UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS

ASSIGNED JUDGE	Timothy A. Barnes	**CASE NO.**	24bk08399
DATE	August 15, 2025	**ADVERSARY NO.**	
CASE TITLE	In re Ramon Prieto		
TITLE OF ORDER	Order Denying Debtor's Motion for Summary Judgment and Denying in Part and Granting in Part Creditors' Motion for Summary Judgment		

DOCKET ENTRY TEXT

Debtor's Motion for Summary Judgment on Debtor's Objection to of [sic] Creditors' Claim [Dkt. No. 120] is DENIED and Creditors' Motion for Summary Judgment on Debtor's Objection to Claim and Memorandum of Law in Support [Dkt. No. 118] is DENIED IN PART and GRANTED IN PART for the reasons set forth herein.

[For further details see text below.]

DECISION AND ORDER

The matter before this court arises out of two filings in the above-captioned proceeding:

(1) Debtor's Motion for Summary Judgment on Debtor's Objection to of [sic] Creditors' Claim [Dkt. No. 120][1] (the "Debtor's Motion") filed by Ramon Prieto (the "Debtor"); and

(2) Creditors' Motion for Summary Judgment on Debtor's Objection to Claim and Memorandum of Law in Support [Dkt. No. 118] (the "Creditors' Motion" and together with the Debtor's Motion, the "Motions") filed by Charles Serlin, not individually, but as trustee of The Charles Serlin Living Trust ("Serlin") and Lazarus High Yield Investments LLC ("Lazarus" and together with Serlin, the "Creditors").

The Motions each pertain to the Debtor's Objection to Claim 2 [Dkt. No. 53] (the "Claim Objection") brought on October 17, 2024.

[1] Unless specifically noted otherwise, references to "Dkt. No. ___" will be references to docket entries in the above-captioned proceeding.

HISTORY

To understand this matter, first consider the salient facts which have been derived from the Motions:

(a) Debtor Ramon Prieto, a 66-year-old individual, has resided at and held exclusive title to the single-family residence located at 6858 Riverside Drive, Berwyn, Illinois 60402 (the "Property") since at least September 1, 2004. On August 3, 2015, the Debtor became delinquent on Cook County property taxes related to the Property. As of February 22, 2018, the redemption amount on the delinquent taxes totaled $31,761.60.

(b) In 2018, the Debtor received solicitation materials from "Illinois Tax Assistance," an unregistered entity in Illinois, which appeared to offer help with the tax default. Illinois Tax Assistance is owned by Daniel Wynn ("Wynn"), who also owns or controls several other interrelated entities: Private Lending Group ("PLG"), Chicago Rehab Loans and Private Capital LLC. Wynn also uses the alias "Daniel J. Arguello" in connection with these businesses.

(c) Wynn offered the Debtor a loan through Freestyle Investments LLC ("Freestyle"), another entity that Wynn manages. On or about March 23, 2018, the Debtor executed a mortgage and note with Freestyle for $40,000 (the "Freestyle Loan"). The Freestyle Loan contained a 12% annual interest rate (24% upon default), $400 monthly payments and a balloon maturity date of May 31, 2019. From the Freestyle Loan, the Debtor received $31,761.60, which he used to redeem the delinquent property taxes. The Debtor was charged a $6,000 "consultation fee" relating to the transaction. The Freestyle Loan incorrectly characterized the Property as a business-use property.

(d) Subsequently, in order to pay off the Freestyle Loan, the Debtor refinanced. On August 8, 2018, the Debtor closed on a $100,000 mortgage loan from the Creditors (the "Lazarus/Serlin Loan"), which was arranged and closed by Wynn through PLG. The Lazarus/Serlin Loan incorrectly characterized the Property as being used for business purposes and also imposed fees, including a $4,500 consulting fee to PLG and a $400 underwriting fee to Wynn.

(e) In conjunction with the Lazarus/Serlin Loan, the Debtor alleges that he was required to execute an escrow agreement (the "Escrow Agreement"), appoint Wynn as escrow agent and tender a quit-claim deed conveying the Property to the Creditors (the "2018 Deed"). The Escrow Agreement provided that the 2018 Deed was to be placed in escrow, and if the Debtor defaulted on the Lazarus/Serlin Loan for more than 70 days, Wynn could record the 2018 Deed. The Debtor also completed a handwritten "Business Purpose Declaration", asserting that the Property was used for business purposes and was not the Debtor's personal residence.

(f) On July 8, 2019, the Creditors filed a Complaint to Foreclose Mortgage (the "Foreclosure Action") in the Circuit Court of Cook County, Illinois, pursuant to the Debtor's default on the Lazarus/Serlin Loan.

(g) After the Debtor filed his answer and defenses to the Foreclosure Action, the Creditors moved for and were granted summary judgment in the Foreclosure Action.

(h) The Circuit Court entered the Judgment for Foreclosure and Sale (the "Foreclosure Judgment") in favor of the Creditors on June 8, 2023.

(i) On July 6, 2023, the Debtor filed a motion to reconsider (the "Motion to Reconsider") the Foreclosure Judgment.

(j) On October 26, 2023, the Debtor filed a Motion for Leave to File Sur Brief in Support of Motion to Reconsider (the "Sur Reply") where he first brought his Illinois Mortgage Foreclosure Act, 765 ILCS 940/1 *et seq.* (the "MRFA") claim against the Creditors.

(k) While the Sur Reply was allowed, the Circuit Court denied the Motion to Reconsider and neither that order nor the Foreclosure Judgment order appeared to address the MRFA arguments.

(l) A foreclosure sale was first scheduled for May 17, 2024 (the "Foreclosure Sale").

(m) On February 28, 2024, the Debtor filed in the Chancery Division of the Circuit Court of Cook County (the "Chancery Court") a ten-count Verified Complaint against the Creditors and several other parties (the "Chancery Action") for violations of the MRFA. The Chancery Action is still ongoing.

(n) In the Chancery Action, the Debtor sought a temporary restraining order to delay the Foreclosure Sale. The Chancery Court denied that request on June 6, 2024, and the Foreclosure Sale was rescheduled for June 8, 2024.

(o) On June 6, 2024, before the Foreclosure Sale could take place and with the Chancery Action still pending, the Debtor filed for bankruptcy under chapter 13 of the Bankruptcy Code (defined below), commencing the above-captioned case.

(p) On July 11, 2024, the Creditors filed Claim No. 2, a secured proof of claim in the above-captioned case, in the amount of $261,083.77 (the "Claim").

(q) The Debtor filed the Claim Objection on October 17, 2024.

As an objection to a claim commences a contested matter under title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"), Rule 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules" and as to each, "Rule ___") applies. Rule 9014 makes Rule 7056 applicable, *see* Fed. R. Bankr. P. 9014(c)(1), which thereby makes Rule 56 of the Federal Rules of Civil Procedure (the "Rules of Civil Procedure" and as to each, "Civil Rule ___") applicable.

Both parties therefore seek summary judgment on the Claim Objection under Rule 7056 and Civil Rule 56.

THE CLAIM OBJECTION

In the Claim Objection, the Debtor argues that the Creditors' Claim should be disallowed and/or expunged under section 502(b)(1) of title 11 of Bankruptcy Code.

The Debtor argues that the Creditors' Claim is unenforceable as it arises in violation of the MRFA. The Debtor alleges that the Creditors violated the MRFA by engaging in a scheme to defraud the Debtor out of the Property and to strip it of its equity through a series of loans and wrongful title transfers. The Debtor argues that the Creditors: (1) failed to provide the Debtor with a written notice that the Creditors may not receive any money or ask for money until the services are completely performed; (2) failed to provide the Debtor with a written notice that the Debtor had the right to cancel the contract at any time until the Creditors have performed every service in the contract; (3) demanded and collected fees before all of the Distressed Property Consultant's (as defined in the MRFA) promised services were fully performed; (4) demanded and collected fees that exceeded two monthly mortgage payments or the most recent property tax installment on the Property; (5) improperly recorded a mortgage against the Property; (6) misinformed and improperly caused the Debtor to execute and deliver a quitclaim deed to the Property, supposedly to be held in an escrow, transferring title of the Property to the Creditors, pending satisfaction of the Debtor's indebtedness to the Creditors created through the violative credit facility; and (7) induced the Debtor to falsely execute the Business Purpose Declaration to circumvent the MRFA protections, with full knowledge that the Property was the Debtor's personal residence and not used for business purposes. The Debtor asserts that his defaulting on the Lazarus/Serlin Loan was a result of these improper and unlawful acts and therefore the Claim should be disallowed.

While the Debtor also attempts to anticipate potential responses to the Claim Objection, the MRFA argument is the only ground on which the Debtor seeks disallowance of the Claim.

THE MOTIONS

A. The Debtor's Motion

The Debtor's Motion reiterates the arguments and allegations raised in the Claim Objection, asserting that the Claim is unenforceable because it arises from transactions in violation of the MRFA. The Debtor's Motion does not present new factual allegations or legal theories beyond those in the Claim Objection but seeks judgment as a matter of law on those existing grounds.

B. The Creditors' Motion

The Creditors argue that the Debtor's Objection must be denied because the substantive arguments in the Objection are untimely, barred by collateral estoppel and fail to state a basis to deny the Claim. The Creditors argue that the Debtor's MRFA claims are untimely in that the remedy for a violation of the MRFA is to bring an action under the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 *et seq.* (the "CFDBPA"), but section 10a(e) of the CFDBPA only allows an action for damages for violation of the MRFA if the action is commenced within three years after the cause of action. By the Debtor's own allegations, the violation occurred no later than 2018 when the Lazarus/Serlin Loan was made. Thus, the Creditors argue that the Debtor's MRFA complaint is time-barred. The Creditors also argue that the Debtor's defenses were already presented and considered in the Foreclosure Action. While the Foreclosure Judgment did not become final and appealable due to the Debtor's bankruptcy filing having prevented the Foreclosure

Sale and confirmation order, the court still made a final ruling on the merits of the Debtor's defenses, and thus, that ruling should be barred by collateral estoppel from being relitigated in this matter.

APPLICABLE LAW

The court has jurisdiction to decide the matters before the court pursuant to 28 U.S.C. § 1334 and Internal Operating Procedure 15(a) of the United States District Court for the Northern District of Illinois. The allowance or disallowance of a claim against the bankruptcy estate is a core matter pursuant to 28 U.S.C. §§ 157(b)(2)(B), (I)–(K). Venue is proper in this court pursuant to 28 U.S.C. § 1409(a). This matter is within the court's constitutional authority. *Stern v. Marshall*, 564 U.S. 462, 471 (2011); *Wolford v. Ward* (*In re Ward*), 233 B.R. 810, 812 (Bankr. N.D. Ill. 1999) (Squires, J.). None of the parties has challenged the court's ability to issue final judgment in this matter.

In considering the Motions, the court first notes the applicable standards:

A. Claims Objections

The court has set out in detail the standards for considering claim objections in several prior published cases. *In re Spiegel*, 657 B.R. 34, 51–54 (Bankr. N.D. Ill. 2024) (Barnes, J.) *aff'd,* Case No. 22 C 1559, 2025 WL 358972 (N.D. Ill. Jan. 30, 2025); *see also In re Rosebud Farm, Inc.*, 660 B.R. 222, 252–54 (Bankr. N.D. Ill. 2024) (Barnes, J.), *aff'd sub nom. Longo & Assocs., Ltd. v. Moglia as trustee for Rosebud Farm, Inc.*, Case No. 18 B 24763, 2025 WL 849615 (N.D. Ill. Mar. 18, 2025). The court adopts that analysis as if fully set forth herein. It is worth nothing that that analysis comports with controlling Seventh Circuit law on the same point. *In re Hood*, 449 F. App'x 507, 509–10 (7th Cir. 2011); *In re Carlson,* 126 F.3d 915, 921–22 (7th Cir.1997).

It is also worth noting that any claim objection determined by the court may be reconsidered for cause. 11 U.SC § 502(j).

B. Summary Judgment

The purpose of summary judgment is to resolve legal issues where no evidentiary dispute requires a trial. *800 South Wells Commercial, LLC v. Gouletas* (*In re Gouletas*), 590 B.R. 494, 501 (Bankr. N.D. Ill. 2018) (Barnes, J.) (*citing Weber-Stephen Prods. LLC v. Sears Holding Corp.*, Case No. 13 C 01686, 2015 WL 9304343 at * 4 (N.D. Ill. Dec. 22, 2015); *Newman v. Assoc. Bank, Nat'l Ass'n* (*In re World Mktg. Chi., LLC*), 574 B.R. 670, 677 (Bankr. N.D. Ill. 2017) (Barnes, J.)). Under Civil Rule 56, "[t]he court shall grant a summary judgment if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a).

Summary judgment may not be issued if a genuine dispute of material facts exists. Fed. R. Civ. P. 56(c)(1). For this reason, to obtain summary judgment, first, movants must establish through relevant evidence submitted that there is no genuine issue of material fact. *Dunn v. Menard, Inc.*, 880 F.3d 899, 905 (7th Cir. 2018). Second, movants must establish that they are entitled to judgment as a matter of law. *Id.* The burden of proof on summary judgment rests on the movants. *EEOC v. Watkins Motor Lines, Inc.*, 553 F.3d 593, 596 (7th Cir. 2009).

Therefore, "this standard provides that the mere existence of *some* alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment;

the requirement is that there be no *genuine* issue of *material* fact." *Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242, 247–48 (1986) (emphasis in original). At this stage, it is outside the judge's province to assess the credibility of evidence on a summary judgment motion. *Gouletas*, 590 B.R. at 502 (*citing Anderson*, 477 U.S. at 255). The court, when considering summary judgment motions, construes evidence and all reasonable inferences in favor of the non-moving party. *Tolan v. Cotton*, 572 U.S. 650, 656 (2014) (evidence must be viewed in light most favorable to the non-moving party); *Horizon Group Mgmt., LLC v. Michael* (*In re Horizon Group Mgmt., LLC*), 652 B.R. 764, 782–83 (Bankr. N.D. Ill. 2023) (Barnes, J.) (*citing Durable Mfg. Co. v. U.S. Dep't of Labor*, 578 F.3d 497, 501 (7th Cir. 2009)); *see also Judson Atkinson Candies, Inc. v. Latini-Hohberger Dhimantec*, 529 F.3d 371, 382 (7th Cir. 2008) (only admissible evidence considered at summary judgment).

When each party has moved for summary judgement, the court must analyze each motion individually, viewing the facts in the light most favorable to the non-moving party. *Leibowitz v. Kalamata Capital Group LLC* (*In re Gayety Candy Co., Inc.*), 625 B.R. 390, 401 (Bankr. N.D. Ill. 2021) (Barnes, J.) ("When crossing motions for summary judgment are filed, the court must consider each motion independently, and in so doing make all inferences in favor of the party against whom the motion under consideration is made.") (*quoting O'Regan v. Arbitration Forums, Inc.*, 246 F.3d 975, 983 (7th Cir. 2001)).

C. The Mortgage Rescue Fraud Act (MRFA)

The purpose of the MRFA appears to be to protect individuals facing mortgage foreclosure from predatory lenders and lending practices that arose in the aftermath of the mortgage crisis in the early 2000s. Specifically, "[a] consumer who suffers loss by reason of any violation of any provision of [the MRFA] may bring a civil action in accordance with the Consumer Fraud and Deceptive Business Practices Act to enforce that provision." 765 ILCS 940/55(b).

The MRFA outlines how a consumer may claim an MRFA violation against a creditor:

> (a) A violation of any of the provisions of this Act constitutes an unlawful practice under the Consumer Fraud and Deceptive Business Practices Act. All remedies, penalties, and authority granted to the Attorney General or State's Attorney by the Consumer Fraud and Deceptive Business Practices Act shall be available to him or her for the enforcement of this Act.
>
> (b) A consumer who suffers loss by reason of any violation of any provision of this Act may bring a civil action in accordance with the Consumer Fraud and Deceptive Business Practices Act to enforce that provision. All remedies and rights granted to a consumer by the Consumer Fraud and Deceptive Business Practices Act shall be available to the consumer bringing such an action. The remedies and rights provided for in this Act are not exclusive, but cumulative, and all other applicable claims, including, but not limited to, those brought under the doctrine of equitable mortgage, are specifically preserved.

765 ILCS 940/55.

D. The Illinois Consumer Fraud and Deceptive Business Practices Act (CFDBPA)

Section 815 ILCS 505/10a of the CFDBPA outlines when and how a consumer may recover for a creditor's MRFA violation and the time period within which a consumer has the opportunity to bring an MRFA claim against a creditor, stating that "[a]ny action for damages under this Section shall be forever barred unless commenced within 3 years after the cause of action accrued[.]" 815 ILCS 505/10a(e).

E. Collateral Estoppel

"The Seventh Circuit has held that the doctrine of collateral estoppel may be used to preclude relitigation of issues in a subsequent proceeding when: '(1) the party against whom the doctrine is asserted was a party to the earlier proceeding; (2) the issue was actually litigated and decided on the merits; (3) the resolution of the particular issue was necessary to the result; and (4) the issues are identical.'" *Krauchaar v. Flanigan*, 45 F.3d 1040, 1050 (7th Cir. 1995) (*quoting Kunzelman v. Thompson*, 799 F.2d 1172, 1176 (7th Cir. 1986)).

DISCUSSION

Under Civil Rule 56, summary judgment is only appropriate where the movant shows that there is no genuine dispute of material fact, and the movant is entitled to judgment as a matter of law. As noted above, these crossing motions for summary judgment must be analyzed individually, viewing the facts in the light most favorable to the non-moving party. Accordingly, for the reasons discussed below, the Debtor's Motion is DENIED and the Creditors' Motion is DENIED IN PART and GRANTED IN PART.

Before taking up the arguments of the parties relating to the MRFA, it is necessary to address several of the arguments raised in the Creditors' Motion. The Creditors' Motion raises several gating issues, namely collateral estoppel and the statute of limitations applicable to the MRFA. There is little question that the Lazarus/Serling Loan has many hallmarks of being the product of the type of lending practices the MFRA is intended to protect against. But that determination can only be reached if the matter is properly before the court. For the reasons discussed below, it is not.

A. Collateral Estoppel

The Creditors argue that the MRFA claim is barred by collateral estoppel as it was raised in the Foreclosure Action and rejected by the Circuit Court. That argument is unavailing.

As noted above, collateral estoppel requires that "(1) the party against whom the doctrine is asserted was a party to the earlier proceeding; (2) the issue was actually litigated and decided on the merits; (3) the resolution of the particular issue was necessary to the result; and (4) the issues are identical." *Kunzelman*, 799 F.2d at 1176.

Here, the second element of collateral estoppel—that the issue was actually litigated and decided on the merits—is absent. There was no final judgment on the merits of the Debtor's MRFA argument in any prior proceeding. Although the parties appear to agree that the Debtor attempted to raise an MRFA argument in the Foreclosure Action in the Sur Reply filed in support of the Debtor's Motion to Reconsider, as best as the court can determine, the Circuit Court's order

denying the Motion to Reconsider made no reference to the MRFA claim and contained no findings addressing its substance. A ruling that does not address or resolve an issue cannot be deemed a final adjudication on the merits of that issue for collateral estoppel purposes. *Zamora v. Jacobs* (*In re Jacobs*), 448 B.R. 453, 469 (Bankr. N.D. Ill. 2011) (Sonderby, J.) ("Collateral estoppel applies, however, only to a 'point or question actually litigated and determined.'") (*quoting Hous. Auth. for La Salle Cnty. v. Y.M.C.A.*, 101 Ill. 2d 246, 252 (1984). Moreover, the Foreclosure Judgment itself was not a final and appealable order because the Foreclosure Sale had not yet taken place nor been confirmed. *See In re Marriage of Verdung*, 126 Ill. 2d 542, 555 (1989) ("A judgment ordering the foreclosure of a mortgage is not final and appealable until the court enters orders approving the sale and directing the distribution."). Thus, even if the Circuit Court had addressed the MRFA claim—which it did not—the absence of a final, appealable judgment would preclude the application of collateral estoppel.

In addition, while the Debtor filed the separate Chancery Action in February 2024 asserting the MRFA claim directly, that action remains pending, the time for defendants to answer or otherwise plead has not expired, and the Chancery Court has not ruled in any manner that would preclude this court from hearing the issue. Because the Chancery Court has yet to address the MRFA claim at all, there is no prior adjudication on which collateral estoppel could be based.

Accordingly, collateral estoppel does not bar the court from considering the MRFA claim in this proceeding and thus the Creditors' Motion is DENIED in this respect.

B. Timeliness of the Objection

As collateral estoppel does not preclude the court from addressing Debtor's MRFA claim, the question of whether that claim is time-barred is ripe.

The Debtor requests that the Claim be disallowed for violation of the MRFA. However, the Debtor executed the Freestyle Loan on or about March 23, 2018, and, shortly thereafter, executed the Lazarus/Serlin Loan on August 8, 2018, as to refinance the Freestyle Loan. Pursuant to the terms of the Lazarus/Serlin Loan, the Debtor executed the Escrow Agreement, placing the 2018 Deed in escrow. More than five years later, in October 2023, the Debtor first raised his MRFA claim against the Creditors in his Sur Reply in the Foreclosure Action. Further, while the Chancery Action addresses the MRFA claim directly, it was commenced even later, on February 28, 2024. The Chancery Court in the Chancery Action has been unable to rule on the timeliness of the MRFA claim therein as it was stayed by the commencement of the Debtor's bankruptcy proceedings.

The Creditors assert that the cause of action for the MRFA claim occurred when the Debtor executed the Escrow Agreement in 2018 and, since the Debtor did not bring the MRFA claim until he made his motion for leave to file the Sur Reply in the Foreclosure Action in October 2023, the MRFA argument is asserted beyond the three-year statute of limitations. As a result, the Creditors argue that the Claim Objection should be time-barred. The Creditors contend that it was the Debtor's own admission that the cause of action occurred no later than 2018, upon the making of the Lazarus/Serlin Loan. In response, the Debtor asserts that, as the Creditors have continued to withhold the 2018 Deed, there is a continued harm to him and thus his MRFA claim should not be time-barred.

The Creditors are correct that there is a three-year statute of limitations for bringing an MRFA claim. Pursuant to the MRFA, the remedy for violation of the MRFA is to bring action

under the CFDBPA. 765 ILCS 940/55(b). The CFDBPA, in turn, imposes a three-year statute of limitations on any action for damages brought under it. 815 ILCS 505/10a(e).

Under Illinois law, the limitations period begins to run when the cause of action accrues—that is, "when facts exist that authorize one party to maintain an action against another." *Hullverson & Hullverson, L.C. v. Hullverson*, 2016 IL App (5th) 150226-U, ¶ 69 (*quoting Sundance Homes, Inc. v. County of DuPage*, 195 Ill.2d 257, 266, 746 N.E.2d 254, 260 (2001)). In other words, "[a] cause of action under the [CFDBPA] 'accrues' when a party suffers injury." *Wells Fargo Bank N.A. v. Girouard*, 2018 IL App (1st) 171901-U, ¶ 19 (*quoting Gredell v. Wyeth Laboratories Inc.*, 346 Ill. App. 3d 51, 57 (2004)).

The Creditors assert that the cause of action for the Debtor's MRFA claim accrued when the Escrow Agreement was executed and the 2018 Deed was placed in escrow. There is little doubt that the alleged MRFA violation stems from the date of the Lazarus/Serlin Loan, pursuant to which the Debtor executed the note, the mortgage and the Escrow Agreement. Any injury from the transaction was actionable as of the date of closing—August 8, 2018—when the Debtor allegedly became subject to the transaction's terms and the purportedly wrongful escrow arrangement.

The Creditors are also correct in this argument. The statute of limitations began to run on August 8, 2018. That is not the question here, however. The question here is whether anything has happened to change that fact.

Any argument that the statute of limitations has not yet run because the withholding of the 2018 Deed has caused the Debtor continued harm—such as being unable to seek out new financing secured by the Property to pay off the Lazarus/Serlin Loan—or because the Creditors' continued retention of the 2018 Deed constitutes an ongoing transaction that delays accrual of the cause of action is unavailing.

Illinois law does not recognize a continuing violation theory that tolls the MRFA limitations period based on ongoing effects of an initial wrongful act. *Girouard*, 2018 IL App (1st) 171901-U, ¶ 19. The cause of action thus accrues when the injury occurs, not each time the effects of the injury are felt. The alleged wrongful act here—the execution of the Lazarus/Serlin Loan and Escrow Agreement—occurred more than three years before the Debtor first asserted his MRFA claim in 2024. That the Debtor continues to feel the effects of that injury is not relevant. The record supports the conclusion that any economic harm began no later than 2018, when the transaction closed. At that point, the Debtor was bound by the terms of the Lazarus/Serlin Loan and was allegedly deprived of immediate access to the 2018 Deed.

The Debtor's Sur Reply and the Chancery Action were each brought more than five years after the 2018 transaction. Each falls well outside the three-year statute of limitations period in 815 ILCS 505/10a(e). The Claim Objection was brought even later.

Accordingly, the court finds that the Debtor's MRFA claim is untimely and must be disallowed pursuant to section 502(b)(1) of the Bankruptcy Code as it is unenforceable against the Debtor under applicable state law. 11 U.S.C. § 502(b)(1). Thus, the Creditors' Motion should be GRANTED in this part and the Debtor's Motion should be DENIED.

For these reasons, the court need not reach the merits of the parties other MRFA arguments. It should be noted, however, that this court's ruling pertains only to the foregoing factors as they apply to section 502 of the Bankruptcy Code and as such, under the present circumstances, the Claim should be disallowed. The court's ruling should not be preclusive on the

Chancery Court with respect to its determination of the Illinois law questions, including the statute of limitations with respect to the MRFA. Further, section 502(j) of the Bankruptcy Code permits this court to reconsider any claims ruling, for cause. 11 U.S.C. § 502(j). Should the Chancery Action continue and the Chancery Court rule in favor of the Debtor on these issues, the Debtor is free to return to this court and make a motion under section 502(j) of the Bankruptcy Code.

CONCLUSION

For the reasons stated above, the court finds that, while the Debtor's MRFA claim is not barred by collateral estoppel, it is untimely under the applicable statute of limitations. Because the MRFA claim is unenforceable under applicable law, it cannot serve as a basis to disallow the Creditors' Claim under section 502(b)(1) of the Bankruptcy Code. Accordingly, the Debtor's Motion is DENIED, and the Creditors' Motion is DENIED IN PART and GRANTED IN PART. The Claim Objection is thereby OVERRULED.

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Judge Timothy A. Barnes
United States Bankruptcy Court