

UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

White v. CitiMortgage, Inc.

864 F.3d 924 (8th Cir. 2017) · Decided July 26, 2017

SUMMARY

The Eighth Circuit held that White’s claims against CitiMortgage were not barred by Missouri’s five-year statute of limitations because the alleged injury was not reasonably capable of ascertainment until White discovered that Freddie Mac still held title to his home. The court rejected the argument that White was required to discover the problem by searching county land records, emphasizing Missouri’s practical inquiry-notice standard. It reversed summary judgment for CitiMortgage and remanded for consideration of the merits of White’s fraud, Missouri Merchandising Practices Act, and equitable claims.

CASE DETAILS

COURT	United States Court of Appeals for the Eighth Circuit
WRITING FOR THE COURT	Riley, Chief Judge; Benton; Loken; Riley
JURISDICTION	Federal
DECIDED	July 26, 2017
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	White appealed the grant of summary judgment to CitiMortgage on the ground that his Missouri claims were barred by the statute of limitations.
STANDARD OF REVIEW	De novo review of a grant of summary judgment.
PRECEDENTIAL VALUE	Published precedential opinion of the United States Court of Appeals for the Eighth Circuit.
PARTIES	David White v. CitiMortgage, Inc.

TOPICS

- foreclosure
- consumer protection
- fraud
- statutory interpretation
- appellate procedure

PRACTICE AREAS

- real estate
- foreclosure
- consumer protection
- fraud
- civil procedure

QUESTIONS PRESENTED

1. When did White's Missouri claims accrue under the 'capable of ascertainment' standard for purposes of the five-year statute of limitations?
2. Did the recording of the foreclosure deed give White constructive notice sufficient to trigger accrual of his claims in 2008?
3. Were White's fraud, MMPA, and equitable claims timely?
4. Did White's allegations concerning CitiMortgage's reinstatement and loan-collection conduct fall within the Missouri Merchandising Practices Act?

HOLDINGS

1. White's claims did not accrue in 2008 merely because he could have discovered the unrescinded foreclosure deed by searching public records. Under Missouri's practical construction of 'capable of ascertainment,' the limitations period began when a reasonable person would have been put on notice that an injury and substantial damages may have occurred and would have investigated further. On the allegations and record, that point was no earlier than White's 2013 title search.
2. Missouri's recording statute did not, in this case, impute notice to White that Freddie Mac remained the record owner and thereby establish accrual of his claims in 2008.
3. White's claims were timely under Missouri's five-year statute of limitations because the record did not establish that they became capable of ascertainment more than five years before suit was filed.
4. White's allegations that CitiMortgage misled him about the effect of his reinstatement payment on title and liability for the original debt concerned conduct 'in connection with' the sale or collection of the original loan and therefore fell within the MMPA, at least as presented on appeal.

KEY QUOTATIONS

“until [a] plaintiff has sufficient knowledge to be put on ‘inquiry notice’ of the wrong and damages, th[e] standard is not met.” (864 F.3d at 928)

“when a reasonable person would have been put on notice that an injury and substantial damages may have occurred and would have undertaken to ascertain the extent of the damages.” (864 F.3d at 928)

“The recording laws establish a priority as between innocent claimants to the same property or right; they are not intended to give security to the perpetrators of fraud as against their victims” (864 F.3d at 929)

FACTUAL BACKGROUND

White defaulted on his mortgage, and Freddie Mac acquired the debt and purchased the property at a foreclosure sale in 2008. White then reached an oral agreement with CitiMortgage to pay approximately \$6,600 to reinstate the debt and remain in the home; the parties proceeded as though the foreclosure deed would be rescinded and White's title restored, but CitiMortgage never transferred title back. CitiMortgage later entered into a loan-modification agreement with White, continued sending him monthly statements and tax forms, and accepted substantial payments. In 2013, a title search revealed that Freddie Mac still owned the property, leading White to sue in January 2014.

PROCEDURAL HISTORY

White sued CitiMortgage in Missouri state court after discovering in 2013 that Freddie Mac remained the record owner of his home despite White's 2008 reinstatement arrangement and subsequent loan-modification payments. Freddie Mac intervened and removed the case to federal court. The district court granted CitiMortgage summary judgment on all claims as untimely, dismissed Freddie Mac's claims with prejudice by agreement, and entered final judgment. The Eighth Circuit reversed and remanded.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The case was remanded for consideration of the merits of White's claims.

CASES CITED

- Johnson v. Blaukat, 453 F.3d 1108, 1112 (8th Cir. 2006)
- Klemme v. Best, 941 S.W.2d 493, 497 (Mo. 1997)
- Royal Forest Condominium Owners' Ass'n v. Kilgore, 416 S.W.3d 370, 373 (Mo. Ct. App. 2013)
- Huffman v. Credit Union of Texas, 758 F.3d 963, 966-69 (8th Cir. 2014)
- Mahanna v. U.S. Bank National Ass'n, 747 F.3d 998, 1002, 1004-06 (8th Cir. 2014)
- Powel v. Chaminade College Preparatory, Inc., 197 S.W.3d 576, 582-84 (Mo. 2006)
- Larabee v. Eichler, 271 S.W.3d 542, 546-47 (Mo. 2008)
- Dreckshage v. Community Federal Savings & Loan Ass'n, 555 S.W.2d 314, 319-20 (Mo. 1977)
- Stenger v. Great Southern Savings & Loan Ass'n, 677 S.W.2d 376, 385 (Mo. Ct. App. 1984)
- Watson v. Wells Fargo Home Mortgage, Inc., 438 S.W.3d 404, 408 (Mo. 2014)
- Conway v. CitiMortgage, Inc., 438 S.W.3d 410, 416 (Mo. 2014)
- Wivell v. Wells Fargo Bank, N.A., 773 F.3d 887, 899 (8th Cir. 2014)
- Pfoutz v. State Farm Mutual Automobile Insurance Co., 861 F.2d 527, 530 n.3 (8th Cir. 1988)

OPINION

RILEY, J.

RILEY, Chief Judge. David White thought he had saved his house from foreclosure. He paid the mortgage servicer, CitiMortgage, Inc., thousands of dollars to undo a sale to the 'Federal Home Loan Mortgage Corporation (Freddie Mac) and to let White continue paying off his debt. Thereafter he paid many thousands more on the statements CitiMortgage resumed sending him each *926month.

Yet when White tried to sell the house five years later, he discovered he did not own it, Freddie Mac did—it turns out the title was never actually transferred back to White after the foreclosure sale and White’s reinstatement payment.

The district court ruled it was too late for White to sue CitiMortgage for misleading him, because, as fate would have it, five years is also the governing statute of limitations. See Mo. Rev. Stat. § 516.120. The limitation clock had been running the whole time, according to the district court, because White could and should have checked with the county recorder to make sure his title was restored after he made the reinstatement deal with CitiMortgage.

We reverse and remand. 1. BACKGROUND White refinanced his house in 2003. By early 2008, Freddie Mac had acquired the debt, CitiMortgage was servicing it, and White was in default. CitiMortgage notified White and held a foreclosure sale, which White did not attend. Freddie Mac made the winning bid, equal to the amount necessary to pay off the loan, just over \$90,000.

The deed transferring title to Freddie Mac was recorded in Jackson County, Missouri, on April 7, 2008. Three days later, Freddie Mac began eviction proceedings. About two months later, in June, White reached an oral agreement with CitiMortgage to pay roughly \$6,600 to “reinstate” the debt so he could continue living in the house. Freddie Mac acquiesced and dropped its efforts to evict White.

Freddie Mac, as did White and at least some of the CitiMortgage employees involved in the transaction, assumed CitiMortgage would take the necessary steps to rescind the deed and restore White’s title.² For unknown reasons, CitiMortgage failed to do so. CitiMortgage also failed to apply White’s “reinstatement” payment to the loan right away. By the time CitiMortgage processed the \$6,600, it was no longer enough to bring the debt current.

Treating the shortfall as a trigger for “loss mitigation options,” CitiMortgage then approached White about modifying his loan. White and CitiMortgage’s agent signed a modification agreement in October 2008. The modification unquestionably was premised on White again owning the house. Among other things, the agreement—which CitiMortgage prepared and presented to White—provided that the original deed of trust securing the loan “shall remain in full force and effect,” necessarily presupposing that the subsequent “Trustee’s Deed Under Foreclosure” reflecting the sale to Freddie Mac had not overridden the original trust deed.

More fundamentally, there simply would have been no reason for such a transaction (or, for that matter, for CitiMortgage to continue dealing with White at all) if the foreclosure were complete and effective, extinguishing the debt, and the house belonged to Freddie Mac.

In the fall of 2013, White moved and decided to sell the house. His realtor ran a title search and discovered White was not the record owner. By then, White had paid almost \$90,000 on the modified loan. White sued CitiMortgage in Missouri state court in late January 2014. Freddie Mac

intervened and removed the case to federal court, see 12 U.S.C. § 1452(f)(3), seeking an order setting aside the deed from the foreclosure sale and enforcing the modified loan—in other words, judicial permission to proceed as if everything happened the way it was supposed to occur.

White resisted Freddie Mac’s proposed disposition, arguing the circumstances had changed and he now wanted money damages, not the house.³ White ultimately pled four counts: fraud, “negligent inducement/negligent non-disclosure,” “constructive fraud/restitution,” and “violation of the Missouri Merchandising Practices Act” (MMPA), Mo. Rev. Stat. § 407.020(1).

On cross-motions for summary judgment, the district court held White’s claims were all time-barred, without addressing the merits. Citing Federal Rule of Civil Procedure 41(a)(1)(A)(ii) and (c), the parties then agreed to have Freddie Mac’s claims dismissed with prejudice.

The district court entered an order to that effect.⁴ Having disposed of all the parties and claims in the case, the district court also entered final judgment, from which White appeals. See 28 U.S.C. § 1291 (appellate jurisdiction). ' ' II. DISCUSSION We review the grant of summary judgment de novo. See, e.g., *Johnson v. Blaukat*, 453 F.3d 1108, 1112 (8th Cir.

2006). See generally Fed. R. Civ. P. 56(a). The parties agree White’s claims are all subject to a five-year statute of limitations. See Mo. Rev. Stat. § 516.120; see also, e.g., *Klemme v. Best*, 941 S.W.2d 493, 497 (Mo. 1997) (“Section 516.120(4) does apply to claims of breach of fiduciary duty or constructive fraud.”); *Royal Forest Condo. Owners’s Ass’n v. Kilgore*, 416 S.W.3d 370, 373 (Mo.

Ct. App. 2013) (“An action for unjust enrichment is... subject to the five-year statute of limitations in Section 516.120(1).”). The dispute is over whether the five years started running—in the summer or fall of 2008, or the fall of 2013. Generally, claims accrue “when the damage... is sustained and is capable of ascertainment.” Mo. Rev. Stat. § 516.100.

As White points out on appeal, Missouri law provides a more forgiving standard for “action[s] for relief on the ground of fraud,” which are “deemed not to have accrued until the discovery... of the facts constituting the fraud.” Mo. Rev. Stat. § 516.120(5).

We can ignore that exception, and need not parse which of White’s claims it covers, cf. *Huffman v. Credit Union of Tex.*, 758 F.3d 963, 968-69 (8th Cir. 2014) (“[T]he five-year statute of limitations for a narrow subclass of MMPA claims—those based on allegations of ‘fraud’—may be governed by subsection (5).”), because White’s claims were all timely even under the usual, easier to trigger “capable of ascertainment” standard.

To be sure, White could have discovered that CitiMortgage had not unwound the foreclosure sale by White checking the public records in the summer and fall of 2008. In an everyday sense, the injury and damages he alleges certainly were “capable of ascertainment” more than five years

before he filed this suit. That is the way CitiMortgage argues this issue, and how the district court decided it—emphasizing, respectively, that “nothing prevented [White] from discovering that Freddie Mac still owned the property” and the truth about the status of White’s title “was readily available” to him the whole time.

Yet however we might read the words “capable of ascertainment” if we were coming to the statute fresh, this is a dispute about Missouri law, and we must follow the Missouri Supreme Court’s interpretation. See, e.g., *Mahanna v. U.S. Bank Nat’l Ass’n*, 747 F.3d 998, 1002 (8th Cir. 2014). That court has expressly rejected such a literal approach, opting instead to “give the phrase ‘capable of ascertainment’ a practical construction,” according to which “until [a] plaintiff has sufficient knowledge to be put on ‘inquiry notice’ of the wrong and, damages, the standard is not met.” *Powel v. Chaminade Coll.*

Preparatory, Inc., 197 S.W.3d 576, 582-83 (Mo. 2006). Thus the statute of limitations on White’s claims only started running “when a reasonable person would have been put on notice that an injury and substantial damages may have occurred and would have undertaken to ascertain the extent of the damages.” *Id.* at 584; see also *Mahanna*, 747 F.3d at 1004 (“Notice of a need to investigate triggers claim accrual but not every potential source of suspicion or insecurity gives rise to a duty to investigate.”).

Our recent decisions applying the “capable of ascertainment” standard reflect this “practical” approach and illustrate the types of notice that can suffice. In a case involving car-buyers who alleged they were misled into taking out loans that included amounts to cover their lender’s insurance, we held the claims accrued when the buyers received deficiency notices showing that even after making, payments for years, they still owed more than they originally paid for their cars.

See *Huffman*, 758 F.3d at 966-68. And in a case against a bank for allegedly losing gold coins pledged as collateral, we determined the plaintiff was on notice something might be wrong when one bank representative said he could not find the coins and others gave inconclusive responses to the plaintiffs’ follow-up inquiries. See *Mahanna*, 747 F.3d at 1004-06. CitiMortgage, not recognizing this is what the statute requires, does not identify anything comparable that should have prompted White to ask, sometime before January 2009, whether something had gone wrong with restoring his title.

See *id.* at 1002 (explaining the burden of proof is on the party asserting the statute-of-limitations defense). Nor can we discern anything in the record that might have provided the requisite notice and caused White’s claims to become “capable of ascertainment” in the relevant sense. By all indications, until White tried to sell the house, everything seemed to be in order with the title underlying his mortgage.

If anything, that impression was reinforced by the limited information White did receive in the form of Freddie Mac ceasing its efforts to evict him and CitiMortgage approaching him about, modification, sending him monthly statements and tax forms, and communicating with him about various payment issues as they arose. Missouri's recording law does not dictate a contrary conclusion, even though it says instruments conveying or affecting real estate "shall, from time of filing..., impart notice to all persons of the contents thereof," Mo. Rev. Stat. § 442.390.

For one thing, despite the statute's unqualified language, the Missouri Supreme Court has declared " '[t]he record of an instrument is notice only to those who are bound to search for it[,], not a publication to the world at large.' " Larabee v. Eichler, 271 S.W.3d 542, 546 (Mo. 2008) (quoting Dreckshage v. Cmty. Fed. Sav. & Loan Ass'n, 555 S.W.2d 314, 319 (Mo.

1977)); see also, e.g., Stenger v. Great S. Sav. & Loan Ass'n, 677 S.W.2d 376, 385 (Mo. Ct. App. 1984) ("[T]he [recording law]' goes on to specify that it is 'subsequent purchasers *929and mortgagees' who are bound by the notice, and this is supported by authority which notes the statute has no application to one who already has acquired his interest before some new document is recorded affecting the land." (quoting Mo. Rev. Stat. § 442.390)).

The Missouri Supreme Court has declined to extend the recording law to situations similar to what White has alleged. See Larabee, 271 S.W.3d at 546-47 (refusing to treat good-faith buyers as knowing facts that appeared in real-estate records for purposes of determining when a fraud claim against the sellers accrued, because " '[t]he recording laws establish a priority as between innocent claimants to the same property or right; they are not intended to give security to the perpetrators of fraud as against their victims'" (quoting Dreckshage, 555 S.W.2d at 319-20)).

Further, in light of the Missouri court's emphasis on "the purpose of [Missouri's] system of recording interests in real estate," id. at 546, we think it significant that although the recording law speaks of "notice," the notice it imputes is a legal fiction—no one really thinks "all persons" actually become aware of every detail of Missouri real estate filing statuses the moment a document is filed in a county office, or not filed.

That makes it a poor fit with the "practical" approach the Missouri Supreme Court has made clear governs the determination of when injury and damages are "capable of ascertainment," which looks to the circumstances a potential plaintiff is aware of at the relevant time and asks how a reasonable person would respond. See Powel, 197 S.W.3d at 583; see also Mahanna, 747 F.3d at 1004-06.

Having concluded White's suit is timely, we decline CitiMortgage's invitation to affirm on the alternative basis that the fraud and MMPA-claims fail on the merits. In short, we think the merits questions are closer than CitiMortgage makes them seem.

As to the fraud claim, CitiMortgage's representation to us that the record contains "no evidence to show that Citi-Mortgage knew when it presented the loan modification agreement that [White] was not record owner of the property"—key to establishing scienter, see, e.g., *Larabee*, 271 S.W.3d at 546 (elements of fraud)—is belied by CitiMortgage's express admission of precisely that point in its summary-judgment briefing to the district court.⁵ We are similarly unconvinced by CitiMortgage's assertion that the MMPA claim, at least as presented on appeal, "arises from the loan modification agreement," rather than "in connection with the sale" of the original loan, and thus does not fall within the statute's ambit.

Mo. Rev. Stat. § 407.020(1); cf. *Watson v. Wells Fargo Home Mortg., Inc.*, 438 S.W.3d 404, 408 (Mo. 2014) ("In engaging in loan modification negotiations, Wells Fargo was not enforcing the terms of the loan but rather contemplating creating a new agreement. Its actions were not 'in connection with' the sale of the original loan." (quoting Mo. Rev. Stat. § 407.020(1))).

As we read White's pleadings and briefs, the essence of the MMPA claim has consistently been that CitiMortgage unfairly misled White about the effect of the \$6,600 he paid in June 2008 on his title and liability for the original debt. Missouri case law is clear that "loan collection procedures, whether initiated by a loan originator or a loan servicer, are done 'in connection with' the original procurement of the loan." *Conway v. CitiMortgage, Inc.*, 438 S.W.3d 410, 416 (Mo.

2014) (quoting Mo. Rev. Stat. § 407.020(1)). Because the purported "reinstatement" arrangement was part of CitiMortgage's efforts to enforce and collect on the original, unmodified loan, we conclude White's allegations are covered by the MMPA, at least in this respect. Cf. *Wivell v. Wells Fargo Bank, N.A.*, 773 F.3d 887, 899 (8th Cir. 2014) ("[Foreclosing on the [plaintiffs'] property despite informing them that applying for a loan modification would suspend a foreclosure was 'in connection with' a sale under the MMPA." (quoting Mo. Rev. Stat. § 407.020(1))).

Finally, although White's arguments on appeal are limited to his fraud and MMPA claims, we conclude it is appropriate to reverse the dismissal of his other, equitable claims as well. Cf., e.g., *Pfoutz v. State Farm Mut. Auto. Ins.*, 861 F.2d 527, 530 n.3 (8th Cir. 1988). White's allegations strike us as sounding at least as much in equity and unjust enrichment as in fraud and deception.

And the district court relied on the same statute-of-limitations analysis (and nothing else) to dismiss all of White's claims, so we see no legal or logical reason why our interpretation of the statute and our holding about when the claims accrued should not similarly apply across the board.

III. CONCLUSION The grant of summary judgment to Citi-Mortgage is reversed.

The case is remanded for consideration of the merits of White's claims.. It is not clear from the record how exactly the parties contemplated CitiMortgage carrying out its side of the deal (or whether they had anything specific in mind), but the precise mechanics are not necessary to our

decision on appeal. Nor do we need to decide whether the agreement was in fact legally enforceable.

What matters is White expected CitiMortgage to give him his title back, and White thought CitiMortgage had done so.. White submitted evidence (some of which was contested and the district court never definitively ruled on) that after he told Citi-Mortgage he would no longer take care of the house, seeing as the house was not his, the house was vandalized, stripped of materials, left exposed to the elements, and eventually declared a nuisance..

At oral argument, White suggested we order the case sent back to state court because Freddie Mac is no longer involved. We decline to address that issue.. In response to White's statement of material facts, CitiMortgage wrote: "Admitted: Citi-. Mortgage knew when it presented the Loan Modification Agreement to White in October 2008 that the house, was titled in the name of Freddie Mac,"