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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
Consumer Loan Act of Washington by:

NO. C-08-004-08-SC01

FIRST MORTGAGE OF AMERICA, INC., and
PEPI ABAD, President and Owner,

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

Respondents.

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INTRODUCTION

Pursuant to RCW 31.04.093, the Director of the Department of Financial Institutions of the State of Washington (Director) is responsible for the administration of chapter 31.04 RCW, the Consumer Loan Act (Act)¹. After having conducted an investigation pursuant to RCW 31.04.145, 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:

I. FACTUAL ALLEGATIONS

1.1 Respondents.

A. **First Mortgage of America, Inc. (First Mortgage)** was licensed by the Department of Financial Institutions of the State of Washington (Department) to engage in the business of making secured or unsecured loans of money, credit, or things in action at interest rates authorized by the Act on October 5, 2005, and has continued to be licensed to date. Respondent First Mortgage is licensed to engage in the business of a consumer loan company at one (1) location.

B. **Pepi Abad (Abad)** is President, CEO and 100% owner of Respondent First Mortgage.

¹ RCW 31.04

1 **1.2 Failure to Maintain Bond.** On June 22, 2007, the Department received notice from the Hartford Fire
2 Insurance Company that Respondent First Mortgage's surety bond would be cancelled, effective July 22, 2007.
3 To date, Respondents have failed to notify the Department of the cancellation of the surety bond, and have
4 failed to provide the required surety bond or an approved alternative.

5 **1.3 Failure to Respond to Directives.** On July 17, 2007 and October 15, 2007, the Department served
6 directives on Respondents by First Class mail. These directives were not returned by the United States Postal
7 Service. These directives variously required Respondent to provide the second page of its 2006 Consolidated
8 Annual Report, pay its remaining \$41 Annual Assessment Late Penalty, and provide a surety bond or
9 acceptable alternative. To date, the Department has not received a response to these directives.

10 **1.4 Failure to Notify Department of Significant Developments.**

11 A. As stated in paragraph 1.2, to date, Respondents have not notified the Department of the
12 cancellation of Respondent First Mortgage's surety bond.

13 B. To date, Respondents have not notified the Department of a change in location of Respondent
14 First Mortgage's principal place of business. The Department learned in June of 2007 that Respondent's
15 address had changed from 2823 S. Bristol St. Santa Ana, CA 92704 to 2911 S. Bristol St. Santa Ana, CA
16 92704.

17 C. On July 17, 2007, the State of New Hampshire Banking Department (New Hampshire Banking
18 Department) issued Staff Petition number 07-164 seeking, among other things, license revocation, fines and
19 administrative penalties against Respondent First Mortgage. On September 10, 2007, the New Hampshire
20 Banking Department issued an Order of Default Judgment revoking Respondent First Mortgage's license and
21 imposing an administrative fine in the amount of \$5,000. To date, Respondents have not notified the
22 Department of this action.

23 D. On January 18, 2008, the State of Illinois Department of Financial and Professional Regulation
24 Division of Banking (Illinois Division of Banking) issued Order No. 2008-MBR-21 suspending the license of
25

1 Respondent First Mortgage. Also on January 18, 2008 the Illinois Division of Banking issued Order No. 2008-
2 MBR-21-b assessing a fine of \$5,000. To date, Respondents have not notified the Department of this action.

3 E. On July 26, 2007 the State of Connecticut Department of Banking (Connecticut Department of
4 Banking) issued a notice of automatic suspension, notice of intent to revoke first mortgage broker license and
5 notice of right to hearing seeking to revoke Respondent First Mortgage's license. On August 28, 2007 the
6 Connecticut Department of Banking issued an order revoking Respondent First Mortgage's license. To date,
7 Respondents have not notified the Department of this action.

8 **1.5 Failure to Pay Annual Assessment Late Penalty.** An annual assessment fee for each license is due to
9 the Department no later than the 1st day of March of the following year. To date, the Department has not
10 received the following annual assessment late penalty due from Respondents, totaling \$41. Payment of the
11 annual assessment of \$187.62 for the year ended December 31, 2006 was due to the Department no later than
12 the 1st day of March, 2007. Respondent paid this annual assessment on March 2, 2007. Additionally,
13 Respondent paid \$59.00 of the \$100.00 late penalty on March 2, 2007. In addition, payment of the annual
14 assessment for the year ended December 31, 2007 will be due to the Department no later than March 1st, 2008.

15 **1.6 On-Going Investigation.** The Department's investigation into the alleged violations of the Act by
16 Respondents continues to date.

17 II. GROUNDS FOR ENTRY OF ORDER

18 **2.1 Requirement to Maintain Surety Bond.** Based on the Factual Allegations set forth in Section I
19 above, Respondents are in apparent violation of RCW 31.04.045(3) and WAC 208-620-320 for failing to file
20 and maintain a surety bond or approved alternative with the Department.

21 **2.2 Requirement to Respond to Directive.** Based on the Factual Allegations set forth in Section I above,
22 Respondents are in apparent violation of RCW 31.04.145 for failure to comply with a directive issued by the
23 Department.

24 **2.3 Requirement to Notify Department of Significant Developments.** Based on the factual allegations
25 set forth in Section I above, Respondents are in apparent violation of WAC 208-620-490(2) for failure to notify

1 the director in writing within ten days after an occurrence of a change in mailing address, telephone number, fax
2 number, or e-mail address; cancellation or expiration of its Washington state master business license; change in
3 its standing with the state of Washington secretary of state, including the resignation or change of the registered
4 agent; failure to maintain the appropriate unimpaired capital under WAC 208-620-340 or receipt of notification
5 of cancellation of the licensee's surety bond. Respondents are in apparent violation of WAC 208-620-490(3)
6 for failure to notify the director in writing within twenty days after receipt of notification of the institution of
7 license revocation procedures in any state against the licensee; the filing of a felony indictment or information
8 related to lending or brokering activities of the licensee, or any officer, board director, or principal of the
9 licensee or an indictment or information involving dishonesty of the licensee, or any officer, board director, or
10 principal of the licensee; the licensee, or any officer, director, or principal of the licensee is convicted of a
11 felony, or a gross misdemeanor involving lending, brokering or financial misconduct; or the filing of any
12 material litigation against the licensee.

13 **2.4 Requirement to Pay Annual Assessment.** Based on the Factual Allegations set forth in Section I
14 above, Respondents are in apparent violation of RCW 31.04.085, WAC 208-620-430(1) and WAC 208-620-440
15 for failing to pay to the Director an annual assessment late penalty.

16 III. AUTHORITY TO IMPOSE SANCTIONS

17 **3.1 Authority to Revoke License.** Pursuant to RCW 31.04.093(3), the Director may revoke a license if a
18 licensee fails to pay any fee due the state of Washington, or fails to comply with any specific order or demand
19 of the Director lawfully made and directed to the licensee in accordance with the Act, or violates any provision
20 of the Act or any rule adopted under the Act either knowingly or without exercise of due care.

21 **3.2 Authority to Prohibit from the Industry.** Pursuant to RCW 31.04.093(6), the Director may issue
22 orders removing from office or prohibiting from participation in the conduct of the affairs of any licensee, or
23 both, any officer, principal, employee, or loan originator or any person subject to the Act for suspension or
24 revocation of a license to engage in lending, or perform a settlement service related to lending, in this state or
25 another state or failure to comply with any order or subpoena issued under this chapter.

1 **3.3 Authority to Collect Annual Assessments and Late Fees.** Pursuant to RCW 31.04.085 and WAC 208
2 620-430(1) each licensee must pay to the Director an annual assessment as determined in rule by the Director by
3 March 1st of the following year. Pursuant to WAC 208-620-430(2) a licensee that fails to submit the required
4 annual report and worksheet by the March 1st due date is subject to a penalty of fifty dollars per report for each day
5 of delay.

6 **3.4 Authority to Impose Fine.** Pursuant to RCW 31.04.093(4), the Director may impose fines of up to one
7 hundred dollars per day on a licensee, its employee or loan originator, or other person subject to the Act for any
8 violations of the Act, or failure to comply with any order or subpoena issued by the director under this chapter.

9 **3.5 Authority to Collect Investigation Fee.** Pursuant to RCW 31.04.145(3) and WAC 208-620-590(1), upon
10 completion of any investigation of the books and records of a licensee or other person subject to the Act, the
11 Department will furnish to the licensee or other person subject to the Act a billing to cover the cost of the
12 investigation. The investigation charge will be calculated at the rate of sixty nine dollars and one cent (\$69.01) per
13 hour that each staff person devoted to the investigation.

14 **IV. NOTICE OF INTENTION TO ENTER ORDER**

15 Respondents' violations of the provisions of chapter 31.04 RCW and chapter 208-620 WAC, as set forth in
16 the above Factual Allegations, Grounds for Entry of Order, and Authority to Impose Sanctions, constitute a basis
17 for the entry of an Order under RCW 31.04.093. Therefore, it is the Director's intention to ORDER that:

18 **4.1** Respondent First Mortgage Inc.'s license to conduct the business of a consumer loan company be
19 revoked;

20 **4.2** Respondent First Mortgage, Inc. be prohibited from participation in the conduct of the affairs of any
21 consumer loan company subject to licensure by the Director, in any manner, for a period of five (5) years;

22 **4.3** Respondent Pepi Abad be prohibited from participation in the conduct of the affairs of any consumer loan
23 company subject to licensure by the Director, in any manner, for a period of five (5) years;

24 **4.4** Respondents First Mortgage Inc. and Pepi Abad jointly and severally pay the cumulative delinquent
25 Annual Assessment Late Penalties totaling \$41, as calculated in paragraph 1.5.;

4.5 Respondents First Mortgage Inc. and Pepi Abad jointly and severally pay a fine of \$18,000;

1 4.6 Respondents First Mortgage Inc. and Pepi Abad jointly and severally pay an investigation fee in the
2 amount of \$703.90 calculated at \$69.01 per hour for the ten and two tenths (10.2) staff hours devoted to the
3 investigation up to the date of this Statement of Charges; and

4 4.7 Respondents maintain records in compliance with the Act and provide the Department with the location of
5 the books, records and other information relating to Respondent First Mortgage's consumer loan business,
6 and the name, address and telephone number of the individual responsible for maintenance of such records
7 in compliance with the Act.

8 V. AUTHORITY AND PROCEDURE

9 This Statement of Charges and Notice of Intention to Enter an Order to Revoke License, Prohibit from
10 Industry, Collect Annual Assessments, Impose Fine, and Collect Investigation Fee (Statement of Charges) is
11 entered pursuant to the provisions of RCW 31.04.093, and is subject to the provisions of chapter 34.05 RCW
12 (The Administrative Procedure Act). Respondents may make a written request for a hearing as set forth in the
13 NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this
14 Statement of Charges.

15 Dated this 18th day of March, 2008.



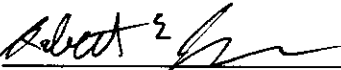
16 DEBORAH BORTNER

17 Director

18 Division of Consumer Services

19 Department of Financial Institutions

20 Presented by:



21 ROBERT E. JONES

22 Financial Legal Examiner

23 Approved by:



24 JAMES R. BRUSSELBACK

25 Enforcement Chief

