

In re Ameriquest Mortgage Co. Mortgage Lending Practices Litigation
Parties not identified.
2007 U.S. Dist. LEXIS 70805 (N.D. Ill. 2007).

NATURE OF CASE: Motion to dismiss state law claims that were based on the court's supplemental jurisdiction.

RULE OF LAW: Supplemental jurisdiction is proper where there is a sufficient nexus between state and federal claims, and statutory discretionary factors do not weigh in favor of a decision to decline to exercise supplemental jurisdiction.

FACTS: Barbara Skanes (P) claimed that house appraiser Douglas Trevino (D) inflated the value of Skanes' (P) property to increase the loan amount for which she could qualify, and increase Ameriquest's (D) potential profit. She filed a federal claim under the Truth in Lending Act (TILA), seeking rescission of the mortgage and statutory damages. She also claimed that at the time of her closing Ameriquest (D) gave her improper and misleading disclosures of her right to cancel her mortgage. In the second and third counts of her claim, she alleged state law fraud claims against Ameriquest (D) and Trevino (D). Trevino (D) moved to dismiss the state law claims.

ISSUE: Is supplemental jurisdiction proper where there is a sufficient nexus between state and federal claims, and statutory discretionary factors do not weigh in favor of a decision to decline to exercise supplemental jurisdiction.

HOLDING AND DECISION: (Aspen, J.) Yes. Supplemental jurisdiction is proper where there is a sufficient nexus between state and federal claims, and statutory discretionary factors do not weigh in favor of a decision to decline to exercise supplemental jurisdiction. Where a court already has jurisdiction over some federal claim, it also has supplemental jurisdiction over state claims that are factually connected to the federal claim. The factual connection is sufficient as long as the facts are common and operative. To determine whether the federal and state law claims are connected by common and operative facts, the facts necessary to prove the federal claim are compared with those necessary to the success of the state claim. In this case, Skanes (P) explicitly connected her federal and state claims. She did not fully know of her right to cancel her mortgage, she paid too much during the life of the loan because the mortgage was overstated, and she has not been able to refinance the mortgage due to the over-statement. The connection is operative, in that if the court were to dismiss the state law claims, it may not be able to grant the rescission of the mortgage under TILA. Because the court cannot conclude that the resolution of one of her state claims will have no effect on the resolution on her federal claims, supplemental jurisdiction is proper. In addition, there is no reason to choose not to exercise that jurisdiction under discretionary powers.

ANALYSIS: In this case, the court says that the factual bases for the federal and state claims are essentially the same, and the resolution of one claim impacts the other. But the connection between the facts need not be as tight as they are in this case to support a finding that supplemental jurisdiction is proper.