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Borrowers sue Coast Bank

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The shareholders of Coast Bank of Florida sued first. Now, it's the customers.

Fifty borrowers filed lawsuits Thursday against Coast, saying the Bradenton-based bank schemed to defraud them on their home loans.

Sarasota attorney Alan Tannenbaum says he will file another 75 lawsuits for Coast borrowers who claim they are stuck with homes or lots that are worth less than what they owe on their mortgages.

The borrowers hope to force Coast to rescind the mortgages and take back the homes and real estate.

Bank spokesman Tramm Hudson said Thursday he has not seen the lawsuits and could not comment on specifics. The bank expects borrowers to pay their loans.

"Obviously we're not going to rescind any contracts," he said.

Most of his clients have stopped making payments on their loans, Tannenbaum said.

The borrower lawsuits are the latest legal trouble for Coast, whose financial condition has been shaken by the loan mess.

The bank made \$110 million in loans to nearly 500 customers of Construction Compliance Inc., a now-bankrupt home builder in St. Petersburg. CCI drew million of dollars from Coast, but did little or no work on some of those homes.

In one of the new lawsuits, Michael J. and Telma L. Dorsey of Tarzana, Calif., say they borrowed \$228,600 to build a CCI home in North Port.

Coast disbursed \$83,055 to CCI, but the company did no work on the Dorseys' lot.

"Somewhere between 80 and 100 of my clients have just lots," Tannenbaum said.

Tannenbaum said he may wind up working out the loans with the Federal Deposit Insurance Corp. if it takes over the bank.

Hudson said the bank has had success working with some of the other borrowers.

"It is unfortunate that Mr. Tannenbaum refuses to work with the bank in resolving these problems for his clients," Hudson said.

Regulators recently slapped Coast with a cease-and-desist order, criticizing its directors and management for "unsafe or unsound banking practices."

At least three law firms have filed lawsuits seeking class action status on behalf of shareholders in parent Coast Financial Holdings Inc. The shareholders say Coast defrauded them by misrepresenting its financial condition.

The new lawsuits claim former Coast vice president Philip Coon and mortgage broker American Mortgage Link "concocted a scheme" to solicit investors to borrow money to build new homes.

The borrowers would put no money down, CCI would pay the loan interest and the completed homes would be sold for a profit. Coast and American Mortgage collected "excessive" loan fees, the lawsuits state.

CCI already was insolvent, according to the lawsuits, and could not handle the nearly 500 home contracts.

Coast failed to monitor CCI's construction draws and allowed the company to spend the money for purposes other than work on the lots.

The lawsuits also claim the bank breached its fiduciary duty by failing to protect the borrowers.

Coast, American Mortgage and CCI formed a fraudulent enterprise that constituted racketeering conduct, Tannenbaum says in the suits.
