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THE MASS LITIGATION PHENOMENON

Posted by: Peter Christensen August 31, 2015

The Mass Litigation Phenomenon Involving Llano Financing, Impac Funding and Others

It is very important that appraisers and appraisal firms – small and large – and also appraiser regulators understand a new mass litigation phenomenon that is affecting hundreds of residential appraisers in at least 10 states (so far).

Appraisers are being targeted in lawsuits by investment entities named Llano Financing Group, Mutual First, First Mutual Group and Carrington Capital Management; and behind these entities is Savant LG, aka Savant Claims Management, and its principals. As of this date, these entities have filed about 340 lawsuits against appraisers in 2014-2015. They are not banks, credit unions or any kind of regular financial institutions. They are investor-backed vehicles aiming to make money by suing appraisers. They acquire long-ago foreclosed loans for small fractions of the original principal amounts and then file lawsuits against the appraisers who performed appraisals years ago for the original lenders.

First Round. Although there were earlier sporadic cases, the first major round of mass litigation began in May 2014 with Mutual First and First Mutual filing more than 100 lawsuits against appraisers in Texas, California, Florida and New Jersey. So far, that round actually has been a spectacular failure, showing a lack of due diligence by the investors or their advisers — diligence that should have uncovered the operators' track record of failure and the significant court judgments against them by prior unhappy



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documentation, will be highly relevant information in each case; and Llano is claiming in the lawsuits, among other things, that Impac would not have funded or purchased the loans at issue in each case if the valuations had been "correct." Attorneys representing defendant appraisers in these cases will soon be seeking documents and deposition testimony from Impac and its past and present personnel.

- Because of Impac's willingness to sell/assign the rights to sue appraisers to an entity like Savant LG and the widespread litigation that has followed, appraisers are asking whether they should perform current appraisal work for Impac and its related lenders, such as CashCall, or for clients who sell or fund loans with them. Impac is the only lender/mortgage investor engaging in this practice on a widespread basis at this time.

I will be keeping appraisers up to date with more information in the future.

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ABOUT PETER CHRISTENSEN



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