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**WHY PRECISELY WRITTEN DOCUMENTS ARE IMPORTANT:  
THE \$150,000 PROBLEM**

You would naturally think that a Deed to property which omits the name of a co purchaser would be void. Hence, if that Deed is void, then so would be any later Deed of that property to a subsequent buyer which also omitted the name of the same original co purchaser. In many cases that would be a correct statement of the law. However, not always. This is one of those exceptions which re-enforces the admonition that any party to a real estate transaction or business arrangement must have legal documents written with precision to avoid risk of great monetary loss.

**FACTS:**

Helen Lin formed an informal partnership with River Forest and Elevation Investments to pool their money and purchase a piece of real property at a foreclosure auction for a total of \$250,000. Helen contributed \$150,000, with River Forest and Elevation Investments together contributing the balance. Their collective bid was accepted, and the property was awarded to them.

The original version of the Deed from the seller (the foreclosure Trustee) conveyed the property to "River Forest – 75%, Elevation Investments – 25%, Helen Lin". In other words, while Helen's name was listed on that version of the Deed as a transferee, there was no stated percentage interest in the property that was attributed to her. That Deed was not recorded. Instead, what was recorded, was a revised Deed which conveyed the property to "River Forest, 75%, and Elevation Investments, 25%", omitting Helen's name altogether. Who altered this Deed? Helen claims she did not, but accuses River Forest and/or Elevation Investments of having done so. Thereafter, River Forest, without Helen's knowledge, transferred its interest in the property by Quitclaim Deed to Elevation Investments. The result: Elevation Investments now owned the property 100% exclusively. Elevation Investments then sold the property to Coronado, presumably for a profit.

When Helen found out about this transfer to Coronado, she sued everyone. Against River Forest and Elevation Investments, and their respective principals, she alleged fraud and other claims. Our present concern, however, is regarding her claim against Coronado. She sued for quiet title, to establish that she owned a portion of the subject property, alleging that Coronado never held legal title to the property because the original Trustee's Deed was forged or altered before recording, and therefore the Deed that was recorded, omitting Helen's name, was void.

Coronado claimed that it was an innocent purchaser for value (called a “bona fide purchaser”) who could rely upon the wording of the recorded Trustee’s Deed and subsequent Quitclaim Deed (the former not containing Helen’s name and the latter stating that the property was owned exclusively by Elevation Investment), and therefore the Deed it received from Elevation Investments was not subject to challenge or invalidation. As between Helen and Coronado – who wins?

### **COURT DECISION:**

The court concluded that the alteration of the original Trustee’s Deed, regardless of who may have done it, or the reasoning behind such action, was, as a matter of law, not material. It concluded that only alterations which will affect the validity of an instrument are material; that is, alterations which change the legal effect of the instrument. If they do not, then the Trustee’s Deed is not void or invalid. Here, the recorded Trustee’s Deed indicated that River Forest received a 75% interest in the property, and that Elevation Investments received a 25% interest in the property. That equals 100%. There was no ambiguity as to the ownership percentages. Therefore, leaving off Helen’s name from the revised Deed that was recorded had no legal effect. In other words, as far as Coronado’s legal rights were concerned, whether or not Helen claimed to own any interest in the property was immaterial and instead Coronado could rely upon the wording of the recorded documents in identifying the seller (Elevation Investments).

Accordingly, Coronado, a transferee of the 100% interest in the property held by Elevation Investments owned valid and enforceable legal title to the property to Helen’s exclusion. So while Helen may have a number of claims against her “partners”, including fraud, breach of fiduciary duty, perhaps breach of contract and others, she had no claim against Coronado and could not invalidate that transfer. In essence, Helen failed to ensure that she had a recorded protectable interest in the property. Had she done so, this would have prevented Coronado from obtaining ownership of that property free and clear of Helen’s claims.

### **LESSONS:**

As a practical matter, Helen’s troubles stemmed from her own negligence. She could have, but did not, make certain that when the property was purchased at foreclosure that the percentage of her ownership interest in that property was listed on the Trustee’s Deed. Her only recourse now is against her “partners” whose financial stability is probably questionable, and her ability to recover the amounts that she invested (\$150,000) plus her share of any profits from the sale of the property to Coronado, among other damages caused by her “partner’s” misconduct, is in doubt.

The lesson to be learned is that crafting agreements and legal documents with precision to reflect the intentions of the parties is essential to put third parties (like Coronado) on notice of their existence. If Helen had been careful, the Trustee’s Deed would have properly listed the percentage of her ownership interest in the property. That simple action would have prevented the subsequent mischievous conduct by River Forest and Elevation Investments, and loss of Helen’s interest in

the property. Retaining knowledgeable legal counsel is essential whenever a transaction such as the entry into a partnership or the purchase of property is envisioned. No one should ever find themselves in the same position as Helen, which could easily have been avoided.

Additional resources:

The case described in this guide is Helen Lin v. Mireya B. Coronado, 2014 WL 7201837 (December 18, 2014). Other sources cited in the Court's opinion include 5 Miller & Starr, California Real Estate (3<sup>rd</sup> ed, 2009), Section 11:50; and Bumb v. Bennett, 51 Cal.2d 294 (1958).