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4 **UNITED STATES DISTRICT COURT**
5 **DISTRICT OF NEVADA**

6 ROBERT ALLEN WALLS,)
7)
8 Plaintiff,)
9 vs.)
10 RECONTRUST CO., N.A. et al.,)
11 Defendants.)

2:10-cv-00291-RCJ-RJJ

ORDER

12
13 Plaintiff has sued Defendants on multiple causes of action related to the foreclosure of his
14 mortgage. Pending before the Court are Plaintiff's Motion for Temporary Restraining Order,
15 originally filed in state court, and Defendants' Motion to Dismiss (#7), to which Plaintiff has not
16 responded.¹ For the reasons given herein, the Court should deny the Motion for Temporary
17 Restraining Order and grants the Motion to Dismiss (#7).

18 **I. FACTS AND PROCEDURAL HISTORY**

19 On or about March 1, 2004, Plaintiff Robert Allen Walls purchased real property located
20 at 5222 Pioneer Cabin Ct., North Las Vegas, NV 89031 ("the Property") for \$171,500. (#8, Ex.
21 C, at 1, 3).² The deed of trust lists non-party Mortgage Home Specialists, Inc. as lender and non-
22 party Chicago Title as trustee. (*Id.*, Ex. C, at 1). Walls made an adjustable-rate note to Mortgage

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24 ¹This constitutes consent to granting the motion. L.R. 7-2(d).

25 ²The Court takes judicial notice of the public records adduced by Defendants (#8).
See Mack v. S. Bay Beer Distribs., 798 F.2d 1279, 1282 (9th Cir. 1986).

1 Home Specialists, fixed at 4.250% for two years, and readjusting every six months thereafter to
2 3.250% plus the “current index,” as defined in the note, but never to exceed 10.250%. (*Id.*, Ex.
3 D, at 1, 2, 5).

4 On October 16, 2006, Walls refinanced the Property by making an interest-only
5 adjustable-rate note to Countrywide Home Loans, Inc. for \$229,000, (*id.*, Ex. B, at 1), and
6 securing the note with a new deed of trust to lender Countrywide, with Defendant Recontrust
7 Co., N.A. as trustee and Mortgage Electronic Registration Systems, Inc. (“MERS”) as “nominee”
8 and “beneficiary,” (*id.*, Ex. A, at 2, 4). The “second home rider” to the deed of trust, signed by
9 Plaintiff, makes clear that the Property was Plaintiff’s second home, not his primary residence.
10 (*Id.*, Ex. A, at 29–31). The deed of trust itself notes the existence of the second home rider. (*Id.*,
11 Ex. A, at 2). The initial interest rate under the new note was 5.875%, fixed for three years, with
12 monthly payments of \$1121.15. (*Id.*, Ex. B, at 1–2). The interest rate was adjustable every
13 twelve months thereafter by adding 2.250% percent to the “current index,” as defined therein, not
14 to exceed 11.875%. (*Id.*, Ex. B, at 2). Assuming Plaintiff had zero equity in the home at the time
15 of refinancing (based on the prior interest-only loan), the refinancing gave him a cash profit of
16 \$57,500, representing the increase in equity between purchase in 2004 and refinancing in 2006.
17 Plaintiff’s profit from the 2006 refinancing was sufficient to meet the first three years of payments
18 at the initial rate of 5.875%, with \$17,138.60 remaining as of November 2009 when the rate first
19 reset. Whatever Plaintiff did with these profits, he did not use them to pay his mortgage. On June
20 25, 2009, Recontrust recorded the notice of default. (*Id.*, Ex. E, at 2).

21 On February 2, 2010, Plaintiff sued Recontrust (erroneously named as “Reconstruct”) and
22 BAC Home Loan Servicing, LP (“BAC”) in state court on three causes of action: (1) injunctive
23 relief; (2) breach of fiduciary duty; and (3) fraud. Plaintiff also filed the present Motion for
24 Temporary Restraining Order in state court. On February 4, 2010, BAC extended an offer of

1 modification to Plaintiff (“the Offer”). (*Id.*, Ex. J). The Offer indicates that as of February 4,
2 2010, the amount owed on the note was \$245,420.53. BAC offered to modify the interest-only
3 adjustable-rate loan to a fixed, step-rate loan. Under the Offer, the rate would be 3.875% for the
4 first five years, with a monthly payment of \$1231.38; 4.875% for the sixth year, with a monthly
5 payment of \$1349.49; and 5.375% thereafter until the maturity date of November 1, 2036, with a
6 monthly payment of \$1408.44. (*Id.*, Ex. J, at 3, 5). The Offer was set to terminate on February
7 19, 2010. (*Id.*, Ex. J, at 1). Apparently, Plaintiff did not accept the modification offer.
8 Defendants removed on March 3, 2010 and have now moved to dismiss.

9 **II. LEGAL STANDARDS**

10 **A. Rule 12(b)(6)**

11 Federal Rule of Civil Procedure 8(a)(2) requires only “a short and plain statement of the
12 claim showing that the pleader is entitled to relief” in order to “give the defendant fair notice of
13 what the . . . claim is and the grounds upon which it rests.” *Conley v. Gibson*, 355 U.S. 41, 47
14 (1957). Federal Rule of Civil Procedure 12(b)(6) mandates that a court dismiss a cause of action
15 that fails to state a claim upon which relief can be granted. A motion to dismiss under Rule
16 12(b)(6) tests the complaint’s sufficiency. *See North Star Int’l. v. Arizona Corp. Comm’n.*, 720
17 F.2d 578, 581 (9th Cir. 1983). When considering a motion to dismiss under Rule 12(b)(6) for
18 failure to state a claim, dismissal is appropriate only when the complaint does not give the
19 defendant fair notice of a legally cognizable claim and the grounds on which it rests. *See Bell*
20 *Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007). In considering whether the complaint is
21 sufficient to state a claim, the court will take all material allegations as true and construe them in
22 the light most favorable to the plaintiff. *See NL Indus., Inc. v. Kaplan*, 792 F.2d 896, 898 (9th
23 Cir. 1986). The court, however, is not required to accept as true allegations that are merely
24 conclusory, unwarranted deductions of fact, or unreasonable inferences. *See Sprewell v. Golden*

1 *State Warriors*, 266 F.3d 979, 988 (9th Cir. 2001). A formulaic recitation of a cause of action
2 with conclusory allegations is not sufficient; a plaintiff must plead facts showing that a violation
3 is plausible, not just possible. *Ashcroft v. Iqbal*, 129 S. Ct. 1937, 1949 (2009) (citing *Twombly v.*
4 *Bell Atl. Corp.*, 550 U.S. 554, 555 (2007)).

5 “Generally, a district court may not consider any material beyond the pleadings in ruling
6 on a Rule 12(b)(6) motion . . . However, material which is properly submitted as part of the
7 complaint may be considered on a motion to dismiss. *Hal Roach Studios, Inc. v. Richard Feiner*
8 *& Co.*, 896 F.2d 1542, 1555 n.19 (9th Cir. 1990) (citations omitted). Similarly, “documents
9 whose contents are alleged in a complaint and whose authenticity no party questions, but which
10 are not physically attached to the pleading, may be considered in ruling on a Rule 12(b)(6)
11 motion to dismiss” without converting the motion to dismiss into a motion for summary
12 judgment. *Branch v. Tunnell*, 14 F.3d 449, 454 (9th Cir. 1994). Moreover, under Federal Rule
13 of Evidence 201, a court may take judicial notice of “matters of public record.” *Mack v. S. Bay*
14 *Beer Distrib.*, 798 F.2d 1279, 1282 (9th Cir. 1986). Otherwise, if the district court considers
15 materials outside of the pleadings, the motion to dismiss is converted into a motion for summary
16 judgment. *See Arpin v. Santa Clara Valley Transp. Agency*, 261 F.3d 912, 925 (9th Cir. 2001).

17 **B. Temporary Restraining Orders**

18 Under Fed. R. Civ. P. 65(b), a plaintiff must make a showing that immediate and
19 irreparable injury, loss, or damage will result to plaintiff without a temporary restraining order.
20 Temporary restraining orders are governed by the same standard applicable to preliminary
21 injunctions. *See Cal. Indep. Sys. Operator Corp. v. Reliant Energy Servs., Inc.*, 181 F. Supp. 2d
22 1111, 1126 (E.D. Cal. 2001) (“The standard for issuing a preliminary injunction is the same as the
23 standard for issuing a temporary restraining order.”). The Ninth Circuit in the past set forth two
24 separate sets of criteria for determining whether to grant preliminary injunctive relief:

1 Under the traditional test, a plaintiff must show: (1) a strong likelihood of success on
2 the merits, (2) the possibility of irreparable injury to plaintiff if preliminary relief is not
3 granted, (3) a balance of hardships favoring the plaintiff, and (4) advancement of the
4 public interest (in certain cases). The alternative test requires that a plaintiff
demonstrate either a combination of probable success on the merits and the possibility
of irreparable injury or that serious questions are raised and the balance of hardships
tips sharply in his favor.

5 *Taylor v. Westly*, 488 F.3d 1197, 1200 (9th Cir. 2007). “These two formulations represent two
6 points on a sliding scale in which the required degree of irreparable harm increases as the
7 probability of success decreases.” *Id.* The Supreme Court recently reiterated, however, that a
8 plaintiff seeking an injunction must demonstrate that irreparable harm is “*likely*,” not just possible.
9 *Winter v. NRDC*, 129 S. Ct. 365, 374–76 (2008) (rejecting the Ninth Circuit’s alternative “sliding
10 scale” test). The Ninth Circuit has explicitly recognized that its “possibility” test was overruled by
11 *Winter*, and that “[t]he proper legal standard for preliminary injunctive relief requires a party to
12 demonstrate ‘that he is likely to succeed on the merits, that he is likely to suffer irreparable harm
13 in the absence of preliminary relief, that the balance of equities tips in his favor, and that an
14 injunction is in the public interest.’” *Stormans, Inc. v. Selecky*, 586 F.3d 1109, 1127 (9th Cir.
15 2009) (quoting *Winter*, 129 S. Ct. at 374).

16 **III. ANALYSIS**

17 **A. Motion to Dismiss**

18 **1. Breach of Fiduciary Duty**

19 A lender is not a fiduciary of a borrower, but a trustee is a fiduciary of both a
20 trustor and a beneficiary under a deed of trust. It must act fairly with respect to both entities.
21 Plaintiff alleges that trustee Recontrust breached its fiduciary duty by initiating foreclosure
22 proceedings against the Property without being instructed to do so by the beneficiary, without
23 obtaining the original promissory note from the beneficiary, and without investigating whether the
24

1 claim here.

2 **B. Temporary Restraining Order**

3 Because no plausible claims remain, Plaintiff cannot succeed on the merits. Even if the
4 Court implies a cause of action for wrongful foreclosure, a temporary restraining order is not
5 warranted because the foreclosure here is clearly proper.

6 Recently, the Court has granted ninety-day preliminary injunctions in similar cases in order
7 to permit plaintiffs time to utilize Nevada's delinquent mortgage mediation program. *See Nev.*
8 *Rev. Stat. § 107.086 (2009).* In this case, BAC has already extended an offer to convert the
9 adjustable-rate note into a very reasonable step-rate loan, beginning at a far-below-market rate of
10 3.875% and increasing to no more than 5.875%.⁴ This modification would have reduced
11 payments and given Plaintiff the opportunity to earn equity in the home. Plaintiff did not take
12 advantage of this offer.

13 This is not a case of predatory lending. Plaintiff took advantage of a low introductory rate
14 to buy a second home, then stopped making payments even before the rate adjusted upward.
15 Plaintiff has rejected a generous offer to convert the adjustable loan into a fixed, step-rate loan at
16 rates lower than those he could obtain if he were to seek a similar loan in the market.
17 Nevertheless, the Court will give Plaintiff ninety days to engage in mediation under state law and
18 prove he is serious about living up to his obligations under the mortgage.

19 **CONCLUSION**

20 IT IS HEREBY ORDERED that the Motion for Temporary Restraining Order is
21 DENIED.

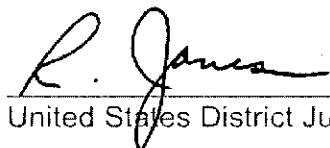
22 IT IS FURTHER ORDERED that the second Motion for Temporary Restraining Order

23 ⁴Current mortgage rates are already above 5% and are likely to rise over the next few
24 years.

1 (#18), filed on the day of the hearing, is DENIED.

2 IT IS FURTHER ORDERED that the Motion to Dismiss (#7) is GRANTED and
3 STAYED while the parties engage in mediation. Counsel for the defense shall submit a proposed
4 order for mediation and interim payments consistent with the Court's instructions at the hearing.

5 DATED: This 24th day of May, 2010.

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7 
8 United States District Judge