UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF CALIFORNIA

Martinez v. Specialized Loan Servicing, LLC

Martinez · No. 2:24-cv-1387 WBS AC · Decided April 30, 2025

SUMMARY

The United States District Court for the Eastern District of California granted Specialized Loan Servicing, LLC's motion to dismiss claims arising from an alleged wrongful foreclosure. The court held that the Fair Debt Collection Practices Act did not apply to the nonjudicial foreclosure or the alleged reinstatement offer, and that the Unfair Competition Law claim lacked adequately alleged economic injury and a predicate violation. The court dismissed all claims and granted the plaintiff twenty-one days to amend.

CASE DETAILS

COURT	United States District Court for the Eastern District of California
JURISDICTION	United States District Court for the Eastern District of California
DECIDED	April 30, 2025
DOCKET	2:24-cv-1387 WBS AC
DISPOSITION	other
PROCEDURAL POSTURE	Defendant Specialized Loan Servicing, LLC moved to dismiss the First Amended Complaint under Federal Rule of Civil Procedure 12(b)(6), and alternatively under Rule 12(b)(7) for failure to join an indispensable party. The court granted the motion under Rule 12(b)(6), dismissed the claims, and granted plaintiff twenty-one days to amend.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court considers whether the complaint states a claim upon which relief can be granted. Leave to amend is governed by Federal Rule of Civil Procedure 15(a)(2), which requires that leave be freely given when justice so requires.
PRECEDENTIAL VALUE	unpublished district court order
PARTIES	Christopher Martinez v. Specialized Loan Servicing, LLC, Secured Funding Corporation, Does 1-50

TOPICS

motions to dismiss · fair debt collection · wrongful foreclosure · consumer protection · civil procedure

PRACTICE AREAS

civil procedure | foreclosure law | consumer protection | fair debt collection | real estate remedies

QUESTIONS PRESENTED

1. Whether plaintiff's Fair Debt Collection Practices Act claim based on nonjudicial foreclosure and a reinstatement offer stated a claim.
2. Whether plaintiff's California Unfair Competition Law claim stated a claim, including whether plaintiff alleged a cognizable economic injury and statutory standing.
3. Whether the claims plaintiff conceded should be dismissed should nevertheless be dismissed.
4. Whether plaintiff should receive leave to amend under Federal Rule of Civil Procedure 15(a)(2).

HOLDINGS

1. The FDCPA does not apply to the nonjudicial foreclosure at issue because enforcement of a security interest through nonjudicial foreclosure does not constitute an attempt to collect money from the debtor.
2. Plaintiff failed to state a UCL claim because he did not allege a cognizable economic injury or statutory standing, and he also failed to adequately allege an unlawful or unfair business practice.
3. The claims for violation of the Truth in Lending Act, breach of contract, breach of the implied covenant of good faith and fair dealing, violation of California Civil Code section 2924.17, and declaratory relief were dismissed because plaintiff conceded dismissal of those claims.
4. Plaintiff was granted twenty-one days to file an amended complaint if he could do so consistently with the order.

KEY QUOTATIONS

> *"the enforcement of a security interest does not entail an attempt to collect money from the debtor."* (at 3)

> *"this policy is to be applied with extreme liberality."* (at 4)

FACTUAL BACKGROUND

Plaintiff and his wife purchased a residence in 2001, and plaintiff later obtained a $111,800 home equity line of credit secured by the property. Plaintiff filed for Chapter 7 bankruptcy in 2008, received a discharge, and alleged that he stopped receiving loan statements for more than fifteen years. A notice of default was recorded in June 2023, followed by a reinstatement offer and a notice of sale recorded in January 2024; plaintiff then brought claims concerning the foreclosure and debt-servicing conduct.

PROCEDURAL HISTORY

Plaintiff filed an action challenging the alleged wrongful foreclosure of his residence and asserted seven claims against Specialized Loan Servicing, LLC. Plaintiff conceded that five claims should be dismissed and sought leave to amend. The court dismissed the remaining FDCPA and UCL claims and granted leave to file an amended complaint; it did not reach the Rule 12(b)(7) issue.

DISPOSITION

other

CASES CITED

- Natividad v. Wells Fargo Bank, N.A., No. 3:12-cv-03646, 2013 WL 2299601, at *3-11 (N.D. Cal. May 24, 2013)
- Obduskey v. McCarthy & Holthus LLP, 586 U.S. 466, 474-79 (2019)
- Distor v. U.S. Bank NA, No. C 09-02086, 2009 WL 3429700, at *3-5 (N.D. Cal. Oct. 22, 2009)
- Beaver v. Tarsadia Hotels, 816 F.3d 1170, 1177-81 & n.5 (9th Cir. 2016)
- Barnes v. Routh Crabtree Olsen PC, 963 F.3d 993, 997-98 (9th Cir. 2020)
- A.B. Concrete Coating Inc. v. Wells Fargo Bank, Nat'l Ass'n, 491 F. Supp. 3d 727, 737-38 (E.D. Cal. 2020)
- Hood v. Superior Ct., 33 Cal. App. 4th 319, 323-24 (1995)
- Shupe v. Nationstar Mortg. LLC, 231 F. Supp. 3d 597, 605-06 (E.D. Cal. 2017)
- Kwikset Corp. v. Superior Ct., 51 Cal. 4th 310, 321-22 (2011)
- Herring Networks, Inc. v. Maddow, 8 F.4th 1148, 1160-61 (9th Cir. 2021)