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--- B.R. ---, 2008 WL 501356 (Bkrcty.W.D.Pa.)

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In re Figard
Bkrcty.W.D.Pa.,2008.

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United States **Bankruptcy** Court,W.D.
Pennsylvania.

In re David R. FIGARD, and Rebecca J. Figard,
Debtor.

David R. Figard, and Rebecca J. Figard, Plaintiffs,
v.

PHH **Mortgage** Corporation f/k/a Cendant **Mortgage**
Corporation, d/b/a Coldwell Banker Mo., and/or its

Successors or Assigns, Defendant.

Bankruptcy No. 06-70268-JAD.

Adversary No. 06-07064-JAD.

Related To Document Nos. 144 and 145.

Feb. 26, 2008.

Background: Chapter 13 debtors brought adversary proceeding against mortgagee, asserting claims for negligence and violations of Real Estate Settlement Procedures Act (RESPA), Truth in Lending Act (TILA), **Bankruptcy** Code, and **Pennsylvania** Unfair Trade Practices and Consumer Protection Law. Mortgagee moved for summary judgment.

Holdings: The **Bankruptcy** Court, [Jeffery A. Deller](#), J., held that:

(1) under **Pennsylvania** law, as predicted by **bankruptcy** court, “gist of the action” doctrine barred negligence claim;

(2) **mortgage** did not breach any independent duties of good faith and fair dealing, so as to be liable in negligence;

(3) **Bankruptcy** Code's claims allowance statute did not implicitly repeal RESPA provision requiring loan servicers to timely reply to borrower's written request for information related to loan servicing;

(4) **bankruptcy** statute allowing oversecured creditor to claim interest on its claim does not permit a private cause of action;

(5) TILA did not authorize rescission of borrowers' **mortgage**;

(6) TILA claim was barred by statute of limitations; and

(7) borrowers' allegations were insufficient to defeat mortgagee's summary judgment motion on claim under **Pennsylvania** Unfair Trade Practices and Consumer Protection Law.

Motion for summary judgment granted in part and denied in part.

[\[1\] Bankruptcy 51](#) 🔑

[51 Bankruptcy](#)

Adversary proceeding in which Chapter 13 debtors asserted lender liability claims against mortgagee was “non-core proceeding.” [28 U.S.C.A. § 157\(c\)\(1\)](#).

[\[2\] Mortgages 266](#) 🔑

[266 Mortgages](#)

Under **Pennsylvania** law, as predicted by **bankruptcy** court, “gist of the action” doctrine, under which party was prevented from raising tort claim when crux of claim was actually contained in parties' contract, barred borrowers' claims that mortgagee was negligent in its handling and servicing of borrowers' **mortgage**, given that **mortgage** agreement dictated mortgagee's duties as mortgagee and servicer of **mortgage**, such that borrowers' claim was contractual in nature.

[\[3\] Contracts 95](#) 🔑

[95 Contracts](#)

While tort actions lie for breaches of duties imposed by law as a matter of social policy, under **Pennsylvania** law, contract actions lie only for breaches of duties imposed by consensual agreements between particular individuals.

[\[4\] Contracts 95](#) 🔑

[95](#) Contracts

Under **Pennsylvania** law, a claim should be limited to a contract claim when the parties' obligations are defined by the terms of the contracts, and not by the larger social policies embodied by the law of torts.

[\[5\]](#) Contracts 95 🔑

[95](#) Contracts

Under **Pennsylvania** law, “gist of the action” doctrine will prevent a party from raising a tort claim when the crux of the claim is actually contained in the contract that governs the relationship of the parties.

[\[6\]](#) Contracts 95 🔑

[95](#) Contracts

Under **Pennsylvania** law, the “gist of the action” doctrine will not permit recovery in tort when the claim (1) arises solely from the contractual relationship between the parties, (2) when the alleged duties breached were grounded in the contract itself, (3) when any liability stems from the contract, and (4) when the tort claim essentially duplicates the breach of contract claim or when the success of the tort claim is dependent on the success of the breach of contract claim.

[\[7\]](#) Contracts 95 🔑

[95](#) Contracts

If a court determines that a contract between the parties is merely collateral to a tort claim, recovery in tort is permissible under **Pennsylvania** law.

[\[8\]](#) Mortgages 266 🔑

[266](#) Mortgages

Borrowers' claims against mortgagee based on duties arising under statute, rather than **mortgage** agreement, were not barred by **Pennsylvania's** “gist of the action” doctrine, which barred party from raising tort claim when crux of claim was actually contained in parties' contract.

[\[9\]](#) Negligence 272 🔑

[272](#) Negligence

To establish a prima facie case for negligence under

Pennsylvania law, plaintiff must allege that (1) defendant had an independent legal duty which was owed to plaintiff, (2) defendant breached that duty, (3) such breach was the cause of the purported injury, and (4) plaintiff actually suffered some sort of loss or damage.

[\[10\]](#) Negligence 272 🔑

[272](#) Negligence

Assuming that duties of good faith and fair dealing qualified as independent, noncontractual duties owed by mortgagee to borrowers, mortgagee did not breach those duties in calculating borrowers' monthly income for purposes of determining their loan eligibility, so as to be liable in negligence under **Pennsylvania** law, given that monthly income was calculated using borrowers' actual pay stubs, instead of information that was estimated by one borrower over telephone, and there was no evidence that this was improper method of calculating loan applicant's monthly income.

[\[11\]](#) Negligence 272 🔑

[272](#) Negligence

Mortgagee was exercising its contractual right to return any payment or partial payment that was insufficient to bring **mortgage** loan current when it returned payment that had been tendered by borrowers, and thus, in doing so, mortgagee did not breach any independent, noncontractual duties of good faith and fair dealing, so as to be liable in negligence under **Pennsylvania** law.

[\[12\]](#) Statutes 361 🔑

[361](#) Statutes

Federal statutes do not preempt other federal statutes.

[\[13\]](#) Statutes 361 🔑

[361](#) Statutes

When federal statutes purportedly conflict, court looks to whether one federal statute implicitly repeals the other.

[\[14\]](#) Statutes 361 🔑

[361](#) Statutes

Repeal by implication is disfavored by United States's judicial system, and there are only two ways in which one federal statute may implicitly repeal the other: when Congress has clearly expressed an intention to do so, and when there is an irreconcilable conflict between the two statutes.

[\[15\]](#) Statutes 361 

[361](#) Statutes

When two federal statutes are capable of coexistence, it is the duty of the courts to give effect to both statutes if possible.

[\[16\]](#) Statutes 361 

[361](#) Statutes

Congress clearly expresses its intention to have one federal statute repeal another only when the subsequently enacted statute encompasses the entire subject area of the previously enacted statute and is clearly intended as a substitute.

[\[17\]](#) Bankruptcy 51 

[51](#) Bankruptcy

Bankruptcy Code's claims allowance statute, which allowed parties in interest to file objections to proofs of claim filed in **bankruptcy** cases, did not implicitly repeal provision of Real Estate Settlement Procedures Act (RESPA) requiring loan servicers to timely reply to borrower's written request for information related to loan servicing, given that Congress did not clearly express its intent to have **bankruptcy** statute act as substitute means for debtors to gather information from mortgagees, and no conflict existed between two statutes. [11 U.S.C.A. § 502](#); Real Estate Settlement Procedures Act of 1974, § 6(e)(1)(A), [12 U.S.C.A. § 2605\(e\)\(1\)\(A\)](#).

[\[18\]](#) Bankruptcy 51 

[51](#) Bankruptcy

Simply filing an objection, and then indicating that "we don't have enough information," will not suffice to overcome a properly filed proof of claim. [11 U.S.C.A. § 502](#).

[\[19\]](#) Bankruptcy 51 

[51](#) Bankruptcy

Bankruptcy statute allowing oversecured creditor to claim interest on its claim, along with reasonable fees, costs, and charges provided for by parties' agreement or state law, does not permit a private cause of action. [11 U.S.C.A. § 506\(b\)](#).

[\[20\]](#) Statutes 361 

[361](#) Statutes

A violation of a federal statute that results in some form of harm or injury to plaintiff does not automatically give rise to a private cause of action in favor of that person; instead, a court must find that Congress intended for such a remedy to be available.

[\[21\]](#) Bankruptcy 51 

[51](#) Bankruptcy

Although Congress intended for statute granting **bankruptcy** courts the power to issue orders necessary or appropriate to carry out **Bankruptcy** Code to be an instrument with a great deal of power, statute does not give a court the power to create substantive rights which would otherwise be unavailable under the Code. [11 U.S.C.A. § 105\(a\)](#).

[\[22\]](#) Bankruptcy 51 

[51](#) Bankruptcy

There was no evidence that mortgagee's proof of claim included fees that were not authorized by **mortgage** agreement or that attorney fees and costs sought were unreasonable, and therefore mortgagee was not in contempt for violating **bankruptcy** statute allowing oversecured creditor to claim interest on its claim, along with reasonable fees, costs, and charges provided for by parties' agreement or state law. [11 U.S.C.A. § 506\(b\)](#).

[\[23\]](#) Consumer Credit 92B 

[92B](#) Consumer Credit

Truth in Lending Act (TILA), which provided that statute giving individuals right to rescind certain transactions did not apply to residential **mortgage** transactions, did not authorize rescission of borrowers' **mortgage**, which was obtained for purchase of their residence. Truth in Lending Act, §§ 125(e)(1),

103(w), [15 U.S.C.A. §§ 1635\(e\)\(1\), 1602\(w\)](#).

[\[24\] Limitation of Actions 241](#) 🔑

[241](#) Limitation of Actions

One-year statute of limitations on borrowers' TILA claim against mortgagee arising from mortgagee's alleged failure to provide accurate disclosure of loan's annual percentage rate (APR) began to run, at the latest, on date of **mortgage's** final Truth-In-Lending disclosure statement, and therefore claim filed more than one year later was untimely. Truth in Lending Act, § 130(e), [15 U.S.C.A. § 1640\(e\)](#).

[\[25\] Limitation of Actions 241](#) 🔑

[241](#) Limitation of Actions

Statute of limitations for actions under Truth in Lending Act (TILA) can be equitably tolled if the lender fraudulently concealed information from the consumer until after the statute of limitations had run. Truth in Lending Act, § 130(e), [15 U.S.C.A. § 1640\(e\)](#).

[\[26\] Antitrust and Trade Regulation 29T](#) 🔑

[29T](#) Antitrust and Trade Regulation

Plaintiff need not prove elements of common-law fraud to maintain a cause of action under catchall provision of **Pennsylvania** Unfair Trade Practices and Consumer Protection Law, which bars “engaging in any other fraudulent or deceptive conduct which creates a likelihood of confusion or of misunderstanding.” [73 P.S. § 201-2\(4\)\(xxi\)](#).

[\[27\] Antitrust and Trade Regulation 29T](#) 🔑

[29T](#) Antitrust and Trade Regulation

Borrowers' vague and unsubstantiated allegations that mortgagee engaged in conduct that would be deceptive to ordinary consumer did not raise factual issue precluding summary judgment for mortgagee on borrowers' claim under catchall provision of **Pennsylvania** Unfair Trade Practices and Consumer Protection Law, which barred “engaging in any other fraudulent or deceptive conduct which creates a likelihood of confusion or of misunderstanding.” [73 P.S. § 201-2\(4\)\(xxi\)](#).

[Mary K. Wheeler, Esq.](#), for the Debtors/Plaintiffs.

John R. Canavan, Esq., for PHH **Mortgage** Corporation.

MEMORANDUM OPINION

[JEFFERY A. DELLER](#), United States **Bankruptcy** Judge.

*[1](#)[1] This Memorandum Opinion constitutes the Court's findings of fact and conclusions of law pursuant to [Fed. R. Bankr.P. 7052](#). The matter before the Court is a Motion For Summary Judgment filed by PHH **Mortgage** Corporation, f/k/a Cendant **Mortgage** Corporation, d/b/a Coldwell Banker MO., and/or its successors or assigns (“PHH **Mortgage**” of “Defendant”) with respect to various lender liability type claims asserted by David and Rebecca Figard (the “Figards” or the “Plaintiffs”) against PHH **Mortgage**. This matter is a non-core proceeding pursuant to [28 U.S.C. § 157\(c\)\(1\)](#), and each of the parties has consented to the Court hearing and determining this matter on a final basis pursuant to [28 U.S.C. § 157\(c\)\(2\)](#).

Pursuant to the Motion For Summary Judgment, PHH **Mortgage** asks that this Court grant the Defendant summary judgment and deny all of the lender liability claims asserted by the Figards. For reasons set forth more fully in this Memorandum Opinion, the Court hereby grants the Motion for Summary Judgment in part, denies it in part, and finds as follows, to-wit:

I.

The material facts of this case are generally not in dispute. The underlying **bankruptcy** case was commenced by the Figards filing a voluntary petition under Chapter 13 of the United States **Bankruptcy** Code on April 25, 2006. (**Bankruptcy** Docket No. 1).^{[EN1](#)} On July 21, 2006, the Figards filed a complaint against PHH **Mortgage** giving rise to the instant adversary proceeding. (Docket No. 1).

In or around August/September 2004, the Figards decided to become first-time home buyers after having lived in rental property for approximately 10 years. (Docket No. 148, Exhibit A, R. Figard Dep. 15:8-9, June 8, 2007). On or about September 23, 2004, the Figards entered into an Agreement of Sale for the purchase of a house located at 2321-23 16th Avenue, Altoona, **Pennsylvania**. (*Id.* Exhibit B). The

Agreement of Sale called for the purchase of the home for \$60,000.00 with a down payment of \$500.00, and was contingent upon the Figards obtaining a 30-year, conventional **mortgage** loan at an interest rate not to exceed 8%. (*Id.*).

On or before September 28, 2004, the Figards decided to contact PHH **Mortgage** to inquire about qualifying for a **mortgage**. A representative of PHH spoke on the telephone with the Figards on September 28, 2004, and gathered information for their "Personal Profile & Loan Request," "Statement Of Assets And Liabilities," and the "Residential Loan Application." (Docket No. 148, Exhibits C, D, and E respectfully). The Figards represented to PHH **Mortgage** that David Figard's monthly income was \$3,300.00, and Rebecca Figard's monthly income was \$1,516.67 for a total household monthly income of \$4,816.67. (Docket No. 148, Exhibits C and E). These documents, along with a "Federal And State Compliance Document" (Docket No. 148, Exhibit F) and "Request for Transcript of Tax Return" (Docket No. 148, Exhibit G), were sent to the Figards for their signatures. (Docket No. 147, ¶ 13).

*2 The "Federal And State Compliance Document" included, *inter alia*, a "Good Faith Estimate of Settlement Costs," and an "Initial Truth-In-Lending Disclosure." Based upon information provided by the Figards over the phone to PHH **Mortgage**, the "Good Faith Estimate of Settlement Costs" estimated that the total monthly payment for the Figards would be \$709.05.^{FN2} (Docket No. 148, Exhibit F). The "Initial Truth-In-Lending Disclosure" indicated that the total amount financed would be \$58,143.56 with an annual percentage rate ("APR") of 11.70591%.^{FN3} (*Id.*). This would yield a finance charge^{FN4} of \$124,660.06 for a total payment of \$182,803.62 at the completion of all payments. (*Id.*).

PHH **Mortgage** generated a Fannie Mae Underwriting Findings report ("Underwriting Findings") using the information provided by the Figards and the Fannie Mae Desktop Underwriter software.^{FN5} (Docket No. 148, Exhibit J). According to the Underwriting Findings, the Figards met Fannie Mae's eligibility requirements and were recommended for an Expanded Approval Risk Level III loan. (*Id.*).

Fannie Mae required a 35% minimum **mortgage**

insurance coverage for all **mortgages** with a loan-to-value ratio^{FN6} greater than 95%. (Docket No. 148, Exhibit K). As the Figards were seeking to acquire a **mortgage** loan of \$58,143.56 on property valued at \$60,000.00, they had a loan-to-value ratio of approximately 97%.^{FN7} Thus the Underwriting Findings required 35% minimum **mortgage** insurance coverage.

The Figards signed the documents that were sent to them by PHH and returned them along with copies of their most recent pay stubs and tax information. (Docket No. 148, Exhibit A, R. Figard Dep. 116:20-117:8, June 8, 2007). Once the pay stubs were provided, PHH recalculated the Figards' estimated monthly income. David Figard's monthly income was calculated to be \$4,040.66 and Rebecca Figard's monthly income was calculated to be \$1,244.42 for a combined household monthly income of \$5,285.08. (Docket No. 148, Exhibit M). These numbers were reflected on the "Residential Loan Application" provided to the Figards at their closing on October 27, 2004 which they signed. (Docket No. 148, Exhibit T).

Using the new combined household income figure from the Figard's pay stubs, PHH **Mortgage** re-performed the Fannie Mae Underwriting Findings on October 26, 2004. (Docket No. 148, Exhibit T; *see also* Docket No. 148, Exhibit O). The new Underwriting Findings found that the Figards qualified for the exact same Expanded Approval Risk Level III loan that they qualified for under the first Underwriting Findings which used the estimates the Figards provided over the telephone. (Docket No. 148, Exhibit O). And, just like the previous Underwriting Findings, 35% minimum coverage of **mortgage** insurance was required. (*Id.*). The new Underwriting Findings did increase the total monthly payment of the Figards to \$765.21 which was a \$56.17 increase over the previous estimate.^{FN8} (*Id.*).

*3 The Figards closed on their new home on October 27, 2004. (Docket No. 170, Exhibit 3, R. Figard Dep. 141:21-24, June 8, 2007). Present at the closing were Mr. and Mrs. Figard, the closing attorney, Beverly Mears, Esq., the previous owner of the house, Thomas Stout, and a representative from Johnston Realty named Charolette. (Docket No. 170, Exhibit 3, R: Figard Dep. 141:25-142:7). There was no representative of PHH **Mortgage** present when the Figards closed on their home. (Docket No. 170, ¶ 82).

At closing the Figards were provided with the following documents: "Final Truth In Lending Disclosure"; "Initial Escrow Account Disclosure Statement"; a Note; the **mortgage** paperwork; and a "Residential Loan Application." (Docket No. 147, ¶ 27).

The "Final Truth-In-Lending Disclosure" listed an APR of 11.69756% for the total amount financed of \$58,232.95.^{FN9}(Docket 148, Exhibit R). Coupled with the finance charge of \$124,570.67, the Figards could expect a total payment of \$182,803.62 over the life of the loan. (*Id.*). In addition, the Final Truth-In-Lending Disclosure informed the Figards of the following: (1) that the loan was fixed; (2) paying off their **mortgage** loan early would not result in a penalty and may entitle them to a refund of part of the finance charges; (3) they were giving PHH **Mortgage** a security interest in the property being purchased; and (4) and that someone purchasing their new home would not be able to assume the remainder of the **mortgage** on the original terms.*(Id.)*. Both David and Rebecca Figard signed and dated this document at the closing. (*Id.*).

The "Initial Escrow Account Disclosure" gave the Figards an estimate of the activity they could expect to see in their escrow account during the first year of their **mortgage** loan payments. The estimate was based upon the Figards paying a monthly **mortgage** payment of \$765.22^{FN10} of which \$435.05 would be paid towards their principal and interest, and the remaining \$330.17 would be placed into an escrow account. (Docket No. 148, Exhibit I). The Figards signed and dated this document at the closing. (*Id.*).

The Figards signed a Note at closing which contained ten covenants along with an addendum pertaining to the timely payments rewards program. (Docket No. 148, Exhibit H). In this agreement, the Figards promised to pay \$60,000.00 plus interest at a yearly rate of 7.875% for thirty years.^{FN11}(Docket No. 148, Exhibit H, ¶¶ 1, 2, and 3). In addition, the Note provided the Figards with details as to what the consequences were if the Figards failed to make their loan payments as required by the Note in the covenant entitled "Borrower's Failure To Pay As Required."(Docket No. 148, Exhibit H, ¶ 6). Included in this covenant was a provision which permitted the Note Holder, i.e., PHH **Mortgage**, to be entitled to the costs and expenses of enforcing the Note, which included reasonable attorney fees. (Docket No. 148,

Exhibit H, ¶ 6(e)).

*4 The **mortgage** instrument granted PHH **Mortgage** a security interest in the 2321-23 16th Avenue property. (Docket No. 148, Exhibit S). Under "Uniform Covenants" in the section titled "Payment of Principal, Interest, Escrow Items, Prepayment Charges and Late Charges" the **mortgage** instrument indicated, *inter alia*, that PHH **Mortgage** has both the right to retain and reject any payment or partial payment that is insufficient to bring the loan current. (Docket No. 148, Exhibit S, p. 4, ¶ 1). The retention of any payment, however, would not waive PHH **Mortgage's** right to reject any future payments or partial payments that would be insufficient to bring the loan current. (*Id.*).

The Figards had trouble keeping up with their **mortgage** payment schedule from the very beginning. The first **mortgage** payment was due on December 1, 2004. (Docket No. 148, Exhibit H). The amount due was \$765.22 on December 1, 2004, and if not received by December 16, 2004, the amount due was \$786.97. (Docket No. 148, Exhibit U). The Figards did not tender payment to PHH for their December **mortgage** payment until December 30, 2004, and they did not make a payment on their **mortgage** during the entire month of January. (*Id.*).

On February 3, 2005, the Figards attempted to make a payment of \$780.22 but had insufficient funds available in their ARC Federal Credit Union account to cover the payment. (Docket No. 148, Exhibit V). After making a deposit into their account, the Figards made a successful payment of \$780.22 payment on February 4, 2008.*(Id.)*.

ARC Federal Credit Union experienced a computer glitch on February 7, 2005, whereby its records related to the February 4, 2005 transactions were re-created resulting in certain accounts posting the same payments a second time.^{FN12} (Docket No. 148, Exhibit X, Rhoa Dep. 11:13-17; 30:4-19, June 13, 2007). This meant that due to the computer glitch, ARC Federal Credit Union attempted to send \$780.22 to PHH **Mortgage** on two separate occasions from the Figards' account, once on February 4, and then again on February 7. The Figards lacked the funds in their account to cover the double posting which would have resulted in PHH receiving an insufficient fund notice on February 7, 2005. (Docket No. 148, Exhibit X,

Rhoa Dep. 28:25-29:6, June 13, 2007).

In light of the insufficient fund notice received by PHH **Mortgage**, the \$780.22 which was received by them was “charged back” to the ARC Federal Credit Union, and a letter was sent to the Figards on February 10, 2005, informing them of this action. (Docket No. 148, Exhibit Y and Exhibit Z). ARC Federal Credit Union has no record of receipt of the funds, and they apparently have no idea what happened to the \$780.22 that was “charged back.” (Docket No. 148, Exhibit X, Rhoa Dep. 51:21-52:10, June 13, 2007).^{FN13}

The Figards ignored the February 10, 2005 letter from PHH **Mortgage** because they were unaware of the computer glitch that occurred on February 7, 2005. (Docket No. 148, Exhibit A, R. Figard Dep. 191:18-192:2, June 8, 2007). As far as they knew, the January payment had been received, and the Figards believed that the letter was merely an error on PHH **Mortgage's** side as opposed to an error by ARC Federal Credit Union. (*Id.*).

*5 The next payment that the Figards made toward their **mortgage** was not until March 10, 2005. (Docket No. 148, Exhibit U). As they were unaware of the February payment problems, they were under the impression that this payment would have been credited toward their payment due in February. (Docket No. 148, Exhibit A, R. Figard Dep. 220:4-8, June 8, 2007). In actuality the payment was being credited for their January payment, and as of March 10, the Figards were two months in arrears on their **mortgage**.

On May 11, 2005, to rectify the problems caused by the computer glitch, the ARC Federal Credit Union took a direct expense and credited the accounts which were adversely affected. (Docket No. 248, Exhibit X, Rhoa Dep. 40:22-41:7, June 13, 2007). This included depositing \$780.22 into the Figards' ARC account which was listed on their transaction list as being a return of the money from the February 4 transaction. (Docket No. 148, Exhibit V). The Figards reflected their knowledge of the return of the February 4, 2005 payment by indicating on their payment voucher for the January payment “Return 5/11 bank error made according to MRTG.” (Docket No. 148, Exhibit U).

When the April payment for their **mortgage** was not paid, the Figards were three months in arrears on

their **mortgage**, and an Act 91 Foreclosure Notice was mailed to their home on April 20, 2005. (Docket No. 148, Exhibit BB). The next payment that the Figards made was for \$2,313.61 on May 26, 2005. (Docket No. 148, Exhibit U). A payment of \$771.05 was equally credited to the Figards' **mortgage** payments for the months of February, March, and April. (Docket No. 148, Exhibit A, R. Figard Dep. 264:11-24, June 8, 2007). At this point, the **mortgage** payment for May remained the only outstanding payment due.

The Figards received letters on June 8, 2005, and on August 8, 2005 notifying them that their **mortgage** was two months in arrears. (Docket No. 148, Exhibit CC and Exhibit DD). In response to the June 8, 2005, letter, the Figards tendered a payment of \$1,617.50 to cover the amount that was due. (Docket No. 148, Exhibit U). This payment covered the amounts owed in May and June, but did not cover the July payment. In response to the August 8, 2005 letter the Figards made a \$782.72 payment on September 1, 2005. (*Id.*). This payment covered the amount due for July, but August and September remained outstanding. The Figards next successful payment came on October 1, 2005 when the Figards paid \$780.22 which covered the August payment. (*Id.*).

Payment was tendered to PHH **Mortgage** next on November 4, 2005 which covered the September payment. (Docket No. 148, Exhibit U). At this point the Figards were in default for the months of October and November.

On November 23, 2005, the Figards attempted to make a payment to PHH **Mortgage** to cover the amount owed for the October payment.^{FN14} The Figards failed to make a payment on December 1, 2005, and a second Act 91 Foreclosure Notice was mailed to their house on December 5, 2005. (Docket No. 148, Exhibit GG). PHH **Mortgage** returned the payment made on November 23, 2005 to the Figards on December 14, 2005 because the amount tendered was insufficient to bring the loan current. (Docket No. 148, Exhibit HH). The letter notified the Figards that they would need to make a payment of \$2,537.05 in order to bring their loan current. (*Id.*). The Figards made no further attempts to pay their **mortgage** after they received this payment back from PHH **Mortgage**.^{FN15} (Docket No. 148, Exhibit A, R. Figard Dep. 305:24-306:4, June 8, 2007).

*6 Prior to the Figards filing for **bankruptcy** protection, PHH **Mortgage** notified the Figards by letter dated March 15, 2006, that an attorney had been retained to begin the foreclosure process. (Docket No. 148, Exhibit II). At this point payments had not been made for six months from October 2005 through March 2006. Subsequent to the letter, the Figards petitioned for **bankruptcy** relief on April 25, 2006.

On May 18, 2006, PHH **Mortgage** filed their proof of claim in the amount of \$65,127.84 (**Bankruptcy** Case No. 06-70268, Claim No. 1). On May 31, 2006, counsel for the plaintiffs mailed a letter to PHH **Mortgage** Company which purported to be a "Qualified Written Request" under the Real Estate Settlement Procedures Act, [12 U.S.C. § 2605\(e\)](#) ("RESPA").^{FN16} (Docket No. 148, Exhibit JJ). The initial adversary complaint was filed by the plaintiffs/debtors on July 21, 2006. (Docket No. 1).

The adversary complaint was amended and filed with the Court on March 15, 2007. As amended, the complaint alleges five claims for relief. The Plaintiffs allege negligence as well as violations of RESPA, the Truth-In-Lending Act, 11U.S.C. § 506(b) and the **Pennsylvania** Unfair Trade Practices and Consumer Protection Law. (Docket No. 79). Defendant PHH **Mortgage** on August 9, 2007 filed a motion for summary judgment and a brief in support thereof. (Docket Nos. 144 and 145). The Plaintiffs have filed papers opposing the Motion For Summary Judgment. After having held a hearing on the motion, this matter is now ripe for decision.

II.

A motion for summary judgment shall be granted if the court determines that "there is no genuine issue of material fact and that the moving party is entitled to judgment as a matter of law." [Fed.R.C.P. 56\(c\)](#); see also [Celotex Corp. v. Catrett](#), 477 U.S. 317, 322, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986). By its very language the standard is that there has to be no genuine issue of a *material* fact for the Court to determine whether a party is entitled to a judgment as a matter of law. See [Anderson v. Liberty Lobby, Inc.](#), 477 U.S. 242, 247-8, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986). Therefore "the mere existence of *some* alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment." *Id.* (emphasis in original).

Only those facts which have the potential to affect the outcome of the pending lawsuit under governing law will be considered material. *Id.* at 248 (citing to [10A C. Wright, A. Miller, & M. Kane, Federal Practice and Procedure § 2725, pp. 93-95 \(1983\)](#)).

The burden of proof initially lies with the party moving for summary judgment to inform the "court of the basis for its motion, and identifying those portions of 'the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any,' which it believes demonstrate the absence of a genuine issue of material fact." [Celotex Corp. v. Catrett](#), 477 U.S. at 323. Once the party moving for summary judgment makes these assertions, the court will view them in the light most favorable to the non-moving party. [Adickes v. S.H. Kress & Co.](#), 398 U.S. 144, 157, 90 S.Ct. 1598, 26 L.Ed.2d 142 (1970).

*7 If a motion for summary judgment is made and supported, the burden shifts to the non-moving party to point to specific facts indicating that there is a genuine issue for trial. [Jersey Cent. Power & Light Co. v. Lacey Twp.](#), 772 F.2d 1103, 1109 (3d Cir.1985); see also [Anderson v. Liberty Lobby, Inc.](#), 477 U.S. at 248 ("a party opposing a properly supported motion for summary judgment 'may not rest upon the mere allegations or denials of his pleading, but ... must set forth specific facts showing that there is a genuine issue for trial.' " (quoting [First National Bank of Arizona v. Cities Service Co.](#), 391 U.S. 253, 88 S.Ct. 1575, 20 L.Ed.2d 569 (1968)). "[A] genuine issue means that the evidence must create a fair doubt, and wholly speculative assertions will not suffice." [Jersey Cent. Power & Light Co. v. Lacey Twp.](#), 772 F.2d at 1109 (citing to [Ross v. Communications Satellite Corp.](#), 759 F.2d 355, 364 (4th Cir.1985)). Moreover, if the party opposing the motion for summary judgment has the burden of proof at trial, that party must produce facts "sufficient to establish the existence of an element essential to the party's case." [Berkeley Inv. Group, Ltd. v. Colkitt](#), 455 F.3d 195, 201 (3d Cir.2006) (quoting [Celotex Corp. v. Catrett](#), 477 U.S. at 322, 106 S.Ct. 2548).

In a sense, then, the summary judgment phase of a case is the "put up or shut up" time for the party opposing summary judgment. See [Berkeley Inv. Group, Ltd. v. Colkitt](#), 455 F.3d at 201 (3d Cir.2006)

“In this respect, summary judgment is essentially ‘put up or shut up’ time for the non-moving party....”). It is not the responsibility of the Court to plead a case for a party who is unable to effectively oppose a properly supported motion for summary judgment. Indeed, “[o]ne of the principal purposes of the summary judgment rule is to isolate and dispose of factually unsupported claims or defenses....” *Celotex Corp. v. Catrett*, 477 U.S. 323-24, 106 S.Ct. 2548 (referencing Martin B. Louis, *Federal Summary Judgment Doctrine: A Critical Analysis*, 83 Yale L.J. 745, 752 (1974); David P. Currie, *Thoughts on Directed Verdicts and Summary Judgments*, 45 U.Chi.L.Rev. 72, 79 (1977)).

III.

At the outset, the Court notes that it is not entirely clear what cause of action the Plaintiffs are alleging in their First Claim For Relief. The complaint alleges generally that:

The actions of the Defendant in failing to properly service the loan and in ultimately forcing Plaintiffs to file this **bankruptcy** action, and in charging to the account of Plaintiffs fees which have not been approved by the **bankruptcy** court pursuant to [Section 506\(b\)](#) and Rule 2016, and which were not part of the underlying agreement by and between the holder of the loan and Plaintiffs, in filing [sic] to provide to the Plaintiff [sic] a reliable accounting of the loan, and in failing to respond to Plaintiffs' QWR [*i.e.*, a Qualified Written Request]-constitute a willful or negligent violation of Defendant's duties to Plaintiffs.

*8 (Docket No. 79, ¶ 55). It is true that there is reference to [11 U.S.C. § 506\(b\)](#) and Rule 2016 in the First Claim For Relief, but these claims are addressed in the Plaintiffs' Third Claim For Relief. (Docket No. 79, ¶¶ 61-63). As to PHH **Mortgage's** alleged failure to provide a reliable account of the loan, the Court construes this allegation as being a complaint for violation of the Truth-In-Lending Act, [15 U.S.C. § 1601](#) et. seq., which is addressed in the Plaintiffs' Fourth Claim For Relief. (Docket No. 79, ¶¶ 64-66). Finally, failing to respond to a Qualified Written Request is handled under Plaintiffs' Second Claim For Relief. (Docket No. 79, ¶¶ 57-60).

[2] Because the Plaintiffs have not offered any explanation as to the relief they are actually seeking in

their First Claim For Relief, the Court can only assume that the First Claim For Relief is negligence cause of action due to the language indicating a “willful or negligent violation of Defendant's duties to Plaintiffs.” To the extent that the Plaintiffs' are alleging that PHH **Mortgage** was negligent in their handling and servicing of the Figards' **mortgage**, the Court finds that this claim is barred by **Pennsylvania's** “gist of the action doctrine.” ^{FN17}

[3][4] Many courts are hesitant about permitting tort recovery based upon a contractual breach of duty. To maintain the distinction between contractual breaches and tortious breaches, the courts have developed a doctrine known as the “gist of the action doctrine.” *Sullivan v. Chartwell Inv. Partners, LP*, 873 A.2d 710, 719 (Pa.Super.2005) (citing *eToll, Inc. v. Elias/Savion Advertising, Inc.*, 811 A.2d 10 (Pa.Super.2002)). Where tort actions lie for breaches of duties imposed by law as a matter of social policy, contract actions lie only for breaches of duties imposed by consensual agreements between particular individuals. *Id.* (citing *Bash v. Bell Telephone Co. Of Pennsylvania*, 411 Pa.Super. 347, 601 A.2d 825, 829 (Pa.Super.1992) (overruled on other grounds)). “In other words, a claim should be limited to a contract claim when the parties' obligations are defined by the terms of the contacts, and not by the larger social policies embodied by the law of torts.” *Hart v. Arnold*, 884 A.2d 316, 339-40 (Pa.Super.2005).

[5] The “gist of the action doctrine” will thus prevent a party from raising a tort claim where the crux of the claim is actually contained in the contract that governs the relationship of the parties. *Sullivan v. Chartwell Inv. Partners, LP*, 873 A.2d 710, 718 (Pa.Super.2005).

[6] **Pennsylvania** courts have recognized four areas where the “gist of the action doctrine” will preclude recovery in tort. Specifically, the “gist of the action doctrine” will not permit recovery in tort when the claim “(1) arises solely from the contractual relationship between the parties; (2) when the alleged duties breached were grounded in the contract itself; (3) where any liability stems from the contract; and (4) when the tort claim essentially duplicates the breach of contract claim or where the success of the tort claim is dependent on the success of the breach of contract claim.” *Reardon v. Allegheny College*, 926 A.2d at 486 (citing *Hart v. Arnold*, 884 A.2d at 340 (citing *eToll v.*

[Elias/Savion Advertising, Inc., 811 A.2d at 19](#)).

*9[7] This is not to say that a party may never recover in tort when the parties have a contractual relationship. If the court determines that the contract between the parties is merely collateral to the tort claim, then the recovery in tort is permissible. See [Hart v. Arnold, 884 A.2d at 339](#); see also [Sun Co., Inc. \(R & M\) v. Badger Design & Constructors, Inc., 939 F.Supp. 365, 370 n. 5 \(E.D.Pa.1996\)](#). The question to be determined by this Court, then, is whether the “gist of the action” asserted by Plaintiffs in their First Claim For Relief lies in contract or in tort.

[8] On October 27, 2004, the Figards and PHH **Mortgage** entered into multiple agreements including, but not limited to, the Note and the **Mortgage** agreement. (Docket No. 148, Exhibits H and S). Both of these agreements establish the duties and obligations of both parties, and specifically, the **Mortgage** Agreement dictates PHH **Mortgage's** duties as mortgagee and servicer of the **mortgage**. Any breach of any duty owed by PHH **Mortgage** to the Figards would be governed by the **Mortgage** Agreement.^{FN18}

The Plaintiffs have stated, only in their brief in opposition to PHH **Mortgage's** motion for summary judgment, that every contract in **Pennsylvania** imposes on each party a duty of good faith and fair dealing. (Docket No. 150, p. 7 (Brief In Opposition To Defendant's Motion For Summary Judgment, citing [Kaplan v. Cablevision of PA, Inc., 448 Pa.Super. 306, 671 A.2d 716 \(Pa.Super.1996\)](#) and [Somers v. Somers, 418 Pa.Super. 131, 613 A.2d 1211 \(Pa.Super.1992\)](#)). The use of the word “duty” in discussing a duty of good faith and fair dealing is not the type of duty that is contemplated for tortious negligence. Both of the cases cited to by the Plaintiffs for the proposition that there is a duty of good faith and fair dealing discuss these terms as *contractual* duties and not duties which would give rise to a negligence claim. See [Kaplan v. Cablevision of PA, Inc., 671 A.2d at 722](#) (“we agree with the trial court's determination that Kaplan failed to set forth a viable claim for the breach of the *contractual* duties of good faith and fair dealing” (emphasis added)); see also [Somers v. Somers, 613 A.2d at 1214](#) (“[t]herefore, whether under the doctrine of necessary implication, or the Restatement's [Second of Contracts] implied duty of good faith performance of contracts ... Appellant has stated a claim for breach

of *contract* ” (emphasis added)). The Figards have thus failed to establish a duty owed by PHH **Mortgage** that would give rise to a negligence claim. This Court therefore concludes that the gist of the action for the Plaintiffs' First Claim For Relief lies in contract law, and thus the “gist of the action doctrine” precludes recovery in tort.

[9] Even assuming *arguendo* that this negligence claim is not barred by the “gist of the action doctrine,” the Plaintiffs have failed to establish a *prima facie* case for negligence sufficient to withstand a motion for summary judgment. In **Pennsylvania**, as in all states, in order to prove a *prima facie* case for negligence a plaintiff must allege that (1) the defendant had an independent legal duty which was owed to the plaintiff; (2) the defendant breached that duty; (3) such breach was the cause of the purported injury; and (4) the plaintiff actually suffered some sort of loss or damage. [Krentz v. Consolidated Rail Corp., 589 Pa. 576, 910 A.2d 20, 27-8 \(Pa.2006\)](#) (citing to [Phillips v. Cricket Lighters, 576 Pa. 644, 841 A.2d 1000, 1008 \(Pa.2003\)](#)).

*10 For the sake of argument, if the duties of good faith and fair dealing qualified as independent duties owed to the Figards, the Plaintiffs claim would still fail because they have not pointed to any specific facts which would indicate that PHH **Mortgage** breached those duties. The Plaintiffs have vaguely stated that PHH **Mortgage** “failed to properly service the loan,” that they have violated [11 U.S.C. § 506\(b\)](#) in charging unauthorized fees, and violations of both the Truth-In-Lending Act and RESPA.

It can hardly be contended that the alleged actions by PHH would breach the duties of good faith and fair dealing. Good faith has been defined as “honesty in fact in the conduct or transaction concerned” which was adopted from the **Pennsylvania** Uniform Commercial Code, [13 Pa.C.S.A. § 1201. *Southeastern Pennsylvania Transp. Authority v. Holmes, 835 A.2d 851, 858 \(Pa.Comm.2003\)*](#).

[10][11] The Figards contend that the duties of good faith and fair dealing were breached due to the method in which the Plaintiffs monthly income was calculated, the number of credit reports that were pulled during the underwriting process, and the manner in which the payments were credited. (Docket No. 79, ¶¶ 18-26, 32-35). The monthly income was

calculated using the Figards' actual pay stubs instead of information that was estimated by Rebecca Figard over the phone. The use of actual pay stubs provided a more accurate picture of the Figards' true monthly income, and the Figards have not pointed to any facts that would indicate to this Court that this was not a proper way of calculating a loan applicant's monthly income. Other than vaguely stating that an excessive number of credit reports had been pulled which the Plaintiffs believed lowered their FICO score (*i.e.*, credit score), the Plaintiffs have not pointed to any facts that the FICO score was lowered due to any actions of the Defendant. Finally, as detailed in the facts listed above, with the exception of the ARC computer glitch which caused PHH **Mortgage** to "charge back" the payment that was sent in, each payment that the Figards made was credited toward the Figards' **mortgage** payment. It was not until the November 23, 2005 payment that PHH **Mortgage** did not credit a payment to the Figards' account. In returning the payment, the Defendant was exercising their expressed right under the **Mortgage** Agreement to "return any payment or partial payment if the payment or partial payments are insufficient to bring the Loan current." (Docket No. 148, Exhibit S). This right was clear in the language of the **Mortgage** Agreement when the Figards signed it on October 27, 2004. The Plaintiffs have not established that in exercising their right under the contract, the Defendant was not exercising "honesty in fact in the conduct of the transaction concerned."

As the Plaintiffs have not directed the Court to any other legal duty that they were owed by PHH **Mortgage**, summary judgment in favor of the Defendant as to the Plaintiffs' First Claim For Relief is appropriate. Simply claiming negligence in a pleading, without more, is insufficient to justify a denial of a properly supported motion for summary judgment.

IV.

*11 The Second Claim For Relief is based on a violation of [12 U.S.C. § 2605\(e\)\(2\)](#) ("RESPA") because the Defendant failed to timely respond to a Qualified Written Request. (Docket No. 79, ¶¶ 57-60). Specifically, the Plaintiffs aver that the letter sent by Figards' counsel to PHH **Mortgage** was a Qualified Written Request, and in failing to respond to the receipt of it within twenty days, PHH **Mortgage**

violated their statutorily imposed duty to respond. (*Id.*).

PHH **Mortgage** contends that the RESPA violation which is the basis for the Plaintiffs' Second Claim For Relief is preempted by the **Bankruptcy** Code. (Docket No. 145, p. 9). Citing to [In re Nosek, 354 B.R. 331 \(D.Mass.2006\)](#), PHH **Mortgage** argues that the **Bankruptcy** Code's scheme in resolving claim disputes under [11 U.S.C. § 502](#) overrides RESPA's remedial scheme.

[12] As an initial matter, the Court notes that federal statutes do not preempt other federal statutes. Preemption is based upon the Supremacy Clause of the United States Constitution.^{FN19} [Zahl v. Harper, 282 F.3d 204, 210 \(3d Cir.2002\)](#). As such, the preemption doctrine comes into play when there are competing federal and state statutes. When there are purported conflicting federal statutes, there is a different analysis which should be done than if there were a purported conflict between a federal and state statute. [Britt v. The Grocers Supply Co., Inc., 978 F.2d 1441, 1446 \(5th Cir.1992\)](#).

[13][14][15] The proper analysis should be whether one federal statute implicitly repeals the other. See [Randolph v. IMBS, Inc., 368 F.3d 726, 730 \(7th Cir.2004\)](#) ("[w]hen two federal statutes address the same subject in different ways, the right question is whether one implicitly repeals the other..."). Repeal by implication is disfavored by our judicial system. There are only two ways in which one federal statute may implicitly repeal the other: when Congress has clearly expressed their intention to do so, or when there is an irreconcilable conflict between the two statutes. [Branch v. Smith, 538 U.S. 254, 273, 123 S.Ct. 1429, 155 L.Ed.2d 407 \(2003\)](#). Otherwise, when two federal statutes are capable of coexistence, it is the duty of the courts to give effect to both statutes if possible. [Morton v. Mancari, 417 U.S. 535, 551, 94 S.Ct. 2474, 41 L.Ed.2d 290 \(1974\)](#); see also [In re Udell, 454 F.3d 180, 184-85 \(3d Cir.2006\)](#) ("[i]t is a well established canon of statutory construction that 'provisions in different statutes should, if possible, be interpreted so as to effectuate both provisions'").

[16][17] Congress has not clearly expressed its intent to have [11 U.S.C. § 502](#) act as a substitute for debtors to gather information from their **mortgage** companies. Indeed, the Supreme Court has

emphasized that the only way for Congress to clearly express its intention to have one statute repeal another is when the latter enacted statute encompasses the entire subject area of the previously enacted statute and is “clearly intended as a substitute.” See *Branch v. Smith*, 538 U.S. at 273 (quoting *Posadas v. National City Bank*, 296 U.S. 497, 503, 56 S.Ct. 349, 80 L.Ed. 351 (1936)). That does not appear to be the case here. The **Bankruptcy** Code was enacted in 1978 and RESPA in 1974, but a plain reading of the statutes does not indicate that Congress clearly intended for [11 U.S.C. § 502](#) to subsume RESPA. The plain language of RESPA indicates that the statute is to be utilized for information gathering purposes, whereas a plain reading of [11 U.S.C. § 502](#) indicates that this statute is to be used to object to a claim in **bankruptcy**. On their face, the statutes do not appear to be in conflict with one another. Our inquiry, then, will turn to a juxtaposition of the two statutes and whether there exists an irreconcilable conflict between them.

*12 We begin our analysis with the statutory text of the RESPA statute alleged to have been violated. Under [12 U.S.C. § 2605\(e\)\(1\)\(A\)](#) “If any servicer of a federally related **mortgage** loan receives a qualified written request from the borrower ... for information relating to the servicing of such loan, the servicer shall provide a written response acknowledging receipt of the correspondence within 20 days ... unless the action requested is taken within such period.” A Qualified Written Request is defined as “a written correspondence, other than notice on a payment coupon or other payment medium supplied by the servicer that (1) includes, or otherwise enables the servicer to identify the name and account of the borrower; and (2) includes a statement of the reasons for the belief of the borrower, to the extent applicable, that the account is in error or provides sufficient detail to the servicer regarding other information sought by the borrower.” [12 U.S.C. § 2605\(e\)\(1\)\(B\)](#).

In contrast, [11 U.S.C. § 502](#) provides that a proof of claim may be filed and is deemed allowed unless a party in interest objects. [11 U.S.C. § 502\(a\)](#). If an objection is lodged, “the court, after notice and a hearing, shall determine the amount of such claim....” [11 U.S.C. § 502\(b\)](#). The ability to hear and determine matters concerning claim allowance and disallowance is a summary proceeding that is expressly granted to the **bankruptcy** courts because it is essential to the administration of a **bankruptcy**

estate. *Katchen v. Landy*, 382 U.S. 323, 329, 86 S.Ct. 467, 15 L.Ed.2d 391 (1966) (quoting *Gardner v. State of New Jersey*, 329 U.S. 565, 573, 67 S.Ct. 467, 91 L.Ed. 504 (1947)). The claims objection process, as outlined in the **Bankruptcy** Code, provides a quick, efficient, and inexpensive process in which a bankrupt party, having limited assets and multiple claims, can address claims filed against them in one forum. See *Katchen v. Landy*, 382 U.S. at 329.

The RESPA statute does not address objections to claims and is therefore not in conflict with the [11 U.S.C. § 502](#), let alone irreconcilable conflict which is a higher standard of conflict. [12 U.S.C. § 2605\(e\)](#) requires a loan servicer to respond to borrower inquiries. *In re Hopkins*, 372 B.R. 734, 746 (Bankr.E.D.Pa.2007). These inquiries are for “information relating to the servicing of such loan.” [12 U.S.C. § 2605\(e\)\(1\)\(A\)](#) (emphasis added). [11 U.S.C. § 502](#) permits a party in interest, including a debtor, to file an objection to a proof of claim when they dispute the amount of said claim. A debtor may wish to gather information about the servicing of their **mortgage** without necessarily wishing to object to a proof of claim. A debtor may not even know if they should object to a proof of claim unless and until they receive the information from their **mortgage** company.

[18] Moreover, there must be some evidence present in order to overcome the *prima facie* case established by a proof of claim executed and filed in accordance with the Federal Rules of **Bankruptcy** Procedure. Simply filing an objection, and then indicating that “we don’t have enough information” will not suffice to overcome a properly filed claim. See *VFB LLC v. Campbell Soup Co.*, 482 F.3d 624 (3d Cir.2007); see also *Carter Enterprises, Inc., v. Ashland Specialty Co., Inc.*, 257 B.R. 797 (S.D.W.Va.2001); *In re Schwegmann Giant Super Markets*, 287 B.R. 649 (E.D.La.2002); *In re McLaughlin*, 320 B.R. 661 (Bankr.N.D.Ohio 2005). In addition, objectors to a properly filed proof of claim, who object without any honest belief or evidence in their pocket may face sanctions under [Fed. R. Bankr.P. 9011\(c\)](#). It therefore appears that RESPA’s informational gathering provisions complement the **Bankruptcy** Code and **Bankruptcy** Rules.

*13 Congress expressly stated that the reason for enacting the RESPA provisions was “to insure that consumers throughout the Nation are provided with

greater and more timely information on the nature and costs” of real estate settlement. [12 U.S.C. § 2601\(a\)](#). This intention, expressed statutorily by Congress, highlights the key distinction between [12 U.S.C. § 2605\(e\)](#) and [11 U.S.C. § 502](#). Namely that the former was enacted to provide consumers with information, whereas the latter was not. RESPA rights therefore do not impinge upon the purposes of the **Bankruptcy** Code or the **Bankruptcy** Rules. RESPA merely provides a statutory vehicle for the gathering of information that happens to have some teeth to it to hold companies accountable for not complying with the statute, namely failing to respond to a Qualified Written Request. The intent of Congress in enacting the RESPA provisions should not be frustrated by the application of a different federal statute. See [U.S. v. Palumbo Bros., Inc.](#), 145 F.3d 850, 862 (7th Cir.1998) (“Congressional intent behind one federal statute should not be thwarted by the application of another federal statute if it is possible to give effect to both laws”).

It is true that debtors may obtain the same information that the Figards sought via RESPA through the **Bankruptcy** Code and **Bankruptcy** Rules. See [11 U.S.C. § 502\(b\)](#); [Fed. R. Bankr.P. 3007](#); [Fed. R. Bankr.P. 7001](#); [Fed. R. Bankr.P. 7026](#). After an objection to claim is filed discovery may commence that could yield the same information that can be obtained through a Qualified Written Request under RESPA. This, however, does not mean that the **Bankruptcy** Code and **Bankruptcy** Rules have impliedly repealed RESPA. To the contrary, this Court holds that RESPA is alive and well in the **bankruptcy** context because both the RESPA statute and the **Bankruptcy** Code provisions are capable of coexisting harmoniously with one another. Just as the Court is not permitted to pick and choose among the two congressional enactments and must regard each as effective, so too does PHH **Mortgage** have to regard each statute as effective. [Morton v. Mancari](#), 417 U.S. at 551, 94 S.Ct. 2474. The Defendant's motion for summary judgment as to Plaintiff's Second Claim For Relief is therefore denied.

V.

In their Third Claim For Relief, the Plaintiffs allege that PHH **Mortgage** violated [11 U.S.C. § 506\(b\)](#) because the “fees charged by the Defendant were not part of the underlying agreement by and

between the holder of the loan and the debtors, and the fees and costs are otherwise unreasonable and excessive.”As a result, the Figards seek actual damages, punitive damages, and legal fees. (Docket No. 79, ¶¶ 62-63).

[\[19\]11 U.S.C. § 506\(b\)](#) allows for the holder of an over secured claim to be permitted to claim “interest on such claim, and any reasonable fees, costs, or charges provided for under the agreement or State statute under which such claim arose.”*Id.* The Defendant contends that to the extent that the Plaintiffs are seeking to recover money damages from the alleged violation of [11 U.S.C. § 506\(b\)](#), the statute must permit a party to raise a private cause of action, but the statute does not. The Court agrees.

*[14\[20\]](#) A violation of a federal statute that results in some form of harm or injury to the plaintiff “does not automatically give rise to a private cause of action in favor of that person.”[Cannon v. University of Chicago](#), 441 U.S. 677, 688, 99 S.Ct. 1946, 60 L.Ed.2d 560 (1979). Instead, a court must find that Congress intended for such a remedy to be available. See [Touche Ross & Co. v. Redington](#), 442 U.S. 560, 568, 99 S.Ct. 2479, 61 L.Ed.2d 82 (1979).

[\[21\]](#) The plain language of [11 U.S.C. § 506\(b\)](#) does not permit a private cause of action. Thus, in order for a party to be able to assert that such a right exists, they have to look to the court's equitable powers under [11 U.S.C. § 105\(a\)](#).^{FN20} But while Congress intended for [11 U.S.C. § 105\(a\)](#) to be an instrument with a great deal of power, it does not give a court the power to create substantive rights which would otherwise be unavailable under the **Bankruptcy** Code. [In re Morristown & Erie R. Co.](#), 885 F.2d 98, 100 (3d Cir.1989).

Recent Third Circuit precedent unequivocally holds that [11 U.S.C. § 105\(a\)](#) does not allow for a plaintiff to assert a private cause of action under [11 U.S.C. § 506\(b\)](#), and the sole remedy for a party alleging a violation of [11 U.S.C. § 506\(b\)](#) is a contempt proceeding. [In re Joubert](#), 411 F.3d 452, 455 (3d Cir.2005). In reaching its decision the Third Circuit analogized [11 U.S.C. § 506\(b\)](#) to [11 U.S.C. § 524\(a\)\(2\)](#). They looked to the overwhelming circuit authority holding that [11 U.S.C. § 105\(a\)](#) does not give a debtor a private cause of action in a [11 U.S.C. § 524\(a\)\(2\)](#) context and found those decisions equally

applicable to a complaint alleging violations of [11 U.S.C. § 506\(b\)](#).^{FN21} *Id.* at 456.

[22] Even if in a contempt proceeding under [11 U.S.C. § 506\(b\)](#), the Plaintiffs have not “put up” any information to indicate that the proof of claim filed by PHH **Mortgage** contained any fees that were not part of the underlying agreement or that the attorney fees and costs were unreasonable.^{FN22} In fact, a reading of the contracts between the two parties expressly provides that attorney fees may be assessed if actions are taken from the **mortgage** not being paid on time. (Docket No. 148, Exhibit H).

In light of this binding precedent and the Plaintiffs failure to produce any evidence whatsoever that the fees charged by the Defendant are unreasonable, summary judgment must be granted in favor of PHH **Mortgage** as to the Figards' Third Claim For Relief.

VI.

In their Fourth Claim For Relief, the Plaintiffs allege that PHH **Mortgage** violated the Truth-In-Lending Act by providing an inaccurate disclosure of the APR. The Plaintiffs contend that they are entitled to “recision of the subject **mortgage**, actual damages, punitive damages, costs and attorneys fees.”(Docket No. 79, ¶ 66).

[23] As to the Figards' right to rescind their **mortgage**, the plain language of the statute is quite clear. [15 U.S.C. § 1635](#) gives individuals the right to rescind certain transactions. [15 U.S.C. § 1635\(e\)\(1\)](#), however, states that “[t]his section does not apply to a residential **mortgage** transaction as defined in [section 1602\(w\)](#) of this title.”*Id.* Looking to the definition of “residential **mortgage** transaction” the statute is referring to “a transaction in which a **mortgage**, deed of trust, purchase money security interest arising under an installment sales contract, or equivalent consensual security interest is created or retained against the consumer's dwelling to finance the acquisition or initial constructions of such dwelling.”[15 U.S.C. § 1602\(w\)](#).

*15 In the instant action, the Figards obtained a **mortgage** for the purchase of their residence at 2321-23 16th Avenue, Altoona, **Pennsylvania**. They are thus seeking a rescission of a loan which the

Truth-In-Lending Act expressly prohibits. This Court cannot and will not permit a remedy where Congress has expressly stated that no such remedy exists. Summary judgment is thus appropriate as to the rescission of the **mortgage** loan.

The Court, however, construes the Fourth Claim For Relief as a complaint for money damages under the Truth-In-Lending Act. In looking at the merits of the cause of action, the Court recognizes that the Truth-In-Lending Act was established to require full disclosure of credit terms by lenders and to protect the consumer against inaccurate and unfair credit practices. [15 U.S.C. § 1601\(a\)](#).

[24][25] PHH **Mortgage** alleges that Plaintiffs' Truth-In-Lending cause of action is time barred. [15 U.S.C. 1640\(e\)](#) establishes a one-year statute of limitations for actions brought under the Truth-In-Lending Act for money damages. *Id.*^{FN23}

In their complaint, the Plaintiffs contend that the Defendant committed a Truth-In-Lending Act violation when it allegedly “erred in the Estimated [Truth-In-Lending] Disclosure ... and in the Final [Truth-In-Lending] Disclosure.”(Docket No. 150, p. 12) (Brief In Opposition To Defendant's Motion For Summary Judgment). It is undisputed that the one year statute of limitations began to run, at the very latest, on October 27, 2004 which was the date of the Final Truth-In-Lending Disclosure statement. (Docket No. 148, Exhibit R). The initial complaint was filed with the Court on July 21, 2006, almost two years after the Final Truth-In-Lending Disclosure statement was provided to the Figards. The Plaintiffs, however, did not allege a violation of the Truth-In-Lending Act until they filed their amended complaint with the court on March 15, 2007, well over two years from the alleged violation. The one year statute of limitations had lapsed before the filing of the original complaint, let alone the filing of the amended complaint. As such, a grant of summary judgment in favor of the Defendant is warranted as the money damages sought by the Plaintiffs Truth-In-Lending cause of action is barred by the applicable statute of limitations.

VII.

In asserting their Fifth Claim For Relief, the Plaintiffs point to the catch-all provision of the **Pennsylvania** Unfair Trade Practices and Consumer

Protection Law (“Consumer Protection Law”). (Docket No. 79, ¶ 67-70). Specifically, the Plaintiffs allege that the Defendant engaged in fraudulent and deceptive conduct which created a likelihood of confusion or of misunderstanding. (Docket No. 79, ¶ 69) (quoting [73 P.S. § 201-2\(4\)\(xxi\)](#)).

There is a split among the lower **Pennsylvania** Courts as to the proper factual showing that is necessary to sustain a cause of action under the catchall provision of the Consumer Protection Law. The **Pennsylvania** Superior Court has continuously held that in order for a party to sustain a cause of action under [73 P.S. § 201-2\(4\)\(xxi\)](#) they must be able to prove the elements of common law fraud. See [Sewak v. Lockhart, 699 A.2d 755, 761 \(Pa.Super.1997\)](#) (“[f]or a claim to arise under [section 201-2\(4\)\(xvii\)](#)^{FN24} of the UTPCPL, a plaintiff must prove the elements of common law fraud”); [Colaizzi v. Beck, 895 A.2d 36, 39 \(Pa.Super.2006\)](#) (“to establish a violation of this catchall provision, ‘a plaintiff must prove all of the elements of common-law fraud’ ”).

*16 The **Pennsylvania** Commonwealth Court, on the other hand, has questioned the Superior Courts insistence upon the continued requisite fraud showing in light of the 1996 amendments to the statute which added the words “or deceptive” to the language of the statute. In rejecting the interpretation and requirement of fraud that the Superior Court has continued to hold viable, the Commonwealth Court explained that “(1) the statute is to be liberally construed to effectuate the legislative goal of consumer protection; (2) the legislature’s addition of the words ‘or deceptive’ signals a less restrictive interpretation; and (3) maintaining the pre-1996 requirement would render the words ‘or deceptive conduct’ redundant and superfluous, contrary to the rules of statutory construction.”[Com. ex rel. Corbett v. Manson, 903 A.2d 69, 74 \(Pa.Comm.w.2006\)](#).

[26] Federal courts within the Commonwealth, when looking at [73 P.S. § 201-2\(4\)\(xxi\)](#) have followed the interpretation of the Commonwealth Court. See [Mertz v. Donzi Marine, Inc., 2007 WL 710263 \(W.D.Pa.2007\)](#); [Alberton v. Commonwealth Land Title Ins. Co., 2008 WL 269490 \(E.D.Pa.2008\)](#). This Court too agrees with the sound reasoning of the Commonwealth Court, and will not require a plaintiff to prove the elements of common law fraud to maintain a cause of action under the catchall provision

of the Consumer Protection Law.^{FN25}

[27] The question that has to be answered, then, is whether PHH **Mortgage** engaged in conduct that could be deceptive to the ordinary consumer. [Com. ex rel. Corbett v. Manson, 903 A.2d at 74](#) (citing [Commonwealth v. Percudani, 825 A.2d 743, 746 \(Pa.Comm.w.2003\)](#)). Throughout the Plaintiffs’ amended complaint in the instant adversary proceeding they have made vague allegations, which, if true, could be construed as deceptive to the ordinary consumer. However, they have failed to substantiate any of these allegations with specific facts. Without more, quoting the statutory language is insufficient to establish a violation of the **Pennsylvania** Unfair Trade Practices and Consumer Protection Law. Simply put, the Figards have not supplied the court with any facts that would be sufficient to deny a grant of a motion for summary judgment. As a result, a grant of summary judgment in favor of PHH **Mortgage** is appropriate as to the Plaintiffs’ Fifth Claim For Relief.

VIII.

For all of the forgoing reasons the Court will enter an order which grants the Defendant’s Motion For Summary Judgment as to the Plaintiffs’ First, Third, Fourth, and Fifth Claims For Relief, and deny summary judgment with respect to the Second Claim For Relief. An appropriate order will be entered.

ORDER OF COURT

AND NOW, this *26th* day of *February, 2008*, upon consideration of the Defendant’s Motion For Summary Judgment, and with due consideration of the record made by the parties in these proceedings and for the reasons set forth more fully in the Memorandum Opinion issued contemporaneously herewith, the Court hereby **ORDERS, ADJUDGES AND DECREES** that:

*17 1. The Motion For Summary Judgment is **GRANTED** in favor of Defendant as to Plaintiffs’ First, Third, Forth, and Fifth Claims For Relief, and those claims are **HEREBY DISMISSED**;

2. Defendant’s Motion For Summary Judgment is **DENIED** as to Plaintiffs’ Second Claim For Relief;

3. A separate trial order will be issued which will establish a time for trial to determine whether the letter mailed by counsel on behalf of the Figards was a Qualified Written Request as contemplated by RESPA and whether the actions or inactions by PHH **Mortgage** would subject it to violation of [12 U.S.C. § 2605\(e\)](#).

[FN1](#). For the remainder of the opinion, all citations to “Docket No.” will reference the docket on Adversary No. 06-07064JAD unless otherwise specified.

[FN2](#). This number arose from the aggregate of \$435.05 for principal and interest, \$209.00 for **mortgage** insurance, \$41.00 for real estate taxes, and \$24.00 for other insurance.

[FN3](#). The APR is defined in the Initial Truth-In-Lending Disclosure Statement as:

the cost of your credit expressed in terms of an annual rate. Because you may be paying ‘points’ and other closing costs, the APR disclosed is often higher than the interest rate on your loan. The APR can be compared to other loans for which you may have applied and gives you a fair method of comparing price.” (Docket No. 148, Exhibit F). APR is defined in the exact same manner in the final Truth-In-Lending Disclosure Statement that was provided to the Figards at Closing. (*See* Docket No. 148, Exhibit R).

APR is defined by the Truth-In-Lending Act as:

The annual percentage rate applicable to any extension of consumer credit shall be determined, in accordance with the regulations of the Board, (1) in the case of any extension of credit other than under an open end credit plan, as (A) that nominal annual percentage rate which will yield a sum equal to the amount of the finance charge when it is applied to the unpaid balances of the amount financed, calculated according to the actuarial method of allocating payments made on a debt between the amount financed and the amount of the finance charge, pursuant to which a payment is applied first to the accumulated finance charge and the balance is applied to the unpaid amount financed; or (B) the rate determined by any method prescribed by the Board as a method which materially simplifies computation while retaining reasonable accuracy as compared with the rate determined under subparagraph (A).

(2) in the case of any extension of credit under an open end credit plan, as the quotient (expressed as a

percentage) of the total finance charge for the period to which it relates divided by the amount upon which the finance charge for that period is based, multiplied by the number of such periods in a year.

[15 U.S.C. § 1606\(a\)](#).

[FN4](#). The finance charge is defined on the “Initial Truth-In-Lending Disclosure” as the cost of credit which is the sum of the total amount of interest calculated at the interest rate over the life of the loan plus prepaid finance charges and the total amount of the **mortgage** insurance charged over the life of the loan. (Docket No. 148, Exhibit F).

[FN5](#). The Fannie Mae Desktop Underwriter is managed and controlled by Fannie Mae. (Docket 147, ¶ 18 (citing to Docket No. 148, Exhibit J)).

[FN6](#). Loan-to-value ratio is the ratio between the amount of a **mortgage** loan and the value of the property pledged as security for the **mortgage**. *Black's Law Dictionary* p. 956 (8th ed.2004).

[FN7](#). The loan to value ratio for the Figards was calculated by dividing the amount of the loan sought by the value of the property.

[FN8](#). This increase in payment was due to an increase in the Hazard Insurance payment from \$24.00 to \$37.84 and an increase in the taxes from \$41.00 to \$83.33. This increase in the monthly payment amount is not a part of any of the Figards' claims.

[FN9](#). The APR listed in the Final Truth-In-Lending Disclosure is defined in the same terms as it was defined in the Initial Truth-In-Lending Act. *See* fn.3; *see also* (Docket No. 148, Exhibit R).

[FN10](#). The Court notes that the monthly payment in the “Initial Escrow Account Disclosure” is one penny higher than the monthly payment indicated on the October 26, 2004 Underwriting Findings. The Court does not know why the monthly payment is higher by one cent on the “Initial Escrow

Account Disclosure Statement.” As the Plaintiffs have not complained of this difference in monthly payment, the Court will assume that the change in monthly payment is due to rounding.

[FN11.](#) The APR is different and often higher than the interest rate agreed to be paid on loans because the APR includes other costs that may be associated with the loan, and not just the interest on the loan itself. *See* fn. 3 and fn. 9.

[FN12.](#) February 4, 2005 was a Friday, hence February 7, 2005 was the following Monday.

[FN13.](#) However, there is no dispute that PHH **Mortgage** in fact “charged back” the funds to ARC Federal Credit Union. (Docket No. 148, Exhibit Y)

[FN14.](#) The check was apparently dated November 26, 2005, even though the payment was apparently mailed on November 23, 2005. (*See* Docket No. 148, Exhibit U and Exhibit HH).

[FN15.](#) When asked by Counsel for PHH **Mortgage** during the June 8, 2007 deposition if there were any further payments made following the return of the November 23, 2005 payment, Rebecca Figard stated: “No, I was done with these people. I was so done with these people. Done, had it, over and was willing to do anything to get away from them at this point.”(Docket No. 148, Exhibit A, 306:1-4, June 8, 2007).

[FN16.](#) The letter consisted of four pages and contained thirty-seven numbered requests for information. For example, in numbered request two and nine, the Figards asked for “[a] complete and itemized statement of all advances or charges against this loan for any purpose that are not reflected on the loan history transaction statement provided in answer to question # 1;” and for PHH to “[p]lease attach copies of all property inspection reports and appraisals.”(Docket No. 148, Exhibit JJ, Numbered Requests 2 and 9 respectively). Nothing in this opinion

should be construed as indicating that the Court has made a determination that the letter sent on behalf of the Figards was a Qualified Written Request for RESPA purposes; and nothing should be construed to indicate that PHH **Mortgage** violated [12 U.S.C. § 2605\(e\)](#) by not responding to the letter. This is a matter that is to be determined at trial if and when one is scheduled. *See* Part IV of opinion.

[FN17.](#) The Court notes, as has many other courts prior to this opinion, that the **Pennsylvania** Supreme Court has not expressly adopted the “gist of the action doctrine.” [Williams v. Hilton Group, PLC, 261 F.Supp.2d 324, 327 \(W.D.Pa.2003\)](#); *see also* [Reardon v. Allegheny College, 926 A.2d 477, 487 \(Pa.Super.2007\)](#). However, it is the opinion of this Court, along with various other state and federal courts, that the “gist of the action doctrine is a viable doctrine that will eventually be explicitly adopted by [Pennsylvania's] High Court.”[Reardon v. Allegheny College, 926 A.2d at 486 n. 10 \(Pa.Super.2007\)](#) (citing, *inter alia*, [Reed v. Dupuis, 920 A.2d 861 \(Pa.Super.2007\)](#); [eToll, Inc. v. Elias/Savion Advertising, Inc., 811 A.2d 10 \(Pa.Super.2002\)](#); [Phico Ins. Co. v. Presbyterian Med. Servs. Corp, 444 Pa.Super. 221, 663 A.2d 753 \(Pa.Super.1995\)](#); [Werwinski v. Ford Motor Co., 286 F.3d 661 \(3d Cir.2002\)](#); [Bohler-Uddeholm Am., Inc. v. Ellwood Group, Inc., 247 F.3d 79 \(3d Cir.2001\)](#)).

[FN18.](#) This is not to say that PHH **Mortgage** does not have other duties under applicable statutory law. If PHH **Mortgage** did have such duties, those separate claims of the Plaintiffs are not barred by the “gist of the action” doctrine. The other claims are addressed separately in this Memorandum Opinion.

[FN19.](#) The Supremacy Clause holds that the laws enacted by the United States government are the supreme law of the land. [U.S. Const., Art. VI, cl. 2.](#)

[FN20.11 U.S.C. § 105\(a\)](#) states:

The court may issue any order, process or judgment that is necessary or appropriate to carry out the provisions of this title. No provision of this title providing for the raising of an issue by a party in interest shall be construed to preclude the court from, *sua sponte*, taking any action or making any determination necessary or appropriate to enforce or implement court orders or rules, or to prevent an abuse of process.

[FN21.](#) In general, the consensus of the courts considering whether [11 U.S.C. 105\(a\)](#) creates a private cause of action under [11 U.S.C. § 524](#) is that to allow for [11 U.S.C. § 105\(a\)](#) to create a private cause of action would be an act of legislating which is not the role of the court. See [Pertuso v. Ford Motor Co., 233 F.3d 417, 423 \(6th Cir.2000\)](#) and its progeny.

[FN22.](#) The only references to fees and expenses are in the Defendant's proof of claim. The Figards have not indicated that the fees and expenses are different than what is asserted in the Proof of Claim, and they have not proven that the Defendant is not an oversecured creditor. Nor have the Figards demonstrated that the fees and expenses asserted therein are unreasonable. In addition, PHH **Mortgage** has neither amended its proof of claim nor filed a formal application for allowance of additional post-petition fees and expenses. Without an amendment of its proof of claim or formal application, PHH **Mortgage** would have no additional claim for fees and expenses. See *e.g. Still v. Tennessee (In re Rogers), 57 B.R. 170 (Bankr.E.D.Tenn.1986)*(failure to include a post-petition claim in proof of claim deemed a waiver). To the extent the Figards are somehow objecting to the unclaimed charges of PHH **Mortgage**, the objection by the Figards is not ripe until such time those unknown charges are actually asserted in these **bankruptcy** proceedings, if at all.

[FN23.](#) The Truth-In-Lending Act statute of limitations can be equitably tolled if the lender fraudulently concealed information from the consumer until after the statute of limitations has run. See [Ramadan v. Chase](#)

[Manhattan Corp., 156 F.3d 499 \(3d Cir.1998\)](#). The Plaintiffs are not alleging, though, that PHH **Mortgage** concealed information from them until after the statute of limitations has run.

[FN24.](#) The 1996 amendments added subsections (4)(xvii) to (4)(xx) and designated former subsection (4)(xvii) as (4)(xxi). These amendments also inserted “or deceptive” preceding “fraudulent”.[73 P.S. § 201-2](#) Historical and Statutory Notes.

[FN25.](#) The less restrictive standard to be applied has not been articulated by any court in **Pennsylvania**, state or federal. Research has only shown that “a less restrictive” standard should be applied.

Bkrtcy.W.D.Pa.,2008.

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