UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF CALIFORNIA

Cynthia Covington v. Aryming Asset Management, LLC; Madison Management Services, LLC; PHH Mortgage Corporation; Veripro Solutions, Inc.; Nationstar Mortgage, LLC; ARY LS 4 LLC; and Does 1–50

Covington · No. 2:25-cv-01734 WBS CSK · Decided September 16, 2025

SUMMARY

The United States District Court for the Eastern District of California granted PHH Mortgage Corporation’s motion to dismiss claims arising from a defaulted residential mortgage. The court held that the plaintiff had not adequately pleaded successor liability, breach of the implied covenant of good faith and fair dealing, a violation of 12 C.F.R. § 1026.41, or a California Unfair Competition Law claim against PHH. The dismissal was without prejudice, and the plaintiff was granted 14 days to amend.

CASE DETAILS

COURT	United States District Court for the Eastern District of California
WRITING FOR THE COURT	William B. Shubb
JURISDICTION	United States District Court for the Eastern District of California
DECIDED	September 16, 2025
DOCKET	2:25-cv-01734 WBS CSK
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiff sued defendants in state court asserting contract and statutory claims arising from a defaulted residential mortgage. PHH removed the action to federal court and moved under Federal Rule of Civil Procedure 12(b)(6) to dismiss the claims asserted against it.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded allegations as true, draws reasonable inferences in the plaintiff's favor, and determines whether the complaint states a plausible claim for relief. Conclusory allegations, unwarranted deductions of fact, and unreasonable inferences need not be accepted.

PRECEDENTIAL VALUE	unpublished district court decision
PARTIES	Cynthia Covington v. Aryming Asset Management, LLC, Madison Management Services, LLC, PHH Mortgage Corporation, Veripro Solutions, Inc., Nationstar Mortgage, LLC, ARY LS 4 LLC, Does 1–50

TOPICS

motions to dismiss · civil procedure · mortgages · foreclosure · implied covenant of good faith

PRACTICE AREAS

civil procedure · mortgages · foreclosure · contracts · consumer protection

QUESTIONS PRESENTED

1. Whether plaintiff adequately pleaded that PHH was liable as a successor by merger for the obligations or conduct of Argent and Ocwen.
2. Whether plaintiff stated a claim against PHH for breach of the implied covenant of good faith and fair dealing.
3. Whether plaintiff stated a claim under 12 C.F.R. § 1026.41 based on PHH's alleged failure to provide periodic mortgage statements.
4. Whether plaintiff adequately pleaded a California Unfair Competition Law claim against PHH.

HOLDINGS

1. Plaintiff failed to state a claim that PHH was liable for the actions or obligations of its predecessors because she alleged only that PHH was a successor by merger and did not plead facts showing that PHH acquired all of Ocwen's assets without consideration available to creditors or that the consideration consisted wholly of PHH stock distributed in connection with Ocwen's liquidation.
2. Plaintiff failed to state a claim against PHH for breach of the implied covenant because she did not adequately plead successor liability, a contractual relationship with PHH, or that PHH withheld a benefit due under the loan contract.
3. Plaintiff failed to state a claim against PHH under 12 C.F.R. § 1026.41 because she did not allege that PHH owned or serviced the mortgage loan or otherwise qualified as an entity required to provide periodic statements.
4. Plaintiff failed to state a UCL claim against PHH because she lumped all defendants together and did not identify a specific unlawful, unfair, or fraudulent practice by PHH.

KEY QUOTATIONS

> "*The general rule of successor nonliability provides that where a corporation purchases, or otherwise acquires by transfer, the assets of another corporation, the acquiring corporation does not assume the selling*

> *corporation's debts and liabilities."* (Section III.A)

> *"Every contract imposes upon each party a duty of good faith and fair dealing in its performance and its enforcement."* (Section III.B)

> *"A claim under the UCL is generally derivative of some other illegal conduct or fraud committed by a defendant"* (Section III.D)

FACTUAL BACKGROUND

Plaintiff obtained first- and second-lien residential financing from Argent Mortgage Corporation in 2005. Argent later ceased operations, and the loan allegedly transferred among beneficiaries and servicers; in 2024, the beneficial interest was transferred to Nationstar and then ARY LS 4 LLC. Plaintiff later received demands exceeding $180,000, a notice of default was recorded, and a trustee's sale was recorded in February 2025. Plaintiff alleged that PHH, as a successor to Ocwen and ultimately Argent, was liable for predecessor conduct, but did not allege facts showing that PHH owned or serviced the loan or assumed the alleged obligations.

PROCEDURAL HISTORY

Plaintiff filed the state-court action on May 16, 2025. PHH removed it on June 19, 2025, and plaintiff filed a first amended complaint on July 17, 2025. The district court granted PHH's motion to dismiss Counts III, V, and VII as against PHH, while granting plaintiff fourteen days to amend if she could do so consistently with the order.

DISPOSITION

other

CASES CITED

- Navarro v. Block, 250 F.3d 729, 732 (9th Cir. 2001)
- Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555, 570 (2007)
- Sprewell v. Golden State Warriors, 266 F.3d 979, 988 (9th Cir. 2001)
- Fisher v. Allis–Chalmers Corp. Prod. Liab. Tr., 95 Cal. App. 4th 1182, 1188 (2002)
- City of Los Angeles v. Wells Fargo & Co., 22 F. Supp. 3d 1047, 1062 (C.D. Cal. 2014)
- CenterPoint Energy, Inc. v. Superior Ct., 157 Cal. App. 4th 1101, 1120 (2007)
- Ray v. Alad Corp., 19 Cal. 3d 22, 28, 560 P.2d 3, 7 (1977)
- Schwartz v. Pillsbury Inc., 969 F.2d 840, 846 (9th Cir. 1992)
- Marsu, B.V. v. Walt Disney Co., 185 F.3d 932, 937 (9th Cir. 1999)
- Guebara v. Allstate Ins. Co., 237 F.3d 987, 992 (9th Cir. 2001)
- Hammes Co. Healthcare, LLC v. Tri-City Healthcare Dist., 801 F. Supp. 2d 1023, 1039 (S.D. Cal. 2011)
- Lane v. Vitek Real Est. Indus. Grp., 713 F. Supp. 2d 1092, 1103 (E.D. Cal. 2010)
- Khoury v. Maly's of Cal., Inc., 14 Cal. App. 4th 612, 619 (1993)
- Lingad v. Indymac Fed. Bank, 682 F. Supp. 2d 1142, 1155 (E.D. Cal. 2010)

- Gauvin v. Trombatore, 682 F. Supp. 1067, 1071 (N.D. Cal. 1988)

INSTRUCTIONS FOR AN AI ASSISTANT