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BARBARA WALDRUP, individually, and  
9 on behalf of other members of the public  
similarly situated

10 UNITED STATES DISTRICT COURT

11 CENTRAL DISTRICT OF CALIFORNIA

12 BARBARA WALDRUP, individually, and  
13 on behalf of other members of the general  
14 public similarly situated,

15 Plaintiffs,

16 vs.

17 COUNTRYWIDE FINANCIAL  
CORPORATION, a Delaware corporation,  
18 COUNTRYWIDE HOME LOANS, a New  
York corporation, COUNTRYWIDE  
19 BANK, N.A., a national association,  
BANK OF AMERICA CORPORATION, a  
20 Delaware corporation, LANDSAFE, INC.,  
a Delaware corporation, LANDSAFE  
21 APPRAISAL, INC., a California  
22 Corporation,

23 Defendants.

Case Number: 2:13-CV-08833-CAS-CW

**CLASS ACTION**

**THIRD AMENDED COMPLAINT  
FOR:**

- (1) Violations of California’s Unfair Competition Law (Cal. Bus. & Prof. Code §§ 17200 *et seq.*);
- (2) Violations of the Racketeer Influenced and Corrupt Organizations Act (18 U.S.C. § 1962(c));
- (3) Violations of the Racketeer Influenced and Corrupt Organizations Act (18 U.S.C. § 1962(d));
- (4) Fraud; and
- (5) Unjust Enrichment

**Jury Trial Demanded**

1 For her Third Amended Complaint against Defendants Countrywide Financial  
2 Corporation, Countrywide Home Loans, Inc., Countrywide Bank, N.A. (together,  
3 “Countrywide”), Bank of America Corporation (“BofA”), LandSafe, Inc., LandSafe  
4 Appraisal, Inc. (together, “LandSafe”) (collectively, “Defendants”), Plaintiff Barbara  
5 Waldrup (“Plaintiff”), individually, and on behalf of all other members of the public  
6 similarly situated, based on information and belief, alleges as follows:

7 **NATURE OF THE ACTION**

8 1. This case concerns a devious scheme perpetrated by Defendants to  
9 circumvent legal obligations imposed on Countrywide and BofA, as federally insured and  
10 regulated financial institutions, to perform real estate appraisals in accordance with the  
11 strict ethical and competency rules of the Uniform Standards of Appraisal Practice  
12 (“USPAP”), in connection with the sale and refinancing of single family homes during the  
13 period January 1, 2003 to December 31, 2008. The scheme allowed Defendants to  
14 eliminate the delay associated with performing and fulfilling the strict requirements of a  
15 USPAP appraisal, and rapidly close loans, all to the financial detriment of consumers who  
16 were forced to pay for legally-mandated USPAP “appraisals” that were never performed.  
17 In the end, through their uniform practice of systematically corrupting the appraisal  
18 process in connection with loans originated by Countrywide, Defendants produced so-  
19 called “appraisal reports” which were *not* legitimate opinions of the value of property.  
20 Rather, they were reports of a predetermined value that favored Countrywide’s cause of  
21 rapidly closing loans

22 2. During the period 2003 to 2008, Countrywide became the largest home  
23 mortgage lender in the United States, having originated over \$400 billion in loans each  
24 year. In addition to its thriving loan origination and service business, Countrywide also  
25 became a leader in the securitization of home loans. Along the way, Countrywide reaped  
26 hefty profits based on the quantity, not on the quality, of the loans it successfully  
27 originated and sold to Wall Street investors.  
28

1           3.     Recognizing that it needed to close as many loans as possible to maintain its  
2 hefty profit margins, Countrywide began removing the “toll gates” that slowed or  
3 obstructed the loan origination process. One of those “toll gates” was the ever important  
4 appraisal.

5           4.     Obtaining an appraisal is a critical element of the home buying or refinancing  
6 process because it provides a buyer or homeowner with an accurate, objective and  
7 supportable opinion of a property’s value, and it protects the financial and public policy  
8 interests in real estate transactions involving federally-regulated and federally-insured  
9 institutions like Countrywide and BofA. In that regard, Title XI of the Financial  
10 Institutions Reform Act of 1989 (“FIRREA”) *requires* financial institutions like  
11 Countrywide and BofA to obtain regulated appraisals, performed in strict compliance with  
12 USPAP’s ethical and competency requirements, in connection with a sale or refinancing  
13 of property.

14           5.     At the core of the applicable federal and state laws, as well as the ethics and  
15 competency rules of USPAP, is the requirement that professional appraisers be fully  
16 independent and objective in reaching their opinions of value.

17           6.     Because the legally-mandated USPAP appraisal had the potential to delay or  
18 terminate a prospective loan transaction and, thus, limit Countrywide’s ability to  
19 securitize and sell such loans to Wall Street, Countrywide opted for a different course of  
20 action.

21           7.     As part of the lending transaction, Countrywide required that borrowers use  
22 LandSafe as its “approved” USPAP appraisal vendor. In reality, LandSafe was  
23 Countrywide’s captive, wholly-owned subsidiary over which Countrywide exerted  
24 complete dominion and control and, through LandSafe, Countrywide controlled the  
25 process and outcome of the so-called USPAP appraisal, a fact not disclosed to prospective  
26 borrowers and homeowners.

27           8.     Countrywide and LandSafe agreed to knowingly, fraudulently, systematically  
28 and uniformly produce phony so-called USPAP “appraisals” on home loans originated by

1 Countrywide which were not performed in accordance with required USPAP standards

2 9. To do so, LandSafe, at Countrywide’s behest, employed a uniform practice  
3 of engaging in systematic, unlawful conduct with respect to the preparation of all  
4 appraisals for Countrywide loans originated from 2004 through 2008, which was designed  
5 to ensure that appraisal reports contained an inflated or manipulated property “value”  
6 which always exceeded the Countrywide loan amount, regardless of the true value of the  
7 property. In furtherance of this uniform practice, LandSafe and Countrywide engaged in  
8 conduct which included:

- 9 • refusing to utilize bona fide, independent appraisers to prepare the  
10 legally mandated USPAP appraisals;
- 11 • paying generous fees to, and otherwise rewarding, a select list of  
12 appraisers who agreed to disregard USPAP’s ethical and competency  
13 rules;
- 14 • paying generous fees to, and otherwise rewarding, a select list of  
15 appraisers who agreed to inflate property values or otherwise  
16 participate in the fraudulent scheme;
- 17 • blacklisting and otherwise retaliating against appraisers who refused to  
18 disregard the “independence” of the USPAP appraisal process, who  
19 refused to inflate property values, or who refused to otherwise  
20 participate in the fraudulent scheme; and
- 21 • withholding information from appraisers to ensure the creation of  
22 phony so-called USPAP appraisals.

23 10. In effect, through their uniform practice of systematically corrupting the  
24 appraisal process, Defendants produced so-called “appraisal reports” which were *not*  
25 legitimate opinions of value. Rather, they were reports of a predetermined value that  
26 favored Countrywide’s cause of rapidly closing loans.

27 11. And, although obtaining an USPAP appraisal was an obligation imposed on  
28 Defendants, they nevertheless sought to pass on the cost of doing so to borrowers. Thus,

1 adding insult to injury, Countrywide and LandSafe falsely represented to borrowers that  
2 they had performed “appraisals” on their properties which complied with the applicable  
3 legal and ethical USPAP standards and then required borrowers to *pay* between \$300 and  
4 \$600 for these so-called USPAP “appraisals.” In the end, however, Countrywide charged  
5 borrowers for a legally-mandated USPAP appraisals that were never performed.

### 6 JURISDICTION AND VENUE

7 12. Jurisdiction is proper in this Court under 28 U.S.C. § 1332(d)(2). The matter  
8 in controversy, exclusive of interest and costs, exceeds the sum or value of \$5,000,000  
9 and is a class action in which members of the class of plaintiffs are citizens of states  
10 different from Defendants. Further, greater than two-thirds of the members of the Class  
11 reside in states other than the states in which Defendants are citizens.

12 13. This Court also has jurisdiction over this matter under 28 U.S.C. §§ 1331,  
13 1961, 1962 and 1964. This Court has personal jurisdiction over Defendants under 18  
14 U.S.C. §1965. In addition, under 28 U.S.C. § 1367, this Court may exercise supplemental  
15 jurisdiction over the state law and common law claims because all of the claims are  
16 derived from a common nucleus of operative facts and are such that Plaintiff ordinarily  
17 would expect to try them in one judicial proceeding.

18 14. Venue lies within this judicial district under 28 U.S.C. § 1391(b), (c) and (d),  
19 and under 18. U.S.C. § 1965, because each of the Defendants transacted business in this  
20 District and because a substantial part of the events or omissions giving rise to Plaintiff’s  
21 claims in this lawsuit occurred, among other places, in this District.

### 22 PARTIES

23 15. Plaintiff Barbara Waldrup is an individual residing in Houston, Texas and is  
24 a citizen of the State of Texas.

25 16. Defendant Countrywide Financial Corporation (“Countrywide Financial”) is  
26 a Delaware corporation registered to do business throughout the United States.  
27 Countrywide Financial, through its subsidiaries Countrywide Home Loans and  
28 Countrywide Bank, was engaged in mortgage lending. It was at all relevant times the

1 publicly traded parent and holding company of the Countrywide family of companies,  
2 which had their principal place of business and national headquarters at 4500 Park  
3 Granada, Calabasas, County of Los Angeles, California.

4 17. Defendant Countrywide Home Loans, Inc. (“Countrywide Home Loans”) is a  
5 New York corporation with its principal place of business and national headquarters at  
6 4500 Park Granada, Calabasas, County of Los Angeles, California. It was at all relevant  
7 times a wholly owned and controlled subsidiary of Countrywide Financial and engaged in  
8 the business of originating mortgage loans.

9 18. Countrywide Home Loans operated a division called Full Spectrum Lending,  
10 Inc. (“FSL”) which also had its headquarters at 4500 Park Granada, Calabasas, County of  
11 Los Angeles, California. FSL was devoted to sub-prime lending and, on December 2004,  
12 FSL was merged into Countrywide Home Loans and became one of its internal divisions.

13 19. Defendant Countrywide Bank, N.A. (“Countrywide Bank”) is a national  
14 banking association headquartered at 1199 North Fairfax Street, Suite 500, Alexandria,  
15 Virginia 22314. Countrywide Bank is a wholly-owned and controlled subsidiary of  
16 Countrywide Financial and funds the loans originated by Countrywide Home Loans.

17 20. Plaintiff is informed and believes that Countrywide Financial Corporation,  
18 Countrywide Home Loans and Countrywide Bank (collectively referred to herein as  
19 “Countrywide”) together concocted the appraisal scheme alleged herein, and all stood to  
20 gain financially from the fraudulent appraisal scheme alleged herein.

21 21. Defendant Bank of America Corporation (“BofA”) is a Delaware  
22 Corporation, a bank holding company, and a financial holding company. Its principal  
23 executive offices are located at 100 N. Tyron Street, Charlotte, North Carolina.

24 22. On July 1, 2008, Countrywide Financial, and its subsidiaries including  
25 Countrywide Home Loans and Countrywide Bank, merged with Defendant BofA and, as  
26 a result, BofA became a successor-in-interest to the Countrywide family of businesses,  
27 including Countrywide Financial, Countrywide Home Loans and Countrywide Bank, and  
28 assumed liability for their conduct alleged herein.

1           23. In the months following the merger, BofA executed a plan to integrate  
2 Countrywide’s businesses into BofA through a series of transactions by which BofA  
3 would acquire control over all of Countrywide’s operations.

4           24. In April 2009, BofA informed the Federal Reserve that it would “run the  
5 combined mortgage business” under the “Bank of America brand” and that Calabasas,  
6 California, in Los Angeles County, would be the “the national headquarters for the  
7 combined mortgage business.”

8           25. Bank of America integrated the former mortgage-origination business of  
9 Countrywide Financial, including Countrywide Bank and Countrywide Home Loans, into  
10 its own mortgage business and externally branded it as “Bank of America Home Loans.”  
11 Countrywide employees became BofA employees, and BofA announced that it “ended up  
12 with the largest [mortgage] servicing platform in the country.”

13           26. An April 27, 2009 BofA press release noted that “[t]he Bank of America  
14 Home Loans brand represents the combined operations of Bank of America’s mortgage  
15 and home equity business and Countrywide Home Loans, which Bank of America  
16 acquired on July 1, 2008.”

17           27. In the months following the Countrywide-BofA merger, BofA executives and  
18 spokespersons made public statements that Countrywide’s liabilities were factored into  
19 BofA’s purchase, and that BofA intended to “clean[] up” those liabilities.

20           28. In a 2008 interview with the New York Times, BofA’s former CEO  
21 confirmed that “We looked at every aspect of the [Countrywide] deal, from their assets to  
22 potential lawsuits and we think we have a price that is a good price.”

23           29. On March 1, 2009, a BofA spokesperson stated that “We bought  
24 [Countrywide] and all of its assets and liabilities . . . We are aware of the claims and  
25 potential claims against the company and have factored those into the purchase.”

26           30. Likewise, BofA’s Form 10-K for 2009 acknowledges that “we face increased  
27 litigation risk and regulatory scrutiny as a result of the . . . Countrywide acquisitions.”

28           31. In November 2010, BofA’s current CEO addressed potential litigation arising

1 from Countrywide's operations and stated "[t]here's a lot of people out there with a lot of  
2 thoughts about how we should solve this, but at the end of the day, we will pay for the  
3 things that Countrywide did." One month later, he again confirmed to the New York  
4 Times that "Our company bought it and we'll stand up, we'll clean it up."

5 32. Plaintiff is informed and believes that, in addition to BofA's successor  
6 liability for Countrywide's conduct alleged herein, BofA also continued the conduct  
7 alleged herein after its acquisition of Countrywide in July 1, 2008 through the end of the  
8 class period on December 31, 2008.

9 33. Defendant LandSafe, Inc. ("LandSafe") is a Delaware corporation  
10 headquartered at 6400 Legacy Drive, Plano, Texas 75024. LandSafe provides loan  
11 closing products and services such as credit reports and appraisals.

12 34. Defendant LandSafe Appraisal Services, Inc. ("LandSafe Appraisal") is a  
13 California corporation headquartered at 6400 Legacy Drive, Plano, Texas 75024.  
14 LandSafe Appraisal is a wholly-owned and controlled subsidiary of LandSafe, Inc. with  
15 shared management and employees, and purports to offer appraisal services in connection  
16 with mortgage loan closings. LandSafe and LandSafe Appraisal are collectively referred  
17 to herein as "LandSafe."

18 35. Whenever, in this Complaint, reference is made to any act, deed, or conduct  
19 of Defendants committed in connection with the enterprise, the allegation means that  
20 Defendants engaged in the act, deed, or conduct by or through one or more of their  
21 officers, directors, agents, employees or representatives, each of whom was actively  
22 engaged in the management, direction, control or transaction of the ordinary business and  
23 affairs of Defendants and the enterprise.



1 **FACTUAL BACKGROUND**

2 **A. Real Estate Appraisal Standards**

3 36. An appraisal is an integral part of a real estate loan transaction. It provides a  
4 borrower or homeowner with the means to obtain an opinion of value from a licensed and  
5 qualified specialist. It also provides protection for financial and public policy interests in  
6 real estate transactions with federally-insured financial institutions like Countrywide and  
7 BofA.

8 37. Appraisals are typically governed by a number of uniform standards,  
9 regulations and laws.

10 38. In 1989, Congress adopted Title XI of the Financial Institutions Reform,  
11 Recovery, and Enforcement Act of 1989 (“FIRREA”). See 12 U.S.C. §§ 3331 *et seq.*  
12 (hereafter “Title XI”). Title XI *requires* federally-insured financial institutions like  
13 Countrywide and BofA to obtain a written appraisal that strictly conforms to USPAP  
14 standards in connection with any real property insured by the Federal Housing  
15 Administration (“FHA”). See 12 U.S.C. § 1708(f). Federal law also requires that such  
16 appraisals “be performed in accordance with uniform standards, by individuals who have  
17 demonstrated competence and whose professional conduct is subject to effective  
18 supervision.” *Id.* at § 1708(f)(1). Additionally, such USPAP appraisals “shall be  
19 performed in accordance with generally accepted appraisal standards,” and each appraisal  
20 is to be a written statement that is “independently an[d] impartially prepared by a licensed  
21 or certified appraiser setting forth an opinion of defined value of an adequately described  
22 property as of a specific date, supported by presentation and analysis of relevant market  
23 information.” 12 U.S.C. § 1708(f)(1)(A), (B).

24 39. The USPAP requires appraisers to conduct their appraisals independently and  
25 competently: “An appraiser must perform assignments with impartiality; objectivity, and  
26 independence, and without accommodation of personal interests. In appraisal practice, an  
27 appraiser must not perform as an advocate for any party or issue.” USPAP Ethics Rule.  
28 USPAP rules also provide that “[a]n appraiser must not accept an assignment that includes

1 the reporting of predetermined opinions and conclusions.” *Id.*

2 40. The USPAP also requires that an appraiser communicate the result of an  
3 appraisal in a manner “that is not misleading.” The purpose of this rule is to ensure that  
4 “the client and any intended users whose expected reliance on an appraisal may be  
5 affected by the extent of the appraiser’s investigation are properly informed and are not  
6 misled as to the scope of work.” *Id.* In this regard, the appraiser’s “scope of work” must  
7 include the research and analyses necessary to develop credible assignment results. To  
8 that end, an appraiser must not “exclude any information or procedure that would appear  
9 to be relevant to the client, an intended user, or the appraiser’s peers in the same or a  
10 similar result.” *Id.* Additionally, an appraiser “must not allow assignment conditions or  
11 other factors to limit the extent of research or analysis to such a degree that the resulting  
12 opinions and conclusions developed in an assignment are not credible in the context of the  
13 intended use of the appraisal.” *Id.*

14 41. The USPAP further provides that it is unethical for an appraiser to accept an  
15 assignment, or to have a compensation arrangement for an assignment, that is contingent  
16 on any of the following:

- 17 a. the reporting of a predetermined result (e.g., opinion of value);
- 18 b. a direction in assignment results that favors the cause of the client;
- 19 c. the amount of a value opinion;
- 20 d. the attainment of a stipulated result; or
- 21 e. the occurrence of a subsequent event directly related to the appraiser’s  
22 opinions and specific to the assignment’s purpose.

23 42. In addition, each USPAP appraisal report must contain a certification signed  
24 by the appraiser, stating that his or her compensation for completing the assignment is not  
25 contingent upon the development or reporting of a predetermined value or direction in  
26 value that favors the cause of the client. *Id.*

1           43. The USPAP standards are incorporated into federal law, 12 C.F.R. § 34.44.  
2 Such law provides that an in-house or staff appraiser at a bank “must be independent of  
3 the lending, investment, and collection functions and not involved, except as an appraiser,  
4 in the federally related transaction, and have no direct or indirect interest, financial or  
5 otherwise, in the property.” 12 C.F.R. § 34.45. And, for appraisers who are independent  
6 contractors or “fee” appraisers, the regulation similarly requires that “the appraiser shall  
7 be engaged directly by the regulated institution or its agent, and have no direct or indirect  
8 interest, financial or otherwise, in the property transaction.” 12 C.F.R. § 34.45.

9           44. Appraisers and appraisals are also regulated by state laws, including  
10 California Civil Code Section 1090.5 which provides, in pertinent part, that: “(a) No  
11 person with an interest in a real estate transaction involving a valuation shall improperly  
12 influence or attempt to improperly influence the development, reporting, result, or review  
13 of that valuation, through coercion, extortion, bribery, intimidation, compensation, or  
14 instruction.”

15           **B. Countrywide’s Fraudulent Appraisal Scheme**

16           45. Commencing in 2003, Countrywide produced hundreds of billions of dollars  
17 in loans annually and had a residential mortgage servicing portfolio in excess of  
18 \$1 trillion.

19           46. Countrywide originated mortgages through its retail operations, primarily  
20 branded as “Countrywide Home Loans,” where Countrywide acted as the loan broker  
21 (through Countrywide Home Loans) and the lender (through Countrywide Bank).  
22 Countrywide also had a large on-line mortgage origination business and, through an entity  
23 called Full Spectrum Lending, Inc. (“FSL”), engaged in sub-prime lending.

24           47. As the real estate market grew exponentially during the early 2000’s,  
25 Countrywide’s lending and loan servicing business grew rapidly. By 2004, Countrywide  
26 had become the largest mortgage lender in the United States and, to fuel its appetite for  
27 profit, Countrywide began loosening its underwriting efforts to rapidly close and sell  
28 loans to the secondary market. To that end, Countrywide viewed the appraisal process as

1 a speed bump in the road to closing a loan.

2 48. From at least 2004 and continuing through at least 2007, Countrywide  
3 maintained a database entitled “Field Review List” which contained the names of  
4 “independent” appraisers who were blacklisted by Countrywide because they refused to  
5 participate in the fraudulent scheme.. And, to further address the “problem” of  
6 “independent” appraisers impeding Countrywide’s ability to rapidly originate and sell  
7 loans, Countrywide targeted and developed an affiliation with LandSafe. Through  
8 LandSafe, Countrywide could (1) use its market size to pressure appraisers to disregard  
9 the appraisal “independence” requirements and permit Countrywide to rapidly close a  
10 loan; (2) punish appraisers who refused to “play ball;” and (3) use fraudulent appraisal  
11 “reviews” to revise legitimate appraisals to arrive at values needed to close a loan.  
12 Indeed, given Countrywide’s significant mortgage lending business, LandSafe had a  
13 strong financial incentive to play by Countrywide’s rules.

14 49. On May 13, 2009, a whistleblower named Kyle Lagow (“Lagow”) filed a  
15 sealed complaint against Countrywide, LandSafe, BofA and others for damages and civil  
16 penalties under the False Claims Act in the United States District Court for the Eastern  
17 District of New York. In May 2012, Lagow’s complaint was finally unsealed and  
18 Defendants’ phony appraisal scheme was exposed.

19 50. Lagow’s unsealed complaint contains detailed allegations concerning his  
20 first-hand knowledge of Defendants’ corrupt appraisal conduct. According to Lagow’s  
21 unsealed complaint, from June 2004 until November 2008, Lagow was employed by  
22 LandSafe, Inc. in Plano, Texas as one of the company’s original supervisory home  
23 appraisers. He was promoted to Field Valuation Manager, then Area Manager, and  
24 ultimately Assistant Vice President, Area Appraisal Manager.

25 51. Lagow’s unsealed complaint alleged that during his tenure at LandSafe, he  
26 had direct exposure to the false statements, records and/or claims made by LandSafe, its  
27 affiliate Countrywide Home Loans, FSB, Countrywide Bank and their parent  
28 Countrywide Financial. Lagow witnessed first-hand Defendants’ corruption of the

1 appraisal process in a variety of ways, including by: (1) knowingly and fraudulently  
2 inflating, and causing inflation of property appraisals on, among others, FHA-backed  
3 loans; (2) refusing to supply bona fide appraisers with documents and other materials  
4 necessary for appraisals; (3) paying above-market fees to those appraisers who  
5 disregarded the appraisal independence requirements in contravention of the law ; (4)  
6 rewarding appraisers who produced corrupt appraisals and appraisal reviews at a rate of as  
7 many as 400 per month; (5) blacklisting, retaliating against, auditing, and firing appraisers  
8 who refused to corrupt their appraisal reports in contravention of the law; (6) requiring  
9 appraisers to rely upon information outside the relevant market to justify manipulated  
10 valuations in the subject appraisals; (7) providing appraisers with false sales information,  
11 not reflecting concessions made by sellers at the time of closing, further corrupting the use  
12 of comparables to complete legitimate appraisals; and (8) retaliating against persons who  
13 questioned or criticized the pattern and practice of preparing illegitimate appraisals.

14 52. According to Lagow’s unsealed complaint, LandSafe utilized two distinct  
15 appraisal mechanisms. First, it would assign appraisal requests for Countrywide  
16 wholesale or retail loans to either outside “fee” appraisers or its “staff” appraisers. These  
17 outside “fee” appraisers were pressured to “play ball” through threats of blacklisting; and  
18 the staff appraisers were pressured directly by their employer, LandSafe, to generate a  
19 manipulated, illegitimate appraisal, as necessary to close a deal. Second, it would  
20 “review” all appraisals for Countrywide loans ostensibly as a quality control measure.  
21 However, in reality, the “review” mechanism was a sham created by Defendants to: (1)  
22 create the illusion of a robust underwriting process to verify property values; (2) allow for  
23 rewriting and inflating of any appraisal valuations that, if left undisturbed, would prevent  
24 the associated loan from closing; and (3) allow Defendants to market this sham “review”  
25 mechanism and thereby mislead investors and regulators into believing its assets were  
26 more secure and less in need of oversight than competitor products.

27 53. According to Lagow’s unsealed complaint, when he started at LandSafe in  
28 2004, he was immediately placed in a supervisory position over a team of staff appraisers

1 whose primary purpose was to perform appraisals on loans originated by Countrywide.  
2 His responsibility was to hire and train new staff appraisers in multiple states and to  
3 directly supervise these appraisers in their completion of appraisals on Countrywide loans.  
4 During his tenure at LandSafe, Lagow opened new markets for the company, hiring teams  
5 of appraisers to handle Countrywide's loans across Utah, Colorado, Arizona, Louisiana,  
6 Texas and Oklahoma.

7 54. As a supervising appraiser and ultimately Assistant Vice President and Area  
8 Manager, Lagow was involved in many communications between the LandSafe staff  
9 appraisers and Countrywide. He was also directly involved in communications between  
10 Countrywide loan originators, through LandSafe, to fee appraisers. In addition, Lagow  
11 was given a supervisory position over so-called review appraisers.

12 55. According to Lagow's unsealed complaint, early in his tenure at LandSafe,  
13 he personally observed Countrywide and LandSafe's manipulation of the appraisal  
14 process, a manipulation intended to help fill the mortgage origination pipeline. For  
15 example, in early 2005, Lagow attended a meeting with LandSafe President Todd Baur  
16 and a group of other appraisal managers. Baur told the appraisal managers, including Mr.  
17 Lagow that: (1) that they needed to quit thinking of an appraisal as a separate unit; (2)  
18 LandSafe appraisers were there to help facilitate a Countrywide loan closing; and (3) they  
19 needed to change their thought process, the clear implication being that they needed to  
20 stop thinking like appraisers and think instead like lenders trying to close a loan. Lagow  
21 and his colleagues came to understand from Baur that the appraisal manager's job at  
22 LandSafe was to make sure that appraisals did not derail Countrywide's loans.

23 56. By early 2006, Lagow had identified that Countrywide and LandSafe were  
24 exerting control over the home valuation process which resulted in manipulated appraisals  
25 which, in turn, led to routinely inflated mortgages with actual loan-to-value ratios as high  
26 as 115% -- far above the 97% permitted by the FHA insurance program -- which in turn  
27 was leading to increased foreclosures.

1           57. According to Lagow, just prior to his termination in late 2008, he learned of a  
2 formal internal audit of LandSafe's fraudulent appraisal practice conducted by a Senior  
3 Vice President at LandSafe. The audit found that the appraisals conducted by LandSafe  
4 were pre-textual, and the appraisal reports *always* communicated an inflated value  
5 necessary for Countrywide to close a loan. Despite these audit results, LandSafe  
6 continued its uniform practice of systematically preparing and charging for illegitimate  
7 appraisals at Countrywide's request.

8           **C. Defendants Defraud Plaintiff *Twice***

9           58. On or about July 16, 2004, Plaintiff applied for a loan with Countrywide  
10 Home Loans, through its FSL sub-prime division, in connection with her purchase of a  
11 home in Houston, Texas. Plaintiff dealt primarily with Countrywide loan officer Shawna  
12 Oakley, though Plaintiff also received communications from Ms. Oakley's colleagues  
13 and/or staff who did not identify themselves by name. Plaintiff is informed and believes  
14 that as part of Defendants' uniform practice of systematically corrupting the appraisal  
15 process in connection with loans originated by Countrywide, Ms. Oakley and her  
16 colleagues were authorized by Countrywide to provide Plaintiff with loan-related  
17 documents, including a loan application, Disclosure Statements, Good Faith Estimates,  
18 HUD-1 Settlement Statements, appraisals, and other loan-related documents, which  
19 contained the misrepresentations and omissions at issue in this case.

20           59. In most instances, the documents Plaintiff received were standard form  
21 statements or agreements which were prepared on Countrywide or LandSafe's letterhead  
22 and stationary, and which contained their official corporate logos. However, many of the  
23 standard form agreements were not physically signed by a Countrywide or LandSafe  
24 representative, making it impossible for Plaintiff to identify the specific corporate  
25 representative who sent such documents. Nevertheless, the representations and omissions  
26 that are the subject of this case were made by Countrywide and LandSafe through agents  
27 who were authorized to act on their behalf. In this regard, Plaintiff has identified below  
28 the names of the Countrywide and LandSafe loan officers and appraisers with whom she

1 had dealings, and who provided her with the official business records that are the subject  
2 of this case.

3 60. Countrywide Home Loans and FSL were federally-insured and federally-  
4 regulated financial institutions and, as such, were required to obtain a USPAP appraisal in  
5 connection with Plaintiff's loan transaction. However, Countrywide Home Loans and  
6 FSL were not themselves prepared to pay the cost of obtaining this legally-mandated  
7 appraisal. In that regard, in connection with Defendants' unlawful practices, in early to  
8 mid-July 2004, Ms. Oakley, on behalf of Countrywide Home Loans, through FSL,  
9 provided Plaintiff with certain loan-related documents, including certain Disclosure  
10 Statements, Good Faith Estimates, and HUD-1 Settlement Statements, which represented  
11 to Plaintiff that "Lender may require *you* to use the services of an affiliated . . . real estate  
12 appraiser, *as a condition of your loan on this property*, to represent the Lender's interests  
13 in the transaction." (emphasis added.)

14 61. To that end, as part of Defendants' uniform scheme to unlawfully charge  
15 homeowners like Plaintiff for appraisal reports containing an inflated or manipulated  
16 property "value" which always exceeded the Countrywide loan amount, regardless of the  
17 true value of the property, in the loan-related documents provided to Plaintiff,  
18 Countrywide Home Loans, via FSL, informed Plaintiff that LandSafe Appraisal, Inc. was  
19 its sole appraisal provider and that *Plaintiff* would be charged an estimated sum of \$200-  
20 \$450 for this legally-mandated USPAP appraisal.

21 62. On or about July 16, 2004, in accordance with its uniform practice of passing  
22 on the cost of the legally-mandated USPAP appraisal to borrowers, Ms. Oakley or her  
23 colleagues provided Plaintiff with loan-related documents in which Countrywide Home  
24 Loans represented to Plaintiff that, in connection with the closing of her loan, she would  
25 incur the sum of \$400.00 for the required "appraisal" performed by LandSafe.

26 63. On or about July 22, 2004, in furtherance of Defendants' unlawful appraisal  
27 scheme, LandSafe, through its agents, including Barry Johnson of William & Stuart  
28 Appraisal Corporation, prepared a document for Plaintiff entitled "Uniform Residential



1 Appraisal Report” on Plaintiff’s property which falsely represented that it had been  
2 prepared “in accordance with the Uniform Standards of Professional Appraisal Practice  
3 (USPAP) as approved by the Appraisal Standards Board of the Appraisal Foundation; the  
4 requirements to Title XI of the Financial Institution Reform, Recovery and Enforcement  
5 Act of 1989 (FIRREA); the Uniform Standards of Professional Appraisal Practice and the  
6 Code of Professional Ethics of the Appraisal Institute; all applicable state licensing and  
7 certification requirements; and all applicable Supplemental Standards.” (hereafter the  
8 “2004 Appraisal”). Plaintiff is informed and believes that Mr. Johnson and William &  
9 Stuart Appraisal Corporation were authorized by Landsafe, as part of Defendants’  
10 scheme, to make the representations and omissions contained in Plaintiff’s 2004  
11 Appraisal.

12 64. Plaintiff is informed and believes that in connection with the scheme,  
13 LandSafe, from its offices in Plano, Texas, sent, via U.S. Mail or an interstate carrier such  
14 as Federal Express, the 2004 Appraisal to Countrywide Home Loans, c/o Ms. Oakley, and  
15 Countrywide Home Loans, and then transmitted the 2004 Appraisal, via U.S. Mail or an  
16 interstate carrier such as Federal Express, to Plaintiff. Plaintiff also recalls receiving a  
17 copy of the 2004 Appraisal from Ms. Oakley during an in-person meeting in connection  
18 with the closing of her loan transaction. Plaintiff is informed and believes that LandSafe  
19 also transmitted the 2004 Appraisal directly to Plaintiff via U.S. Mail or an interstate  
20 carrier such as Federal Express.

21 65. In furtherance of Defendants’ uniform scheme to unlawfully charge  
22 homeowners like Plaintiff for appraisal reports containing an inflated or manipulated  
23 property “value” which always exceeded the Countrywide loan amount, regardless of the  
24 true value of the property, neither Countrywide Financial, Countrywide Home Loans,  
25 Countrywide Bank nor LandSafe, nor their agents identified above, disclosed to Plaintiff  
26 that the 2004 Appraisal was not prepared according to USPAP standards, regulations and  
27 laws governing appraisals and, thus, was illegitimate and violated Title XI, FIRREA,  
28 FHA requirements, and state law, among others. Instead, they concealed their fraudulent

1 appraisal scheme.

2 66. In reliance on the above misrepresentations and concealments by  
3 Countrywide Financial, Countrywide Home Loans, Countrywide Bank and LandSafe,  
4 Plaintiff paid the subject “appraisal” fee for the legally-mandated 2004 Appraisal.

5 67. Plaintiff is informed and believes that Countrywide and LandSafe shared  
6 some portion of the fee that Plaintiff paid for the 2004 Appraisal.

7 68. On or about June 6, 2007, Plaintiff applied to refinance her home loan  
8 through Countrywide Home Loans, Inc. Plaintiff is informed and believes that she dealt  
9 with Countrywide loan officers or agents Kerry Hunt and Christopher Rollman. Plaintiff  
10 is informed and believes that Messrs. Hunt and Rollman were authorized by Countrywide,  
11 as part of the scheme, to provide Plaintiff with loan-related documents, including a loan  
12 application, Disclosure Statements, Good Faith Estimates, HUD-1 Settlement Statements,  
13 appraisals, and other loan-related documents, which contained the misrepresentations and  
14 omissions at issue in this case.

15 69. Once again, Countrywide Home Loans, as a federally-insured and federally-  
16 regulated financial institution, was required to obtain a USPAP appraisal in connection  
17 with Plaintiff’s refinance transaction. Again, Countrywide Home Loans represented to  
18 Plaintiff that, the required USPAP appraisal would be performed by LandSafe Appraisal  
19 Services, Inc., its sole “approved” appraisal vendor.

20 70. On or about June 28, 2007, Countrywide Home Loans again sought to pass  
21 the cost of the legally-mandated USPAP appraisal to Plaintiff and, to that end, represented  
22 to Plaintiff that she would incur the sum of \$320.00 for the required “appraisal”  
23 performed by LandSafe.

24 71. On or about July 3, 2007, LandSafe, through its agents, including Landsafe  
25 Senior Appraiser David K. Dotson, prepared a document for Plaintiff entitled “Uniform  
26 Residential Appraisal Report” on Plaintiff’s property which falsely represented that it had  
27 been prepared “in accordance with the requirements of the Uniform Standards of  
28 Professional Appraisal Practice that were adopted and promulgated by the Appraisal

1 Standards Board of the Appraisal Foundation.” (hereafter the “2007 Appraisal”).

2 Plaintiff is informed and believes that Mr. Dotson was authorized by Landsafe, as part of  
3 the scheme, to make the representations and omissions contained in the 2004 Appraisal.

4 72. Plaintiff is informed and believes that in connection with the scheme,  
5 LandSafe, though its agents identified above, from its offices in Plano, Texas sent, via  
6 U.S. Mail or an interstate carrier such as Federal Express, the 2007 Appraisal to  
7 Countrywide Home Loans c/o Christopher Rollman. Indeed, an Order Form for the 2007  
8 Appraisal identifies the “client” collectively as “COUNTRYWIDE-FSLD/LandSafe  
9 Appraisal Services” c/o Christopher Rollman. Similarly, the 2007 Appraisal is addressed  
10 collectively to “COUNTRYWIDE-FSLD/LandSafe Appraisal Services” and Plaintiff.  
11 Plaintiff is informed and believes that Countrywide Home Loans then transmitted, via  
12 U.S. Mail or an interstate carrier such as Federal Express, the 2007 Appraisal to Plaintiff.  
13 Plaintiff is informed and believes that LandSafe also transmitted the 2007 Appraisal  
14 directly to Plaintiff via U.S. Mail or an interstate carrier such as Federal Express.

15 73. On or about July 4, 2007, Countrywide Home Loans represented to Plaintiff,  
16 as it did to other members of the Class (as defined below), that LandSafe had performed a  
17 Uniform Residential Appraisal Report of Plaintiff’s home, and, in connection with the  
18 consummation of Plaintiff’s refinancing transaction, Countrywide Home Loans  
19 represented to Plaintiff that she would be charged an “appraisal” fee of \$320.00 for the  
20 legally-mandated 2007 Appraisal.

21 74. Neither Countrywide Financial, Countrywide Home Loans, Countrywide  
22 Bank nor LandSafe, nor their agents identified above, disclosed to Plaintiff that the 2007  
23 Appraisal was not prepared according to uniform standards, regulations and laws  
24 governing appraisals and was not an independent and objective valuation of the property,  
25 and, thus, was illegitimate and violated Title XI, FIRREA, FHA requirements, and state  
26 law, among others. Instead, they concealed their fraudulent scheme to manipulate and  
27 inflate her appraisal.

28 75. In reliance on the above misrepresentations and concealments by

1 Countrywide Financial, Countrywide Home Loans, Countrywide Bank and LandSafe,  
2 Plaintiff paid the subject “appraisal” fee for the 2007 Appraisal.

3 76. Plaintiff is informed and believe that Countrywide and LandSafe shared  
4 some portion of the fee that Plaintiff paid for the 2007 Appraisal.

5 77. Plaintiff is informed and believes that both the 2004 Appraisal and the 2007  
6 appraisal were illegitimate, unsupported and violated USPAP, Title XI, FIRREA, FHA  
7 requirements, and state law, among others, because they were conducted pursuant to  
8 Defendants’ above-described uniform practice of engaging in systematic, unlawful  
9 conduct with respect to the preparation of all appraisals for Countrywide loans during the  
10 period 2004 to 2008, which was designed to ensure that appraisal reports contained an  
11 inflated or manipulated property “value” which always exceeded the Countrywide loan  
12 amount, regardless of the true value of the property.

13 78. Thus, the appraisal reports Plaintiff received not only falsely stated that they  
14 were USPAP appraisals, in fact, they were not “appraisals” at all. In that regard, through  
15 their uniform practice of systematically corrupting the appraisal process in connection  
16 with loans originated by Countrywide, Defendants produced so-called “appraisal reports”  
17 which were *not* legitimate opinions of the value of Plaintiff’s property. Rather, they were  
18 reports of a predetermined value that favored Countrywide’s cause of rapidly closing  
19 loans.

20 **TOLLING OF THE STATUE OF LIMITATIONS**

21 79. Any applicable statutes of limitations have been tolled by Defendants’  
22 knowing and active concealment, and misleading actions, as alleged herein. Plaintiff and  
23 members of the Class, as defined below, were kept ignorant of critical information  
24 required for the prosecution of their claims, without any fault or lack of diligence on their  
25 part. Plaintiff and members of the Class could not reasonably have discovered the true  
26 nature of the Defendants’ fraudulent appraisal scheme.

27 80. Defendants knowingly, affirmatively, and actively concealed the true  
28 character, quality, and nature of their fraudulent appraisal scheme. Plaintiff and members

1 of the Class reasonably relied upon Defendants’ knowing, affirmative, and active  
2 concealment. Based on the foregoing, Defendants are estopped from relying on any  
3 statutes of limitation as a defense in this action.

4 81. The causes of action alleged herein did or will only accrue upon discovery of  
5 the true nature of the charges assessed against borrowers’ accounts, as a result of  
6 Defendants’ fraudulent concealment of material facts. Plaintiff and members of the Class  
7 did not discover, and could not have discovered, through the exercise of reasonable  
8 diligence, the true nature of the unlawful conduct alleged herein.

9 **CLASS ACTION ALLEGATIONS**

10 82. Plaintiff brings this action, on behalf of herself, and all others similarly  
11 situated, as a class action under Rule 23 of the Federal Rules of Civil Procedure.

12 83. Plaintiff seeks to represent a Class defined as follows:

13 All residents of the United States of America who, during the  
14 period January 1, 2003 through December 31, 2008, obtained  
15 an appraisal from LandSafe in connection with a loan  
originated by Countrywide.

16 84. Plaintiff reserves the right to amend the Class definitions if discovery and  
17 further investigation reveals that the Class should be expanded or otherwise modified.

18 85. Plaintiff reserves the right to establish sub-classes as appropriate.

19 86. This action is brought and properly may be maintained as a class action  
20 under the provisions of Federal Rules of Civil Procedure 23(a)(1)-(4) and 23(b)(1), (b)(2)  
21 or (b)(3), and satisfies the requirements thereof. As used herein, the term “Class  
22 Members” shall mean and refer to the members of the Class.

23 87. Numerosity: While the exact number of members of the Class is unknown to  
24 Plaintiff at this time and can only be determined by appropriate discovery, membership in  
25 the Class is ascertainable based upon the records maintained by Defendants. At this time,  
26 Plaintiff is informed and believes that the Class includes hundreds of thousands of  
27 members. Therefore, the Class is sufficiently numerous that joinder of all members of the  
28 Class in a single action is impracticable under Federal Rule of Civil Procedure Rule

1 23(a)(1), and the resolution of their claims through the procedure of a class action will be  
2 of benefit to the parties and the Court.

3 88. Ascertainability: Some names and addresses of members of the Class are  
4 available from Defendants' records, and others can be ascertained through appropriate  
5 notice. Notice can be provided to the members of the Class through direct mailing,  
6 publication, or otherwise using techniques and a form of notice similar to those  
7 customarily used in consumer class actions arising under California state law and federal  
8 law.

9 89. Typicality: Plaintiff's claims are typical of the claims of the other members  
10 of the Class which she seeks to represent under Federal Rule of Civil Procedure 23(a)(3)  
11 because Plaintiff and each member of the Class has been subjected to the same deceptive  
12 and improper practices and has been damaged in the same manner thereby.

13 90. Adequacy: Plaintiff will fairly and adequately represent and protect the  
14 interests of the Class as required by Federal Rule of Civil Procedure Rule 23(a)(4).  
15 Plaintiff is an adequate representative of the Class, because she has no interests which are  
16 adverse to the interests of the members of the Class. Plaintiff is committed to the  
17 vigorous prosecution of this action and, to that end, Plaintiff has retained counsel who are  
18 competent and experienced in handling class action litigation on behalf of consumers.

19 91. Superiority: A class action is superior to all other available methods of the  
20 fair and efficient adjudication of the claims asserted in this action under Federal Rule of  
21 Civil Procedure 23(b)(3) because:

22 (a) The expense and burden of individual litigation make it economically  
23 unfeasible for members of the Class to seek to redress their claims  
24 other than through the procedure of a class action.

25 (b) If separate actions were brought by individual members of the Class,  
26 the resulting duplicity of lawsuits would cause members to seek to  
27 redress their claims other than through the procedure of a class action;  
28 and

1 (c) Absent a class action, Defendants likely would retain the benefits of  
2 their wrongdoing, and there would be a failure of justice.

3 92. Common questions of law and fact exist as to the members of the Class, as  
4 required by Federal Rule of Civil Procedure 23(a)(2), and predominate over any questions  
5 which affect individual members of the Class within the meaning of Federal Rule of Civil  
6 Procedure 23(b)(3).

7 93. The common questions of fact include, but are not limited to, the following:

- 8 (a) Whether Defendants engaged in unlawful, unfair, misleading, or  
9 deceptive business acts or practices in violation of California Business  
10 & Professions Code sections 17200 *et seq.*;
- 11 (b) Whether Defendants engaged in a pattern or practice of racketeering,  
12 as alleged herein;
- 13 (c) Whether Defendants were members of, or participants in the  
14 conspiracy alleged herein;
- 15 (d) Whether Plaintiff and members of the class sustained damages, and if  
16 so, the appropriate measure of damages; and
- 17 (e) Whether Plaintiff and members of the Class are entitled to an award of  
18 reasonable attorneys' fees, pre-judgment interest, and costs of this suit.

19 94. In the alternative, this action is certifiable under the provisions of Federal  
20 Rule of Civil Procedure 23(b)(1) and/or 23(b)(2) because:

- 21 (a) The prosecution of separate actions by individual members of the  
22 Class would create a risk of inconsistent or varying adjudications with  
23 respect to individual members of the Class which would establish  
24 incompatible standards of conduct for Defendants;
- 25 (b) The prosecution of separate actions by individual members of the  
26 Class would create a risk of adjudications as to them which would, as a  
27 practical matter, be dispositive of the interests of the other members of  
28 the Class not parties to the adjudications, or substantially impair or

1                   impede their ability to protect their interests; and

2           (c) Defendants have acted or refused to act on grounds generally  
3           applicable to the Class, thereby making appropriate final injunctive  
4           relief or corresponding declaratory relief with respect to the Class as a  
5           whole and necessitating that any such relief be extended to members of  
6           the Class on a mandatory, class-wide basis.

7           95. Plaintiff is not aware of any difficulty which will be encountered in the  
8 management of this litigation which should preclude its maintenance as a class action.

9                                   **FIRST CLAIM FOR RELIEF**  
10                                  **Violation of Unfair Competition Law**  
11                                  **(California Business & Professions Code §§ 17200 *et seq.*)**

12           96. Plaintiff incorporates by reference in this claim for relief each and every  
13 allegation of the preceding paragraphs, with the same force and effect as though fully set  
14 forth herein.

15           97. Plaintiff brings this cause of action on behalf of herself and the members of  
16 the Class.

17           98. California Business and Professions Code section 17200 prohibits “any  
18 unlawful, unfair or fraudulent business act or practice.” For the reasons described above,  
19 Defendants have engaged in unfair, or fraudulent business acts or practices in violation of  
20 California Business and Professions Code sections 17200 *et seq.*

21           99. Through the scheme, Defendants have (1) directly and indirectly employed a  
22 scheme, device and artifice to defraud and mislead borrowers and defraud any person; (2)  
23 directly and indirectly engaged in an unfair and deceptive act towards a person; (3)  
24 directly and indirectly obtained property by fraud and misrepresentation; and (4)  
25 knowingly made published and disseminated false, deceptive and misleading information.

26           100. On information and belief, the actions and underlying decisions of  
27 Defendants, alleged herein emanated from and occurred within the State of California.  
28 California law applies to the claims of Plaintiff and all Class members. Defendants



1 planned and implemented their wrongful scheme in California and many of the wrongful  
2 acts emanated from Countrywide's California offices.

3 101. Defendants' conduct described herein constitutes an unlawful business  
4 practice within the meaning of Cal. Bus. & Prof. Code § 17200, *et seq.* in that the conduct  
5 violates, among other laws, the Racketeering Influenced and Corrupt Practice Act  
6 ("RICO"), the Real Estate Settlement Procedures Act of 1974 ("RESPA"), California  
7 Civil Code section 1090.5, and the common law of fraud and unjust enrichment.

8 Specifically, as alleged herein, Countrywide has:

- 9 • Violated 18 U.S.C. § 1962(c) by conducting the affairs of certain association-  
10 in-fact enterprises identified herein, the affairs of which affected interested  
11 commerce through a pattern of racketeering activity, and engaged in a  
12 conspiracy in violation of 18 U.S.C. § 1962(d);
- 13 • Violated 12 U.S.C. § 2607(a)-(c), Regulation X, 24 C.F.R. § 3500.14, and  
14 24 C.F.R. § 3500.2 by referring appraisal settlement services business to  
15 LandSafe (1) in exchange for control over the appraisal valuation process;  
16 and (2) without making the disclosures required by RESPA;
- 17 • Violated 12 U.S.C. § 2607(b) and Regulation X, 24 C.F.R. § 3500.14, by  
18 charging fees for appraisals that were never properly conducted;
- 19 • Violated Title XI of the Financial Institutions Reform, Recovery, and  
20 Enforcement Act of 1989 ("FIRREA") by influencing, coercing and  
21 manipulating the appraisal process;
- 22 • Violated the National Housing Act, as amended, by influencing, coercing and  
23 manipulating the appraisal process in connection with FHA-backed loans;
- 24 • Engaged in acts prohibited by California Civil Code section 1090.5,  
25 including: (1) "[s]eeking to influence a person who prepares a valuation to  
26 report a minimum or maximum value for the property being valued," Cal.  
27 Civ. Code § 1090.5(a)(1); (2) "[w]ithholding or threatening to withhold  
28 timely payment to a person or entity that prepares a valuation, or provides

1 valuation management functions, because that person or entity does not  
 2 return a value at or above a certain amount,” *id.* at § 1090.5(a)(2); (3)  
 3 “[i]mplying to a person who prepares a valuation that current or future  
 4 retention of that person depends on the amount at which the person estimates  
 5 the value of the real property,” *id.* at § 1090.5(a)(3); (4) “[e]xcluding a  
 6 person who prepares a valuation from consideration for future engagement  
 7 because the person reports a value that does not meet or exceed a  
 8 predetermined threshold,” *id.* at § 1090.5(a)(4); and

- 9 • Violated the common law governing unjust enrichment by receiving a benefit  
 10 from Plaintiff and Class members in the form of appraisal fees, which fees  
 11 were unearned and unreasonable, not for services actually performed and  
 12 made in violation of federal and common law.

13 102. Defendants’ conduct as described herein violates not only the “unlawful”  
 14 prong of the UCL, but also constitutes a violation of the UCL’s “unfair” prong.  
 15 Defendants’ conduct offends public policy and is immoral, unethical, oppressive,  
 16 unscrupulous and substantially injurious to consumers. Any justification for Defendants’  
 17 practices is outweighed by the consequences and harm to Plaintiffs and the Class. There  
 18 were reasonable alternatives available to Defendants to further Defendants’ legitimate  
 19 business interests, other than the conduct described herein.

20 103. Plaintiff and members of the Class have suffered injury-in-fact and have lost  
 21 money or property as a result of Defendants’ unlawful, unfair and/or deceptive business  
 22 practices. Each of Defendants’ omissions was material to Plaintiff and members of the  
 23 Class in ordering and paying for the fraudulent, manipulated and inflated “appraisals” at  
 24 issue.

25 104. Plaintiff and the members of the Class seek restitution and disgorgement of  
 26 profits realized by Defendants as a result of their unfair, unlawful and/or deceptive  
 27 practices.

28 105. Defendants’ conduct was also “fraudulent, misleading, or likely to deceive  
 25

1 the public” within the meaning of California Business and Professions Code  
2 section 17200.

3 106. Had the true nature of the fraudulent, manipulated and inflated appraisals  
4 been disclosed to Plaintiff and Class members, they would not have paid for the appraisals  
5 at issue.

6 107. Plaintiff and members of the Class have been injured in fact and suffered a  
7 loss of money or property as a result of Defendants’ fraudulent, unlawful, and unfair  
8 business practices.

9 108. Defendants have thus engaged in unlawful, unfair, and fraudulent business  
10 acts entitling Plaintiff and members of the Class to judgment and equitable relief against  
11 Defendants, as set forth in the Prayer for Relief.

12 109. Additionally, under Business and Professions Code section 17203, Plaintiff  
13 and members of the Class seek an order requiring Defendants to immediately cease such  
14 acts of unlawful, unfair, and fraudulent business practices, and requiring Defendants to  
15 correct their actions.

16 **SECOND CLAIM FOR RELIEF**

17 **Violations of the Racketeer Influenced and Corrupt Organizations Act**  
18 **(18 U.S.C. § 1962(c))**

19 110. Plaintiff incorporates by reference in this claim for relief each and every  
20 allegation of the preceding paragraphs, with the same force and effect as though fully set  
21 forth herein.

22 111. Plaintiff brings this cause of action on behalf of herself and the members of  
23 the Class.

24 **THE RICO ENTERPRISE**

25 112. Defendants Countrywide Financial, Countrywide Home Loans, FSL,  
26 Countrywide Bank, LandSafe and BofA are each persons within the meaning of Title 18  
27 United States Code section 1961(3).

28 113. At all relevant times, in violation of Title 18 United States Code section

1 1962(c), Defendants Countrywide Financial, Countrywide Home Loans, FSL,  
2 Countrywide Bank, LandSafe, and BofA, including their directors, employees, and agents,  
3 conducted the affairs of an association-in-fact enterprise, as that term is defined in Title 18  
4 United States Code section 1961(4) (the “Countrywide Enterprise”). The affairs of the  
5 Countrywide Enterprise affected interstate commerce through a pattern of racketeering  
6 activity.

7 114. The Countrywide Enterprise is an ongoing, continuing group or unit of  
8 persons and entities associated together for the common purpose of generating the  
9 fraudulent and phony appraisals of the real property at issue in this case.

10 115. While the members of the Countrywide Enterprise participated in and are  
11 part of the enterprise, they also have an existence separate and distinct from the enterprise.  
12 The Countrywide Enterprise has a systematic linkage because there are contractual  
13 relationships, agreements, financial ties, and coordination of activities between  
14 Countrywide and the persons and/or entities procuring and preparing the fraudulent  
15 appraisals.

16 116. Operating the Countrywide Enterprise according to policies and procedures  
17 developed and established by its executives, Countrywide controlled and directed the  
18 affairs of the Countrywide Enterprise and used the other members of the Countrywide  
19 Enterprise as instrumentalities to carry out the fraudulent scheme to fraudulently,  
20 systematically and uniformly produce and charge borrowers for phony “appraisals” of  
21 properties in connection with home loans originated by Countrywide. These policies and  
22 procedures established by Countrywide and LandSafe’s executives include refusing to  
23 utilize bona fide appraisers; paying above-market fees to those appraisers who disregarded  
24 the appraisal “independence” requirements and manipulated the market values of subject  
25 properties; rewarding appraisers who produced manipulated appraisals; blacklisting,  
26 retaliating against, and firing appraisers who refused to engage in such corrupt conduct;  
27 requiring appraisers to rely upon information outside the relevant market to justify  
28 manipulated valuations in appraisals; and providing appraisers with false sales

1 information and comparables to ensure the production of inflated appraisals.

## 2 **THE PREDICATE ACTS**

3 117. The Countrywide Enterprise's scheme to fraudulently, systematically and  
4 uniformly produce and charge borrowers for phony, manipulated and inflated "appraisals"  
5 of properties in connection with home loans originated by Countrywide was facilitated by  
6 the use of the United States Mail and wire. Indeed, the Defendants used the United States  
7 Mail (including the use of interstate carriers such as Federal Express) and the wires to  
8 submit representations concerning the manipulated appraisals, used the United States Mail  
9 and the wires to submit the so-called "appraisals" to Plaintiff and members of the class,  
10 and used the United States Mail and the wires to submit invoices for the so-called  
11 "appraisals." The scheme constitutes "racketeering activity" within the meaning of Title  
12 18 United States Code section 1961(1), as acts of mail and wire fraud, under Title 18  
13 United States Code sections 1341 and 1343.

14 118. In violation of Title 18 United States Code sections 1341 and 1343, the  
15 Countrywide Enterprise utilized the mail and wire in furtherance of their scheme to  
16 defraud borrowers by obtaining money from them, in the form of payments for the so-  
17 called appraisals, using false or fraudulent pretenses.

18 119. 18 U.S.C. § 1343, the wire fraud statute invoked by 18 U.S.C. § 1961(1) as a  
19 predicate act, provides that "[w]hoever, having devised or intending to devise any scheme  
20 or artifice to defraud, or for obtaining money or property by means of false or fraudulent  
21 pretenses, representations, or promises, transmits or causes to be transmitted by means of  
22 wire, radio, or television communication in interstate or foreign commerce, any writings,  
23 signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice ..."

24 120. The Countrywide Enterprise's collective association and collective action in  
25 procuring and preparing fraudulent appraisals constitutes the RICO enterprise. Every  
26 member of the Countrywide Enterprise participated in the process of misrepresenting and  
27 concealing the fraudulent nature of the purported appraisals, and charging for the so-  
28 called appraisals, thereby allowing them to increase their revenues. The Countrywide

1 Enterprise earned millions of dollars in wrongful profits as a result.

2 121. In perpetrating the fraudulent scheme, each member of the Countrywide  
3 Enterprise directly or indirectly through its corporate structure has designed and  
4 implemented a uniform scheme to prepare and charge for the fraudulent appraisals at issue  
5 here. The Countrywide Enterprise’s representations and concealments of their ordering,  
6 utilization and charging for so-called USPAP “appraisals,” of property comprise one  
7 common, uniform nearly identical system of procedures used in virtually an identical way  
8 every day.

9 122. The Countrywide Enterprise has knowingly, intentionally or recklessly  
10 engaged in an ongoing pattern of racketeering under 18 U.S.C. § 1962(c) by committing  
11 the predicate acts of wire fraud within the meaning of 18 U.S.C. § 1343, by knowingly  
12 and intentionally implementing the scheme to misrepresent and conceal their statements  
13 about the preparation, use and charging for so-called USPAP “appraisals” of property that  
14 was securing their loans, which allowed the Countrywide Enterprise to reap unlawful  
15 profits.

16 123. By devising the scheme or artifice to defraud consumers as described herein,  
17 the Countrywide Enterprise transmitted or caused to be transmitted by means of “wire  
18 communication in interstate or foreign commerce, ... writings, signs, signals, [and]  
19 pictures,” “for the purpose of executing such scheme or artifice,” including by: (i)  
20 transmitting phony USPAP “appraisals” of the property securing their loans and (ii)  
21 transmitting e-mail communications relating to the process of determining, making or  
22 transmitting the phony property appraisals.

23 124. Plaintiff is informed and believes that, in addition to the conduct described  
24 above, the Countrywide Enterprise used the wires in conjunction with reaching their  
25 agreement to make false statements about their use and charging for “appraisals” of the  
26 properties at issue here.

27 125. Through the racketeering scheme described above, Defendants used the  
28 enterprise to improperly increase their profits to the detriment of consumers in different

1 states.

2 126. The Countrywide Enterprise organized and implemented the scheme, and  
3 ensured it continued uninterrupted by concealing their use and charging for inflated or  
4 otherwise manipulated “appraisals” from consumers, including Plaintiff.

5 127. The Countrywide Enterprise knew the scheme would defraud borrowers, yet  
6 each member of the Countrywide Enterprise remained a participant despite the fraudulent  
7 nature of the enterprise. At any point while the scheme had been in place, any of the  
8 participants could have ended the scheme by abandoning the conspiracy and notifying the  
9 public and law enforcement authorities of its existence. Rather than stopping the scheme,  
10 however, the members of the Countrywide Enterprise deliberately chose to continue it, to  
11 the direct detriment of consumers such as Plaintiff. Plaintiff suffered injury resulting  
12 from the pattern of racketeering activity.

13 128. Because Plaintiff unknowingly paid for a fraudulent appraisal, Plaintiff is a  
14 direct victim of the Countrywide Enterprise’s wrongful and unlawful conduct. Plaintiff’s  
15 injuries were direct, proximate, foreseeable and natural consequences of Defendants’  
16 conduct. There are no independent factors that account for Plaintiff’s economic injuries,  
17 and the loss of money satisfies RICO’s injury requirement.

18 129. Plaintiff, and members of the Class, are entitled to recover treble damages for  
19 the injuries they have sustained, according to proof, as well as restitution and costs or suit  
20 and reasonable attorneys’ fees in accordance with 18 U.S.C. § 1964(c).

21 130. As a direct and proximate result of the subject racketeering activities,  
22 Plaintiff and members of the Class are entitled to an order, in accordance with 18 U.S.C. §  
23 1964(a), enjoining and prohibiting the Countrywide Enterprise from further engaging in  
24 their unlawful conduct.

25 131. Under the provisions of Section 1964(c) of RICO, members of the  
26 Countrywide Enterprise are jointly and severally liable to Plaintiff and Class members for  
27 three times the damages that Plaintiff and the Class members have sustained, plus the  
28 costs of bringing this suit, including reasonable attorneys’ fees

**THIRD CLAIM FOR RELIEF**

**Violation of the Racketeer Influenced and Corrupt Organizations Act,  
Conspiracy to Violate Title 18 United States Code section 1962(c)  
(18 U.S.C. § 1962(d))**

132. Plaintiff incorporates by reference in this claim for relief each and every allegation of the preceding paragraphs, with the same force and effect as though fully set forth herein.

133. Plaintiff brings this cause of action on behalf of herself and the members of the Class.

134. As set forth above, in violation of Title 18 United States Code section 1962(d), members of the Countrywide Enterprise conspired to violate the provisions of Title 18 United States Code section 1962(c).

135. As set forth above, Defendants, having directed and controlled the affairs of the Countrywide Enterprise, was aware of the nature and scope of the enterprise's unlawful scheme, and they agreed to participate in it.

136. As a direct and proximate result, Plaintiff and the members of the Class have been injured in their business or property by the predicate acts which make up the Countrywide Enterprise's pattern of racketeering activity in that they ordered and charged for manipulated "appraisals."

**FOURTH CLAIM FOR RELIEF**

**Unjust Enrichment**

137. Plaintiff incorporates by reference in this claim for relief each and every allegation of the preceding paragraphs, with the same force and effect as though fully set forth herein.

138. Plaintiff brings this cause of action on behalf of herself and the members of the Class.

139. By their wrongful acts, Defendants were unjustly enriched at the expense of Plaintiff and members of the Class.

140. Defendants knowingly, fraudulently, systematically, and uniformly procured



1 and prepared manipulated and/or inflated appraisals on home loans originated by  
2 Countrywide.

3 141. Defendants then charged Plaintiff and members of the Class between \$300  
4 and \$600 for phony, manipulated so-called USPAP appraisals, which solely benefitted  
5 Defendants.

6 142. Thus, Plaintiff and members of the Class were unjustly deprived.

7 143. It would be inequitable and unconscionable for Defendants to retain the  
8 profit, benefit and other compensation they obtained from their fraudulent, deceptive, and  
9 misleading conduct alleged herein.

10 144. Plaintiff and members of the Class seek restitution from Defendants, and  
11 seek an order of this Court disgorging all profits, benefits, and other compensation  
12 obtained by Defendants from their wrongful conduct..

13 **FIFTH CLAIM FOR RELIEF**

14 **Fraud**

15 145. Plaintiff incorporates by reference in this claim for relief each and every  
16 allegation of the preceding paragraphs, with the same force and effect as though fully set  
17 forth herein.

18 146. Plaintiff brings this cause of action on behalf of herself and the members of  
19 the Class.

20 147. Defendants misrepresented that they had prepared an “appraisal” of real  
21 property that was performed in accordance with strict USPAP’s legal and ethical  
22 standards governing appraisals, and that Plaintiff was charged for a legally-mandated  
23 “appraisal” of real property prepared in accordance with strict USPAP’s legal and ethical  
24 standards governing appraisals.

25 148. Defendants concealed and suppressed material facts, namely, the fact that  
26 they had procured, prepared and charged for an appraisal that was not prepared in  
27 accordance with USPAP’s legal and ethical standards but rather was inflated or otherwise  
28 manipulated.

1 149. Plaintiff justifiably relied on the reasonable expectation that Defendants  
2 would act in compliance with the law, which included ordering and preparing legally-  
3 mandated USPAP appraisals of the real property they were purchasing or refinancing.

4 150. Had the true nature of the Defendants' manipulation of the so-called USPAP  
5 "appraisals" been disclosed to Plaintiff and members of the Class, they would not have  
6 paid for such appraisals.

7 151. Defendants knew their concealment and suppression of material facts was  
8 false, misleading, and were fully aware that Plaintiffs would pay for the phony USPAP  
9 appraisals.

10 152. As a result of Defendants' fraudulent omissions and misrepresentations,  
11 Plaintiff and members of the Class have been injured in fact and suffered a loss of money  
12 or property. Plaintiff and members of the Class would not have obtained and paid for  
13 phony USPAP appraisals in connection with their home loan transactions had it not been  
14 for Defendants' concealment of material facts.

15 153. Plaintiffs and members of the Class justifiably relied upon Defendants'  
16 knowing, affirmative, and active concealment. By concealing material information about  
17 their scheme to prepare phony USPAP appraisals, Defendants intended to induce Plaintiff  
18 and members of the Class into believing that the appraisals were legitimately prepared.

19 154. As a direct and proximate result of Defendants' omissions and active  
20 concealment of material facts, Plaintiff and each member of the Class has been damaged  
21 in an amount according to proof at trial.

22 **PRAYER FOR RELIEF**

23 Plaintiff, on behalf of herself and all others similarly situated, request the Court to  
24 enter judgment against Defendants, as follows:

- 25 1. Certifying the Class, as requested herein, certifying Plaintiff as the  
26 representative of the Class, and appointing Plaintiff's counsel as counsel for the Class;  
27 2. Ordering that Defendants are financially responsible for notifying all  
28 members of the Class of the alleged conduct discussed herein;

1           3.     Awarding Plaintiff and the members of the Class compensatory damages in  
2 an amount according to proof at trial;

3           4.     Awarding restitution and disgorgement of Defendants’ revenues and/or  
4 profits to Plaintiff and members of the Class;

5           5.     Awarding Plaintiff and the members of the Class treble damages in an  
6 amount according to proof at trial;

7           6.     Awarding declaratory and injunctive relief as permitted by law or equity,  
8 including: enjoining Defendants from continuing the unlawful practices as set forth  
9 herein, and directing Defendants to identify, with Court supervision, victims of its conduct  
10 and pay them restitution and disgorgement of all monies acquired by Defendants by  
11 means of any act or practice declared by this Court to be wrongful;

12          7.     Awarding interest on the monies wrongfully obtained from the date of  
13 collection through the date of entry of judgment in this action;

14          8.     Awarding attorneys’ fees, expenses, and recoverable costs reasonably  
15 incurred in connection with the commencement and prosecution of this action; and

16          9.     For such other and further relief as the Court deems just and proper.

17 Dated: October 27, 2014

BARON & BUDD, P.C.

18  
19 By: /s/ Roland Tellis  
Roland Tellis

20 Daniel Alberstone (SBN 105275)  
21 Roland Tellis (SBN 186269)  
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25 Attorneys for Plaintiff  
26 BARBARA WALDRUP, individually, and  
27 on behalf of other members of the public  
28 similarly situated

**DEMAND FOR JURY TRIAL**

Plaintiff hereby demands a trial of her claims by jury to the extent authorized by law.

Dated: October 27, 2014

BARON & BUDD, P.C.

By: /s/ Roland Tellis  
Roland Tellis

Daniel Alberstone (SBN 105275)  
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