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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF CONSUMER SERVICES**

IN THE MATTER OF DETERMINING  
Whether there has been a violation of the  
Escrow Agent Registration Act of Washington by:

LYDIA JEAN EASTER,

Respondent.

NO. C-07-511-08-SC02

STATEMENT OF CHARGES and  
NOTICE OF INTENTION TO ENTER AN  
ORDER TO DENY LICENSE APPLICATION,  
IMPOSE FINE, PROHIBIT FROM INDUSTRY,  
AND COLLECT INVESTIGATION FEE

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**INTRODUCTION**

Pursuant to RCW 18.44.410, the Director of the Department of Financial Institutions (Director) is responsible for the administration of chapter 18.44 RCW, the Escrow Agent Registration Act (the Act). After having conducted an investigation pursuant to RCW 18.44.420 and WAC 208-680G-020, and based upon the facts available as of the date of this Statement of Charges, the Director, through his designee, Division of Consumer Services Director Deborah Bortner, institutes this proceeding and finds as follows:

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**I. FACTUAL ALLEGATIONS**

**1.1 Respondent Lydia Jean Easter** has been employed by Omni Closing Services, Inc. since at least August 2006. Respondent holds a Limited Practice Officer license, issued by the State of Washington Supreme Court. On or about May 6, 2008, the Department received an application for an Escrow Officer license from Respondent.

**1.2 Omni Closing Services, Inc. (Omni)** was licensed by the Department of Financial Institutions of the State of Washington (Department) to conduct business as an Escrow Agent on January 4, 2006 and continues to be licensed to date. Omni is located in Spokane, WA. On October 20, 2008, the Department issued Statement of Charges and Notice of Intention to Enter an Order to Revoke Licenses, Impose Fine, Prohibit from Industry, and Collect Investigation Fee C-07-511-08-SC01 against Omni and its two owners for alleged violations of the Act.

1 **1.3 Prohibited Practices.** In at least five escrow transactions, Respondent and Omni directly or indirectly  
2 employed a scheme, device, or artifice to defraud or mislead lenders.

3 **A.** In or around October 2006, Respondent and Omni facilitated an escrow transaction for the  
4 purchase of real property located at 4508 N. Dick Rd, Spokane, WA by Buyer 1 from Seller 1. In this transaction,  
5 Buyer 1 obtained two residential mortgage loans totaling \$173,500, the full purchase price of the property.

- 6 • Respondent and Omni received a Purchase and Sale Agreement stating Seller 1 would contribute up to  
7 \$3,000 toward Buyer 1's closing costs.
- 8 • Respondent and Omni received written instructions signed by Buyer 1 and Seller 1 stating:
  - 9 ○ If any written instructions necessary to close the transaction according to the parties' agreement are  
10 given to the closing agent by anyone other than the parties or their attorneys, including but not  
11 limited to lenders, such instructions are accepted and agreed to by the parties;
  - 12 ○ If the closing agent receives conflicting instructions or determines, for any reason, that it cannot  
13 comply with these instructions by the date for closing specified in the parties' agreement or in any  
14 written extension of that date, it shall notify the parties [and] request further instructions; and
  - 15 ○ Sale proceeds for the seller's account in the sum of \$173,500.00, to be disbursed according to the  
16 settlement statement.
- 17 • Respondent and Omni received written instructions from the lender stating:
  - 18 ○ Seller concessions or contributions were not permitted unless authorized in writing by the lender;
  - 19 ○ Seller concessions or contributions were limited to the lesser of \$10,410 or the total of non-  
20 recurring closing costs;
  - 21 ○ Respondent and Omni must provide the lender with an estimated and final HUD-1 Settlement  
22 Statement (HUD-1) accurately reflecting all receipts and disbursements affecting the transaction; and
  - 23 ○ Respondent and Omni must contact the lender if they were unable to comply with the lender's  
24 instructions for any reason or if they became aware that any party had provided false or incomplete  
25 information or documentation to the lender or had concealed relevant information from the lender.
- Respondent and Omni received written instructions signed by Buyer 1 and Seller 1 to "pay \$22,000 out  
of seller proceeds to the buyer for repairs and upgrades to the home." Respondent and Omni did not  
disclose these instructions to the lender.

- 1 • Respondent and Omni provided the lender with a HUD-1 certified by Respondent as a “true and exact
- 2 copy of the original” which reflected a \$2,769.89 contribution from Seller 1 to Buyer 1, no cash to
- 3 Buyer 1 at closing, and \$83,647.52 to Seller 1 at closing.
- 4 • Omni’s escrow file contained a HUD-1 marked “amended final” which reflected contributions of
- 5 \$2,769.89 and \$22,000 from Seller 1 to Buyer 1, \$22,000 to Buyer 1 at closing, and \$61,897.52 to
- 6 Seller 1 at closing. Respondent and Omni did not provide this “amended final” HUD-1 to the lender.
- 7 • At closing, Respondent and Omni disbursed \$22,000 to Buyer 1 and \$61,897.52 to Seller 1.

8 B. In or around February 2007, Respondent and Omni facilitated an escrow transaction for the

9 purchase of real property located at 1824 W. York Ave, Spokane, WA (York property) by Matthew Van Hook

10 (MVH)<sup>1</sup> from Seller 2. In this transaction, MVH obtained a \$160,000 residential mortgage loan, the full purchase

11 price of the property.

- 12 • Respondent and Omni received a Purchase and Sale Agreement stating Seller 2 would contribute
- 13 \$5,000 toward MVH’s closing costs.
- 14 • Respondent and Omni received written instructions signed by MVH and Seller 2 stating:
  - 15 ○ If any written instructions necessary to close the transaction according to the parties’ agreement are
  - 16 given to the closing agent by anyone other than the parties or their attorneys, including but not
  - 17 limited to lenders, such instructions are accepted and agreed to by the parties;
  - 18 ○ If the closing agent receives conflicting instructions or determines, for any reason, that it cannot
  - 19 comply with these instructions by the date for closing specified in the parties’ agreement or in any
  - 20 written extension of that date, it shall notify the parties [and] request further instructions; and
  - 21 ○ Sale proceeds for the seller’s account in the sum of \$160,000.00, to be disbursed according to the
  - 22 settlement statement.
- 23 • Respondent and Omni received written instructions from the lender stating:
  - 24 ○ The loan must be closed per the sales contract;
  - 25 ○ The lender’s instructions took precedence over the sales contract and any deviations from the
  - lender’s instructions required written approval from the lender;

<sup>1</sup> Matthew Van Hook, Joshua Van Hook, and James Spargo were mortgage loan originators operating a branch location of a licensed mortgage broker at the time of the listed transactions and used Respondent and Omni as the closing agent on numerous residential mortgage loans they originated for themselves and other borrowers.

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- The maximum seller contribution was 3% of the sales price, not to exceed actual closing costs;
- MVH was not to receive more than \$500 at closing;
- MVH was not to receive more than his earnest money back;
- No cash allowances could be provided for the borrower on the sales contract and no cash allowances could be credited to the borrower on the HUD-1; and
- Respondent and Omni were to provide the lender with a certified HUD-1.
- Respondent and Omni received written instructions from Seller 2 to pay all of Seller 2's proceeds from the sale to "Joshua Van Hook/James Spargo." Respondent and Omni subsequently received written instructions from Seller 2 to "disregard the prior authorization for deposit." Respondent and Omni subsequently received written instructions from Seller 2 to "go ahead and let the funds go to [MVH]." Respondent and Omni subsequently received the address and bank account and bank routing numbers for American Investment Group from Joshua Van Hook (MVH's brother). Respondent and Omni did not disclose these instructions to the lender.
- Respondent and Omni provided the lender with a HUD-1 marked "approved" which reflected a \$1,086.72 contribution from Seller 2 to MVH, no cash to MVH at closing, and \$38,034.96 to Seller 2 at closing.
- At closing, Respondent and Omni disbursed \$36,377.57 to American Investment Group and no money to Seller 2. Omni's escrow file did not contain a HUD-1 reflecting these disbursements, and Respondent and Omni did not provide the lender with a HUD-1 reflecting these disbursements.
- On or about February 1, 2007, Respondent and Omni provided the lender with an "Occupancy Affidavit" and a Deed of Trust, both signed by MVH and notarized by Respondent. In these documents, MVH represented that he would be occupying the York property as his primary residence. Respondent and Omni were simultaneously facilitating an escrow transaction for MVH to purchase another property where MVH was representing to that lender that he would be occupying that property as his primary residence (see paragraph 1.3C).

1 C. In or around February 2007, Respondent and Omni facilitated an escrow transaction for the  
2 purchase of real property located at 1523 E. 11<sup>th</sup> Ave, Spokane, WA (11<sup>th</sup> Ave property) by MVH from Seller 3. In  
3 this transaction, MVH obtained a \$140,000 residential mortgage loan, the full purchase price of the property.

- 4 • Respondent and Omni received a Purchase and Sale Agreement stating Seller 3 would contribute 6%  
5 of MVH's closing costs and an addendum to the purchase and sale agreement stating that the seller  
6 contribution to MVH would not exceed \$3,500 or the actual closing costs.
- 7 • Respondent and Omni received written instructions signed by MVH and Seller 3 stating:
  - 8 ○ If any written instructions necessary to close the transaction according to the parties' agreement are  
9 given to the closing agent by anyone other than the parties or their attorneys, including but not  
10 limited to lenders, such instructions are accepted and agreed to by the parties;
  - 11 ○ If the closing agent receives conflicting instructions or determines, for any reason, that it cannot  
12 comply with these instructions by the date for closing specified in the parties' agreement or in any  
13 written extension of that date, it shall notify the parties [and] request further instructions; and
  - 14 ○ Sale proceeds for the seller's account in the sum of \$140,000.00, to be disbursed according to the  
15 settlement statement.
- 16 • Omni's escrow file did not contain a copy of the lender's instructions.
- 17 • Respondent and Omni received a condition sheet from the lender including conditions that the seller  
18 credit could not exceed 3% and the seller credit could not exceed the actual closing costs.
- 19 • Respondent and Omni received the address and bank account and bank routing numbers for American  
20 Investment Group from Joshua Van Hook. Respondent and Omni subsequently received written  
21 instructions signed by Seller 3 and MVH to pay \$10,000 of Seller 3's proceeds from the sale to Seller 3  
22 and any proceeds above \$10,000 to MVH and American Investment Group outside of closing.  
23 Respondent and Omni did not disclose these instructions to the lender.
- 24 • Respondent and Omni provided the lender with a HUD-1 which reflected a \$2,591.16 contribution  
25 from Seller 3 to MVH, no cash to MVH at closing, and \$30,017.84 to Seller 3 at closing.
- Omni's escrow file contained a HUD-1 marked "amended final" which reflected a \$3,500 contribution  
from Seller 3 to MVH, no cash to MVH at closing, \$10,000 to Seller 3 at closing, and \$18,850.43 to

1 “American Investment Group Agreement Disbursement” at closing. Respondent and Omni did not  
2 provide this “amended final” HUD-1 to the lender.

- 3 • At closing, Respondent and Omni disbursed \$10,000 to Seller 3 and \$18,850.43 to American  
4 Investment Group.
- 5 • On or about February 6, 2007, Respondent and Omni provided the lender with a Deed of Trust signed  
6 by MVH and notarized by Respondent. In this document, MVH represented that he would be  
7 occupying the 11<sup>th</sup> Ave property as his primary residence. Respondent and Omni were simultaneously  
8 facilitating an escrow transaction for MVH to purchase another property where MVH was representing  
9 to that lender that he would be occupying that property as his primary residence (see paragraph 1.3B).

10 **D.** In or around March 2007, Respondent and Omni facilitated an escrow transaction for the refinance  
11 of a residential mortgage on real property located at 8324 N. Northview Ct, Spokane, WA (Northview property) for  
12 Shannon Van Hook (SVH)<sup>2</sup>. In this transaction, SVH obtained a \$495,000 residential mortgage loan.

- 13 • At closing, Respondent and Omni disbursed \$124,950.50 to SVH.
- 14 • On or about March 24, 2007, Respondent and Omni provided the lender with an “Occupancy  
15 Agreement” and a Deed of Trust, both signed by SVH and the Deed of Trust notarized by Respondent.  
16 In these documents, SVH represented that she would be occupying the Northview property as her  
17 primary residence. Respondent and Omni were simultaneously facilitating an escrow transaction for  
18 SVH to purchase another property where SVH was representing to that lender that she would be  
19 occupying that property as her primary residence (see paragraph 1.3E).

20 **E.** In or around March 2007, Respondent and Omni facilitated an escrow transaction for the purchase  
21 of real property located at 108 S. Government Way, Spokane, WA (Government Way property) by SVH from  
22 Seller 4. In this transaction, SVH obtained a \$275,000 residential mortgage loan, the full purchase price of the  
23 property.

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<sup>2</sup> Shannon Van Hook is married to Joshua Van Hook.

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- Respondent and Omni received a Purchase and Sale Agreement stating Seller 4 would not contribute any money toward SVH's closing costs and an addendum to the Purchase and Sale Agreement stating that the sales price was \$175,000, SVH was purchasing the property for \$275,000, and SVH was receiving \$100,000 for renovations. Respondent and Omni did not provide a copy of the addendum to the Purchase and Sale Agreement to the lender.
- Respondent and Omni received written instructions signed by SVH and Seller 4 stating:
  - If any written instructions necessary to close the transaction according to the parties' agreement are given to the closing agent by anyone other than the parties or their attorneys, including but not limited to lenders, such instructions are accepted and agreed to by the parties; and
  - If the closing agent receives conflicting instructions or determines, for any reason, that it cannot comply with these instructions by the date for closing specified in the parties' agreement or in any written extension of that date, it shall notify the parties [and] request further instructions.
- Respondent and Omni received written instructions from the lender stating: Respondent and Omni were required to provide the lender with a fully executed sales contract; the loan must be closed in accordance with the terms of the provided sales contract; the lender's instructions took precedence over the sales contract and any deviations from the lender's instructions required written approval from the lender; no cash allowances could be provided for the borrower on the sales contract and no cash allowances could be credited to the borrower on the HUD-1.
- Respondent and Omni received written instructions signed by Seller 4 to "disburse \$98,002.80 to American Investment Group per the Addendum of the Purchase and Sale Agreement." Respondent and Omni subsequently received written instructions from MVH to "wire our Investment funds to American Investment Group Spokane LLC...business checking account...Myself James and Josh are on the account." Respondent and Omni did not disclose these instructions to the lender.
- Respondent and Omni provided the lender with a HUD-1 marked "final" and "certified copy" and initialed by Respondent which reflected \$137.15 due from SVH at closing, \$165,638.98 to Seller 4 at closing, and \$98,002.80 to "American Investment Group Sellers Instructions" at closing.

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- At closing, Respondent and Omni disbursed \$165,638.98 to Seller 4 and \$98,002.80 to American Investment Group.
- On or about April 1, 2007, Respondent and Omni provided the lender with an "Occupancy Affidavit" and a Deed of Trust, both signed by SVH and notarized by Respondent. In these documents, SVH represented that she would be occupying the Government Way property as her primary residence. Respondent and Omni were simultaneously facilitating an escrow transaction for SVH to obtain a residential loan to refinance another property where SVH was representing to that lender that she would be occupying that property as her primary residence (see paragraph 1.3D).

**1.4 On-Going Investigation:** The Department's investigation into the alleged violations of the Act by Respondent continues to date.

**II. GROUNDS FOR ENTRY OF ORDER**

**2.1 Prohibited Practices.** Based on the Factual Allegations set forth in Section I above, Respondent is in apparent violation of:

- RCW 18.44.301(1) for directly or indirectly employing any scheme, device, or artifice to defraud or mislead borrowers or lenders or to defraud any person;
- RCW 18.44.301(2) for directly or indirectly engaging in any unfair or deceptive practice toward any person; and
- RCW 18.44.301(4) for knowingly making, publishing, or disseminating any false, deceptive, or misleading information in the conduct of the business of escrow, or relative to the business of escrow or relative to any person engaged therein.

1 **III. AUTHORITY TO IMPOSE SANCTIONS**

2 **3.1 Authority to Deny License Application.** Pursuant to RCW 18.44.430(1), the Director may deny the  
3 license of any escrow agent or escrow officer if the Director finds that any partner, officer, director, controlling  
4 person, or employee has committed any of the following acts or engaged in the following conduct:

- 5 • Violating any of the provisions of the Act or any lawful rules made by the Director pursuant  
6 thereto. [RCW 18.44.430(1)(b)]
- 7 • Knowingly committing or being a party to, any material fraud, misrepresentation, concealment,  
8 conspiracy, collusion, trick, scheme, or device whereby any other person lawfully relying upon the  
9 word, representation, or conduct of the licensee or agent or any partner, officer, director, controlling  
10 person, or employee acts to his or her injury or damage. [RCW 18.44.430(1)(d)]
- 11 • Committing acts or engaging in conduct that demonstrates the applicant or licensee to be  
12 incompetent or untrustworthy, or a source of injury and loss to the public. [RCW 18.44.430(1)(i)]

13 **3.2 Authority to Impose Fines.** Pursuant to RCW 18.44.430(3) and WAC 208-680G-040(3), in addition to  
14 or in lieu of license denial, the Director may impose a fine of up to \$100 per day for each day's violation of the Act  
15 or rules adopted under the Act.

16 **3.3 Authority to Prohibit from the Industry** Pursuant to RCW 18.44.430(3), in addition to or in lieu of  
17 license denial, the Director may prohibit from participation in the conduct of the affairs of a licensed escrow  
18 agent, any officer, controlling person, director, employee, or licensed escrow officer.

19 **3.4 Authority to Collect Investigation Fee.** Pursuant to RCW 18.44.410 and WAC 208-680G-050, the  
20 expense of an investigation pursuant to WAC 208-680G-020 inside or outside this state shall be borne by the  
21 person investigated.

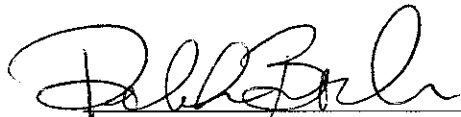


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**V. AUTHORITY AND PROCEDURE**

This Statement of Charges and Notice of Intention to Enter an Order to Deny License Application, Impose Fine, Prohibit from Industry, and Collect Investigation Fee (Statement of Charges) is entered pursuant to the provisions of RCW 18.44.410 and RCW 18.44.430, and is subject to the provisions of chapter 34.05 RCW. Respondent may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

DATED this 20<sup>th</sup> day of October, 2008.



DEBORAH BORTNER  
Director  
Division of Consumer Services  
Department of Financial Institutions

Presented by:



MARK T. OLSON  
Financial Examiner

Approved by:



JAMES R. BRUSSELBACK  
Enforcement Chief

