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# Appraisers Face Crop of Suits From Holder of Foreclosed Mortgages

Charles Toutant, New Jersey Law Journal

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A mortgage holder has filed suit against a number of real estate appraisers in the District of New Jersey, claiming they provided inflated property valuations.

Christiana Trust, a division of Wilmington Savings Fund Society, filed nine suits against appraisers Friday in its capacity as trustee for Stanwich Mortgage Loan Trust. The suits concern appraisals performed more than five years ago, most on homes in Newark and nearby communities, that fell into foreclosure and saw their mortgages acquired by Stanwich.

The suits accuse the defendants of failing to adhere to the Uniform Standards of Professional Appraisal Practice, as well as inadequate research and failure to adjust for negative property attributes. The plaintiffs bring counts of negligence, gross negligence, negligent misrepresentation and vicarious liability, and seek judgment for the difference between the appraisal amount and the sum the property was sold for after foreclosure.

The suit includes one naming Liberty Appraisal Services of Metuchen, citing an appraisal that company performed on a four-bedroom Cape Cod-style house in Roselle in 2007, estimating its value at \$330,000. But the plaintiffs say the actual value at the time of the appraisal was much less. The house was foreclosed on, and sold to pay off the mortgage balance, but the funds received from the sale left a deficiency balance of \$218,175, for which the plaintiff seeks judgment in full.

The suit says that the Federal Deposit Insurance Corp., which is often appointed receiver for failed financial institutions, has filed numerous suits against residential appraisers for the same type of conduct that is the basis of the present case.

The complaint language in some of the cases states that "inaccurate appraisals proved the catalyst for unsustainable housing market growth and the resulting home mortgage crisis during the past decade. As the housing market bubble grew, inflated appraisals were commonly used to support loans that were then sold on the secondary market. Then the bubble popped. Homeowners began defaulting on their mortgages in droves, leaving financial institutions and secondary-market participants to absorb the substantial losses."

Vivian Garzone, the principal of Liberty Appraisal Services, said the suit appears to blame the appraiser for mistakes made by mortgage lenders, like issuing mortgages for 120 percent of the appraisal.

"It's almost like they are holding us accountable for the economy falling down," Garzone said.

Garzone said her company faced a similar suit several years ago, filed by a company called Llano Financial Group, which filed numerous suits of the same type against appraisers nationwide.

Garzone's company settled the Llano suit for a "nuisance value," said her attorney in that case, Robert Blau, of Blau and Blau in Springfield. Blau said the two suits are similar although the Christiana Trust complaint is "more sophisticated, more detailed than the complaint in the other case." But he added, "it's just as bogus, as far as I'm concerned."

Blau said the suits are problematic because they focus on events that are nearly a decade old, although defendants can't obtain summary judgment because the statute of limitations doesn't run until the plaintiff has reason to know it's been harmed. Another flaw in the suits is that the damages complained of were caused by the decline in the housing market, he said.

Other defendants named in the case could not be reached or did not respond to messages.

A representative for Wilmington Savings Fund Society did not respond to reporter's call about the suit. The plaintiffs are represented by Marc Grossman of Sanders Viener Grossman in Garden City, New York and W. Ryan Myers of Cory Watson in Birmingham, Alabama. Grossman did not return a call and Myers declined to comment.

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