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**STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES
ENFORCEMENT SECTION**

**BEFORE THE DIRECTOR OF THE DEPARTMENT
OF CONSUMER AND BUSINESS SERVICES**

In the Matter of:

M-08-0003

**1ST AMERICAN INC.,
dba 1ST AMERICAN HOME
LOANS and
ERIK OTTERHOLT**

**ORDER TO CEASE AND DESIST,
ORDER ASSESSING CIVIL PENALTIES
AND
CONSENT TO ENTRY OF ORDER**

Respondents.

WHEREAS, The Director of the Department of Consumer and Business Services for the State of Oregon (hereinafter "the Director") conducted an investigation of 1st American Inc. and Erik Otterholt and determined that 1st American Inc. and Erik Otterholt engaged in activities constituting violations of **ORS 59.840** et seq. (hereinafter cited as "the Oregon Mortgage Lender Law").

WHEREAS, 1st American Inc. and Erik Otterholt wish to resolve and settle this matter with the Director,

NOW THEREFORE, as evidenced by the authorized signature subscribed on this order, 1st American Inc. and Erik Otterholt hereby **CONSENT** to entry of this order upon the Director's Findings of Fact and Conclusions of Law as stated hereinafter:

FINDINGS OF FACT

The Director **FINDS** that:

1. 1st American, Inc. (hereinafter "1st American") is a Washington business corporation also doing business in Oregon as 1st American Home Loans. 1st American was previously licensed by the Director to engage in Oregon residential mortgage transactions, and held license number ML-3539. This license was first issued on February 17, 2005.

Page 1/10— Order to Cease and Desist, Order Assessing Civil Penalties and Consent to Entry of Order — 1st American Inc., dba 1st American Home Loans and Erik Otterholt





1 2. Principal offices for 1st American were located at 110 Columbia St, Vancouver,
2 WA 98660-9720. 1st American had two licensed Oregon branch offices located at 10151 SW
3 Barbur Blvd, 107D, Portland, OR 97219 and 16521 SE Sunnyside Rd, Clackamas, OR 97015.

4 3. The Division of Finance and Corporate Securities (hereinafter “the Division”)
5 received notification from Travelers Casualty and Surety Company of America (hereinafter
6 “Travelers”), the surety for 1st American, that the bond for 1st American would be cancelled
7 effective September 17, 2007. 1st American was notified by letter dated August 17, 2007, that
8 the Division received this notice from Travelers. Receiving no response or replacement letter,
9 the Division cancelled 1st American’s license on September 28, 2007.

10 4. The Director’s records list Erik Otterholt (hereinafter “Otterholt”) as the
11 president, experienced person and control person for 1st American. Otterholt has a last-known
12 address of 824 State Street Hood River, OR 97031.

13 5. Vorachith Khamphouvong, also known as Jack Khamphouvong (hereinafter
14 “Khamphouvong”), has a last-known address of 15911 NE Circle Vancouver, WA 98684.

15 6. The Director’s records indicate that Khamphouvong was never listed as a loan
16 originator for 1st American.

17 7. B ■■■ B ■■■ (hereinafter “B ■■■”) is a Portland resident living at 9510 North Van
18 Houton Avenue with her son S ■■■ R ■■■. B ■■■ lives on a disability retirement pension.
19 She is not a sophisticated business person and has little experience negotiating with regard to
20 financial transactions.

21 8. In fall 2005, E ■■■ became interested in renovating her home and expressed this
22 interest to R ■■■. In early October 2005, R ■■■ spoke with Khamphouvong to see if his
23 mother could obtain refinancing on her home mortgage. Khamphouvong agreed to arrange
24 B ■■■ refinance transaction.

25 9. Khamphouvong informed B ■■■ and R ■■■ he was working for 1st American
26 and that B ■■■ loan was to be obtained by Khamphouvong through 1st American.



1 10. In early October 2005, Robinson met with Khamphouvong at a 1st American
2 branch office to discuss the refinance transaction. B [redacted] and R [redacted] also met with
3 Khamphouvong at B [redacted] home where Khamphouvong obtained B [redacted] signature on the initial
4 loan application documents.

5 11. In late October, B [redacted] faxed a credit report and bank statements to a loan processor
6 at 1st American. 1st American sent Britt additional documents to sign and return which E [redacted] did.

7 12. On or about November 5, 2005, two unnamed females representing 1st American
8 arrived at B [redacted] home to obtain her signature on the final loan documents (hereinafter
9 “Closing”). Before signing, B [redacted] asked questions about various provisions in the loan
10 documents, but neither of the individuals could provide answers. B [redacted] signed the documents so
11 she could obtain funds for the renovations she had scheduled.

12 13. At no time during this meeting, or any other meeting regarding the refinance
13 transaction, was B [redacted] told she had several days after Closing in which to cancel the deal.

14 14. Khamphouvong told B [redacted] she would receive approximately \$19,000 in cash from
15 this refinance transaction. The Good Faith Estimate also shows B [redacted] was to receive
16 approximately this amount. Based on B [redacted] communications with Khamphouvong and the loan
17 documents she received, B [redacted] understood the loan would provide her a cash payout she planned
18 to use to remodel her home and pay off debts.

19 15. E [redacted] has never had any contact, in person or otherwise, with Otterholt.

20 16. B [redacted] Uniform Residential Loan Application indicates that Otterholt interviewed
21 B [redacted] for her loan application over the telephone. This application also indicates E [redacted] race as
22 white when she is African-American.

23 17. When B [redacted] received a check for the loan payout, the amount was approximately
24 \$12,000, which was approximately \$7,000 less than what Khamphouvong had promised and the
25 loan documents reflected. When B [redacted] contacted 1st American to complain, she was told there
26 was nothing the company could do.



1 18. On December 5, 2005, the Division received a call from Robinson regarding his
2 mother's refinance transaction brokered by Khamphouvong through 1st American. On or about
3 December 7, 2005, Chris Aldrich, a Division investigator, interviewed Otterholt, another 1st
4 American partner and a contract loan processor working with 1st American.

5 19. During the interview, Otterholt admitted to Aldrich he never had any contact with
6 B█, did no work on her refinance transaction and had no idea what she looked like.

7 20. Otterholt also admitted that Khamphouvong handled B█ loan transaction for
8 1st American. He acknowledged that 1st American never performed a criminal background check
9 on Khamphouvong. Otterholt confirmed that Khamphouvong was given a package of
10 employment forms to fill out and return to 1st American. Khamphouvong never turned in the
11 forms. The loan for B█ was the only loan Khamphouvong originated through 1st American that
12 was completed.

13 21. On or about September 18, 2006, Otterholt, on behalf of 1st American, submitted
14 a letter by email to the Division in response to B█ complaint. The letter stated that 1st
15 American believes that B█ was made aware of the costs associated with the loan and that she
16 agreed to the terms of the loan.

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1 **CONCLUSIONS OF LAW**

2 The Director **CONCLUDES** that:

3 1. Otterholt is an officer and directly controls 1st American, pursuant to **ORS 59.870**.

4 2. By failing to notify the Director that Khamphouvong was hired as a loan originator, 1st
5 American and Otterholt violated **ORS 59.969(1)** and **OAR 441-880-0030(1)**.

6 3. By failing to conduct a criminal background check on Khamphouvong before hiring him
7 as a loan originator, 1st American and Otterholt violated **ORS 59.972(1)** and **OAR 441-880-**
8 **0040(1)**.

9 4. By allowing Khamphouvong to work without proper background checks, without
10 notification to the Director and without appropriate supervision during the B ■ loan transaction,
11 1st American and Otterholt failed to supervise diligently and control the mortgage-related
12 activities of loan originator Khamphouvong, in violation of **ORS 59.865(15)**. This is grounds
13 for the Director to deny, suspend, condition or revoke a license to engage in Oregon residential
14 mortgage transactions.

15 5. By Otterholt signing his name on the line marked "interviewer signature" on
16 B ■ Uniform Residential Loan Application, and by indicating the interview with E ■ was
17 completed over the phone when he did not conduct the interview, Otterholt engaged in unfair or
18 unethical practices or conduct in connection with the mortgage business, in violation of **ORS**
19 **59.865(2)**.

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Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1 **ORDER**

2 **NOW, THEREFORE, THE DIRECTOR ISSUES THE FOLLOWING ORDERS:**

3 The Director, pursuant to **ORS 59.885(4) and ORS 59.870** hereby **ORDERS** that 1st
4 American and Otterholt will **CEASE AND DESIST** from violating any provision of the Oregon
5 Mortgage Lender Law and any rule, order or policy issued by the Division.

6 The Director hereby **ORDERS** that Erik Otterholt, for a period of three years, will not
7 own, control, act as a partner, officer, director, or experienced person for a mortgage
8 banker/broker as described in **ORS 59.850(2)**, or perform similar functions of a partner, officer,
9 director or experienced person for a mortgage banker/broker for any company licensed as a
10 mortgage broker or banker by the Oregon Division of Finance and Corporate Securities.
11 Otterholt may work as a loan originator.

12 The Director, pursuant to **ORS 59.996 and ORS 59.870**, hereby **ORDERS** 1st American
13 and Otterholt jointly and severally to pay the State of Oregon a civil penalty of \$5,000. The
14 Director suspends the payment of \$1,500 of the assessed civil penalty for a three-year period.

15 If, in the period between the date of the Order to three years from the date of the Order,
16 1st American or Erik Otterholt violate any provision of the Oregon Mortgage Lender Law or any
17 rule, order or policy issued by the Director, the suspended portion of the assessed civil penalty
18 will become immediately due and payable. If, in the period between the date of the Order to
19 three years from the date of the Order, 1st American or Erik Otterholt do not violate any
20 provision of the Oregon Mortgage Lender Law or any rule, order or policy issued by the Director
21 then the suspended portion of the civil penalty will be waived.

22 1st American or Erik Otterholt will pay a down payment of \$250 (two hundred fifty
23 dollars) to the Oregon Division of Finance and Corporate Securities, Oregon Department of
24 Consumer and Business Services by July 20, 2008, and will pay the remaining \$3,250 (three
25 thousand, two hundred dollars) balance of the due and payable portion of the civil penalty in
26 monthly payments of no less than \$250 (two hundred fifty dollars) per month, beginning no later

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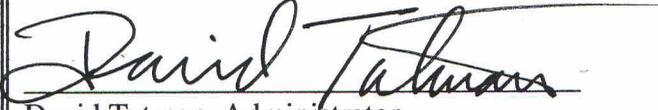
1 | than August 15, 2008. The monthly payments will be due on the fifteenth day of each month.
2 | There is no prepayment penalty. There is no interest for the civil penalty installment payments,
3 | so long as payments are timely made in compliance with this payment plan.

4 | If 1st American or Erik Otterholt fails to comply with the payment schedule, is late with a
5 | scheduled payment, or does not make a scheduled payment, then the entire unpaid portion of the
6 | civil penalty, including the suspended portion of the civil penalty, and statutory interest accruing
7 | from the date the Director signs this Order, will become immediately due and payable.

8 | The date of this order is the day the Director or the Director's nominee signs the order.
9 | The entry of this Order in no way limits further remedies which may be available to the Director
10 | under Oregon law.

11 | Dated this 28th day of July, 2008 at Salem, Oregon.

12 | CORY STREISINGER, Director
13 | Department of Consumer and Business Services

14 | 
15 | David Tatman, Administrator
16 | Division of Finance and Corporate Securities

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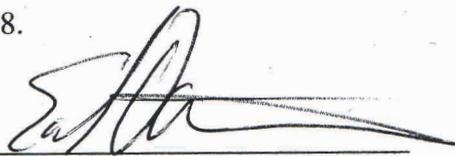
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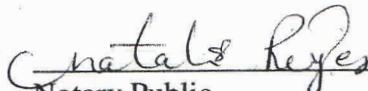
1 **CONSENT TO ENTRY OF ORDER**

2 I, Erik Otterholt, state that I have read the foregoing Order and that I know and fully
3 understand the contents hereof; that I have been advised of the right to a hearing and of the right
4 to be represented by counsel in this matter; that I voluntarily and without any force or duress,
5 consent to the entry of this Order, expressly waiving any right to a hearing in this matter; that I
6 understand that the Director reserves the right to take further actions to enforce this Order or to
7 take appropriate action upon discovery of other violations of the Oregon Mortgage Lender Law;
8 and that I will fully comply with the terms and conditions stated herein.

9
10 I understand that this Consent Order is a public document.

11 Dated this 18 day of July, 2008.

12
13 By 
14 Erik Otterholt

15 
16 Notary Public
17 for the State of: Oregon
18 My commission expires: Sept 17, 2010



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