

Supreme Court orders review of recession-era class action against Rocket

The 2011 lawsuit alleged Quicken Loans, now Rocket Mortgage, inflated appraisals for 2,769 home loans

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The Supreme Court weighed in on a class action lawsuit against [Quicken Loans](#), now [Rocket Mortgage](#), regarding its [appraisal practices](#) during the financial crisis, delivering a procedural win for the mortgage lender.

On Monday, the Supreme Court remanded the class action to the United States Court of Appeals for the Fourth Circuit to reexamine its March decision in favor of borrowers. Rocket had requested the revision of the case last fall.

The dispute involves a potential payment of \$9.7 million stemming from allegedly tainted appraisals for 2,769 mortgage loans Quicken Loans originated from 2004 to 2009. Its affiliate appraisal company, Title Source, now Amrock, provided the appraisals, court records show.

The lawsuit, filed in 2011 in the Circuit Court of Ohio County, West Virginia, claimed that the nonbank lender wrongly influenced home appraisal values during the financial crisis.

Rocket, in a statement to HousingWire, said it is not surprised by the U.S. Supreme Court's ruling.

"The facts of this case are clear, and demonstrate that our practices were compliant and that the refinance loans we provided benefited our West Virginia clients," a Rocket spokesperson said.

The leading plaintiffs are two couples, Phillip and Sara Alig and Daniel and Roxanne Shea, who refinanced their mortgages in 2007 and 2008, respectively. The borrowers paid for the appraisals – \$260 from the Aligs and \$430 from the Sheas – and received their refinance loans.

But they claim that Quicken Loans influenced appraisers to raise their home values and originate higher loans. Messages left with plaintiffs' attorneys were not returned.

According to the lawsuit, the Aligs, for example, estimated their home was worth \$129,000, and provided the information to Quicken Loans. Quicken Loans passed the value along to the appraisal company, which changed the home's valuation from \$122,500 to \$125,500, the couple claimed.

The Aligs obtained a \$113,000 loan, putting them underwater. Expert witnesses estimated the actual 2007 value of their home to be as much as \$26,000 less than the appraised value.

Rocket claimed that plaintiffs were not injured because they benefited from obtaining the loans. In a statement to HousingWire, the company defended its past practices, pointing out that a dissenting judge in the Fourth Circuit had said that providing relevant information to appraisers “was an industry-wide practice.”

According to the Fourth Circuit decision in March, plaintiffs are entitled to summary judgment on their claims for conspiracy and unconscionable inducement, but not for the claim regarding breach of contract.

“Plaintiffs paid an average of \$350 for independent appraisals that, as we conclude below, they never received. Instead, they received appraisals that were tainted when Defendants exposed the appraisers to the borrowers’ estimates of value and pressured them to reach those values,” the Fourth Circuit judges wrote.

However, in its decision, the Supreme Court wrote that the dispute needs to be analyzed by the Fourth Circuit in light of *TransUnion LLC v. Ramirez*. In the case, concluded in June 2021, the Court stated that the law requires a concrete injury to grant a person the option to sue to vindicate a right. According to the case, “injury in law is not an injury in fact.”

The Fourth Circuit considered borrowers to have experienced financial harm when they paid for a home appraisal service influenced by Rocket. The company, however, said in the lawsuit the borrowers were uninjured, received the loans, and the Court needs to consider the level of harm suffered by each class member individually.

Federal reforms following the 2008 financial crisis sought to put a firewall between lenders and appraisers. As a result of the changes, appraisal management companies came into wider use. Federal regulators, including the **Federal Housing Finance Agency** and the **Department of Housing and Urban Development**, are now focused on rooting out bias in appraisals, after a string of news stories and academic research suggesting bias may play a role in home valuations.

A federal task force led by HUD is expected to make policy recommendations on appraisals in the early part of this year.

Update: Title Source, now Amrock, is a subsidiary of Rocket Companies, not Rocket Mortgage.