's worth. The current fair market value of Chau and Situ's home is approximately $258,400.00. Chau and Situ allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $91,600.00 ($350,000.00-$285,400.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Chau and Situ that they would be able to refinance their loan at a later time. Chau and Situ relied on this assurance in deciding to enter into the mortgage contract. However, Chau and Situ have not been able to refinance their loan. Defendants and Loan Consultant also represented that it would modify Chau and Situ's loan, and Chau and Situ relied on this representation in deciding to enter into the loan. In addition, Chau and Situ were advised by a representative of Defendants to stop making payments in order to be eligible for a modification. Chau and Situ relied on Defendants' and Defendants' representatives and authorized agents' advice and stopped making their monthly payments causing them to fall even further behind. However, Chau and Situ were unable to modify their loan.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Chau and Situ could afford the loan; (4) they were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; (6) Defendants would modify their loan in the future; and (7) they would be able to refinance their loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Chau and Situ that: (1) Defendants and Loan Consultant knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive

to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to pay their loan was not intended to communicate that they could actually "afford" the loan which they were being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Chau and Situ's home to require them to borrow more money with the knowledge that the true value of Chau and Situ's home was insufficient to justify the amount of Chau and Situ's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Chau and Situ would lose substantial equity in their home.

Based on these misrepresentations, the material facts concerning Chau and Situ's loan were concealed from them, and they decided to move forward with their loan. On October 2, 2008, Chau and Situ signed the loan and Deed of Trust, before a notary. Had they known the truth however, Chau and Situ would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Chau and Situ have lost substantial equity in their home, have damaged or destroyed credit, and at the time Chau and Situ entered into the loan their home was worth $350,000.00, now their home is worth approximately $258,400.00. Chau and Situ did not discover any of these misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around December 7, 2011.

23. Plaintiff Robert Ganos ("Ganos") discussed obtaining a mortgage on his home located at 3 Staghorn, Irvine, CA 92618 and A.P.N.: 935-35-324 with a loan consultant (the "Loan Consultant"), and representative and authorized agent of National City Bank, a correspondence of Citi and Defendants herein (the "Defendants") in or around Janurary 2005. In the course of their discussions ranging from January 2005 until March 2005, Defendants and Loan Consultant steered him into a loan, of which the Defendants and Loan Consultant

concealed and inaccurately, incompletely or otherwise improperly disclosed the material terms and information concerning the loan to him. This loan was originated by National City Bank, on the note and deed of trust National City Bank is identified as the lender, and Citibank is currently servicing the loan.

Defendants and Loan Consultant explicitly represented to Ganos that he could afford his loan; and further represented that he could shoulder the additional financial burden of repaying his loan in consideration of his other existing debts. Loan Consultant and Defendants further represented to Ganos that he could rely on the assessment that he was "qualified" to mean that he could afford the loan. Because of Ganos's lack of familiarity with how much debt a person can and should reasonably take on compared to his/her monthly income, and because Ganos reasonably relied on Defendants' and Loan Consultant's expertise that any payment he was "qualified" for would take into account what the maximum debt a person such as Ganos should be shouldering was, Ganos reasonably believed Defendants' and Loan Consultant's representations that he could afford his loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. An appraisal company under the direct control and supervision of Defendants conducted an appraisal on Ganos's home, which was fraudulently inflated to an intentionally overstated value. Ganos alleges that the appraisal was artificially inflated, and that he has suffered damages due to a substantial loss of equity in his home as a result of Defendants' fraudulent inflation and other acts described herein.

Loan Consultant and Defendants also represented to Ganos that he would be able to refinance his loan at a later time. Ganos relied on this assurance in deciding to enter into the mortgage contract. However, Ganos has not been able to refinance his loan. Loan Consultant and Defendants also represented that it would modify Ganos's loan, and Ganos relied on this representation in deciding to enter into the loan. In addition, Ganos was advised by a representative and authorized agent of Defendants to stop making payments in order to be eligible for a modification. Ganos relied on Defendants' and the Defendants representative and authorized agent's advice and stopped making his monthly payments causing him to fall even

1 further behind. However, Ganos was unable to modify his loan.
2 Furthermore, Loan Consultant and Defendants represented that: (1) Defendants were reputable
3 and complied with industry standard underwriting guidelines and were engaged in lending of the
4 highest caliber; (2) property appraisals done by Defendants were accurate and made in good
5 faith; (3) Ganos could afford the loan; (4) He was "qualified" for his loan; (5) "qualified" meant
6 that he could afford his loan; (6) He would be able to modify his loan in the future; and (7) He
7 would be able to refinance his loan in the future.
8 Moreover, Loan Consultant and Defendants withheld or incompletely, inaccurately or
9 otherwise improperly disclosed to Ganos that: (1) Loan Consultant and Defendants knew that he
10 could not and would not be able to afford his loan and that there was a very high probability that
11 he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan, and
12 did sell his loan at fraudulently inflated prices; (3) Loan Consultant's and Defendants'
13 "qualification" process was for Defendants' own protection and not his; (4) That Loan
14 Consultant's and Defendants' representations that he was "qualified" to pay his loan was not
15 intended to communicate that he could actually "afford" the loan which he was being given; (5)
16 Defendants had abandoned its conventional lending business, prudent lending standards, and
17 industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
18 Ganos 's home to require him to borrow more money with the knowledge that the true value of
19 Ganos 's home was insufficient to justify the amount of Ganos 's loan; or (7) Defendants knew
20 that due to its scheme of fraudulently manipulating and inflating property values throughout the
21 State of California that the real estate market would crash and Ganos would lose substantial
22 equity in his home.
23 Based on these misrepresentations and omissions, the material facts concerning Ganos's
24 loan were concealed from him, and he decided to move forward with his loan. On March 1,
25 2005, Ganos signed the loan and Deed of Trust, before a notary. Had he known the truth
26 however, Ganos would not have accepted the loan. As a result of the Defendants' fraudulent acts
27 described throughout this complaint Ganos has lost substantial equity in his home, has damaged
28 or destroyed credit, and at the time Ganos entered into the loan his home was worth substantially

more than its current fair market value. Ganos did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around January 24, 2012.

24. Plaintiff Reggie Winans ("Winans") discussed refinancing an existing mortgage on his property located at 2851 San Francisco Avenue, Long Beach, CA 90806 and A.P.N.: 7201-011-006 with a Loan Consultant ("Loan Consultant") with Millennium Mortgage Corporation, a correspondent of CMI and the Defendants (the "Defendant"), and authorized by Defendants to lend on their behalf, in or around August 2007. In the course of their discussions ranging from August 2007 until October 2007, Defendants and Loan Consultant steered him into a fixed rate mortgage in the amount of $450,000.00 with an interest rate at 7.725% for a term of 30 years. Little did Winans know, however, payments made during the first ten years of the loan were interest-only. Defendants and Loan Consultant recommended the loan, representing that the loan was the only loan Winans could qualify for. Winans's loan was originated by CMI, on the note and deed of trust Millennium Mortgage Corporation is identified as the lender, and the loan is currently being serviced by CMI.

Defendants and Loan Consultant represented to Winans that his monthly payment would always be $2,896.80. Although the amount of Winans's monthly payment was $2,896.80, Defendants and Loan Consultant failed to clarify their partially true representations and advise Winans that: (1) his monthly payment would not pay down any of their principal balance during the Interest-Only period, or (2) his monthly payment would drastically increase at the end of the Interest-Only period, or (3) the amount of his monthly payment would not remain "fixed" for the entire term of his loan.

Further, Defendants and Loan Consultant advised him that he was eligible for a Low Doc Loan. Unbeknownst to him at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate his income by $1,000.00, a factor of 20%; and in doing so, Defendants and Loan Consultant caused him to be placed into a loan whose

1 payments he could not afford given his true, *un-inflated* monthly income. Defendants and Loan
2 Consultant altered Winans's loan application without his knowing consent or authorization as
3 Loan Consultant completed Winans's application without giving Winans an opportunity to
4 review the loan application.

5 Defendants and Loan Consultant also explicitly represented to Winans that he could
6 afford his loan and further represented that he could shoulder the additional financial burden of
7 repaying his loan in consideration of his other existing debts; yet failed to disclose that the fully
8 amortized monthly payment on the loan was $3,607.33. Given Winans's true monthly income of
9 $5,200.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio,
10 before any other debts are even considered, of over 70%- in excess of industry standard
11 underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants
12 and Loan Consultant further represented to Winans that he could rely on the assessment that he
13 was "qualified" to mean that he could afford the loan. Because of Winans's lack of familiarity
14 with how much debt a person can and should reasonably take on compared to his monthly
15 income, and because Winans reasonably relied on Defendants' and Loan Consultant's expertise
16 that any payment he was "qualified" for would take into account what the maximum debt a
17 person such as Winans should be shouldering was, Winans reasonably believed Defendants' and
18 Loan Consultant's representations that he could afford his loan and its payments.

19 Although Defendants and Loan Consultant represented to Winans that he was "qualified"
20 for his loan and could afford his loan and its monthly payments, Defendants and Loan Consultant
21 misled Winans into believing that his monthly payments would always only be $2,896.80.
22 Furthermore, at no point did Defendants or Loan Consultant clarify Winans's false belief and
23 advise him that $2,896.80 would not be his permanent payment under the loan, or that every time
24 he made a monthly payment in the amount of $2,896.80, he was not paying down any of his
25 principal balance.

26 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
27 on behalf of Defendants were accurate and made in good faith. On or around October 1, 2007, an
28 appraisal company under the direct control and supervision of Defendants conducted an appraisal

on Winans's home, which was fraudulently inflated to an intentionally overstated value. Winans's loan documentation indicates that his home was worth $600,000.00 at the time he entered into their loan. The current fair market value of Winans's home is approximately $189,550.00. Winans alleges that the appraisal was artificially inflated, and that he has suffered damages in the amount of $410,450.00 ($600,000.00-$189,550.00) due to a substantial loss of equity in is home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented that it would modify Winans's loan, and Winans relied on this representation in deciding to enter into the loan. However, Winans was unable to modify his loan. In 2011, Winans experienced financial difficulty because of loss of income in the family, so he applied for a loan modification with Defendants to afford his loan. However, Defendants offered him a trial modification that the monthly payments were too high for Winans to afford. Winans had to re-apply for another loan modification that could help him to repay the loan. As of now Defendants have not yet approved Winans's modification.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Winans could afford the loan; (4) he was "qualified" for his loan; (5) "qualified" meant that he could afford his loan; (6) Defendants would modify his loan in the future; and (7) he would be able to refinance his loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Winans that: (1) Defendants and Loan Consultant knew that he could not and would not be able to afford his loan and that there was a very high probability that he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan, and did sell his loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not his; (4) that Defendants' and Loan Consultant's representations that he was "qualified" to pay his loan was not intended to communicate that he could actually "afford" the loan which he was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry

1 standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
2 Winans's home to require him to borrow more money with the knowledge that the true value of
3 Winans's home was insufficient to justify the amount of Winans's loan; or (7) Defendants knew
4 that due to its scheme of fraudulently manipulating and inflating property values throughout the
5 State of California that the real estate market would crash and Winans would lose substantial
6 equity in his home.

7 Based on these misrepresentations and omissions, the material facts concerning Winans's
8 loan were concealed from him, and he decided to move forward with his loan. On October 19,
9 2007, Winans signed the loan and Deed of Trust, before a notary. Had he known the truth
10 however, Winans would not have accepted the loan. As a result of Defendants' fraudulent acts
11 described throughout this complaint Winans has lost substantial equity in his home, has damaged
12 or destroyed credit, and at the time Winans entered into the loan his home was worth
13 $600,000.00, now his home is worth approximately $189,550.00. Winans did not discover any of
14 these misrepresentations or omissions until after a consultation with legal counsel at Brookstone
15 Law, and through a complete and thorough investigation of the loan documentation, and a
16 discussion of the surrounding facts, the fraudulent acts of the Defendants, as described
17 throughout this complaint, were brought to light on or around February 14, 2012. (True and
18 correct copies of the aforementioned documents are attached hereto as ***Exhibit*** **17**.)

19 25. Plaintiffs Andrew and Clementa Esparza ("Mr. and Mrs. Esparza") discussed
20 refinancing an existing mortgage on their property located at 4204 Epsilon Street, San Diego, CA
21 92113 and A.P.N.: 552-461-12 with a Loan Consultant ("Loan Consultant") with Crestline
22 Funding Corp., a correspondent of CMI and Defendants herein (the "Defendants"), and
23 authorized by Defendants to lend on their behalf, in or around October 2006. In the course of
24 their discussions ranging from October 2006 until December 2006, Defendants and Loan
25 Consultant steered them into an adjustable rate mortgage in the amount of $250,000.00 with an
26 interest rate at 6.250% for a term of 30 years. Little did Mr. and Mrs. Esparza know, however,
27 the interest rate was "fixed" for five years and could adjust every twelve months thereafter.
28 Defendants and Loan Consultant recommended the loan, representing that the loan was the best

1 loan possible and most economical for Mr. and Mrs. Esparza, and they could modify or refinance
2 the loan at a later time if necessary. Mr. and Mrs. Esparza's loan was originated by CMI, on the
3 note and deed of trust Crestline Funding Corp. is identified as the lender, and the loan is
4 currently being serviced by CMI.
5 Defendants and Loan Consultant represented to Mr. and Mrs. Esparza that their monthly
6 payment would always be $1,302.08. Although the amount of Mr. and Mrs. Esparza's monthly
7 payment was $1,302.08, Defendants and Loan Consultant failed to clarify their partially true
8 representations and advise Mr. and Mrs. Esparza that: (1) their monthly payment would not pay
9 down any of their principal balance during the Interest-Only period, (2) their monthly payment
10 would drastically increase at the end of the Interest-Only period, or (3) the amount of their
11 monthly payment would not remain "fixed" for the entire term of his loan.
12 Defendants and Loan Consultant also explicitly represented to Mr. and Mrs. Esparza that
13 they could afford their loan and further represented that they could shoulder the additional
14 financial burden of repaying their loan in consideration of their other existing debts; yet failed to
15 disclose that the fully amortized monthly payment on the loan was $1,539.29. Given Mr. and
16 Mrs. Esparza's true monthly income of $4,500.00, this represents a "front-end" debt-to-income
17 ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 34%.
18 Defendants and Loan Consultant further represented to Mr. and Mrs. Esparza that they could rely
19 on the assessment that they were "qualified" to mean that they could afford the loan. Because of
20 Mr. and Mrs. Esparza's lack of familiarity with how much debt a person can and should
21 reasonably take on compared to their monthly income, and because Mr. and Mrs. Esparza
22 reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were
23 "qualified" for would take into account what the maximum debt a person such as Mr. and Mrs.
24 Esparza should be shouldering was, Mr. and Mrs. Esparza reasonably believed Defendants' and
25 Loan Consultant's representations that they could afford their loan and its payment.
26 Although Defendants and Loan Consultant represented to Mr. and Mrs. Esparza that they
27 were "qualified" for their loan and could afford their loan and its monthly payments, Defendants
28 and Loan Consultant misled Mr. and Mrs. Esparza into believing that their monthly payments

would always only be $1,302.08. Furthermore, at no point did Defendants or Loan Consultant clarify Mr. and Mrs. Esparza's false belief and advise them that $1,302.08 would not be their permanent payment under the loan, or that every time they made a monthly payment in the amount of $1,302.08, they were not paying down any of their principal balance.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around December 2, 2006, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Mr. and Mrs. Esparza's home, which was fraudulently inflated to an intentionally overstated value. Mr. and Mrs. Esparza's loan documentation indicates that their home was worth $400,000.00 at the time they entered into their loan. The current fair market value of Mr. and Mrs. Esparza's home is approximately $145,350.00. Mr. and Mrs. Esparza allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $254,650.00 ($400,000.00-$145,350.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Mr. and Mrs. Esparza that they would be able to refinance their loan at a later time. Mr. and Mrs. Esparza relied on this assurance in deciding to enter into the mortgage contract. However, Mr. and Mrs. Esparza have not been able to refinance their loan. Defendants and Loan Consultant also represented that it would modify Mr. and Mrs. Esparza's loan, and Mr. and Mrs. Esparza relied on this representation in deciding to enter into the loan. However, Mr. and Mrs. Esparza were unable to modify their loan.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Mr. and Mrs. Esparza could afford the loan; (4) they were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; (6) Defendants would modify their loan in the future; and (7) they would be able to refinance their loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or

otherwise improperly disclosed to Mr. and Mrs. Esparza that: (1) Defendants and Loan Consultant knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to pay their loan was not intended to communicate that they could actually "afford" the loan which they were being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Mr. and Mrs. Esparza's home to require them to borrow more money with the knowledge that the true value of Mr. and Mrs. Esparza's home was insufficient to justify the amount of Mr. and Mrs. Esparza's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Mr. and Mrs. Esparza would lose substantial equity in their home.

Based on these misrepresentations and omissions, the material facts concerning Mr. and Mrs. Esparza's loan were concealed from them, and they decided to move forward with their loan. On December 22, 2006, Mr. and Mrs. Esparza signed the loan and Deed of Trust, before a notary. Had they known the truth however, Mr. and Mrs. Esparza would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Mr. and Mrs. Esparza have lost substantial equity in their home, have damaged or destroyed credit, and at the time Mr. and Mrs. Esparza entered into the loan their home was worth $400,000.00, now their home is worth approximately $145,350.00. Mr. and Mrs. Esparza did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around December 22, 2011. (True and correct copies of the aforementioned documents are attached hereto as ***Exhibit*** **18**.)

1 26. Plaintiffs Gerardo Michel and Beatriz Michel ("Mr. and Mrs. Michel") discussed
2 refinancing an existing mortgage on their home located at 2626 East Norm Place, Anaheim, CA
3 92086 and A.P.N.: 253-401-27 with a loan consultant (the "Loan Consultant"), and
4 representative and authorized agent of Mega Capital Funding Inc., a correspondence of Citi and
5 Defendants herein (the "Defendants") in or around November 2005. In the course of their
6 discussions ranging from November 2005 until January 2006, Defendants and Loan Consultant
7 steered them into a loan of which the Defendants and Loan Consultant concealed and
8 inaccurately, incompletely or otherwise improperly disclosed the material terms and information
9 concerning the loan. This loan was originated by Mega Capital Funding Inc., on the note and
10 deed of trust Mega Capital Funding Inc. is identified as the lender.
11 Defendants and Loan Consultant explicitly represented to Mr. and Mrs. Michel that they
12 could afford their loan; and further represented that they could shoulder the additional financial
13 burden of repaying their loan in consideration of their other existing debts. Loan Consultant and
14 Defendants further represented to Mr. and Mrs. Michel that they could rely on the assessment
15 that they were "qualified" to mean that they could afford the loan. Because of Mr. and Mrs.
16 Michel's lack of familiarity with how much debt a person can and should reasonably take on
17 compared to his/her monthly income, and because Mr. and Mrs. Michel reasonably relied on
18 Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would
19 take into account what the maximum debt a person such as Mr. and Mrs. Michel should be
20 shouldering was, Mr. and Mrs. Michel reasonably believed Defendants' and Loan Consultant's
21 representations that they could afford their loan and its payments.
22 In addition, Defendants and Loan Consultant represented that appraisals conducted by or on
23 behalf of Defendants were accurate and made in good faith. An appraisal company under the
24 direct control and supervision of Defendants conducted an appraisal on Mr. and Mrs. Michel's
25 home, which was fraudulently inflated to an intentionally overstated value. Mr. and Mrs. Michel
26 allege that the appraisal was artificially inflated, and that they have suffered damages due to a
27 substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other
28 acts described herein.

1 Due to the economic crash caused by the Defendants' fraudulent acts described
2 throughout this complaint, Mr. and Mrs. Michel suffer from financial hardship and sought the
3 assistance of the Defendants in repaying their loan. When they applied for their loan, Loan
4 Consultant and Defendants represented to Mr. and Mrs. Michel that they would be able to
5 refinance their loan at a later time. Mr. and Mrs. Michel relied on this assurance in deciding to
6 enter into the mortgage contract. However, Mr. and Mrs. Michel have not been able to refinance
7 their loan because their home no longer had sufficient equity to justify the size of their loan.
8 Loan Consultant and Defendants also represented that it would modify Mr. and Mrs. Michel's
9 loan, and Mr. and Mrs. Michel relied on this representation in deciding to enter into the loan.
10 When Mr. and Mrs. Michel applied for a loan modification, they were advised by Defendants
11 and representatives and authorized agents of Defendants to stop making payments in order to be
12 eligible for a modification. Mr. and Mrs. Michel relied on the Defendants' and the Defendants
13 representative and authorized agents' advice and stopped making their monthly payments
14 causing them to fall even further behind. However, the Defendants refused to assist Mr. and
15 Mrs. Michel in repaying their loan in order to foreclose on their home. Defendants wrongfully
16 foreclosed on their home.
17 Furthermore, Loan Consultant and Defendants represented that: (1) Defendants were
18 reputable and complied with industry standard underwriting guidelines and were engaged in
19 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
20 made in good faith; (3) Mr. and Mrs. Michel could afford the loan; (4) They were "qualified" for
21 their loan; (5) "qualified" meant that they could afford their loan; (6) They would be able to
22 modify their loan in the future; and (7) They would be able to refinance their loan in the future.
23 Moreover, Loan Consultant and Defendants withheld or incompletely, inaccurately or otherwise
24 improperly disclosed to Mr. and Mrs. Michel that: (1) Loan Consultant and Defendants knew
25 that they could not and would not be able to afford their loan and that there was a very high
26 probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to
27 sell their loan, and did sell their loan at fraudulently inflated prices; (3) Loan Consultant's and
28 Defendants' "qualification" process was for Defendants' own protection and not theirs; (4) That

1 Loan Consultant's and Defendants' representations that they were "qualified" to pay their loan
2 was not intended to communicate that they could actually "afford" the loan which they was
3 being given; (5) Defendants had abandoned its conventional lending business, prudent lending
4 standards, and industry standard underwriting guidelines; (6) Defendants influenced the
5 appraiser to over-value Mr. and Mrs. Michel's home to require them to borrow more money with
6 the knowledge that the true value of Mr. and Mrs. Michel's home was insufficient to justify the
7 amount of Mr. and Mrs. Michel's loan; or (7) Defendants knew that due to its scheme of
8 fraudulently manipulating and inflating property values throughout the State of California that
9 the real estate market would crash and Mr. and Mrs. Michel would lose substantial equity in their
10 home.
11 Based on these misrepresentations and omissions, the material facts concerning Mr. and
12 Mrs. Michel's loan were concealed from them, and they decided to move forward with their
13 loan. On January 26, 2006 Mr. and Mrs. Michel signed the loan and Deed of Trust, before a
14 notary. Had they known the truth however, Mr. and Mrs. Michel would not have accepted the
15 loan. As a result of the Defendants' fraudulent acts described throughout this complaint Mr. and
16 Mrs. Michel have lost substantial equity in their home, have damaged or destroyed credit, and at
17 the time Mr. and Mrs. Michel entered into the loan their home was worth substantially more
18 than its current fair market value. Mr. and Mrs. Michel did not discover any of these
19 misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law,
20 and through a complete and thorough investigation of the loan documentation, and a discussion
21 of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this
22 complaint, were brought to light on or around March 7, 2012.
23 27. Plaintiff Li Hua Huang ("Huang") discussed refinancing an existing mortgage on
24 her property located at 453 East Walnut Avenue, Glendora, CA and A.P.N.: 8646-021-037 with
25 a Loan Consultant ("Loan Consultant") with T.J Financial, Inc., a correspondent lender of CMI
26 and the Defendants (the "Defendants"), and authorized by Defendants to lend on their behalf, in
27 or around January 2008. In the course of their discussions ranging from January 2008 until
28 March 2008, Defendants and Loan Consultant steered Huang in a fixed rate mortgage in the

amount of $320,000.00 with the interest rate at 5.750% for a term of 30 years. Huang's loan was originated by CMI, on the note and deed of trust T.J Financial, Inc. is identified as the lender, and the loan is currently being serviced by CMI.

Further, Defendants and Loan Consultant advised her that she was eligible for a Low Doc Loan. Unbeknownst to her at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate her income; and in doing so, Defendants and Loan Consultant caused her to be placed into a loan whose payments she could not afford given her true, *un-inflated* monthly income. Defendants and Loan Consultant altered Huang's loan application without her knowing consent or authorization as Loan Consultant completed Huang's application without giving Huang an opportunity to review the loan application.

Defendants and Loan Consultant explicitly represented to Huang that she could afford her loan; and further represented that she could shoulder the additional financial burden of repaying her loan in consideration of her other existing debts. Defendants and Loan Consultant also represented to her that she could afford a $1,867.43 monthly payment, despite her $3,000.00 true monthly income (a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 62%- in excess of industry standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines). Defendants and Loan Consultant further represented to Huang that she could rely on the assessment that she was "qualified" to mean that she could afford the loan. Because of Huang's lack of familiarity with how much debt a person can and should reasonably take on compared to her monthly income, and because Huang reasonably relied on Defendants' and Loan Consultant's expertise that any payment she was "qualified" for would take into account what the maximum debt a person such as Huang should be shouldering was, Huang reasonably believed Defendants' and Loan Consultant's representations that she could afford her loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around February 26, 2008, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Huang's home, which was fraudulently inflated to an intentionally overstated value.

Defendants and Loan Consultant represented that, per appraisal, Huang's home was worth $500,000.00 at the time she entered into their loan, and that such a valuation was a true and correct measure of her home's worth. The current fair market value of Huang's home is approximately $272,340.00. Huang alleges that the appraisal was artificially inflated, and that she has suffered damages in the amount of $227,660.00 ($500,000.00-$272,340.00) due to a substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Huang that she would be able to refinance her loan at a later time. Huang relied on this assurance in deciding to enter into the mortgage contract. However, Huang has not been able to refinance her loan. Defendants and Loan Consultant also represented that it would modify Huang's loan, and Huang relied on this representation in deciding to enter into the loan. In addition, Huang was advised by a representative of Defendants, to stop making payments in order to be eligible for a modification. Huang relied on Defendants' and representatives and authorized agents' advice and stopped making her monthly payments causing her to fall even further behind. However, Huang was unable to modify her loan.

Moreover, the foreclosure against Huang would be wrongful because at the time the NOS was recorded (May 2, 2012), the foreclosing trustee (Cal-Western Reconveyance Corporation) did not have the legal authority to initiate the foreclosure because the foreclosing trustee was never properly substituted as trustee. Thus, Cal-Western Reconveyance was unauthorized to conduct the trustee's sale. Under California law, a trustee's sale conducted by an unauthorized trustee is void as a matter law. The original trustee under the Deed of Trust (recorded March 18, 2008) was Investor Title Corporation.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Huang could afford the loan; (4) she was "qualified" for her loan; (5) "qualified" meant that she could afford her loan; (6) Defendants would modify her loan in the

future; and (7) she would be able to refinance her loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Huang that: (1) Defendants and Loan Consultant knew that she could not and would not be able to afford her loan and that there was a very high probability that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not hers; (4) that Defendants' and Loan Consultant's representations that she was "qualified" to pay her loan was not intended to communicate that she could actually "afford" the loan which she was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Huang's home to require her to borrow more money with the knowledge that the true value of Huang's home was insufficient to justify the amount of Huang's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Huang would lose substantial equity in her home.

Based on these misrepresentations, the material facts concerning Huang's loan were concealed from her, and she decided to move forward with her loan. On March 18, 2008, Huang signed the loan and Deed of Trust, before a notary. Had she known the truth however, Huang would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Huang has lost substantial equity in her home, has damaged or destroyed credit, and at the time Huang entered into the loan her home was worth $500,000.00, now her home is worth approximately $272,000.00. Huang did not discover any of these misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around March 7, 2012. (True and correct copies of the aforementioned documents are attached hereto as ***Exhibit* 19**.)

28. Plaintiff Winston Offer ("Offer") discussed refinancing an existing mortgage on his property located at 11829 Wilson Avenue, Lynwood, CA 92060 and A.P.N.: 6188-009-017 with Erika Mansfield ("Mansfield"), a Loan Consultant and representative and authorized agent of Ameriquest Mortgage Company, a correspondent of CMI and the Defendants (the "Defendants") and authorized by the Defendants to lend of their behalf, in or around September 2005. In the course of their discussions ranging from September 2005 until November 2005, Defendants and Mansfield steered him into an adjustable rate mortgage in the amount of $561,334.00 with an interest rate at 7.600% for a term of 30 years. Little did Offer know, however, payments made during the first five years of the loan were interest-only. Offer also was not advised the interest rate was "fixed" for only two years and could adjust every six months thereafter. The maximum interest rate is 13.600%. Offer's loan was originated by CMI, on the note and deed of trust Ameriquest Mortgage Company is identified as the lender, and the loan is currently being serviced by CMI.

Defendants and Mansfield recommended the loan, representing that after a year or two, Offer would be able to refinance his loan to get a lower monthly payment and his home would have more equity because property values would continue to rise. Defendants and Mansfield represented to Offer that his monthly payment would always be $3,555.12. Although the amount of Offer's monthly payment was $3,555.12, Defendants and Mansfield failed to clarify their partially true representations and advise Offer that: (1) his monthly payment would not pay down any of their principal balance during the Interest-Only period, (2) his monthly payment would drastically increase at the end of the Interest-Only period, or (3) the amount of his monthly payment would not remain "fixed" for the entire term of his loan.

Defendants and Mansfield altered Offer's loan application without his knowing consent or authorization as Mansfield completed Offer's application without giving Offer an opportunity to review the loan application. Unbeknownst to him at the time, Defendants and Mansfield used this low documentation requirement to fraudulently inflate his income and overstate his assets by about $99,000.00; and in doing so, Defendants and Mansfield caused him to be placed into a loan whose payments he could not afford given his true, *un-inflated* monthly income.

1 Defendants and Mansfield also explicitly represented to Offer that he could afford his
2 loan and further represented that he could shoulder the additional financial burden of repaying
3 his loan in consideration of his other existing debts; yet failed to disclose that the fully amortized
4 monthly payment on the loan was $3,963.44. Given Offer's true monthly income of $7,500.00,
5 this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any
6 other debts are even considered, of over 53%- in excess of industry standard underwriting
7 guidelines, and in excess of Defendants' own underwriting guidelines.
8 Defendants and Mansfield further represented to Offer that he could rely on the
9 assessment that he was "qualified" to mean that he could afford the loan. Because of Offer's lack
10 of familiarity with how much debt a person can and should reasonably take on compared to his
11 monthly income, and because Offer reasonably relied on Defendants' and Loan Consultant's
12 expertise that any payment he was "qualified" for would take into account what the maximum
13 debt a person such as Offer should be shouldering was, Offer reasonably believed Defendants'
14 and Loan Consultant's representations that he could afford his loan and its payments.
15 Although Defendants and Mansfield represented to Offer that he was "qualified" for his
16 loan and could afford his loan and its monthly payments, Defendants and Mansfield misled Offer
17 into believing that his monthly payments would always only be $3,555.00. Furthermore, at no
18 point did Defendants or Mansfield clarify Offer's false belief and advise him that $3,555.00
19 would not be his permanent payment under the loan, or that every time he made a monthly
20 payment in the amount of $3,555.00, he was not paying down any of his principal balance.
21 In addition, Defendants and Mansfield represented that appraisals conducted by or on
22 behalf of Defendants were accurate and made in good faith. On or around October 28, 2005, an
23 appraisal company under the direct control and supervision of Defendants conducted an appraisal
24 on Offer's home, which was fraudulently inflated to an intentionally overstated value.
25 Defendants and Mansfield represented that, per appraisal, Offer's home was worth $600,000.00
26 at the time he entered into his loan, and that such a valuation was a true and correct measure of
27 his home's worth. The current fair market value of Offer's home is approximately $158,950.00.
28 Offer alleges that the appraisal was artificially inflated because Defendants did not use

comparable house to appraise Offer's home, and that he has suffered damages in the amount of $441,050.00 ($600,000.00-$158,950.00) due to a substantial loss of equity in his home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Mansfield also represented to Offer that he would be able to refinance his loan at a later time. Offer relied on this assurance in deciding to enter into the mortgage contract. However, Offer has not been able to refinance his loan because his income is insufficient to justify the size of the loan. Defendants and Mansfield also represented that it would modify Offer's loan, and Offer relied on this representation in deciding to enter into the loan. In addition, Offer was advised by a representative of Defendants to stop making payments in order to be eligible for a modification. Offer relied on Defendants' and Defendants' representative and authorized agents advice and stopped making his monthly payments, causing him to fall even further behind. However, Offer was unable to modify his loan.

Furthermore, Defendants and Mansfield represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Offer could afford the loan; (4) he was "qualified" for his loan; (5) "qualified" meant that he could afford his loan; (6) Defendants would modify his loan in the future; and (7) he would be able to refinance his loan in the future.

Moreover, Defendants and Mansfield withheld or incompletely, inaccurately or otherwise improperly disclosed to Offer that: (1) Defendants and Mansfield knew that he could not and would not be able to afford his loan and that there was a very high probability that he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan, and did sell his loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not his; (4) that Defendants' and Loan Consultant's representations that he was "qualified" to pay his loan was not intended to communicate that he could actually "afford" the loan which he was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Offer's

1 home to require him to borrow more money with the knowledge that the true value of Offer's
2 home was insufficient to justify the amount of Offer's loan; or (7) Defendants knew that due to
3 its scheme of fraudulently manipulating and inflating property values throughout the State of
4 California that the real estate market would crash and Offer would lose substantial equity in his
5 home.

6 Based on these misrepresentations and omissions, the material facts concerning Offer's
7 loan were concealed from him, and he decided to move forward with his loan. On November 18,
8 2005, Offer signed the loan and Deed of Trust, before a notary. Had he known the truth however,
9 Offer would not have accepted the loan. As a result of Defendants' fraudulent acts described
10 throughout this complaint Offer has lost substantial equity in his home, has damaged or
11 destroyed credit, and at the time Offer entered into the loan his home was worth $600,000.00,
12 now his home is worth approximately $158,950.00. Offer did not discover any of these
13 misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law,
14 and through a complete and thorough investigation of the loan documentation, and a discussion
15 of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this
16 complaint, were brought to light on or around March 17, 2012. (True and correct copies of the
17 aforementioned documents are attached hereto as ***Exhibit* 20**.)

18 29. Plaintiffs Michael Backs and Susan-Imel Backs ("Mr. and Mrs. Backs") discussed
19 refinancing an existing mortgage on their home located at 432 Empire Avenue, Modesto, CA
20 95354 and A.P.N.: 035-040-051 with a Loan Consultant (the "Loan Consultant") and
21 representative and authorized agent of CMI and Defendants herein (the "Defendants"), in or
22 around February 2007. In the course of their discussions ranging from February 2007 until April
23 2007, Defendants and Loan Consultant steered them into a loan of which the Defendants and
24 Loan Consultant concealed and inaccurately, incompletely or otherwise improperly disclosed the
25 material terms and information concerning the loan. This loan was originated by CMI, and was
26 serviced by Citi. Mr. and Mrs. Backs' loan was originated by CMI, and the loan is currently
27 being serviced by Citi.

28 Defendants and Loan Consultant explicitly represented to Mr. and Mrs. Backs that they

could afford their loan; and further represented that they could shoulder the additional financial burden of repaying their loan in consideration of their other existing debts. Loan Consultant and Defendants further represented to Mr. and Mrs. Backs that they could rely on the assessment that they were "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Backs' lack of familiarity with how much debt a person can and should reasonably take on compared to his/her monthly income, and because Mr. and Mrs. Backs reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Mr. and Mrs. Backs should be shouldering was, Mr. and Mrs. Backs reasonably believed Defendants' and Loan Consultant's representations that they could afford their loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. An appraisal company under the direct control and supervision of Defendants conducted an appraisal on Mr. and Mrs. Backs' home, which was fraudulently inflated to an intentionally overstated value. Mr. and Mrs. Backs allege that the appraisal was artificially inflated, and that they have suffered damages due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Due to the economic crash caused by the Defendants' fraudulent acts described throughout this complaint, Mr. and Mrs. Backs suffer from financial hardship and sought the assistance of the Defendants in repaying their loan. Loan Consultant and Defendants also represented to Mr. and Mrs. Backs that they would be able to refinance their loan at a later time. Mr. and Mrs. Backs relied on this assurance in deciding to enter into the mortgage contract. However, Mr. and Mrs. Backs have not been able to refinance their loan. Loan Consultant and Defendants also represented that it would modify Mr. and Mrs. Backs' loan, and Mr. and Mrs. Backs relied on this representation in deciding to enter into the loan. In addition, Mr. and Mrs. Backs were advised by Defendants and a representative and authorized agent of Defendants to stop making payments in order to be eligible for a modification. Mr. and Mrs. Backs relied on the Defendants' and the Defendants representative and authorized agents' advice and stopped

making their monthly payments causing them to fall even further behind. However, Defendants refused to modify their loan or otherwise assist them in repaying their mortgage in order to foreclose on their home. The Defendants wrongfully foreclosed on Mr. and Mrs. Back's home. .

Furthermore, Loan Consultant and Defendants represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Mr. and Mrs. Backs could afford the loan; (4) They were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; (6) They would be able to modify their loan in the future; and (7) They would be able to refinance their loan in the future.

Moreover, Loan Consultant and Defendants withheld or incompletely, inaccurately or otherwise improperly disclosed to Mr. and Mrs. Backs that: (1) Loan Consultant and Defendants knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Loan Consultant's and Defendants' "qualification" process was for Defendants' own protection and not theirs; (4) That Loan Consultant's and Defendants' representations that they were "qualified" to pay their loan was not intended to communicate that they could actually "afford" the loan which they were being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Mr. and Mrs. Backs' home to require them to borrow more money with the knowledge that the true value of Mr. and Mrs. Backs' home was insufficient to justify the amount of Mr. and Mrs. Backs' loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Mr. and Mrs. Backs would lose substantial equity in their home.

Based on these misrepresentations and omissions, the material facts concerning Mr. and Mrs. Backs' loan were concealed from them, and they decided to move forward with their loan. On October April 11, 2007, Mr. and Mrs. Backs signed the loan and Deed of Trust, before a

1 notary. Had they known the truth however, Mr. and Mrs. Backs would not have accepted the
2 loan. As a result of the Defendants' fraudulent acts described throughout this complaint Mr. and
3 Mrs. Backs have lost substantial equity in their home, have damaged or destroyed credit, and at
4 the time Mr. and Mrs. Backs entered into the loan their home was worth substantially more than
5 its current fair market value. Mr. and Mrs. Backs did not discover any of these
6 misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law,
7 and through a complete and thorough investigation of the loan documentation, and a discussion
8 of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this
9 complaint, were brought to light on or around April 12, 2012.
10 30. Plaintiffs John Featherstone and Deana Featherstone ("Mr. and Mrs.
11 Featherstone") discussed refinancing an existing mortgage on their property located at 5047
12 West 21st Street, Los Angeles, CA 90016 and A.P.N.: 5062-005-010 with a Loan Consultant
13 ("Loan Consultant"), a representative and authorized agent of Argent Mortgage Company, LLC,
14 a correspondent of CMI and the Defendants (the "Defendants") in or around April 2007. In the
15 course of their discussions ranging from April 2007 until June 2007, Defendants and Loan
16 Consultant steered them into a fixed rate mortgage in the amount of $372,000.00 with the
17 interest rate at 6.05%. Little did Mr. and Mrs. Featherstone know, however, their loan is a 50/30
18 balloon loan. During the first ten years the loan is amortized based on a 50-year term, and for the
19 remaining twenty years the loan will be re-amortized so that the unpaid principal is payable in
20 the 30th year of the loan. However, Loan Consultant and Defendants represented to Mr. and Mrs.
21 Featherstone that the loan was a conventional 30-year fixed loan with the best interest on the
22 market at the time. Mr. and Mrs. Featherstone's loan was originated by CMI, on the note and
23 deed of trust Argent Mortgage Company, LLC is identified as the lender, and the loan is
24 currently being serviced by CMI.
25 Further, Defendants and Loan Consultant advised them that they were eligible for a Low
26 Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low
27 documentation requirement to fraudulently inflate their income; and in doing so, Defendants and
28 Loan Consultant caused them to be placed into a loan whose payments they could not afford

given their true, *un-inflated* monthly income. Defendants and Loan Consultant altered Mr. and Mrs. Featherstone's loan application without their knowing consent or authorization as Loan Consultant completed Mr. and Mrs. Featherstone's application without giving Mr. and Mrs. Featherstone an opportunity to review the loan application.

Defendants and Loan Consultant explicitly represented to Mr. and Mrs. Featherstone that they could afford their loan; and further represented that they could shoulder the additional financial burden of repaying their loan in consideration of their other existing debts. Defendants and Loan Consultant also represented to them that they could afford a $1,971.99 monthly payment; yet failed to disclose that the monthly payment of $1,971.99 was based on a full amortization 50-year schedule, and the fully amortized monthly payment of a 30-year term was $2,561.82. Given Mr. and Mrs. Featherstone's true monthly income of $7,000.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 37%. Defendants and Loan Consultant further represented to Mr. and Mrs. Featherstone that they could rely on the assessment that they were "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Featherstone's lack of familiarity with how much debt a person can and should reasonably take on compared to their monthly income, and because Mr. and Mrs. Featherstone reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Mr. and Mrs. Featherstone should be shouldering was, Mr. and Mrs. Featherstone reasonably believed Defendants' and Loan Consultant's representations that they could afford their loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around May 27, 2007, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Mr. and Mrs. Featherstone's home, which was fraudulently inflated to an intentionally overstated value. Defendants and Loan Consultant represented that, per appraisal, Mr. and Mrs. Featherstone's home was worth $610,000.00 at the time they entered into their loan, and that such a valuation was a true and correct measure of their home's worth. The current fair market

value of Mr. and Mrs. Featherstone's home is approximately $221,694.00. Mr. and Mrs. Featherstone allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $388,306.00 ($610,000.00-$388,306.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Mr. and Mrs. Featherstone that they would be able to refinance their loan at a later time. Mr. and Mrs. Featherstone relied on this assurance in deciding to enter into the mortgage contract. However, Mr. and Mrs. Featherstone have not been able to refinance their loan because Defendants and Loan Consultant also represented that it would modify Mr. and Mrs. Featherstone's loan, and Mr. and Mrs. Featherstone relied on this representation in deciding to enter into the loan. In addition, Mr. and Mrs. Featherstone were advised by a representative of Defendants to stop making payments in order to be eligible for a modification. Mr. and Mrs. Featherstone relied on Defendants' and representatives and authorized agents' advice and stopped making his monthly payments causing them to fall even further behind. Although Defendants offered Mr. and Mrs. Featherstone a 3-month trial loan modification, Defendants ultimately rejected Mr. and Mrs. Featherstone's modification.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Mr. and Mrs. Featherstone could afford the loan; (4) they were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; (6) Defendants would modify their loan in the future; and (7) they would be able to refinance their loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Mr. and Mrs. Featherstone that: (1) Defendants and Loan Consultant knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an

1 incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants'
2 and Loan Consultant's "qualification" process was for Defendants' own protection and not
3 theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to
4 pay their loan was not intended to communicate that they could actually "afford" the loan which
5 they were being given; (5) Defendants had abandoned its conventional lending business, prudent
6 lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the
7 appraiser to over-value Mr. and Mrs. Featherstone's home to require them to borrow more
8 money with the knowledge that the true value of Mr. and Mrs. Featherstone's home was
9 insufficient to justify the amount of Mr. and Mrs. Featherstone's loan; or (7) Defendants knew
10 that due to its scheme of fraudulently manipulating and inflating property values throughout the
11 State of California that the real estate market would crash and Featherstone would lose
12 substantial equity in their home.

13 Based on these misrepresentations, the material facts concerning Mr. and Mrs.
14 Featherstone's loan were concealed from them, and they decided to move forward with their
15 loan. On June 19, 2007, Mr. and Mrs. Featherstone signed the loan and Deed of Trust, before a
16 notary. Had they known the truth however, Mr. and Mrs. Featherstone would not have accepted
17 the loan. As a result of Defendants' fraudulent acts described throughout this complaint Mr. and
18 Mrs. Featherstone have lost substantial equity in their home, have damaged or destroyed credit,
19 and at the time Mr. and Mrs. Featherstone entered into the loan their home was worth
20 $610,000.00, now their home is worth approximately $388,306.00. Mr. and Mrs. Featherstone
21 did not discover any of these misrepresentations until after a consultation with legal counsel at
22 Brookstone Law, and through a complete and thorough investigation of the loan documentation,
23 and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described
24 throughout this complaint, were brought to light on or around January 13, 2012. (True and
25 correct copies of the aforementioned documents are attached hereto as ***Exhibit* 21**.)

26 31. Plaintiffs Guillermo and Soledad Martinez ("Mr. and Mrs. Martinez") discussed
27 refinancing an existing mortgage on their property located at 2943 South Hobart Boulevard, Los
28 Angeles, CA 90018 and A.P.N.: 5053-009-027 with a Loan Consultant ("Loan Consultant") and

1 representative and authorized agent and representative of Citi and the Defendants (the
2 "Defendants"), in or around March 2006. In the course of their discussions ranging from March
3 2006 until April 2006, Defendants and Loan Consultant steered them to enter into a fixed rate
4 mortgage in the amount of $412,976.48 for a term of 30 years and with an interest rate of
5 8.082%. This loan was originated by Citi with Citicorp Trust Bank, fsb identified as the lender
6 under the Deed of Trust, and this loan is currently being serviced by Citi.
7 Further, Defendants and Loan Consultant advised them that they were eligible for a Low
8 Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low
9 documentation requirement to fraudulently inflate their income by $4,000.00, a factor of 88%;
10 and in doing so, Defendants and Loan Consultant caused them to be placed into a loan whose
11 payments they could not afford given their true, *un-inflated* monthly income. Defendants and
12 Loan Consultant altered Mr. and Mrs. Martinez's loan application without their knowing consent
13 or authorization as Loan Consultant completed Mr. and Mrs. Martinez's application without
14 giving Mr. and Mrs. Martinez an opportunity to review the loan application.
15 Defendants and Loan Consultant explicitly represented to Mr. and Mrs. Martinez that
16 they could afford their loan; and further represented that they could shoulder the additional
17 financial burden of repaying their loan in consideration of their other existing debts. Defendants
18 and Loan Consultant also represented to them that they could afford a $3,053.84 monthly
19 payment, despite their $4,500.00 true monthly income (a "front-end" debt-to-income ratio,
20 meaning a debt-to-income ratio, before any other debts are even considered, of over 67%- in
21 excess of industry standard underwriting guidelines, and in excess of Defendants' own
22 underwriting guidelines). Defendants and Loan Consultant further represented to Mr. and Mrs.
23 Martinez that they could rely on the assessment that they were "qualified" to mean that they
24 could afford the loan. Because of Mr. and Mrs. Martinez's lack of familiarity with how much
25 debt a person can and should reasonably take on compared to their monthly income, and because
26 Mr. and Mrs. Martinez reasonably relied on Defendants' and Loan Consultant's expertise that
27 any payment they were "qualified" for would take into account what the maximum debt a person
28 such as Mr. and Mrs. Martinez should be shouldering was, Mr. and Mrs. Martinez reasonably

believed Defendants' and Loan Consultant's representations that they could afford their loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around March 16, 2006, Chesapeake Appraisal Services, an appraisal company under the direct control and supervision of Defendants, conducted an appraisal on Mr. and Mrs. Martinez's home, which was fraudulently inflated to an intentionally overstated value. Mr. and Mrs. Martinez's loan documentation indicates that their home was worth $650,000.00 at the time they entered into their loan. The current fair market value of Mr. and Mrs. Martinez's home is approximately $213,340.00. Mr. and Mrs. Martinez allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $418,660.00 ($650,000.00-$231,340.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Mr. and Mrs. Martinez that they would be able to refinance their loan at a later time. Mr. and Mrs. Martinez relied on this assurance in deciding to enter into the mortgage contract. However, Mr. and Mrs. Martinez have not been able to refinance their loan.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Mr. and Mrs. Martinez could afford the loan; (4) they were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; and (6) they would be able to refinance their loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Mr. and Mrs. Martinez that: (1) Defendants and Loan Consultant knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants'

1 and Loan Consultant's "qualification" process was for Defendants' own protection and not
2 theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to
3 pay their loan was not intended to communicate that they could actually "afford" the loan which
4 they were being given; (5) Defendants had abandoned its conventional lending business, prudent
5 lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the
6 appraiser to over-value Mr. and Mrs. Martinez's home to require them to borrow more money
7 with the knowledge that the true value of Mr. and Mrs. Martinez's home was insufficient to
8 justify the amount of Mr. and Mrs. Martinez's loan; or (7) Defendants knew that due to its
9 scheme of fraudulently manipulating and inflating property values throughout the State of
10 California that the real estate market would crash and Mr. and Mrs. Martinez would lose
11 substantial equity in their home.

12 Based on these misrepresentations, the material facts concerning Mr. and Mrs. Martinez's
13 loan were concealed from them, and they decided to move forward with their loan. On April 5,
14 2006, Mr. and Mrs. Martinez signed the loan and Deed of Trust, before a notary. Had they
15 known the truth however, Mr. and Mrs. Martinez would not have accepted the loan. As a result
16 of Defendants' fraudulent acts described throughout this complaint Mr. and Mrs. Martinez have
17 lost substantial equity in their home, have damaged or destroyed credit, and at the time Mr. and
18 Mrs. Martinez entered into the loan their home was worth $650,000.00, now their home is worth
19 approximately $213,340.00. Mr. and Mrs. Martinez did not discover any of these
20 misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a
21 complete and thorough investigation of the loan documentation, and a discussion of the
22 surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint,
23 were brought to light on or around May 4, 2012. (True and correct copies of the aforementioned
24 documents are attached hereto as ***Exhibit* 22**.)

25 32. Plaintiffs James and Pearline Gustafson ("Mr. and Mrs. Gustafson") discussed
26 obtaining a mortgage to purchase their home located at 3 Chios, Laguna Niguel, CA 92677 and
27 A.P.N.: 653-401-02 with Michele Stroube ("Stroube"), a Loan Consultant and representative and
28 authorized agent of First Capital Group, a correspondent of CMI and the Defendants (the

“Defendants”), and authorized by Defendants to lend on their behalf, in or around August 2007. In the course of their discussions ranging from August 2007 until October 2007, Defendants and Loan Consultant steered them into an Adjustable Rate Mortgage in the amount of $862,000.00 with an interest rate at 6.250% for a term of 30 years. Little did Mr. and Mrs. Gustafson know, however, payments made during the first five years of their loan were interest-only. Mr. and Mrs. Gustafson were also not advised that the interest rate was “fixed” for only five years and could adjust every twelve months thereafter. Mr. and Mrs. Gustafson’s loan was originated by CMI, on the note and deed of trust First Capital Group is identified as the lender, and the loan is currently being serviced by CMI.

Defendants and Loan Consultant represented to Mr. and Mrs. Gustafson that their monthly payment would always be $4,789.58. Although the amount of Mr. and Mrs. Gustafson’s monthly payment was $4,789.58, Defendants and Loan Consultant failed to clarify their partially true representations and advise Mr. and Mrs. Gustafson that: (1) their monthly payment would not pay down any of their principal balance during the Interest-Only period, (2) their monthly payment would drastically increase at the end of the Interest-Only period, or (3) the amount of their monthly payment would not remain “fixed” for the entire term of his loan.

Further, Defendants and Loan Consultant advised them that they were eligible for a Low Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate their income; and in doing so, Defendants and Loan Consultant caused them to be placed into a loan whose payments they could not afford given their true, *un-inflated* monthly income. Defendants and Loan Consultant altered Mr. and Mrs. Gustafson’s loan application without their knowing consent or authorization as Loan Consultant completed Mr. and Mrs. Gustafson’s application without giving Mr. and Mrs. Gustafson an opportunity to review the loan application.

Defendants and Loan Consultant also explicitly represented to Mr. and Mrs. Gustafson that they could afford their loan and further represented that they could shoulder the additional financial burden of repaying their loan in consideration of their other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $5,307.48. Defendants and

Loan Consultant further represented to Mr. and Mrs. Gustafson that they could rely on the assessment that they were "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Gustafson's lack of familiarity with how much debt a person can and should reasonably take on compared to their monthly income, and because Mr. and Mrs. Gustafson reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Mr. and Mrs. Gustafson should be shouldering was, Mr. and Mrs. Gustafson reasonably believed Defendants' and Loan Consultant's representations that they could afford their loan and its payments.

Although Defendants and Loan Consultant represented to Mr. and Mrs. Gustafson that they were "qualified" for their loan and could afford their loan and its monthly payments, Defendants and Loan Consultant misled Mr. and Mrs. Gustafson into believing that their monthly payments would always only be $4,489.58. Furthermore, at no point did Defendants or Loan Consultant clarify Mr. and Mrs. Gustafson's false belief and advise them that $4,489.58 would not be their permanent payment under the loan, or that every time they made a monthly payment in the amount of $4,489.58, they were not paying down any of their principal balance.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around September 10, 2007, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Mr. and Mrs. Gustafson's home, which was fraudulently inflated to an intentionally overstated value. Defendants and Loan Consultant represented that, per appraisal, Mr. and Mrs. Gustafson's home was worth $1,150,000.00 at the time they entered into their loan, and that such a valuation was a true and correct measure of their home's worth. The current fair market value of Mr. and Mrs. Gustafson's home is approximately $467,500.00. Mr. and Mrs. Gustafson allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $682,500.00 ($1,150,000.00-$467,500.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Mr. and Mrs. Gustafson that they would be able to refinance their loan at a later time. Mr. and Mrs. Gustafson relied on this

1 assurance in deciding to enter into the mortgage contract. However, Mr. and Mrs. Gustafson
2 have not been able to refinance their loan because there was no equity in the house.
3 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
4 reputable and complied with industry standard underwriting guidelines and were engaged in
5 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
6 made in good faith; (3) Mr. and Mrs. Gustafson could afford the loan; (4) they were "qualified"
7 for their loan; (5) "qualified" meant that they could afford their loan; (6) Defendants would
8 modify their loan in the future; and (7) they would be able to refinance their loan in the future.
9 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
10 otherwise improperly disclosed to Mr. and Mrs. Gustafson that: (1) Defendants and Loan
11 Consultant knew that they could not and would not be able to afford their loan and that there was
12 a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an
13 incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants'
14 and Loan Consultant's "qualification" process was for Defendants' own protection and not
15 theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to
16 pay their loan was not intended to communicate that they could actually "afford" the loan which
17 they were being given; (5) Defendants had abandoned its conventional lending business, prudent
18 lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the
19 appraiser to over-value Mr. and Mrs. Gustafson's home to require them to borrow more money
20 with the knowledge that the true value of Mr. and Mrs. Gustafson's home was insufficient to
21 justify the amount of Mr. and Mrs. Gustafson's loan; or (7) Defendants knew that due to its
22 scheme of fraudulently manipulating and inflating property values throughout the State of
23 California that the real estate market would crash and Mr. and Mrs. Gustafson would lose
24 substantial equity in their home.
25 Based on these misrepresentations and omissions, the material facts concerning Mr. and
26 Mrs. Gustafson's loan were concealed from them, and they decided to move forward with their
27 loan. On October 1, 2007, Mr. and Mrs. Gustafson signed the loan and Deed of Trust, before a
28 notary. Had they known the truth however, Mr. and Mrs. Gustafson would not have accepted the

1 loan. As a result of Defendants' fraudulent acts described throughout this complaint Mr. and
2 Mrs. Gustafson have lost substantial equity in their home, have damaged or destroyed credit, and
3 at the time Mr. and Mrs. Gustafson entered into the loan their home was worth $1,150,000.00,
4 now their home is worth approximately $467,500.00. Mr. and Mrs. Gustafson did not discover
5 any of these misrepresentations or omissions until after a consultation with legal counsel at
6 Brookstone Law, and through a complete and thorough investigation of the loan documentation,
7 and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described
8 throughout this complaint, were brought to light on or around May 29, 2012. (True and correct
9 copies of the aforementioned documents are attached hereto as ***Exhibit*** **23**.)
10 33. Plaintiff Hector Pineda ("Pineda") discussed refinancing an existing mortgage on
11 his property located at 913 North Helena Street, Anaheim, CA 92805 and A.P.N.: 034-231-17
12 with a Loan Consultant ("Loan Consultant"), a representative and authorized agent of ABN
13 AMRO, a correspondent of CMI and the Defendants (the "Defendants"), and authorized by
14 Defendants to lend on their behalf, in or around April 2007. In the course of their discussions
15 ranging from April 2007 until June 2007, Defendants and Loan Consultant steered him into an
16 Interest-Only ARM in the amount of $406,000.00 with an interest rate at 6.125% for a term of 30
17 years. Little did Pineda know, however, payments made during the first five years of his loan
18 were interest-only. Pineda also was not advised that the interest rate was "fixed" for only five
19 years and could adjust every twelve months thereafter. The maximum interest rate is 11.125%.
20 Pineda's loan was originated by CMI, on the note and deed of trust ABN AMRO is identified as
21 the lender, and the loan is currently being serviced by CMI.
22 Defendants and Loan Consultant represented to Pineda that his monthly payment would
23 always be $2,072.79. Although the amount of Pineda's monthly payment was $2,072.79,
24 Defendants and Loan Consultant failed to clarify their partially true representations and advise
25 Pineda that: (1) his monthly payment would not pay down any of their principal balance during
26 the Interest-Only period, (2) his monthly payment would drastically increase at the end of the
27 Interest-Only period, or (3) the amount of his monthly payment would not remain "fixed" for
28 the entire term of his loan.

Defendants and Loan Consultant altered Pineda's loan application without his knowing consent or authorization as Loan Consultant completed Pineda's application without giving Pineda an opportunity to review the loan application. Unbeknownst to him at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate his income and fraudulently inflate his rental income by more than $5,000.00; and in doing so, Defendants and Loan Consultant caused him to be placed into a loan whose payments he could not afford given his true, *un-inflated* monthly income.

Defendants and Loan Consultant also explicitly represented to Pineda that he could afford his loan and further represented that he could shoulder the additional financial burden of repaying his loan in consideration of his other existing debts; yet failed to disclose that the fully amortized monthly payment on the loan was $2,466.90. Defendants and Loan Consultant further represented to Pineda that he could rely on the assessment that he was "qualified" to mean that he could afford the loan. Because of Pineda's lack of familiarity with how much debt a person can and should reasonably take on compared to his monthly income, and because Pineda reasonably relied on Defendants' and Loan Consultant's expertise that any payment he was "qualified" for would take into account what the maximum debt a person such as Pineda should be shouldering was, Pineda reasonably believed Defendants' and Loan Consultant's representations that he could afford his loan and its payments.

Although Defendants and Loan Consultant represented to Pineda that he was "qualified" for his loan and could afford his loan and its monthly payments, Defendants and Loan Consultant misled Pineda into believing that his monthly payments would always only be $2,072.79. Furthermore, at no point did Defendants or Loan Consultant clarify Pineda's false belief and advise him that $2,072.79 would not be his permanent payment under the loan, or that every time he made a monthly payment in the amount of $2,072.79, he was not paying down any of his principal balance.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around May 25, 2007, an appraisal company under the direct control and supervision of Defendants conducted an appraisal

on Pineda's home, which was fraudulently inflated to an intentionally overstated value. The current fair market value of Pineda's home is approximately $233,750.00. Pineda alleges that the appraisal was artificially inflated, and that he has suffered due to a substantial loss of equity in his home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Pineda that he would be able to refinance his loan at a later time. Pineda relied on this assurance in deciding to enter into the mortgage contract. However, Pineda has not been able to refinance his loan. Defendants and Loan Consultant also represented that it would modify Pineda's loan, and Pineda relied on this representation in deciding to enter into the loan. In addition, Pineda was advised by a representative of Defendants, to stop making payments in order to be eligible for a modification. Pineda relied on Defendants' and Defendants' representatives and authorized agent's advice and stopped making his monthly payments causing him to fall even further behind. However, Pineda was unable to modify his loan.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Pineda could afford the loan; (4) he was "qualified" for his loan; (5) "qualified" meant that he could afford his loan; (6) Defendants would modify his loan in the future; and (7) he would be able to refinance his loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Pineda that: (1) Defendants and Loan Consultant knew that he could not and would not be able to afford his loan and that there was a very high probability that he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan, and did sell his loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not his; (4) that Defendants' and Loan Consultant's representations that he was "qualified" to pay his loan was not intended to communicate that he could actually "afford" the loan which he was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry

standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Pineda's home to require him to borrow more money with the knowledge that the true value of Pineda's home was insufficient to justify the amount of Pineda's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Pineda would lose substantial equity in his home.

Based on these misrepresentations and omissions, the material facts concerning Pineda's loan were concealed from him, and he decided to move forward with his loan. On June 12, 2007, Pineda signed the loan and Deed of Trust, before a notary. Had he known the truth however, Pineda would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Pineda has lost substantial equity in his home, has damaged or destroyed credit, and at the time Pineda entered into the loan his home was worth substantially more than the approximately $233,750.00 it is worth today. Pineda did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around June 18, 2012. (True and correct copies of the aforementioned documents are attached hereto as ***Exhibit* 24**.)

34. Plaintiffs Curtis and Kenna Melancon ("Mr. and Mrs. Melancon") discussed refinancing an existing mortgage on their property located at 1678 West Recreo Plaza, Anaheim, CA 92802 and A.P.N.: 090-635-45 with a Loan Consultant ("Loan Consultant") with LoanCity.Com, a correspondent of CMI and the Defendants (the "Defendants"), and authorized by Defendants to lend on their behalf, in or around October 2004. In the course of their discussions ranging from October 2004 until December 2004, Defendants and Loan Consultant steered them into a fixed rate mortgage in the amount of $275,000.00 with the interest at 6.000% for a term of 30 years. This loan was originated by CMI, on the note and deed of trust LoanCity.Com is identified as the lender, and the loan is currently being serviced by CMI.

Defendants and Loan Consultant advised them that they were eligible for a Low Doc

Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate their income; and in doing so, Defendants and Loan Consultant caused them to be placed into a loan whose payments they could not afford given their true, *un-inflated* monthly income. Defendants and Loan Consultant altered Mr. and Mrs. Melancon's loan application without their knowing consent or authorization as Loan Consultant completed Mr. and Mrs. Melancon's application without giving Mr. and Mrs. Melancon an opportunity to review the loan application.

Defendants and Loan Consultant explicitly represented to Mr. and Mrs. Melancon that they could afford their loan; and further represented that they could shoulder the additional financial burden of repaying their loan in consideration of their other existing debts. Defendants and Loan Consultant also represented to them that they could afford a $1,648.76 monthly payment despite being fully aware of Mr. and Mrs. Melancon's other existing debts and liabilities. Defendants and Loan Consultant further represented to Mr. and Mrs. Melancon that they could rely on the assessment that they were "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Melancon's lack of familiarity with how much debt a person can and should reasonably take on compared to their monthly income, and because Mr. and Mrs. Melancon reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Mr. and Mrs. Melancon should be shouldering was, Mr. and Mrs. Melancon reasonably believed Defendants' and Loan Consultant's representations that they could afford their loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On November 22, 2004, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Mr. and Mrs. Melancon's home, which was fraudulently inflated to $360,000.00- an intentionally overstated value. The current fair market value of Mr. and Mrs. Melancon's home is approximately $277,950.00. Mr. and Mrs. Melancon allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $143,506.00 ($360,000.00-

$216,494.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented to Mr. and Mrs. Melancon that they would be able to refinance their loan at a later time. Mr. and Mrs. Melancon relied on this assurance in deciding to enter into the mortgage contract. However, Mr. and Mrs. Melancon have not been able to refinance their loan. Defendants and Loan Consultant also represented that it would modify Mr. and Mrs. Melancon's loan, and Mr. and Mrs. Melancon relied on this representation in deciding to enter into the loan. However, Mr. and Mrs. Melancon were unable to modify their loan despite applying for the loan modification twice. On the first try, Defendants offered Mr. and Mrs. Melancon a modification, but it never sent them an application to sign. Then Mr. and Mrs. Melancon re-applied for the second time; however, Defendants refused to review their application because of Mr. and Mrs. Melancon's low credit score. Since Mr. and Mrs. Melancon were unable to afford the loan, they fell far behind on their payment and lost their home to foreclosure in 2012.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Mr. and Mrs. Melancon could afford the loan; (4) they were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; (6) Defendants would modify their loan in the future; and (7) they would be able to refinance their loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Mr. and Mrs. Melancon that: (1) Defendants and Loan Consultant knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not theirs; (4) that Defendants' and Loan Consultant's representations that they was "qualified" to pay their loan was not intended to communicate that they could actually "afford" the loan which

1 they was being given; (5) Defendants had abandoned its conventional lending business, prudent
2 lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the
3 appraiser to over-value Mr. and Mrs. Melancon's home to require them to borrow more money
4 with the knowledge that the true value of Mr. and Mrs. Melancon's home was insufficient to
5 justify the amount of Mr. and Mrs. Melancon's loan; or (7) Defendants knew that due to its
6 scheme of fraudulently manipulating and inflating property values throughout the State of
7 California that the real estate market would crash and Mr. and Mrs. Melancon would lose
8 substantial equity in their home.

9 Based on these misrepresentations, the material facts concerning Mr. and Mrs.
10 Melancon's loan were concealed from them, and they decided to move forward with their loan.
11 On January 5, 2005, Mr. and Mrs. Melancon signed the loan and Deed of Trust, before a notary.
12 Had they known the truth however, Mr. and Mrs. Melancon would not have accepted the loan.
13 As a result of Defendants' fraudulent acts described throughout this complaint Mr. and Mrs.
14 Melancon have lost substantial equity in their home, have damaged or destroyed credit, and at
15 the time Mr. and Mrs. Melancon entered into the loan their home was worth $360,000.00, now
16 their home is worth approximately $216,494.00. Mr. and Mrs. Melancon did not discover any of
17 these misrepresentations until after a consultation with legal counsel at Brookstone Law, and
18 through a complete and thorough investigation of the loan documentation, and a discussion of
19 the surrounding facts, the fraudulent acts of the Defendants, as described throughout this
20 complaint, were brought to light on or around July 2, 2012. (True and correct copies of the
21 aforementioned documents are attached hereto as ***Exhibit* 25**.)

22 35. Plaintiffs David and Gaviela Zamora ("Mr. and Mrs. Zamora") discussed
23 refinancing an existing mortgage on their property located at 15922 Arbury Street, Hesperia, CA
24 92345 and A.P.N.: 0397-142-12 with a Loan Consultant ("Loan Consultant"), and representative
25 and authorized agent of AMC Mortgage Services Company, a correspondent of CMI and the
26 Defendants (the "Defendants"), and authorized by Defendants to lend on their behalf, in or
27 around August 2006. In the course of their discussions ranging from August 2006 until October
28 2006, Defendants and Loan Consultant steered them into an Adjustable Rate Mortgage in the

1 amount of $357,000.00 with the interest rate at 9.000% for a term of 30 years. This loan was
2 originated by CMI, on the note and deed of trust AMC Mortgage Services Company is identified
3 as the lender, and the loan was serviced by Wells Fargo.

4 Further, Defendants and Loan Consultant advised them that they were eligible for a Low
5 Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low
6 documentation requirement to fraudulently inflate their income; and in doing so, Defendants and
7 Loan Consultant caused them to be placed into a loan whose payments they could not afford
8 given their true, *un-inflated* monthly income. Defendants and Loan Consultant altered Mr. and
9 Mrs. Zamora's loan application without their knowing consent or authorization as Loan
10 Consultant completed Mr. and Mrs. Zamora's application without giving Mr. and Mrs. Zamora
11 an opportunity to review the loan application.

12 Defendants and Loan Consultant explicitly represented to Mr. and Mrs. Zamora that they
13 could afford their loan; and further represented that they could shoulder the additional financial
14 burden of repaying their loan in consideration of their other existing debts. Defendants and Loan
15 Consultant also represented to them that they could afford a $2,872.50 monthly payment, despite
16 their $5,461.00 true monthly income (a "front-end" debt-to-income ratio, meaning a debt-to-
17 income ratio, before any other debts are even considered, of over 53%- in excess of industry
18 standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines).
19 Defendants and Loan Consultant further represented to Mr. and Mrs. Zamora that they could rely
20 on the assessment that they were "qualified" to mean that they could afford the loan. Because of
21 Mr. and Mrs. Zamora's lack of familiarity with how much debt a person can and should
22 reasonably take on compared to their monthly income, and because Mr. and Mrs. Zamora
23 reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were
24 "qualified" for would take into account what the maximum debt a person such as Mr. and Mrs.
25 Zamora should be shouldering was, Mr. and Mrs. Zamora reasonably believed Defendants' and
26 Loan Consultant's representations that they could afford their loan and its payments.

27 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
28 on behalf of Defendants were accurate and made in good faith. On or around September 27,

2006, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Mr. and Mrs. Zamora's home, which was fraudulently inflated to an intentionally overstated value. Defendants and Loan Consultant represented that, per appraisal, Mr. and Mrs. Zamora's home was worth $450,000.00 at the time they entered into their loan, and that such a valuation was a true and correct measure of their home's worth. The current fair market value of Mr. and Mrs. Zamora's home is approximately $99,450.00. Mr. and Mrs. Zamora allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $350,550.00 ($450,000.00-$99,450.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Due to the economic crash caused by the Defendants' fraudulent acts described throughout this complaint, Mr. and Mrs. Zamora suffer from financial hardship and sought the assistance of the Defendants in repaying their loan. When they applied for their loan, Defendants and Loan Consultant also represented to Mr. and Mrs. Zamora that they would be able to refinance their loan at a later time. Mr. and Mrs. Zamora relied on this assurance in deciding to enter into the mortgage contract. However, Mr. and Mrs. Zamora have not been able to refinance their loan because their home no longer had sufficient equity to justify the size of their loan. Defendants ultimately refused to assist Mr. and Mrs. Zamora in repaying their loan in order to foreclose on their home. Defendants wrongfully foreclosed on their home in 2012.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Mr. and Mrs. Zamora could afford the loan; (4) they were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; (6) Defendants would modify their loan in the future; and (7) they would be able to refinance their loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Mr. and Mrs. Zamora that: (1) Defendants and Loan Consultant knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an

incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's "qualification" process was for Defendants' own protection and not theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to pay their loan was not intended to communicate that they could actually "afford" the loan which they were being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Mr. and Mrs. Zamora's home to require them to borrow more money with the knowledge that the true value of Mr. and Mrs. Zamora's home was insufficient to justify the amount of Mr. and Mrs. Zamora's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Mr. and Mrs. Zamora would lose substantial equity in their home.

Based on these misrepresentations, the material facts concerning Mr. and Mrs. Zamora's loan were concealed from them, and they decided to move forward with their loan. On October 3, 2006, Mr. and Mrs. Zamora signed the loan and Deed of Trust, before a notary. Had they known the truth however, Mr. and Mrs. Zamora would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Mr. and Mrs. Zamora have lost substantial equity in their home, have damaged or destroyed credit, and at the time Mr. and Mrs. Zamora entered into the loan their home was worth $450,000.00, now their home is worth approximately $350,550.00. Mr. and Mrs. Zamora did not discover any of these misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around March 23, 2011.

36. Plaintiff Steven Johnson ("Johnson") discussed refinancing an existing mortgage on his home located at 18831 Barry Lane, Santa Ana, CA 92705 and A.P.N.: 393-011-011 with a Loan Consultant (the "Loan Consultant") and representative and authorized agent of Citi and the Defendants herein (the "Defendants"), in or around July 2005. In the course of their discussions

ranging from July 2005 until September 2005, Defendants and Loan Consultant steered him into a loan in which the Defendants and Loan Consultant concealed and inaccurately, incompletely or otherwise improperly disclosed the material terms and information concerning the loan to him. Johnson's loan was originated by CMI, on the note and deed of trust American Brokers Conduit is identified as the lender, and the loan is currently being serviced by CMI.

Defendants and Loan Consultant explicitly represented to Johnson that he could afford his loan; and further represented that he could shoulder the additional financial burden of repaying his loan in consideration of his other existing debts. Loan Consultant and Defendants further represented to Johnson that he could rely on the assessment that he was "qualified" to mean that he could afford the loan. Because of Johnson's lack of familiarity with how much debt a person can and should reasonably take on compared to his/her monthly income, and because Johnson reasonably relied on Defendants' and Loan Consultant's expertise that any payment he was "qualified" for would take into account what the maximum debt a person such as Johnson should be shouldering was, Johnson reasonably believed Defendants' and Loan Consultant's representations that he could afford his loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. An appraisal company under the direct control and supervision of Defendants conducted an appraisal on Johnson's home, which was fraudulently inflated to an intentionally overstated value. Johnson alleges that the appraisal was artificially inflated, and that he has suffered damages due to a substantial loss of equity in his home as a result of Defendants' fraudulent inflation and other acts described herein.

Loan Consultant and Defendants also represented to Johnson that he would be able to refinance his loan at a later time. Johnson relied on this assurance in deciding to enter into the mortgage contract. However, Johnson has not been able to refinance his loan. Loan Consultant and Defendants also represented that it would modify Johnson's loan, and Johnson relied on this representation in deciding to enter into the loan. In addition, Johnson was advised by a representative and authorized agent of Defendants to stop making payments in order to be eligible for a modification. Johnson relied on Defendants' and the Defendants representative and

authorized agent's advice and stopped making his monthly payments causing him to fall even further behind. However, Johnson was unable to modify his loan.

Furthermore, Loan Consultant and Defendants represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Johnson could afford the loan; (4) He was "qualified" for his loan; (5) "qualified" meant that he could afford his loan; (6) He would be able to modify his loan in the future; and (7) He would be able to refinance his loan in the future.

Moreover, Loan Consultant and Defendants withheld or incompletely, inaccurately or otherwise improperly disclosed to Johnson that: (1) Loan Consultant and Defendants knew that he could not and would not be able to afford his loan and that there was a very high probability that he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan, and did sell his loan at fraudulently inflated prices; (3) Loan Consultant's and Defendants' "qualification" process was for Defendants' own protection and not his; (4) That Loan Consultant's and Defendants' representations that he was "qualified" to pay his loan was not intended to communicate that he could actually "afford" the loan which he was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Johnson's home to require him to borrow more money with the knowledge that the true value of Johnson's home was insufficient to justify the amount of Johnson's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Johnson would lose substantial equity in his home.

Based on these misrepresentations and omissions, the material facts concerning Johnson's loan were concealed from him, and he decided to move forward with his loan. On September 23, 2005, Johnson signed the loan and Deed of Trust, before a notary. Had he known the truth however, Johnson would not have accepted the loan. As a result of the Defendants' fraudulent acts described throughout this complaint Johnson has lost substantial equity in his

1 home, has damaged or destroyed credit, and at the time Johnson entered into the loan his home
2 was worth substantially more than its current fair market value. Johnson did not discover any of
3 these misrepresentations or omissions until after a consultation with legal counsel at Brookstone
4 Law, and through a complete and thorough investigation of the loan documentation, and a
5 discussion of the surrounding facts, the fraudulent acts of the Defendants, as described
6 throughout this complaint, were brought to light on or around May 17, 2011.
7 37. Plaintiff James Hughes ("Hughes") discussed obtaining a mortgage on his home
8 located at 1071 Florey Street, Perris, CA 92571 and A.P.N.: 311-232-016 with a loan consultant
9 (the "Loan Consultant"), and representative and authorized agent of Centralbanc Mortgage
10 Corporation, a correspondence of Citi Residential and Defendants herein (the "Defendants") in
11 or around February 2008. In the course of their discussions ranging from February 2008 until
12 April 2008, Defendants and Loan Consultant steered him into a loan, of which the Defendants
13 and Loan Consultant concealed and inaccurately, incompletely or otherwise improperly
14 disclosed the material terms and information concerning the loan to him. This loan was
15 originated by Centralbanc Mortgage Corporation, on the note and deed of trust Centralbanc
16 Mortgage Corporation is identified as the lender, and Citi Residential is currently servicing the
17 loan.
18 Defendants and Loan Consultant explicitly represented to Hughes that he could afford his
19 loan; and further represented that he could shoulder the additional financial burden of repaying
20 his loan in consideration of his other existing debts. Loan Consultant and Defendants further
21 represented to Hughes that he could rely on the assessment that he was "qualified" to mean that
22 he could afford the loan. Because of Hughes's lack of familiarity with how much debt a person
23 can and should reasonably take on compared to his/her monthly income, and because Hughes
24 reasonably relied on Defendants' and Loan Consultant's expertise that any payment he was
25 "qualified" for would take into account what the maximum debt a person such as Hughes should
26 be shouldering was, Hughes reasonably believed Defendants' and Loan Consultant's
27 representations that he could afford his loan and its payments.
28 In addition, Defendants and Loan Consultant represented that appraisals conducted by or

1 on behalf of Defendants were accurate and made in good faith. An appraisal company under the
2 direct control and supervision of Defendants conducted an appraisal on Hughes's home, which
3 was fraudulently inflated to an intentionally overstated value. Hughes alleges that the appraisal
4 was artificially inflated, and that he has suffered damages due to a substantial loss of equity in
5 his home as a result of Defendants' fraudulent inflation and other acts described herein.

6 Loan Consultant and Defendants also represented to Hughes that he would be able to
7 refinance his loan at a later time. Hughes relied on this assurance in deciding to enter into the
8 mortgage contract. However, Hughes has not been able to refinance his loan. Loan Consultant
9 and Defendants also represented that it would modify Hughes's loan, and Hughes relied on this
10 representation in deciding to enter into the loan. In addition, Hughes was advised by a
11 representative and authorized agent of Defendants to stop making payments in order to be
12 eligible for a modification. Hughes relied on Defendants' and the Defendants representative and
13 authorized agent's advice and stopped making his monthly payments causing him to fall even
14 further behind. However, Defendants refused to modify Hughes's loan in order to foreclose on
15 his home. Defendants wrongfully foreclosed on Hughes's home.

16 Furthermore, Loan Consultant and Defendants represented that: (1) Defendants were
17 reputable and complied with industry standard underwriting guidelines and were engaged in
18 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
19 made in good faith; (3) Hughes could afford the loan; (4) He was "qualified" for his loan; (5)
20 "qualified" meant that he could afford his loan; (6) He would be able to modify his loan in the
21 future; and (7) He would be able to refinance his loan in the future.

22 Moreover, Loan Consultant and Defendants withheld or incompletely, inaccurately or
23 otherwise improperly disclosed to Hughes that: (1) Loan Consultant and Defendants knew that
24 he could not and would not be able to afford his loan and that there was a very high probability
25 that he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan,
26 and did sell his loan at fraudulently inflated prices; (3) Loan Consultant's and Defendants'
27 "qualification" process was for Defendants' own protection and not his; (4) That Loan
28 Consultant's and Defendants' representations that he was "qualified" to pay his loan was not

intended to communicate that he could actually "afford" the loan which he was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value

Hughes's home to require him to borrow more money with the knowledge that the true value of Hughes's home was insufficient to justify the amount of Hughes's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Hughes would lose substantial equity in his home.

Based on these misrepresentations and omissions, the material facts concerning Hughes's loan were concealed from him, and he decided to move forward with his loan. On April 11, 2008, Hughes signed the loan and Deed of Trust, before a notary. Had he known the truth however, Hughes would not have accepted the loan. As a result of the Defendants' fraudulent acts described throughout this complaint Hughes has lost substantial equity in his home, has damaged or destroyed credit, and at the time Hughes entered into the loan his home was worth substantially more than its current fair market value. Hughes did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around September 12, 2012.

38. Plaintiffs Thomas Bailey and Kathy Bailey (collectively referred to as "Mr. and Mrs. Bailey") discussed refinancing an existing mortgage on their property located at 4309 North Babigian Avenue, Fresno, CA 93722, A.P.N.:311-613-01 with a Loan Consultant ("Loan Consultant"), a representative and authorized agent of Central Pacific Mortgage Corporation, a correspondent of CMI and Defendants herein (the "Defendants") in or around November 2005. In the course of their discussions ranging from November 2005 until January 2006, Defendants and Loan Consultant steered them into a fixed rate mortgage in the amount of $145,000.00 with an interest rate at 5.875% for a term of 15 years. This loan was originated by CMI, on the note and deed of trust Central Pacific Mortgage Corporation is identified as the lender, and CMI is

currently servicing the loan.

Further, Defendants and Loan Consultant advised them that they were eligible for a Low Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate their income by $500.00, a factor of 9%; and in doing so, Defendants and Loan Consultant caused them to be placed into a loan whose payments they could not afford given their true, *un-inflated* monthly income. Defendants and Loan Consultant altered Mr. and Mrs. Bailey's loan application without their knowing consent or authorization as Loan Consultant completed Mr. and Mrs. Bailey's application without giving Mr. and Mrs. Bailey an opportunity to review the loan application.

Defendants and Loan Consultant also explicitly represented to Mr. and Mrs. Bailey that they could afford their loan and further represented that they could shoulder the additional financial burden of repaying their loan in consideration of their other existing debts. Defendants and Loan Consultant also represented to them that they could afford a $1,213.82 monthly payment, despite their $5,800.00 true monthly income (a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 20%- even though Defendants were well aware of Mr. and Mrs. Bailey's substantial other debts). Defendants and Loan Consultant further represented to Mr. and Mrs. Bailey that they could rely on the assessment that they were "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Bailey's lack of familiarity with how much debt a person can and should reasonably take on compared to their monthly income, and because Mr. and Mrs. Bailey reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Mr. and Mrs. Bailey should be shouldering was, Mr. and Mrs. Bailey reasonably believed Defendants' and Loan Consultant's representations that they could afford their loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. On or around December 25, 2006, an appraisal company under the direct control and supervision of Defendants conducted an appraisal on Mr. and Mrs. Bailey's home, which was fraudulently inflated to an intentionally

overstated value. Mr. and Mrs. Bailey's loan documentation indicates that their home was worth $300,000.000 at the time they entered into their loan. The current fair market value of Mr. and Mrs. Bailey's home is approximately $104,224.00. Mr. and Mrs. Bailey allege that the appraisal was artificially inflated, and that they have suffered damages in the amount of $195,776.00 ($300,000.00-$104,224.00) due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Defendants and Loan Consultant also represented that it would modify Mr. and Mrs. Bailey's loan, and Mr. and Mrs. Bailey relied on this representation in deciding to enter into the loan. Lately Mr. and Mrs. Bailey have been struggling to make the monthly mortgage payments due to a huge drop in income in the family and thus applied for a loan modification with Defendants. Defendants advised Mr. and Mrs. Bailey to stop making payments in order to be eligible for a modification. Mr. and Mrs. Bailey relied on Defendants' and Defendants' representative and authorized agent's advice and stopped making their monthly payments causing them to fall even further behind. However, Defendants refused to permanently modify their loan. Defendants unfairly and fraudulently offered a loan modification called "trial payment plan," but in reality Defendants never intended to modify Mr. and Mrs. Bailey's loan. Defendants rejected the loan modification despite Mr. and Mrs. Bailey's compliance with every term of during the trial loan modification.

Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Mr. and Mrs. Bailey could afford the loan; (4) they were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; (6) Defendants would modify their loan in the future.

Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or otherwise improperly disclosed to Mr. and Mrs. Bailey that: (1) Defendants and Loan Consultant knew that they could not and would not be able to afford their loan and that there was a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an

1 incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants'
2 and Loan Consultant's "qualification" process was for Defendants' own protection and not
3 theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to
4 pay their loan was not intended to communicate that they could actually "afford" the loan which
5 they were being given; (5) Defendants had abandoned its conventional lending business, prudent
6 lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the
7 appraiser to over-value Mr. and Mrs. Bailey's home to require them to borrow more money with
8 the knowledge that the true value of Mr. and Mrs. Bailey's home was insufficient to justify the
9 amount of Mr. and Mrs. Bailey's loan; or (7) Defendants knew that due to its scheme of
10 fraudulently manipulating and inflating property values throughout the State of California that
11 the real estate market would crash and Mr. and Mrs. Bailey would lose substantial equity in their
12 home.

13 Based on these misrepresentations and omissions, the material facts concerning Mr. and
14 Mrs. Bailey's loan were concealed from them, and they decided to move forward with their loan.
15 On January 10, 2006, Mr. and Mrs. Bailey signed the loan and Deed of Trust, before a notary.
16 Had they known the truth however, Mr. and Mrs. Bailey would not have accepted the loan. As a
17 result of Defendants' fraudulent acts described throughout this complaint Mr. and Mrs. Bailey
18 have lost substantial equity in their home, have damaged or destroyed credit, and at the time Mr.
19 and Mrs. Bailey entered into the loan their home was worth $300,00.00, now their home is worth
20 approximately $104,224.00. Mr. and Mrs. Bailey did not discover any of these
21 misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law,
22 and through a complete and thorough investigation of the loan documentation, and a discussion
23 of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this
24 complaint, were brought to light on or around September 12, 2012. (True and correct copies of
25 the aforementioned documents are attached hereto as ***Exhibit* 26**.)

26 39. Plaintiffs Lorenzo Cabrera and Rosa Cabrera ("Mr. and Mrs. Cabrera") discussed
27 refinancing an existing mortgage on their property located at 20526 Vendale Drive, Lakewood,
28 CA 90715, A.P.N.: 7060-004-036 with a Loan Consultant ("Loan Consultant"), a representative

1 and authorized agent of Citimortgage and Defendants herein ("Defendants")Defendants to lend
2 on their behalf, in or around August 2007. In the course of their discussions ranging from August
3 2007 until October 2007, Defendants and Loan Consultant steered them into an adjustable rate
4 mortgage in the amount of $440,000.00 with an interest rate at 5.875% for a term of 30 years.
5 Little did Mr. and Mrs. Cabrera know, however, their interest rate was "fixed" for only 3 years,
6 and could adjust every 12 months thereafter. This loan was originated by Citimortgage, on the
7 note and deed of trust Citimortgage is identified as the lender, and Citimortgage is currently
8 servicing the loan.

9 Defendants and Loan Consultant represented to Mr. and Mrs. Cabrera that their monthly
10 payment would always be $2,602.77. Although the amount of Mr. and Mrs. Cabrera's monthly
11 payment was $2,602.77, Defendants and Loan Consultant failed to clarify their partially true
12 representations and advise Mr. and Mrs. Cabrera that: (1) their monthly payment would
13 drastically increase at the end of the "fixed" interest rate period, (2) their interest rate was not
14 "fixed" for the loan term, or (3) the amount of their monthly payment would not remain "fixed"
15 for the entire term of the loan.

16 Further, Defendants and Loan Consultant advised them that they were eligible for a Low
17 Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low
18 documentation requirement to fraudulently inflate their income; and in doing so, Defendants and
19 Loan Consultant caused them to be placed into a loan whose payments they could not afford
20 given their true, un-inflated monthly income. Defendants and Loan Consultant altered Mr. and
21 Mrs. Cabrera's loan application without their knowing consent or authorization as Loan
22 Consultant completed Mr. and Mrs. Cabrera's application without giving Mr. and Mrs. Cabrera
23 an opportunity to review the loan application.

24 Defendants and Loan Consultant also explicitly represented to Mr. and Mrs. Cabrera that
25 they could afford their loan and further represented that they could shoulder the additional
26 financial burden of repaying their loan in consideration of their other existing debts; yet failed to
27 disclose that the fully amortized monthly payment on the loan was $2,602.77. Given Mr. and
28 Mrs. Cabrera's true monthly income of $2,300, this represents a "front-end" debt-to-income

1 ratio, meaning a debt-to-income ratio, before any other debts are even considered, of over 113%-
2 grossly in excess of industry standard underwriting guidelines, and in excess of Defendants' own
3 underwriting guidelines). Defendants and Loan Consultant further represented to Mr. and Mrs.
4 Cabrera that they could rely on the assessment that they were "qualified" to mean that they could
5 afford the loan. Because of Mr. and Mrs. Cabrera's lack of familiarity with how much debt a
6 person can and should reasonably take on compared to their monthly income, and because Mr.
7 and Mrs. Cabrera reasonably relied on Defendants' and Loan Consultant's expertise that any
8 payment they were "qualified" for would take into account what the maximum debt a person
9 such as Mr. and Mrs. Cabrera should be shouldering was, Mr. and Mrs. Cabrera reasonably
10 believed Defendants' and Loan Consultant's representations that they could afford their loan and
11 its payments.

12 Although Defendants and Loan Consultant represented to Mr. and Mrs. Cabrera that they
13 were "qualified" for their loan and could afford their loan and its monthly payments, Defendants
14 and Loan Consultant misled Mr. and Mrs. Cabrera into believing that their monthly payments
15 would always only be $2,602.77. Furthermore, at no point did Defendants or Loan Consultant
16 clarify Mr. and Mrs. Cabrera's false belief and advise them that $2,602.77 would not be their
17 permanent payment under the loan, or their interest rate would not remain "fixed" for the loan
18 term.

19 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
20 on behalf of Defendants were accurate and made in good faith. On or around October 22, 2007,
21 an appraisal company under the direct control and supervision of Defendants conducted an
22 appraisal on Mr. and Mrs. Cabrera's home, which was fraudulently inflated to an intentionally
23 overstated value. Defendants and Loan Consultant represented that, per appraisal, Mr. and Mrs.
24 Cabrera's home was worth $340,000.00 at the time they entered into their loan, and that such a
25 valuation was a true and correct measure of their home's worth. The current fair market value of
26 Mr. and Mrs. Cabrera's home is approximately $323,000.00. Mr. and Mrs. Cabrera allege that
27 the appraisal was artificially inflated, and that they have suffered damages in the amount of
28 $17,000.00 ($340,000.00-$323,000.00) due to a substantial loss of equity in their home as a

1 result of Defendants' fraudulent inflation and other acts described herein.
2 Defendants and Loan Consultant also represented to Mr. and Mrs. Cabrera that they
3 would be able to refinance their loan at a later time. Mr. and Mrs. Cabrera relied on this
4 assurance in deciding to enter into the mortgage contract. However, Mr. and Mrs. Cabrera have
5 not been able to refinance their loan. Defendants and Loan Consultant also represented that it
6 would modify Mr. and Mrs. Cabrera's loan, and Mr. and Mrs. Cabrera relied on this
7 representation in deciding to enter into the loan. Mr. and Mrs. Cabrera relied on Defendants' and
8 [Defendants' representative and authorized agent's advice and stopped making their monthly
9 payments causing them to fall even further behind. However, Defendants refused to permanently
10 modify their loan.
11 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
12 reputable and complied with industry standard underwriting guidelines and were engaged in
13 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
14 made in good faith; (3) Mr. and Mrs. Cabrera could afford the loan; (4) they were "qualified" for
15 their loan; (5) "qualified" meant that they could afford their loan; (6) Defendants would modify
16 their loan in the future; and (7) they would be able to refinance their loan/ OR Defendants would
17 refinance their loan in the future.
18 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
19 otherwise improperly disclosed to Mr. and Mrs. Cabrera that: (1) Defendants and Loan
20 Consultant knew that they could not and would not be able to afford their loan and that there was
21 a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an
22 incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants'
23 and Loan Consultant's "qualification" process was for Defendants' own protection and not
24 theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to
25 pay their loan was not intended to communicate that they could actually "afford" the loan which
26 they were being given; (5) Defendants had abandoned its conventional lending business, prudent
27 lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the
28 appraiser to over-value Mr. and Mrs. Cabrera's home to require them to borrow more money

with the knowledge that the true value of Mr. and Mrs. Cabrera's home was insufficient to justify the amount of Mr. and Mrs. Cabrera's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Mr. and Mrs. Cabrera would lose substantial equity in their home.

Based on these misrepresentations and omissions, the material facts concerning Mr. and Mrs. Cabrera's loan were concealed from them, and they decided to move forward with their loan. On October 22, 2007, Mr. and Mrs. Cabrera signed the loan and Deed of Trust, before a notary. Had they known the truth however, Mr. and Mrs. Cabrera would not have accepted the loan. As a result of Defendants' fraudulent acts described throughout this complaint Mr. and Mrs. Cabrera have lost substantial equity in their home, have damaged or destroyed credit, and at the time Mr. and Mrs. Cabrera entered into the loan their home was worth $340,000.00, now their home is worth approximately $323,000.00. Mr. and Mrs. Cabrera did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around November 27, 2012.

40. Plaintiffs Pedro Quiroz and Lucina Quiroz ("Mr. and Mrs. Quiroz") discussed refinancing an existing mortgage on their home located at 11503 Peach Street, Lynwood, CA 90262 and A.P.N.: 6171-017-018 with a loan consultant (the "Loan Consultant"), and representative and authorized agent of Defendants herein (the "Defendants") in or around November 2006. In the course of their discussions ranging from November 2006 until January 2007, Defendants and Loan Consultant steered them into a loan of which the Defendants and Loan Consultant concealed and inaccurately, incompletely or otherwise improperly disclosed the material terms and information concerning the loan. This loan was originated by Citimortgage, Inc., on the note and deed of trust Citimortgage, Inc. is identified as the lender, and Nationstar is currently servicing the loan.

Defendants and Loan Consultant explicitly represented to Mr. and Mrs. Quiroz that they

1 could afford their loan; and further represented that they could shoulder the additional financial
2 burden of repaying their loan in consideration of their other existing debts. Loan Consultant and
3 Defendants further represented to Mr. and Mrs. Quiroz that they could rely on the assessment
4 that they were "qualified" to mean that they could afford the loan. Because of Mr. and Mrs.
5 Quiroz's lack of familiarity with how much debt a person can and should reasonably take on
6 compared to his/her monthly income, and because Mr. and Mrs. Quiroz reasonably relied on
7 Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would
8 take into account what the maximum debt a person such as Mr. and Mrs. Quiroz should be
9 shouldering was, Mr. and Mrs. Quiroz reasonably believed Defendants' and Loan Consultant's
10 representations that they could afford their loan and its payments.

11 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
12 on behalf of Defendants were accurate and made in good faith. An appraisal company under the
13 direct control and supervision of Defendants conducted an appraisal on Mr. and Mrs. Quiroz's
14 home, which was fraudulently inflated to an intentionally overstated value. Mr. and Mrs. Quiroz
15 allege that the appraisal was artificially inflated, and that they have suffered damages due to a
16 substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other
17 acts described herein.

18 Loan Consultant and Defendants also represented to Mr. and Mrs. Quiroz that they would
19 be able to refinance their loan at a later time. Mr. and Mrs. Quiroz relied on this assurance in
20 deciding to enter into the mortgage contract. However, Mr. and Mrs. Quiroz have not been able
21 to refinance their loan. Loan Consultant and Defendants also represented that it would modify
22 Mr. and Mrs. Quiroz's loan, and Mr. and Mrs. Quiroz relied on this representation in deciding to
23 enter into the loan. In addition, Mr. and Mrs. Quiroz were advised by a representative and
24 authorized agent of Defendants to stop making payments in order to be eligible for a
25 modification. Mr. and Mrs. Quiroz relied on the Defendants' and the Defendants representative
26 and authorized agents' advice and stopped making their monthly payments causing them to fall
27 even further behind. However, Mr. and Mrs. Quiroz were unable to modify their loan.

28 Furthermore, Loan Consultant and Defendants represented that: (1) Defendants were

1 reputable and complied with industry standard underwriting guidelines and were engaged in
2 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
3 made in good faith; (3) Mr. and Mrs. Quiroz could afford the loan; (4) They were "qualified" for
4 their loan; (5) "qualified" meant that they could afford their loan; (6) They would be able to
5 modify their loan in the future; and (7) They would be able to refinance their loan in the future.
6 Moreover, Loan Consultant and Defendants withheld or incompletely, inaccurately or
7 otherwise improperly disclosed to Mr. and Mrs. Quiroz that: (1) Loan Consultant and Defendants
8 knew that they could not and would not be able to afford their loan and that there was a very high
9 probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to
10 sell their loan, and did sell their loan at fraudulently inflated prices; (3) Loan Consultant's and
11 Defendants' "qualification" process was for Defendants' own protection and not theirs; (4) That
12 Loan Consultant's and Defendants' representations that they were "qualified" to pay their loan
13 was not intended to communicate that they could actually "afford" the loan which they was
14 being given; (5) Defendants had abandoned its conventional lending business, prudent lending
15 standards, and industry standard underwriting guidelines; (6) Defendants influenced the
16 appraiser to over-value Mr. and Mrs. Quiroz's home to require them to borrow more money with
17 the knowledge that the true value of Mr. and Mrs. Quiroz's home was insufficient to justify the
18 amount of Mr. and Mrs. Quiroz's loan; or (7) Defendants knew that due to its scheme of
19 fraudulently manipulating and inflating property values throughout the State of California that
20 the real estate market would crash and Mr. and Mrs. Quiroz would lose substantial equity in their
21 home.
22 Based on these misrepresentations and omissions, the material facts concerning Mr. and
23 Mrs. Quiroz's loan were concealed from them, and they decided to move forward with their loan.
24 On Date, Mr. and Mrs. Quiroz signed the loan and Deed of Trust, before a notary. Had they
25 known the truth however, Mr. and Mrs. Quiroz would not have accepted the loan. As a result of
26 the Defendants' fraudulent acts described throughout this complaint Mr. and Mrs. Quiroz have
27 lost substantial equity in their home, have damaged or destroyed credit, and at the time Mr. and
28 Mrs. Quiroz entered into the loan their home was worth substantially more than its current fair

market value. Mr. and Mrs. Quiroz did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around January 21, 2013.

41. Plaintiffs Jaime Acre and Ana Garcia ("Acre and Garcia") discussed refinancing an existing mortgage on their home located at 1047 W 49th Street, Los Angeles, CA 90037 and A.P.N.:5017-028-013 with a loan consultant (the "Loan Consultant"), and representative and authorized agent of Defendants herein (the "Defendants") in or around November 2007. In the course of their discussions ranging from November 2007 until January 2008, Defendants and Loan Consultant steered them into a loan of which the Defendants and Loan Consultant concealed and inaccurately, incompletely or otherwise improperly disclosed the material terms and information concerning the loan. This loan was originated by Advantix Lending, Inc., on the note and deed of trust Advantix Lending, Inc. is identified as the lender, and Citimortgage, Inc. was the servicer of the loan.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. An appraisal company under the direct control and supervision of Defendants conducted an appraisal on Acre and Garcia's home, which was fraudulently inflated to an intentionally overstated value. Acre and Garcia allege that the appraisal was artificially inflated, and that they have suffered damages due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Loan Consultant and Defendants also represented to Acre and Garcia that they would be able to refinance their loan at a later time. Acre and Garcia relied on this assurance in deciding to enter into the mortgage contract. However, Acre and Garcia have not been able to refinance their loan. Loan Consultant and Defendants also represented that it would modify Acre and Garcia's loan, and Acre and Garcia relied on this representation in deciding to enter into the loan. In addition, Acre and Garcia were advised by a representative and authorized agent of

Defendants to stop making payments in order to be eligible for a modification. Acre and Garcia relied on the Defendants' and the Defendants representative and authorized agents' advice and stopped making their monthly payments causing them to fall even further behind. However, Acre and Garcia were unable to modify their loan.

On January 9, 2008, Acre and Garcia signed the loan and Deed of Trust, before a notary. Had they known the truth however, Acre and Garcia would not have accepted the loan. As a result of the Defendants' fraudulent acts described throughout this complaint Acre and Garcia have lost substantial equity in their home, have damaged or destroyed credit, and at the time Acre and Garcia entered into the loan their home was worth substantially more than its current fair market value. Acre and Garcia did not discover any of these misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law, and through a complete and thorough investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint, were brought to light on or around February 20, 2013.

42. Plaintiffs Jose Canchola and Dolores Canchola ("Mr. and Mrs. Canchola") discussed refinancing an existing mortgage on their home located at 9850 Giovane Street, El Monte, CA 91733 and A.P.N.: 8102-004-007 with a loan consultant (the "Loan Consultant"), and representative and authorized agent of Defendants herein (the "Defendants") in or around October 2006. In the course of their discussions ranging from October 2006 until December 2006, Defendants and Loan Consultant steered them into a loan of which the Defendants and Loan Consultant concealed and inaccurately, incompletely or otherwise improperly disclosed the material terms and information concerning the loan. This loan was originated by Citimortgage, Inc., on the note and deed of trust New Century Mortgage Corporation is identified as the lender, and Citimortgage Inc., was the servicer of the loan.

Defendants and Loan Consultant explicitly represented to Mr. and Mrs. Canchola that they could afford their loan; and further represented that they could shoulder the additional financial burden of repaying their loan in consideration of their other existing debts. Loan Consultant and Defendants further represented to Mr. and Mrs. Canchola that they could rely on

the assessment that they were "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Canchola's lack of familiarity with how much debt a person can and should reasonably take on compared to his/her monthly income, and because Mr. and Mrs. Canchola reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Mr. and Mrs. Canchola should be shouldering was, Mr. and Mrs. Canchola reasonably believed Defendants' and Loan Consultant's representations that they could afford their loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. An appraisal company under the direct control and supervision of Defendants conducted an appraisal on Mr. and Mrs. Canchola's home, which was fraudulently inflated to an intentionally overstated value. Mr. and Mrs. Canchola allege that the appraisal was artificially inflated, and that they have suffered damages due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Loan Consultant and Defendants also represented to Mr. and Mrs. Canchola that they would be able to refinance their loan at a later time. Mr. and Mrs. Canchola relied on this assurance in deciding to enter into the mortgage contract. However, Mr. and Mrs. Canchola have not been able to refinance their loan. Loan Consultant and Defendants also represented that it would modify Mr. and Mrs. Canchola's loan, and Mr. and Mrs. Canchola relied on this representation in deciding to enter into the loan. In addition, Mr. and Mrs. Canchola were advised by a representative and authorized agent of Defendants to stop making payments in order to be eligible for a modification. Mr. and Mrs. Canchola relied on the Defendants' and the Defendants representative and authorized agents' advice and stopped making their monthly payments causing them to fall even further behind. However, Mr. and Mrs. Canchola were unable to modify their loan.

Furthermore, Loan Consultant and Defendants represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and

1 made in good faith; (3) Mr. and Mrs. Canchola could afford the loan; (4) They were "qualified"
2 for their loan; (5) "qualified" meant that they could afford their loan; (6) They would be able to
3 modify their loan in the future; and (7) They would be able to refinance their loan in the future.
4 Moreover, Loan Consultant and Defendants withheld or incompletely, inaccurately or
5 otherwise improperly disclosed to Mr. and Mrs. Canchola that: (1) Loan Consultant and
6 Defendants knew that they could not and would not be able to afford their loan and that there
7 was a very high probability that they would default and/or be foreclosed upon; (2) Defendants
8 had an incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Loan
9 Consultant's and Defendants' "qualification" process was for Defendants' own protection and
10 not theirs; (4) That Loan Consultant's and Defendants' representations that they were "qualified"
11 to pay their loan was not intended to communicate that they could actually "afford" the loan
12 which they was being given; (5) Defendants had abandoned its conventional lending business,
13 prudent lending standards, and industry standard underwriting guidelines; (6) Defendants
14 influenced the appraiser to over-value Mr. and Mrs. Canchola's home to require them to borrow
15 more money with the knowledge that the true value of Mr. and Mrs. Canchola's home was
16 insufficient to justify the amount of Mr. and Mrs. Canchola's loan; or (7) Defendants knew that
17 due to its scheme of fraudulently manipulating and inflating property values throughout the State
18 of California that the real estate market would crash and Mr. and Mrs. Canchola would lose
19 substantial equity in their home.
20 Based on these misrepresentations and omissions, the material facts concerning Mr. and
21 Mrs. Canchola's loan were concealed from them, and they decided to move forward with their
22 loan. On December 18, 2006, Mr. and Mrs. Canchola signed the loan and Deed of Trust, before a
23 notary. Had they known the truth however, Mr. and Mrs. Canchola would not have accepted the
24 loan. As a result of the Defendants' fraudulent acts described throughout this complaint Mr. and
25 Mrs. Canchola have lost substantial equity in their home, have damaged or destroyed credit, and
26 at the time Mr. and Mrs. Canchola entered into the loan their home was worth substantially
27 more than its current fair market value. Mr. and Mrs. Canchola did not discover any of these
28 misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law,

1 and through a complete and thorough investigation of the loan documentation, and a discussion
2 of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this
3 complaint, were brought to light on or around March 12, 2013.

4 43. Plaintiff Trisha Hicks ("Hicks") discussed refinancing an existing mortgage on
5 her home located at 12724 Mesa Verda, Victorville, CA 92392 and A.P.N.: 92392 with a loan
6 consultant (the "Loan Consultant"), and representative and authorized agent of Defendants
7 herein (the "Defendants") in or around January 2006. In the course of their discussions ranging
8 from January 2006 until March 2006, Defendants and Loan Consultant steered her into a loan, of
9 which the Defendants and Loan Consultant concealed and inaccurately, incompletely or
10 otherwise improperly disclosed the material terms and information concerning the loan to her.
11 This loan was originated by Citimortgage, Inc., on the note and deed of trust Citimortgage, Inc.
12 is identified as the lender, and Nationstar Mortgage, LLC is currently servicing the loan.

13 Defendants and Loan Consultant explicitly represented to Hicks that she could afford her
14 loan; and further represented that she could shoulder the additional financial burden of repaying
15 her loan in consideration of her other existing debts. Loan Consultant and Defendants further
16 represented to Hicks that she could rely on the assessment that she was "qualified" to mean that
17 she could afford the loan. Because of Hicks's lack of familiarity with how much debt a person
18 can and should reasonably take on compared to his/her monthly income, and because Hicks
19 reasonably relied on Defendants' and Loan Consultant's expertise that any payment she was
20 "qualified" for would take into account what the maximum debt a person such as Hicks should
21 be shouldering was, Hicks reasonably believed Defendants' and Loan Consultant's
22 representations that she could afford her loan and its payments.

23 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
24 on behalf of Defendants were accurate and made in good faith. An appraisal company under the
25 direct control and supervision of Defendants conducted an appraisal on Hicks's home, which was
26 fraudulently inflated to an intentionally overstated value. Hicks alleges that the appraisal was
27 artificially inflated, and that she has suffered damages due to a substantial loss of equity in her
28 home as a result of Defendants' fraudulent inflation and other acts described herein.

1 Loan Consultant and Defendants also represented to Hicks that she would be able to
2 refinance her loan at a later time. Hicks relied on this assurance in deciding to enter into the
3 mortgage contract. However, Hicks has not been able to refinance her loan. Loan Consultant
4 and Defendants also represented that it would modify Hicks's loan, and Hicks relied on this
5 representation in deciding to enter into the loan. In addition, Hicks was advised by a
6 representative and authorized agent of Defendants to stop making payments in order to be
7 eligible for a modification. Hicks relied on Defendants' and the Defendants representative and
8 authorized agent's advice and stopped making her monthly payments causing her to fall even
9 further behind. However, Hicks was unable to modify her loan.
10 Furthermore, Loan Consultant and Defendants represented that: (1) Defendants were
11 reputable and complied with industry standard underwriting guidelines and were engaged in
12 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
13 made in good faith; (3) Hicks could afford the loan; (4) She was "qualified" for her loan; (5)
14 "qualified" meant that she could afford her loan; (6) She would be able to modify her loan in the
15 future; and (7) She would be able to refinance her loan in the future.
16 Moreover, Loan Consultant and Defendants withheld or incompletely, inaccurately or
17 otherwise improperly disclosed to Hicks that: (1) Loan Consultant and Defendants knew that she
18 could not and would not be able to afford her loan and that there was a very high probability that
19 she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan,
20 and did sell her loan at fraudulently inflated prices; (3) Loan Consultant's and Defendants'
21 "qualification" process was for Defendants' own protection and not hers; (4) That Loan
22 Consultant's and Defendants' representations that she was "qualified" to pay her loan was not
23 intended to communicate that she could actually "afford" the loan which she was being given;
24 (5) Defendants had abandoned its conventional lending business, prudent lending standards, and
25 industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
26 Hicks's home to require her to borrow more money with the knowledge that the true value of
27 Hicks's home was insufficient to justify the amount of Hicks's loan; or (7) Defendants knew
28 that due to its scheme of fraudulently manipulating and inflating property values throughout the

1 State of California that the real estate market would crash and Hicks would lose substantial
2 equity in her home.
3 Based on these misrepresentations and omissions, the material facts concerning Hicks
4 loan were concealed from her, and she decided to move forward with her loan. On March 8,
5 2006, Hicks signed the loan and Deed of Trust, before a notary. Had she known the truth
6 however, Hicks would not have accepted the loan. As a result of the Defendants' fraudulent acts
7 described throughout this complaint Hicks has lost substantial equity in her home, has damaged
8 or destroyed credit, and at the time Hicks entered into the loan her home was worth substantially
9 more than its current fair market value. Hicks did not discover any of these misrepresentations
10 or omissions until after a consultation with legal counsel at Brookstone Law, and through a
11 complete and thorough investigation of the loan documentation, and a discussion of the
12 surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint,
13 were brought to light on or around March 30, 2013. .
14 44. Plaintiffs Horacio Ramos M. ("Ramos") discussed refinancing an existing
15 mortgage on their home located at 2500 S Salta Street 45, Santa Ana, CA 92704 and A.P.N.:936-
16 32-045 with a loan consultant (the "Loan Consultant"), and representative and authorized agent
17 of Defendants herein (the "Defendants") in or around March 2005. In the course of their
18 discussions ranging from March 2005 until May 2005, Defendants and Loan Consultant steered
19 them into a loan of which the Defendants and Loan Consultant concealed and inaccurately,
20 incompletely or otherwise improperly disclosed the material terms and information concerning
21 the loan. This loan was originated by CitiMortgage, Inc., on the note and deed of trust
22 PacificBanc Mortgage is identified as the lender, and Citimortgage, Inc. was the servicer of the
23 loan.
24 Defendants and Loan Consultant explicitly represented to Ramos that they could afford
25 their loan; and further represented that they could shoulder the additional financial burden of
26 repaying their loan in consideration of their other existing debts. Loan Consultant and
27 Defendants further represented to Ramos that they could rely on the assessment that they were
28 "qualified" to mean that they could afford the loan. Because of Ramos's lack of familiarity with

how much debt a person can and should reasonably take on compared to his/her monthly income, and because Ramos reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would take into account what the maximum debt a person such as Ramos should be shouldering was, Ramos reasonably believed Defendants' and Loan Consultant's representations that they could afford their loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. An appraisal company under the direct control and supervision of Defendants conducted an appraisal on Ramos's home, which was fraudulently inflated to an intentionally overstated value. Ramos alleges that the appraisal was artificially inflated, and that they have suffered damages due to a substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other acts described herein.

Loan Consultant and Defendants also represented to Ramos that they would be able to refinance their loan at a later time. Ramos relied on this assurance in deciding to enter into the mortgage contract. However, Ramos has not been able to refinance their loan. Loan Consultant and Defendants also represented that it would modify Ramos's loan, and Ramos relied on this representation in deciding to enter into the loan. In addition, Ramos was advised by a representative and authorized agent of Defendants to stop making payments in order to be eligible for a modification. Ramos relied on the Defendants' and the Defendants representative and authorized agents' advice and stopped making their monthly payments causing them to fall even further behind. However, Ramos was unable to modify their loan.

Furthermore, Loan Consultant and Defendants represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Ramos could afford the loan; (4) They were "qualified" for their loan; (5) "qualified" meant that they could afford their loan; (6) They would be able to modify their loan in the future; and (7) They would be able to refinance their loan in the future.

Moreover, Loan Consultant and Defendants withheld or incompletely, inaccurately or otherwise improperly disclosed to Ramos that: (1) Loan Consultant and Defendants knew that

1 they could not and would not be able to afford their loan and that there was a very high
2 probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to
3 sell their loan, and did sell their loan at fraudulently inflated prices; (3) Loan Consultant's and
4 Defendants' "qualification" process was for Defendants' own protection and not theirs; (4) That
5 Loan Consultant's and Defendants' representations that they were "qualified" to pay their loan
6 was not intended to communicate that they could actually "afford" the loan which they was
7 being given; (5) Defendants had abandoned its conventional lending business, prudent lending
8 standards, and industry standard underwriting guidelines; (6) Defendants influenced the
9 appraiser to over-value Ramos's home to require them to borrow more money with the
10 knowledge that the true value of Ramos's home was insufficient to justify the amount of
11 Ramos's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and
12 inflating property values throughout the State of California that the real estate market would
13 crash and Ramos would lose substantial equity in their home.

14 Based on these misrepresentations and omissions, the material facts concerning Ramos's
15 loan were concealed from them, and they decided to move forward with their loan. On May 20,
16 2005, Ramos signed the loan and Deed of Trust, before a notary. Had they known the truth
17 however, Ramos would not have accepted the loan. As a result of the Defendants' fraudulent
18 acts described throughout this complaint Ramos have lost substantial equity in their home, have
19 damaged or destroyed credit, and at the time Ramos entered into the loan their home was worth
20 substantially more than its current fair market value. Ramos did not discover any of these
21 misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law,
22 and through a complete and thorough investigation of the loan documentation, and a discussion
23 of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this
24 complaint, were brought to light on or around May 23, 2013.

25 45. Plaintiff Veronica Valadez ("Valadez") discussed refinancing an existing
26 mortgage on her home located at 13417 Sunshine Avenue, Whittier, CA 90605 and A.P.N.:
27 8028-007-042 with a loan consultant (the "Loan Consultant"), and representative and authorized
28 agent of Defendants herein (the "Defendants") in or around August 2006. In the course of their

discussions ranging from August 2006 until October 2006, Defendants and Loan Consultant steered her into a loan, of which the Defendants and Loan Consultant concealed and inaccurately, incompletely or otherwise improperly disclosed the material terms and information concerning the loan to her. This loan was originated by Argent Mortgage Company, LLC, on the note and deed of trust Argent Mortgage Company, LLC is identified as the lender, and Citimortgage, Inc. is currently servicing the loan.

Defendants and Loan Consultant explicitly represented to Valadez that she could afford her loan; and further represented that she could shoulder the additional financial burden of repaying her loan in consideration of her other existing debts. Loan Consultant and Defendants further represented to Valadez that she could rely on the assessment that she was "qualified" to mean that she could afford the loan. Because of Valadez's lack of familiarity with how much debt a person can and should reasonably take on compared to his/her monthly income, and because Valadez reasonably relied on Defendants' and Loan Consultant's expertise that any payment she was "qualified" for would take into account what the maximum debt a person such as Valadez should be shouldering was, Valadez reasonably believed Defendants' and Loan Consultant's representations that she could afford her loan and its payments.

In addition, Defendants and Loan Consultant represented that appraisals conducted by or on behalf of Defendants were accurate and made in good faith. An appraisal company under the direct control and supervision of Defendants conducted an appraisal on Valadez's home, which was fraudulently inflated to an intentionally overstated value. Valadez alleges that the appraisal was artificially inflated, and that she has suffered damages due to a substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other acts described herein.

Loan Consultant and Defendants also represented to Valadez that she would be able to refinance her loan at a later time. Valadez relied on this assurance in deciding to enter into the mortgage contract. However, Valadez has not been able to refinance her loan. Loan Consultant and Defendants also represented that it would modify Valadez's loan, and Valadez relied on this representation in deciding to enter into the loan. In addition, Valadez was advised by a representative and authorized agent of Defendants to stop making payments in order to be

eligible for a modification. Valadez relied on Defendants' and the Defendants representative and authorized agent's advice and stopped making her monthly payments causing her to fall even further behind. However, Valadez was unable to modify her loan.

Furthermore, Loan Consultant and Defendants represented that: (1) Defendants were reputable and complied with industry standard underwriting guidelines and were engaged in lending of the highest caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3) Valadez could afford the loan; (4) She was "qualified" for her loan; (5) "qualified" meant that she could afford her loan; (6) She would be able to modify her loan in the future; and (7) She would be able to refinance her loan in the future.

Moreover, Loan Consultant and Defendants withheld or incompletely, inaccurately or otherwise improperly disclosed to Valadez that: (1) Loan Consultant and Defendants knew that she could not and would not be able to afford her loan and that there was a very high probability that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan, and did sell her loan at fraudulently inflated prices; (3) Loan Consultant's and Defendants' "qualification" process was for Defendants' own protection and not hers; (4) That Loan Consultant's and Defendants' representations that she was "qualified" to pay her loan was not intended to communicate that she could actually "afford" the loan which she was being given; (5) Defendants had abandoned its conventional lending business, prudent lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Valadez's home to require her to borrow more money with the knowledge that the true value of Valadez's home was insufficient to justify the amount of Valadez's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating and inflating property values throughout the State of California that the real estate market would crash and Valadez would lose substantial equity in her home.

Based on these misrepresentations and omissions, the material facts concerning Valadez loan were concealed from her, and she decided to move forward with her loan. On October 19, 2006, Valadez signed the loan and Deed of Trust, before a notary. Had she known the truth however, Valadez would not have accepted the loan. As a result of the Defendants' fraudulent

1 acts described throughout this complaint Valadez has lost substantial equity in her home, has
2 damaged or destroyed credit, and at the time Valadez entered into the loan her home was worth
3 substantially more than its current fair market value. Valadez did not discover any of these
4 misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law,
5 and through a complete and thorough investigation of the loan documentation, and a discussion
6 of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this
7 complaint, were brought to light on or around June 24, 2013.

8 46. Plaintiff Debra Meford ("Medford") discussed refinancing an existing mortgage
9 on her home located at 4223 Yacht Harbor Drive, Stockton, CA 95204 and A.P.N.: with a loan
10 consultant (the "Loan Consultant"), and representative and authorized agent of Defendants
11 herein (the "Defendants") in or around November 2006. In the course of their discussions
12 ranging from November 2006 until January 2007, Defendants and Loan Consultant steered her
13 into a loan, of which the Defendants and Loan Consultant concealed and inaccurately,
14 incompletely or otherwise improperly disclosed the material terms and information concerning
15 the loan to her. This loan was originated by Citimortgage, Inc., on the note and deed of trust
16 American Brokers Conduit, is identified as the lender, and Citimortgage, Inc. is currently
17 servicing the loan.

18 Defendants and Loan Consultant explicitly represented to Medford that she could afford
19 her loan; and further represented that she could shoulder the additional financial burden of
20 repaying her loan in consideration of her other existing debts. Loan Consultant and Defendants
21 further represented to Medford that she could rely on the assessment that she was "qualified" to
22 mean that she could afford the loan. Because of Medford's lack of familiarity with how much
23 debt a person can and should reasonably take on compared to his/her monthly income, and
24 because Medford reasonably relied on Defendants' and Loan Consultant's expertise that any
25 payment she was "qualified" for would take into account what the maximum debt a person such
26 as Medford should be shouldering was, Medford reasonably believed Defendants' and Loan
27 Consultant's representations that she could afford her loan and its payments.

28 In addition, Defendants and Loan Consultant represented that appraisals conducted by or

1 on behalf of Defendants were accurate and made in good faith. An appraisal company under the
2 direct control and supervision of Defendants conducted an appraisal on Medford's home, which
3 was fraudulently inflated to an intentionally overstated value. Medford alleges that the appraisal
4 was artificially inflated, and that she has suffered damages due to a substantial loss of equity in
5 her home as a result of Defendants' fraudulent inflation and other acts described herein.
6 Loan Consultant and Defendants also represented to Medford that she would be able to
7 refinance her loan at a later time. Medford relied on this assurance in deciding to enter into the
8 mortgage contract. However, Medford has not been able to refinance her loan. Loan Consultant
9 and Defendants also represented that it would modify Medford's loan, and Medford relied on
10 this representation in deciding to enter into the loan. In addition, Medford was advised by a
11 representative and authorized agent of Defendants to stop making payments in order to be
12 eligible for a modification. Medford relied on Defendants' and the Defendants representative
13 and authorized agent's advice and stopped making her monthly payments causing her to fall even
14 further behind. However, Medford was unable to modify her loan.
15 Furthermore, Loan Consultant and Defendants represented that: (1) Defendants were
16 reputable and complied with industry standard underwriting guidelines and were engaged in
17 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
18 made in good faith; (3) Medford could afford the loan; (4) She was "qualified" for her loan; (5)
19 "qualified" meant that she could afford her loan; (6) She would be able to modify her loan in the
20 future; and (7) She would be able to refinance her loan in the future.
21 Moreover, Loan Consultant and Defendants withheld or incompletely, inaccurately or
22 otherwise improperly disclosed to Medford that: (1) Loan Consultant and Defendants knew that
23 she could not and would not be able to afford her loan and that there was a very high probability
24 that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her
25 loan, and did sell her loan at fraudulently inflated prices; (3) Loan Consultant's and Defendants'
26 "qualification" process was for Defendants' own protection and not hers; (4) That Loan
27 Consultant's and Defendants' representations that she was "qualified" to pay her loan was not
28 intended to communicate that she could actually "afford" the loan which she was being given;

1 (5) Defendants had abandoned its conventional lending business, prudent lending standards, and
2 industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
3 Medford's home to require her to borrow more money with the knowledge that the true value of
4 Medford's home was insufficient to justify the amount of Medford's loan; or (7) Defendants
5 knew that due to its scheme of fraudulently manipulating and inflating property values
6 throughout the State of California that the real estate market would crash and Medford would
7 lose substantial equity in her home.

8 Based on these misrepresentations and omissions, the material facts concerning Medford
9 loan were concealed from her, and she decided to move forward with her loan. On January 31,
10 2006, Medford signed the loan and Deed of Trust, before a notary. Had she known the truth
11 however, Medford would not have accepted the loan. As a result of the Defendants' fraudulent
12 acts described throughout this complaint Medford has lost substantial equity in her home, has
13 damaged or destroyed credit, and at the time Medford entered into the loan her home was worth
14 substantially more than its current fair market value. Medford did not discover any of these
15 misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law,
16 and through a complete and thorough investigation of the loan documentation, and a discussion
17 of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this
18 complaint, were brought to light on or around July 26, 2013.

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