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Class-action suits against KB Home expand to Florida, North Carolina and South Carolina

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A Central Florida homeowner forced into foreclosure has filed a class-action lawsuit against KB Home, Countrywide Financial and LandSafe Appraisal Services, claiming the three conspired to rig housing prices in Florida, South Carolina and North Carolina, costing home purchasers millions of dollars, and fueling the collapse of the region's housing market. The suit, filed in U.S. District Court in Orlando, Fla. on Oct. 30, claims the three companies employed a well-planned scheme to control the typically independent appraisal process, jacking up home values, which, in turn, were used to determine the value of other homes sold by KB, affecting thousands of homeowners.

This is the third lawsuit Hagens Berman Sobol Shapiro's (HBSS) filed against KB Home, Countrywide and LandSafe alleging a widespread and complicated inflation scheme. The other lawsuits represent homeowners in California, Arizona and Nevada.

"Since we filed the first lawsuit in May, we've heard from homeowners and industry insiders who have validated our conclusions that Countrywide and LandSafe were gaming the system, causing thousands of homeowners to overpay for their home purchases by tens of thousands of dollars," said Steve Berman, managing partner of HBSS.

Berman noted that since the first suit was filed, he has heard from hundreds of homeowners, many desperate to dig out of the financial hole the suit contends KB and Countrywide put them in through the alleged scheme. "No one wants to learn they overpaid for a home, and certainly not because the builder and the appraiser rigged the game," Berman noted.

According to the 94-page complaint, Countrywide funneled all its KB customers' home appraisals to a single person at LandSafe, an appraisal subsidiary of Countrywide, who in turn would deliver an appraisal value at whatever KB and Countrywide ordered.

The named plaintiff, Stephanie Sullivan, purchased her home in 2006 for \$426,000. An appraisal conducted a year later reported her home was worth \$310,000 and cited that the market was not the reason for the lower value but rather an inaccurate and fraudulent appraisal.

In 2007, Sullivan's husband was laid off and they were unable to pay the mortgage. The Sullivans tried to work with Countrywide to modify the loan but the lending giant refused, filing a lien on the home and eventually foreclosed, pushing the Sullivans into bankruptcy.

The suit claims all KB Homes in the Southeast segment were targeted by the scheme. The complaint states between 2006 and 2008 more than 19,000 homes were delivered to the area. At an average price of \$225,000 a home, and conservatively assuming an average inflated appraisal of \$30,000 per home, that amounts to almost \$600 million in inflated contract prices, the suit states.

"The appraisal is a critical step in the home-purchasing process, designed to be an independent evaluation of the property's value," Berman added. "We allege that KB and LandSafe dealt from the bottom of the deck, robbing homeowners of millions of dollars."

In July 2005, KB settled an investigation with U.S. Department of Housing & Urban Development (HUD) for \$3.2 million. The payment settled 13 underwriting violations found by HUD and resulted in the largest administrative penalty payment in the agency's history.

One week prior to the announcement of the HUD settlement, KB announced it was selling its mortgage arm to Countrywide and together the companies formed Countrywide-KB, a joint venture that exclusively provides loans to KB home purchasers, the suit states.

The lawsuit lists several claims against the defendants including violations of the Racketeer Influenced and Corrupt Organizations Act (RICO), violation of California unfair competition law, violation of Florida deceptive and unfair trade practices act, unjust enrichment and violations of Real Estate Settlement Procedures Act (RESPA).

For more information, visit www.hbsslaw.com.