UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA

In re Matthew Edward Shkor

In re Shkor · No. Case No. 23-cv-03648 (APM) · Decided December 3, 2025

SUMMARY

The U.S. District Court for the District of Columbia affirmed a bankruptcy court judgment recognizing Capital Bank's first-priority lien under the equitable doctrine of replacement of mortgages. The court held that District of Columbia law would recognize the doctrine and that Cornerstone was not materially prejudiced by Capital Bank's refinancing of its original mortgage or by Cornerstone's subsequent loans made with knowledge of the refinancing.

CASE DETAILS

COURT	United States District Court for the District of Columbia
WRITING FOR THE COURT	Amit P. Mehta
JURISDICTION	United States District Court for the District of Columbia
DECIDED	December 3, 2025
DOCKET	Case No. 23-cv-03648 (APM)
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from the United States Bankruptcy Court for the District of Columbia concerning the relative priority of competing liens after a mortgage refinance.
STANDARD OF REVIEW	The court reviews the bankruptcy court's legal conclusions de novo and its factual findings for clear error.
PRECEDENTIAL VALUE	Published memorandum opinion of the United States District Court for the District of Columbia; persuasive within the district but not binding on other federal courts or the D.C. Court of Appeals.
PARTIES	Cornerstone Capital, LLC v. Capital Bank, N.A.

TOPICS

mortgages · title disputes · appellate procedure · standard of review · declaratory judgment

PRACTICE AREAS

real estate · bankruptcy · commercial litigation · appellate procedure · remedies

QUESTIONS PRESENTED

1. Whether District of Columbia law recognizes the equitable doctrine of replacement of mortgages.
2. Whether the requirements of the replacement-of-mortgages doctrine were satisfied on the undisputed facts, including whether the refinance materially prejudiced Cornerstone.
3. Whether Capital Bank's first-priority lien was limited to the subrogated principal amount without interest exceeding that amount.

HOLDINGS

1. District of Columbia law recognizes, or would recognize, the equitable doctrine of replacement of mortgages, under which a lender refinancing its own senior mortgage may retain the original lien's priority when the original mortgage is released and replaced in the same transaction, absent material prejudice to a junior lienholder.
2. The doctrine applied because Capital Bank's original mortgage was paid off and released and was replaced by a new mortgage in the same transaction, and Cornerstone was not materially prejudiced by the refinance.
3. Capital Bank's first-priority lien properly secured $1,583,473.95 in principal plus interest at five percent per annum.

KEY QUOTATIONS

> *"when a senior mortgage is released of record and, as part of the same transaction, is replaced with a new mortgage, the latter mortgage retains the same priority as its predecessor, except to the extent that any change in the terms of the mortgage or the obligation it secures is materially prejudicial to the holder of a junior interest in the real estate."* (9)

> *"Ultimately, the guiding question is "whether the payor reasonably expected to get security with a priority equal to the mortgage being paid.""* (11)

> *"Cornerstone cannot now claim prejudice from having lost that bet."* (12)

FACTUAL BACKGROUND

In 2017, Matthew Shkor obtained a first-position deed of trust loan from Capital Bank and a second-position deed of trust loan from Cornerstone. In 2018, Capital Bank refinanced its loan, paid off and released the original lien, and recorded a new lien, but Cornerstone did not release its existing lien. Because the refinance made Cornerstone's lien appear first in the land records, Cornerstone later made additional loans to Shkor and initiated foreclosure proceedings. Capital Bank sought a declaration that its refinanced lien retained first priority.

PROCEDURAL HISTORY

Capital Bank filed an action in the District of Columbia Superior Court to prevent Cornerstone from foreclosing on property owned by Matthew Shkor. After Shkor filed for bankruptcy, the matter was removed to the bankruptcy court, where Capital Bank amended its complaint to seek a declaratory judgment concerning lien priority. Following cross-motions for summary judgment and a two-day bench trial, the bankruptcy court recognized the equitable doctrine of replacement of mortgages under District of Columbia law and entered judgment giving Capital Bank first-priority status. Cornerstone timely appealed.

DISPOSITION

affirmed

CASES CITED

- In re Carvalho, 598 B.R. 356, 362-63 (D.D.C. 2019)
- In re Hope 7 Monroe St. Ltd., 743 F.3d 867, 873 (D.C. Cir. 2014)
- In re Stevenson, 789 F.3d 197, 200-02 (D.C. Cir. 2015)
- Travelers Cas. & Sur. Co. of Am. v. Pac. Gas & Elec. Co., 549 U.S. 443, 450-51 (2007)
- E. Sav. Bank, FSB v. Pappas, 829 A.2d 953, 957, 959-60 (D.C. 2003)
- Taylor v. MacGreal, 15 App. D.C. 32, 33 (1899)
- Hamilton v. Pa. Hous. Fin. Agency, 614 B.R. 48, 57-58 (E.D. Pa. 2020)
- First Nat'l Bank of Layton v. Palmer, 362 P.3d 904, 907 n.3 (Utah Ct. App. 2013)
- Camreta v. Greene, 563 U.S. 692, 709 n.7 (2011)
- Capital Bank, N.A. v. Ganges Fin. Grp., LLC, No. 20-cv-01470 (ABJ), 2021 WL 6750743, at *4 (D.D.C. Mar. 31, 2021)
- Burgoon v. Lavezzo, 92 F.2d 726, 730, 732-33 (D.C. Cir. 1937)
- Long v. Am. Sav. & Loan Ass'n, 151 A.2d 770, 773 (D.C. 1959)
- Pro-Football, Inc. v. Harjo, 415 F.3d 44, 47 (D.C. Cir. 2005)
- Murphy Exploration & Prod. Co. v. U.S. Dep't of Interior, 270 F.3d 957, 958 (D.C. Cir. 2001)
