

1 **UNITED STATES DISTRICT COURT**
 2 **DISTRICT OF NEVADA**

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4 FEDERAL NATIONAL MORTGAGE
 5 ASSOCIATION, a federally chartered
 6 corporation,

6 Plaintiffs,

7 v.

8 CANYON WILLOW OWNERS
 9 ASSOCIATION, a Nevada non-profit
 10 corporation; IYAD HADDAD, as Trustee of
 11 the 3085 CASEY 201 TRUST; LN
 12 MANAGEMENT LLC, a Nevada Limited
 13 Liability Company; DOES 1 THROUGH 10;
 14 and ROE BUSINESS ENTITIES 1 through 10,
 15 inclusive,

12 Defendants.

14 LN MANAGEMENT LLC SERIES 3085
 15 CASEY 201,

15 Counterclaimant,

16 v.

17 FEDERAL NATIONAL MORTGAGE
 18 ASSOCIATION

18 Counterdefendant.

19 LN MANAGEMENT LLC SERIES 3085
 20 CASEY 201,

21 Crossclaimant,

22 v.

23 CANYON WILLOW OWNERS
 24 ASSOCIATION,

24 Crossdefendant.

Case No. 2:13-cv-01328-APG-CWH

**ORDER GRANTING MOTION TO
 DISMISS**

(Dkt. no. 25)

25 On September 21, 2004, Plaintiff Federal National Mortgage Association (“Fannie Mae”)
 26 loaned \$118,400.00 to a borrower for the purchase of a home (the “Property”), securing the loan
 27 with a Deed of Trust on the Property. The borrower defaulted on her obligations under the loan
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1 and Fannie Mae instigated foreclosure proceedings. On November 28, 2012, Fannie Mae
2 conducted a foreclosure sale and ultimately purchased the Property at the sale.

3 At some point during this process or following it—the Complaint does not specify the
4 timing—Defendant Canyon Willow Owners Association (“Canyon Willow”) recorded a lien
5 against the Property for past due assessments. Canyon Willow conducted a foreclosure sale on
6 February 2, 2013, selling the Property to Defendant Iyad Haddad, as trustee of the 3085 Casey
7 201 Trust (the “Trust”) for \$30,100.00. Although not specified in the Complaint, the Trust
8 presumably thereafter conveyed title to the Property to Defendant LN Management, LLC (“LN
9 Management”).

10 Plaintiff filed this lawsuit on July 25, 2013 against Canyon Willow, the Trust, and LN
11 Management seeking an order declaring that its security interest was not abrogated by Canyon
12 Willow’s foreclosure sale. LN Management subsequently filed a First Amended Crossclaim
13 against Canyon Willow seeking the return of its purchase money in the event the Court
14 determines that LN Management is not the rightful holder of the Property free and clear. (Dkt.
15 #11 at 2:7-10.)

16 Canyon Willow has moved to dismiss all claims against it. (Dkt. #25.) Canyon Willow
17 argues that because it does not currently claim an interest in the Property, it is an improper party
18 to Plaintiff’s claims. It further argues that Nevada law requires LN Management to submit its
19 crossclaims to mediation or arbitration before filing them in court. LN Management joins the
20 Motion to Dismiss as to Fannie Mae’s Complaint, asserting the Complaint fails to state a claim
21 upon which relief may be granted. (Dkt. #27.) However, LN Management opposes dismissal of
22 its crossclaims should the Court quiet title in Fannie Mae. As the Complaint fails to state a claim,
23 I hereby grant Canyon Willow’s motion.

24 LEGAL STANDARD

25 A court may dismiss a complaint for “failure to state a claim upon which relief can be
26 granted.” Fed. R. Civ. P. 12(b)(6). In assessing a 12(b)(6) motion, I must accept as true all well-
27 pleaded factual allegations in the complaint; however, legal conclusions are not entitled to the
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1 assumption of truth. *Ashcroft v. Iqbal*, 556 U.S. 662, 679 (2009). A complaint need not contain
2 detailed factual allegations, however, those allegations must be “more than labels and
3 conclusions” and must “rise above the speculative level.” *Bell Atl. Corp. v. Twombly*, 550 U.S.
4 544, 555 (2007). Thus, to survive a motion to dismiss, a complaint must contain sufficient factual
5 matter to “state a claim to relief that is plausible on its face.” *Id.* at 570. When the claims in a
6 complaint have not crossed the line from conceivable to plausible, the plaintiff’s complaint must
7 be dismissed. *Id.*

8 ANALYSIS

9 Fannie Mae’s own allegations belie its requested relief. Fannie Mae seeks an order
10 “declaring that the deed of trust securing the \$118,400 (sic) loan continued to encumber the
11 Subject Property as security for the note . . . notwithstanding the purported homeowners
12 association sale on February 2, 2013 and that this security interest was not abrogated by the
13 purported homeowners association sale.” (Dkt. #1 at ¶25.) However, Fannie Mae alleges that it
14 foreclosed on its security interest and purchased the Property at the November 28, 2012
15 foreclosure sale—two months before Canyon Willow’s foreclosure sale. (*Id.* at ¶14.) Thus, at
16 that time, title to the Property vested in Fannie Mae. *See* NRS 107.080(5). Subsequently, at the
17 time of Canyon Willow’s February 2, 2013 foreclosure sale, Fannie Mae’s security interest (i.e.,
18 its Deed of Trust) was no longer in existence; rather, Fannie Mae was the owner of the Property.
19 Thus, Fannie Mae’s requested relief—declaring that its deed of trust continued to encumber the
20 Property notwithstanding the Canyon Willow foreclosure sale—is legally invalid. Consequently,
21 Fannie Mae has not stated a claim upon which relief can be granted, so I grant the Motion to
22 Dismiss the Complaint. This renders LN Management’s Crossclaim moot, so I dismiss that as
23 well.

24 This dismissal is without prejudice because Fannie Mae could cure the deficiencies in the
25 Complaint through amendment. Allowing amendment is proper where the deficiencies could be
26 cured by the allegation of other facts not inconsistent with existing allegations. *See Lopez v.*
27 *Smith*, 203 F.3d 1122, 1130 (9th Cir. 2000). Here, Fannie Mae could seek to quiet title as the
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1 purported owner of (rather than the holder of a secured interest in) the Property if Canyon
2 Willow's foreclosure was in some way defective. Because LN Management claims an adverse
3 interest in the Property, a quiet title action may lie against LN Management. However, Fannie
4 Canyon Willow is not a proper party under NRS 40.010 because it does not claim an interest in
5 the Property. (Dkt. #25 at 3:24-25.) Moreover, because Fannie Mae has not asserted any other
6 claims against Canyon Willow, Canyon Willow is no longer a coparty and LN Management
7 cannot assert any crossclaim against it. Fed.R.Civ.P. 13(g).¹

8 Finally, it appears that LN Management's First Amended Crossclaim is defective in that it
9 does not allege how LN Management has standing to recover funds paid to Canyon Willow. LN
10 Management asserts that the Trust "paid \$30,100.00 to the Canyon Willow Owner Association's
11 agent for the Foreclosure Deed Upon Sale." (Dkt. #11 at ¶3.) LN Management then asserts that it
12 has been damaged in the sum of \$30,100.00" (*Id.* at ¶5.) LN Management does not explain
13 how it has a right to recover the funds that the Trust paid to Canyon Willow. Nor does LN
14 Management explain how it has standing to complain about Canyon Willow's alleged breach of
15 contract related to the foreclosure sale when LN Management did not purchase the Property at
16 that sale.

17 **CONCLUSION**

18 IT IS THEREFORE ORDERED that Canyon Willow's motion to dismiss (Dkt. #25) is
19 GRANTED. Plaintiff's Complaint is dismissed without prejudice. Fannie Mae shall have 14 days

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25 ¹ Moreover, Fannie Mae's quiet title claim against LN Management likely would not give LN
26 Management a right to assert a Third Party Complaint against Canyon Willow. Rule 14(a) allows
27 the filing of a "complaint on a nonparty who is or may be liable to it for all or part of the claim
28 against it." Fed.R.Civ.P. 14(a). If Fannie Mae prevails on a quiet title action against LN
Management, Canyon Willow would not be liable to LN Management for all or part of that claim.
Rather, in that event, LN Management may have the right to file a separate lawsuit against
Canyon Willow to recover its resulting damages, provided it can prove standing to assert that
claim, as discussed below.

1 from the date of this Order to file an amended complaint. If no amendment is filed in that time,
2 this matter will be closed.

3 DATED THIS 27th day of May 2014.



5 ANDREW P. GORDON
6 UNITED STATES DISTRICT JUDGE

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