

IN THE SUPREME COURT OF THE STATE OF NEVADA

FEDERAL HOUSING FINANCE
AGENCY, in its capacity as Conservator
for the Federal National Mortgage
Association,

Petitioner,

vs.

EIGHTH JUDICIAL DISTRICT COURT,
Clark County, Nevada; and, THE
HONORABLE KERRY EARLEY, Judge

Respondents,

WESTLAND LIBERTY VILLAGE, LLC;
WESTLAND VILLAGE SQUARE, LLC;
and FEDERAL NATIONAL
MORTGAGE ASSOCIATION

Real Parties in Interest.

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PETITION FOR A WRIT OF PROHIBITION

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RULE 26.1 DISCLOSURE STATEMENT

The Nevada Rules of Appellate Procedure do not require the Federal Housing Finance Agency, as a government agency, to file a disclosure statement with this petition. NRAP 26.1(a).

TABLE OF CONTENTS

TABLE OF AUTHORITIES	iii
INTRODUCTION	1
ROUTING STATEMENT.....	3
APPLICABLE LEGAL STANDARDS	3
RELEVANT FACTUAL BACKGROUND.....	4
ARGUMENT	5
I. The District Court Ordered Relief In Excess of Its Jurisdiction	5
A. The District Court Exceeded Its Jurisdiction as a Matter of Federal Law	6
B. The District Court Exceeded Its Jurisdiction as a Matter of Nevada Law	12
II. FHFA Lacks a Plain, Speedy, and Adequate Remedy at Law	14
CONCLUSION	15

TABLE OF AUTHORITIES

	Page(s)
Cases	
<i>Albany v. Arcata Assocs.</i> , 106 Nev. 688 (1990)	15
<i>Bank of Am. Nat. Ass’n v. Colonial Bank</i> , 604 F.3d 1239 (11th Cir. 2010)	10
<i>Bobick v. Cmty. & Southern Bank</i> , 743 S.E.2d 518 (Ga. Ct. App. 2013).....	9
<i>Cty. of Sonoma v. FHFA</i> , 710 F.3d 987 (9th Cir. 2013)	7, 8, 9
<i>Freeman v. FDIC</i> , 56 F.3d 1394 (D.C. Cir. 1995).....	7
<i>Furgatch v. RTC</i> , No. 93-cv-20304, 1993 WL 149084 (N.D. Cal. Apr. 30, 1993)	10
<i>Gabrielle v. Eighth Jud. Dist. Ct.</i> , 130 Nev. 1178 (2014)	5
<i>Gladys Baker Olsen Family Tr. v. Olsen</i> , 109 Nev. 838 (1993)	1, 15
<i>Hall v. Second Jud. Dist. Ct.</i> , 131 Nev. 1287 (2015)	5
<i>Housewright v. Simmons</i> , 102 Nev. 610 (1986)	13
<i>Kaur v. Singh</i> , 477 P.3d 358 (Nev. 2020)	14
<i>Leon Cty., Fla. v. FHFA</i> , 700 F.3d 1273 (11th Cir. 2012)	7, 8
<i>Levin v. Second Jud. Dist. Ct.</i> , 133 Nev. 1043 (2017)	12

<i>Maheu v. Hughes Tools Co.</i> , 88 Nev. 592 (1972)	13, 14
<i>Massachusetts v. FHFA</i> , 54 F. Supp. 3d 94 (D. Mass. 2014)	8
<i>Nat’l Tr. for Hist. Pres. v. FDIC</i> , 995 F.2d 238 (D.C. Cir. 1993)	11
<i>Nev. State Bd. of Architecture v. Eighth Jud. Dist. Ct.</i> , 135 Nev. 375 (2019)	3
<i>Perry Cap. LLC v. Mnuchin</i> , 864 F.3d 591 (D.C. Cir. 2017)	7
<i>Richards v. City of Las Vegas</i> , 71 Nev. 197 (1955)	12
<i>Roberts v. FHFA</i> , 889 F.3d 397 (7th Cir. 2018)	11
<i>RPM Invs., Inc. v. RTC.</i> , 75 F.3d 618 (11th Cir. 1996)	9, 11
<i>Security Sav. Bank v. Home Resort Inc.</i> , No. 103,131 2011 WL 2175933 (Kan. Ct. App. 2011)	9
<i>Smith v. Eighth Jud. Dist. Ct.</i> , 107 Nev. 674 (1991)	3
<i>State Bd. of Med. Exam’rs v. Eighth Jud. Dist. Ct.</i> , No. 59241, 2011 WL 4712205 (Nev. 2011)	5
<i>Stearns Bank, N.A. v. Burnes-Leverenz</i> , No. A11-1868, 2012 WL 3023405 (Minn. Ct. App. July 23, 2012)	10
<i>Suero v. Freddie Mac</i> , 123 F. Supp. 3d 162 (D. Mass. 2015)	8
<i>Sweeping Servs. of Texas, LP v. Eighth Jud. Dist. Ct.</i> , No. 57124, 2011 WL 1045105 (Nev. 2011)	11

<i>Telematics Int’l, Inc. v. NEMLC Leasing Corp.</i> , 967 F.2d 703 (1st Cir. 1992).....	9
<i>Volges v. RTC</i> , 32 F.3d 50 (2d Cir. 1994)	10
<i>Ward v. RTC</i> , 996 F.2d 99 (5th Cir. 1993)	11
<i>Webster v. Steinberg</i> , 84 Nev. 426 (1968)	13

Statutes

12 U.S.C.	
§ 1821(j).....	9, 10, 11
§ 4511 <i>et seq.</i>	2
§ 4617(a)(1)	6
§ 4617(a)(2)	6
§ 4617(a)(3)	6
§ 4617(b)(2)(a).....	7
§ 4617(b)(2)(B).....	2, 15
§ 4617(b)(2)(B)(i)	6, 12
§ 4617(b)(2)(B)(ii)	6
§ 4617(b)(2)(B)(iii).....	6
§ 4617(b)(2)(B)(iv).....	6
§ 4617(b)(2)(D)(ii).....	8
§ 4617(f).....	2, 3, 7, 8, 9, 10, 11
NRS 34.320	3

Rules

NRCP 65(d).....	13
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Other Authorities

<i>Welcome to Westland</i> , https://www.westlandrealestategroup.com/	14
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INTRODUCTION

The Federal Housing Finance Agency (FHFA) in its capacity as Conservator for the Federal National Mortgage Association (Fannie Mae), respectfully petitions this Court for a writ of prohibition dissolving an order of the Eighth Judicial District Court, Department IV, that purports to grant preliminary injunctive relief.

The district court purported to enjoin real party in interest Fannie Mae and any entity “having control over the affairs of Fannie Mae,” which necessarily includes FHFA as Conservator, from taking routine default-resolution actions regarding loans to real parties in interest Westland Liberty Village, LLC and Westland Village Associates, LLC (together, Defendants) and from taking “any adverse action against any Westland entity.” As a matter of state and federal law, the district court lacked jurisdiction to grant such relief. FHFA—which was not a party to the district court proceedings but is purported to be bound by the district court’s order—is seeking to intervene into Fannie Mae’s pending interlocutory appeal (No. 82174). But unless and until intervention is granted, FHFA will lack a plain, speedy, and adequate remedy. “The appropriate remedy for challenging an order by a non-party is by way of a petition for an extraordinary writ.” *Gladys Baker Olsen Family Tr. v. Olsen*, 109 Nev. 838, 840 (1993). Accordingly, FHFA respectfully seeks writ relief.

As the Court is aware from other litigation, FHFA currently acts under federal

statutory authority as Fannie Mae’s Conservator. *See* 12 U.S.C. § 4511 *et seq.* (the Housing and Economic Recovery Act of 2008 (HERA)). In that capacity, FHFA has “control over the affairs of Fannie Mae,” and as such the district court’s injunction purports to bind FHFA. In purporting to enjoin an absent party, the district court overstepped its jurisdiction as a matter of Nevada law. Similarly, the district court exceeded its jurisdiction by purporting to enjoin anyone—FHFA included—from taking “any adverse action” regarding “any Westland entity.” That directive is impermissibly vague, which means the district court lacked authority to enter it under Nevada law.

Ultimately, though, whether the district court exceeded its jurisdiction under *state* law is beside the point. FHFA’s organic statute—a preemptive *federal* law—provides that “no court may take any action to restrain or affect the exercise of powers or functions of the Agency as a conservator.” 12 U.S.C. § 4617(f). The district court’s injunction purports to “restrain or affect the exercise” of several of FHFA’s powers and functions as a conservator, including the powers to “operate” Fannie Mae, to “perform all [of Fannie Mae’s] functions in [Fannie Mae’s] name,” to “collect all obligations and money due” Fannie Mae, and to “preserve and conserve the assets and property of” Fannie Mae. *See* 12 U.S.C. § 4617(b)(2)(B). As such, it purports to exercise jurisdiction that a federal statute explicitly has withdrawn.

FHFA respectfully requests that the Court promptly issue a writ of prohibition dissolving the district court's order and directing the district court not to issue any injunction that would restrain or affect FHFA's exercise of its statutory powers and functions as Fannie Mae's Conservator. Given the discretionary nature of writ proceedings, whether and how to coordinate proceedings on this petition with the interlocutory appeal is also within the Court's discretion.

ROUTING STATEMENT

This Court should retain this writ proceeding under NRAP 17(a)(12) because the principal issue involves a question of statewide public importance: Whether a district court may enjoin FHFA and Fannie Mae from conducting Fannie Mae's operations while in conservatorship, in contravention of 12 U.S.C. § 4617(f).

APPLICABLE LEGAL STANDARDS

Under Nevada law, a "writ of prohibition ... arrests the proceedings of any tribunal ... exercising judicial functions, when such proceedings are without or in excess of the jurisdiction of such tribunal" NRS 34.320. "Prohibition is a proper remedy to restrain a district judge from exercising a judicial function without or in excess of its jurisdiction." *Smith v. Eighth Jud. Dist. Ct.*, 107 Nev. 674, 677 (1991). "A writ of prohibition may issue when a district court acts without or in excess of its jurisdiction and the petitioner lacks a plain, speedy, and adequate remedy at law." *Nev. State Bd. of Architecture v. Eighth Jud. Dist. Ct.*, 135 Nev. 375, 377 (2019)

(citations omitted). “Whether a writ of prohibition will issue is within this [C]ourt’s sole discretion.” *Id.*

RELEVANT FACTUAL BACKGROUND

On August 12, 2020, Fannie Mae sought appointment of a receiver over two Las Vegas properties that Defendants own. Fannie Mae owns the deed of trust on each. Petitioner’s Appendix (App.) at 0001-48 (Appl. for Appointment of Receiver); App.0049-63 (Verified Compl.). Defendants opposed the receiver application and filed a counter-motion for a temporary restraining order and/or preliminary injunctive relief, seeking to prevent Fannie Mae from foreclosing on the properties or appointing a receiver pending a determination of the parties’ rights and obligations under the loan agreements. App. 0144-80.

On October 13, 2020, the district court held a hearing at which it entered an oral ruling denying Fannie Mae’s application to appoint a receiver and preliminarily enjoining Fannie Mae from moving forward with any foreclosure actions. App. 0417-69. On November 20, 2020, the district court entered Defendants’ proposed written order, which purported to grant far more extensive injunctive relief than Defendants had requested in their papers or at the hearing. *Compare* App. 0465-67 (oral ruling) *with* App. 0379-0382 (written order). Among the new material included in the draft written order Defendants presented to the district court after the hearing were terms expanding the injunction to cover any entity “having control over the

affairs of Fannie Mae,” which includes FHFA, and precluding any of the “Enjoined Parties” from taking routine default-resolution actions regarding loans to Defendants and from taking “any adverse action against any Westland entity in relation to other loans.” *See* App. 0379, 0382.

On November 30, 2020, Fannie Mae appealed the district court’s grant of the preliminary injunction under NRAP 3A(b)(3). In January 2021, Fannie Mae moved this Court to stay the injunction. App. 0386-0415. On February 11, 2021, this Court stayed only the part of the injunction directing Fannie Mae to remove notices of default and election to sell from the properties’ titles. Fannie Mae has since moved for reconsideration with respect to section 5(o) of the injunction. App. 0509-11.

ARGUMENT

I. The District Court Ordered Relief In Excess of Its Jurisdiction

A writ of prohibition is an appropriate remedy where a district court purports to grant relief it lacks jurisdiction to provide, including injunctive relief that exceeds the Court’s authority. *See State Bd. of Med. Exam’rs v. Eighth Jud. Dist. Ct.*, No. 59241, 2011 WL 4712205, at *1 (Nev. 2011) (unpublished disposition) (granting writ of prohibition where “the district court was without jurisdiction to enter the injunctive order”); *Gabrielle v. Eighth Jud. Dist. Ct.*, 130 Nev. 1178 (2014) (unpublished disposition) (similar); *Hall v. Second Jud. Dist. Ct.*, 131 Nev. 1287

(2015) (unpublished disposition) (similar).¹

Here, the injunctive relief set forth in the district court’s order exceeds the district court’s jurisdiction under both federal law and Nevada law.

A. The District Court Exceeded Its Jurisdiction as a Matter of Federal Law

As the Court knows from other matters, Congress created FHFA in 2008 as the federal agency responsible for overseeing Fannie Mae and certain other entities. FHFA’s organic statute—HERA—authorizes conservatorship of regulated entities in certain circumstances. 12 U.S.C. § 4617(a)(1)-(3). FHFA’s Director placed Fannie Mae into conservatorship in September 2008. FHFA’s federal statutory authority as Conservator includes the powers to “operate” Fannie Mae, to “perform all [of Fannie Mae’s] functions in [Fannie Mae’s] name,” to “collect all obligations and money due” Fannie Mae, and to “preserve and conserve the assets and property of” Fannie Mae. 12 U.S.C. § 4617(b)(2)(B)(i)-(iv).

HERA withdraws from all courts any jurisdiction to “take any action to restrain or affect the exercise of powers or functions of [FHFA] as a conservator.”

¹ Petitioner recognizes that NRAP 36(c)(3) restricts citation of unpublished decisions issued before January 1, 2016. The Court’s jurisprudence on petitions for writs of prohibition relating to relief exceeding the district court’s jurisdiction is somewhat sparse, and Petitioner respectfully submits that the Court would benefit from an awareness of such decisions, which Petitioner recognizes are neither precedential nor entitled to any particular persuasive weight. The Court has authority under NRAP 1(c) and 2 to consider them in any way that would be useful.

12 U.S.C. § 4617(f). That provision effects “a sweeping ouster of courts’ power to grant equitable remedies” that interfere with the Conservator’s powers or functions. *Perry Cap. LLC v. Mnuchin*, 864 F.3d 591, 605 (D.C. Cir. 2017) (quoting *Freeman v. FDIC*, 56 F.3d 1394, 1399 (D.C. Cir. 1995)). Here, the preliminary injunction purports to prevent Fannie Mae—and FHFA, which “has control over the affairs of Fannie Mae”—from taking routine loan-enforcement actions to collect an obligation and thereby preserve Fannie Mae’s assets and property. For example, the injunction prohibits activities furthering foreclosure on Defendants’ two properties. App. 0379-80 (§§ 1-3, 5(b)-(c)). It also prohibits the Enjoined Parties from other adverse actions with respect to Westland’s entire portfolio, not just Defendants’ two properties. *Id.* §§ 4, 5(d)-(o). Thus, the injunction purports to restrain and affect the Conservator’s statutory powers and functions listed above, and all the Conservator’s other powers relating to rights, titles, powers, privileges, and assets. *See* 12 U.S.C. § 4617(b)(2)(a).

Section 4617(f) bars injunctive relief against Fannie Mae’s and the Federal Home Loan Mortgage Corporation’s (Freddie Mac’s) (together, the Enterprises’) business operations while under conservatorship. For example, federal appellate courts have held that courts cannot enjoin the Enterprises from refusing to purchase a certain category of mortgages in accordance with FHFA’s instruction. *See, e.g., Cty. of Sonoma v. FHFA*, 710 F.3d 987, 992-93 (9th Cir. 2013); *Leon Cty., Fla. v.*

FHFA, 700 F.3d 1273, 1276 (11th Cir. 2012). The Ninth Circuit held that “FHFA carries on th[e] business [of the Enterprises] when it weighs the relative risks and benefits of purchasing classes of mortgages for investment.” *Sonoma Cty.*, 710 F.3d at 993. Accordingly, a district court could not enjoin “[a] decision not to buy assets that FHFA deems risky [because it] is within its conservator power to ‘carry on’ the Enterprises’ business and to ‘preserve and conserve the assets and property of the [Enterprises].’” *Id.* (citing 12 U.S.C. § 4617(b)(2)(D)(ii)). Similarly, the Eleventh Circuit affirmed dismissal of a complaint seeking injunctive relief “to prohibit the implementation of Fannie Mae and Freddie Mac’s announced restriction” on purchasing certain mortgages because Section 4617(f) barred such relief. *Leon Cty.*, 700 F.3d at 1276.

Section 4617(f) also bars requests to enjoin or mandate activities of the Enterprises in conservatorship that concern individual properties. For example, a court determined that HERA barred equitable relief sought “in the form of an order directing Freddie Mac to sell” a particular foreclosed property to a particular lender under state law. *Suero v. Freddie Mac*, 123 F. Supp. 3d 162, 170 (D. Mass. 2015). In a related case, the court held that “the application of [Section 4617(f)] is not limited to instances in which the FHFA issues formal directives. Rather, by its own terms, it extends to any ‘exercise of powers or functions of [FHFA] as a conservator.’” *Massachusetts v. FHFA*, 54 F. Supp. 3d 94, 99 (D. Mass. 2014)

(quoting 12 U.S.C. § 4617(f)). In that case, too, the court held that it could not enjoin the restrictions Freddie Mac and Fannie Mae had announced concerning property sales because those activities were part of the Conservator's exercise of its powers to operate the Enterprises and preserve and conserve their assets. *Id.*

Federal appellate decisions leave no doubt that Section 4617(f) and the substantively identical provision applicable to Federal Deposit Insurance Corporation (FDIC) and Resolution Trust Corporation (RTC) receivers, 12 U.S.C. § 1821(j), are *jurisdictional* bars. *See, e.g., Cty. of Sonoma*, 710 F.3d at 990 (voiding preliminary injunction because under Section 4617(f), “courts have no jurisdiction” to grant such relief against FHFA as Conservator) (emphasis added); *RPM Invs., Inc. v. RTC.*, 75 F.3d 618, 622 (11th Cir. 1996) (“Section 1821(j) limits our jurisdiction” to order specific performance of a contract); *Telematics Int’l, Inc. v. NEMLC Leasing Corp.*, 967 F.2d 703, 704 (1st Cir. 1992) (“under 12 U.S.C. § 1821(j), a federal court lacks jurisdiction to enjoin the ... FDIC[], acting in its role as receiver for a banking institution, from attaching a certificate of deposit”).

Under the Supremacy Clause, this limitation applies to state and federal courts alike. As a Kansas state court held, “federal law deprives this court of jurisdiction” to order an FDIC receiver to rescind a sale of foreclosed property. *Security Sav. Bank v. Home Resort Inc.*, No. 103,131 2011 WL 2175933 (Kan. Ct. App. 2011); *see also Bobick v. Cmty. & Southern Bank*, 743 S.E.2d 518, 530 n.7 (Ga. Ct. App.

2013) (similar); *Stearns Bank, N.A. v. Burnes-Leverenz*, No. A11-1868, 2012 WL 3023405 at *6 (Minn. Ct. App. July 23, 2012) (similar).

Because Fannie Mae is in conservatorship, it would not matter if the injunction were nominally directed against only Fannie Mae rather than FHFA as Conservator—either way, the Conservator’s powers to operate Fannie Mae, to collect debts owed Fannie Mae, and to preserve and conserve Fannie Mae’s assets are restrained or affected. For example, the Eleventh Circuit applied Section 1821(j) to vacate an order enjoining the failed institution from “selling ... or otherwise disposing of all or any portion of [certain] loans and loan proceeds,” reasoning that such an injunction would “restrain or affect” the receiver’s statutory powers. *Bank of Am. Nat. Ass’n v. Colonial Bank*, 604 F.3d 1239, 1243-44 (11th Cir. 2010). *See also Furgatch v. RTC*, No. 93-cv-20304, 1993 WL 149084, at *2 (N.D. Cal. Apr. 30, 1993) (“enjoining parties [in receivership] indirectly enjoins [the receiver], which a district court has no power to do”)

Likewise, even if the preliminary injunction purported only to restrain acts that are alleged to exceed Fannie Mae’s legal rights under the loan documents—and it goes far beyond that—Section 4617(f) would bar it. Applying the substantively identical provision in 12 U.S.C. § 1821(j), the Second Circuit held that courts lack “equitable jurisdiction to compel [an] RTC [receiver] to honor a third party’s rights ... under state contract law.” *Volges v. RTC*, 32 F.3d 50, 52 (2d Cir. 1994). *See also*

RPM Invs., 75 F.3d at 620-21 (Section 1821(j) bars “specific performance” remedy, because it would “‘restrain or affect’ the RTC [receiver] in the exercise of its statutory powers”); *Ward v. RTC*, 996 F.2d 99, 103-04 (5th Cir. 1993) (Section 1821(j) bars rescission); *Roberts v. FHFA*, 889 F.3d 397, 403 (7th Cir. 2018) (“12 U.S.C. § 4617(f) bars declaratory or injunctive relief against the Agency unless it acted *ultra vires* or in a role other than as conservator or receiver”).

Nor would it matter if Defendants claimed no other remedy would be adequate, implausible as such a claim would be. As the D.C. Circuit explained, “[t]o hold that the lack of an adequate alternative remedy renders § 1821(j)’s bar ... inoperative would ... be tantamount to rendering the provision entirely ineffective.” *Nat’l Tr. for Hist. Pres. v. FDIC*, 995 F.2d 238, 239 n.1 (D.C. Cir. 1993).

Although this Court appears never to have addressed whether writ relief is appropriate where a federal statute limits the district court’s jurisdiction to grant a requested remedy, the Court has granted writ relief where a *state* statute does so. *See Sweeping Servs. of Texas, LP v. Eighth Jud. Dist. Ct.*, No. 57124, 2011 WL 1045105 (Nev. 2011) (issuing writ where state workers’ compensation scheme provided “exclusive remedy” for alleged tort). Because a preemptive federal statute precludes jurisdiction over the relief the district court purported to order, the preliminary injunction cannot stand, and the Court should issue a writ of prohibition dissolving it.

B. The District Court Exceeded Its Jurisdiction as a Matter of Nevada Law

In purporting to order the broad injunctive relief set forth in the order, the district court also exceeded its jurisdiction under Nevada law, in two ways.

First, the district court purported to bind parties not before it. Under Nevada law, “it is manifest that no order” granting relief against a person not “named as a defendant” in the district court “could be entered.” *See Richards v. City of Las Vegas*, 71 Nev. 197, 199 (1955). Yet here, the district court purported to do just that, ordering specific relief against not only Fannie Mae, which was a properly named and served defendant, but also against any entity “having control over the affairs of Fannie Mae.”

Because HERA grants FHFA authority to “operate” and “conduct all business of” Fannie Mae, the district court’s order purports to bind FHFA in its capacity as Conservator. *See* 12 U.S.C. § 4617(b)(2)(B)(i). But FHFA is not a named party to the district court proceedings and was never served in those proceedings. In similar circumstances, this Court has granted writ relief. *See Levin v. Second Jud. Dist. Ct.*, 133 Nev. 1043 (2017) (precluding district court from enforcing settlement agreement against party not properly joined). It should do so here as well.

Second, the district court did not identify the prohibited acts in any reasonable degree of detail. Specifically, the district court purported to enjoin Fannie Mae and any party with control over Fannie Mae—such as FHFA—from taking “any adverse

action” regarding “any Westland entity.”

This Court has repeatedly held that “a preliminary injunction issued by a trial court of this state is void, not merely voidable, if it fails to describe in reasonable detail the act or acts sought to be restrained,” because the vagueness would leave the enjoined party “in constant jeopardy if [it] guesses wrong.” *Maheu v. Hughes Tools Co.*, 88 Nev. 592, 597 (1972) (internal quotation marks, parentheses, and ellipses omitted) (citing *Webster v. Steinberg*, 84 Nev. 426 (1968)). *See also* NRCP 65(d) (an injunctive order “must ... state its terms specifically” and “describe in reasonable detail ... the act or acts restrained”).

Here, the district court’s injunction is void for vagueness in at least two respects. First, the prohibition against “any adverse action” does not describe the prohibited acts in reasonable detail. Indeed, this Court has voided far more specific injunctions. *See Housewright v. Simmons*, 102 Nev. 610, 612 (1986) (voiding injunction against “harassment, humiliation and intimidation of and interference with inmate paralegals” and “removing, inveigling or otherwise displacing materials and supplies from the inmate legal library” because it “does not contain a sufficiently detailed description of the acts to be restrained”). Second, the injunction’s application to “any Westland entity” is also impermissibly vague. The two Westland entities named in other parts of the order (Defendants Westland Liberty Village, LLC and Westland Village Associates, LLC) are part of a corporate structure that

operates several lines of business across two states, including 12,000 units in 65 multifamily residential communities in Los Angeles and Las Vegas, 14 manufactured housing communities mostly in Southern California, and 1.4 million square feet of retail space in Southern California. *See Welcome to Westland*, <https://www.westlandrealestategroup.com/> (last visited Mar. 16, 2021). The district court’s order leaves Fannie Mae and FHFA in the untenable position of having to guess whether any given business operating in Nevada or anywhere else is a “Westland entity” under the injunction.

That the injunction is so vague as to be “void, not merely voidable,” *see Maheu*, 88 Nev. at 597, means the defect is jurisdictional. Indeed, this Court has held that a divorce decree is *void* if the parties cannot make “a colorable case for jurisdiction,” but *voidable* if they do, confirming that voidness implies a jurisdictional defect. *Kaur v. Singh*, 477 P.3d 358, 362 (Nev. 2020).²

That the district court exceeded its jurisdiction under state law further supports issuance of a writ of prohibition dissolving the preliminary injunction.

II. FHFA Lacks a Plain, Speedy, and Adequate Remedy at Law

FHFA is not a party to the district court action, and was not one when the district court entered the injunction. That said, FHFA is seeking to intervene into

² This Court appears never to have considered the specific question whether an injunction that is void for vagueness is jurisdictionally defective.

the pending interlocutory appeal, and also into the district court action, for the limited purpose of challenging relief that conflicts with HERA. Unless and until intervention is granted, a petition for writ relief is the only way for FHFA to seek relief from being unlawfully restrained by a jurisdictionally defective injunction. *See, e.g., Olsen*, 109 Nev. at 840 (1993) (“The appropriate remedy for challenging an order by a non-party is by way of a petition for an extraordinary writ”) (quoting earlier order); *Albany v. Arcata Assocs.*, 106 Nev. 688, 690 n.1 (1990) (similar). And regardless, there is no guarantee that the intervention motions will be resolved before this Court addresses the merits of the injunction in the pending interlocutory appeal. Whether and how to coordinate proceedings on this petition with the interlocutory appeal is a matter left to the Court’s sound discretion.

CONCLUSION

FHFA respectfully requests that the Court issue a writ of prohibition dissolving the district court’s preliminary injunction and directing the district court not to grant any relief that would restrain or affect FHFA’s federal statutory powers, including its authority to “operate” Fannie Mae, to “perform all [of Fannie Mae’s] functions in [Fannie Mae’s] name,” to “collect all obligations and money due” Fannie Mae, and to “preserve and conserve the assets and property of” Fannie Mae. 12 U.S.C. § 4617(b)(2)(B).

Dated this 25th day of March, 2021

Respectfully submitted,
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VERIFICATION

I, Leslie Bryan Hart, declare as follows:

I am a licensed attorney with Fennemore Craig, P.C., counsel for Petitioner Federal Housing Finance Agency (FHFA), and I attest to the following verification in my role as FHFA's attorney, as permitted by NRAP 21(a)(5). I know the contents of this petition and verify that all matters contained herein are true and correct to the best of my knowledge, except as to those matters stated on information and belief, and as to such matters I believe them to be true. I have also reviewed the documents included in the attached appendix and verify that all such documents are true and correct copies of the original documents.

I declare under the penalty of perjury that the foregoing is true and correct.

Executed this 25th day of March, 2021.

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CERTIFICATE OF SERVICE

Pursuant to NEFCR 9(b)(d)(e), I certify that on March 25, 2021, a true and correct copy of FEDERAL HOUSING FINANCE AGENCY'S WRIT OF PROHIBITION, was transmitted electronically through the Court's e-filing system to the attorney(s) associated with this case.

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**ATTORNEY'S CERTIFICATE PURSUANT TO
NEVADA RULE OF APPELLATE PROCEDURE 28.2**

1. I hereby certify that this brief complies with the formatting requirements of NRAP 32(a)(4), the typeface requirements of NRAP 32(a)(5) and the type style requirements of NRAP 32(a)(6) because:

☒ This brief has been prepared in a proportionally spaced typeface using Microsoft Word in 14-point Times New Roman typeface; or

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2. I further certify that this brief complies with the page- or type-volume limitations of NRAP 32(a)(7) because, excluding the parts of the brief exempted by NRAP 32(a)(7)(C), it is either:

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3. Finally, I hereby certify that I have read this appellate brief, and to the best of my knowledge, information, and belief, it is not frivolous or interposed for any improper purpose. I further certify that this brief complies with all applicable Nevada Rules of Appellate Procedure, in particular NRAP 28(e)(1), which requires every assertion in the brief regarding matters in the record to be supported by a reference to the page and volume number, if any, of the transcript or appendix where the matter relied on is to be found. I understand that I may be subject to sanctions in the event that the accompanying brief is not in conformity with the requirements of the Nevada Rules of Appellate Procedure.

Dated: March 25, 2021.

FENNEMORE CRAIG, P.C.

By: /s/ Leslie Bryan Hart
Leslie Bryan Hart, Esq. (SBN 4932)