

## TOP PLAINTIFFS' VERDICTS



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by Margaret Cronin Fisk

#### FIGHT OVER LOAN PURCHASE BRINGS \$96M AWARD

**CASE TYPE:** Breach of contract

**CASE:** *Residential Funding Corp. v. DeGeorge Financial Corp.*, No. 3:00CV202 (D. Conn.)

**PLAINTIFF'S ATTORNEYS:** Philip S. Beck, Jeffrey A. Hall, Rebecca L. Weinstein and Steven E. Derringer of Chicago's Bartlit Beck Herman Palenchar & Scott LLP

**DEFENSE ATTORNEYS:** Stephen D. Susman, Jonathan J. Ross, Harry P. Susman and Erica W. Harris of Houston's Susman & Godfrey

**JURY VERDICT:** \$96.4 million

DeGeorge financial corp. made construction loans to homeowners who were acting as their own general contractors in remodeling or building their homes. Under the terms of these loan agreements, DeGeorge would advance money to the homeowners when it was needed. DeGeorge contracted with Residential Funding Corp., a unit of General Motors Acceptance Corp., to purchase some of these loans.

Residential would pay DeGeorge, which would then pay the homeowners, while keeping a share of the proceeds. But DeGeorge began spending too much of the money earmarked for loans on its own

"aggressive growth," said Residential attorney Philip S. Beck. As a result, Residential was concerned that DeGeorge would not have enough money to fulfill the loans promised to the homeowners. Residential notified DeGeorge that it was not going to renew the deal to purchase loans. "DeGeorge ended up going out of business and we had to pay out the loans," Beck said.

Residential sued DeGeorge, charging breach of contract and seeking reimbursement of some \$65 million that Residential had paid to help DeGeorge's customers finish their construction projects. DeGeorge filed a lender liability action against Residential, charging breach of contract, defamation and tortious interference. DeGeorge contended that Residential had agreed to purchase \$1 billion in loans but did not fulfill this commitment and that Residential forced DeGeorge into default.

DeGeorge was seeking \$390 million, plus punitives. Residential countered, said Beck, "that we lived up to our end of the bargain. We were the people who were wronged here."

On Sept. 24, 2001, a New Haven, Conn., jury rejected DeGeorge's lender liability claims, while awarding Residential Funding \$96.4 million. The verdict has been appealed.