

NJ FEDERAL COURT DISMISSES UNDER ROOKER-FELDMAN AND ENTIRE CONTROVERSY DOCTRINES

The United States District Court for the District of New Jersey recently granted a mortgage servicer's motion to dismiss a borrower's claim because the allegations should have been brought in the parties' foreclosure action. See Sanchez v. Select Portfolio Servicing, Inc., 2017 WL 4711475 (D.N.J. Oct. 20, 2017). In the case, plaintiff defaulted on a loan and defendant's predecessor in interest instituted a state court foreclosure action in 2008. After plaintiff defaulted in the action, the Court entered a final judgment of foreclosure, however, the original lender collapsed and the property was not sold. In 2016, after the loan was assigned to defendant, the parties entered modification discussions but, according to plaintiff, no agreement was reached and defendant nonetheless unilaterally increased her monthly payments. Later that year, defendant filed a motion to appoint a special servicer to sell the property, which plaintiff opposed. The Court granted defendant's motion, and plaintiff filed this action arguing that defendant had breached the terms of the mortgage and acted in bad faith. Defendant then moved to dismiss.

The Court granted defendant's motion to dismiss. First, it held that plaintiff's claims were barred by the *Rooker-Feldman* doctrine, under which "federal district courts are barred from hearing cases 'that are essentially appeals from state-court judgments,'" including state court foreclosure judgments. The doctrine applies when "(1) the federal plaintiff lost in state court; (2) the plaintiff 'complain[s] of injuries caused by [the] state-court judgments'; (3) those judgments were rendered before the federal suit was filed; and (4) the plaintiff is inviting the district court to review and reject the state judgments.'" In this matter, all of plaintiff's claims related to the mortgage and foreclosure, and the relief she sought was to prevent the sale of the property. Thus, the *Rooker-Feldman* doctrine applied and the Court dismissed the action for lack of jurisdiction. Second, the Court held that even if plaintiff raised independent claims regarding defendant's 2016 conduct, these would be barred by New Jersey's entire controversy doctrine, which requires "whenever possible all phases of a legal dispute to be adjudicated in one action." Thus, because plaintiff's claims were germane to the foreclosure action, plaintiff also was barred from bringing them in a separate proceeding pursuant to the entire controversy doctrine.