OWEN P. MARTIKAN (CA Bar #177104)
owen.martikan@cfpb.gov
CHRISTINA S. COLL (CA Bar #250712)
christina.coll@cfpb.gov
LEANNE E. HARTMANN (CA Bar #264787)
leanne.hartmann@cfpb.gov
BARRY E. REIFERSON (NY Bar #4343893)
barry.reiferson@cfpb.gov
Admitted pro hac vice
CONSUMER FINANCIAL PROTECTION BUREAU
1700 G Street NW
Washington, DC 20552
Telephone: (415) 844-9790
Facsimile: (415) 844-9788

Attorneys for Plaintiff
Consumer Financial Protection Bureau

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CONSUMER FINANCIAL PROTECTION BUREAU,

Plaintiff,

v.

CASHCALL, INC., WS FUNDING, LLC, DELBERT SERVICES CORPORATION, and J. PAUL REDDAM,

Defendants.

CASE NO.: 2:15-cv-07522-JFW (RAOx)

PLAINTIFF'S EXCERPTED DEPOSITION TESTIMONY OF J. PAUL REDDAM SUPPORTING COMBINED STATEMENT OF FACTS AND REPLY TO MOTION FOR PARTIAL SUMMARY JUDGMENT

Date: August 1, 2016
Time: 1:30pm
Court: Hon. John F. Walter
Courtroom 16

EXCERPTED DEPOSITION TESTIMONY OF J. PAUL REDDAM

10:5-18

Q. Okay. Let's go to page 2, and these are printed on both sides of the page, by the way. Is that your signature on page 2?

A. Yes.

Q. Your notarized signature?

A. Yes.

Q. Do you remember filling out a business and -- a personal and business history statement for the Connecticut Department of Banking for Delbert Services Corporation?

A. No.

Q. I would ask you to look at page 3. Is that your resume?

A. Yes.

11:1-18:5

Q. Okay. Have you prepared your resume?

MR. NOLAN: At any time?

MR. MARTIKAN: Ever.

Q. Since --- since 2000, let's put it that way.

A. I don't think I've personally prepared it, no.

Q. Okay. Do you remember ever submitting your resume to a state banking department for any

reason?
A. I don't remember doing so, no.
Q. All right. Do you remember -- well, let's -- let's just go through -- what's on this document. Looking at the first page -- well, first of all, is that your name and either current or former address up there?
A. Yes.
Q. Okay. Under experience, is that an accurate, reflect your academic experience?
MR. NOLAN: So now you're referring to what follows under category entitled "Education"?
MR. MARTIKAN: I am.
A. Okay. Yes.
BY MR. MARTIKAN:
Q. Do you have any academic experience in finance or lending?
A. No.
Q. Were you an associate professor of logic and philosophy at California State University of Los Angeles from 1979 to 1985?
A. Yes.
Q. Okay. From June 1985 to February 1986, were you a secondary marketing manager at Capital Mortgage Corporation, Farmington Hills, Michigan?
A. Yes.

Q. And what were your job responsibilities there?

A. Forming mortgage-backed security pools, setting interest rates.

Q. Forming them in order to be sold onto the secondary market?

A. Or swap to -- in the MBS market, yes, mortgage-backed securities market.

Q. Okay. Now, did you create pools of nonmortgaged-backed loans --

A. No.

Q. -- or are these just mortgages?

A. Just mortgages.

Q. Okay. From February 1986 to January 1987, were you the vice president of the United – Union

13

National Mortgage Corporation in Southfield, Michigan?

A. Yes.

Q. What were your job responsibilities there?

A. Secondary marketing and loan origination supervision.

Q. When you say "secondary marketing," do you mean again of mortgaged-backed securities?

A. Well, Union National was really a much smaller company, so it didn't do mortgaged-backed securities. It sold loans to other mortgage

12 companies that, in some cases, would have
13 securitized those loans.
14 **Q. So these were all mortgage loans?**
15 A. Yes.
16 **Q. Or -- okay. And then you said loan**
17 **origination was another part of your job**
18 **responsibility?**
19 A. Yes.
20 **Q. Okay. Is that just mortgage loans?**
21 A. Yes.
22 **Q. All right. From January 1987 to June**
23 **1988, did you work as executive vice president of**
24 **CBI Mortgage Company in Orange, California?**
25 A. Yes.

14

1 **Q. What were your -- your job**
2 **responsibilities there?**
3 A. Well, initially, I was hired to be
4 secondary marketing manager, and gradually the
5 duties expanded to running the office.
6 **Q. And what kind of -- how big an office was**
7 **it?**
8 A. It was small. When I started up the
9 company, there was, oh, perhaps 30 people, and when
10 my duties expanded, they had shrunk quite a bit, to
11 maybe 12 or so.
12 **Q. Were all those people involved in mortgage**

lending?
A. Yes.
Q. Okay. And you supervised all of them?
A. Yes.
Q. Were there any other offices of this company or was that just their sole office?
A. That was the sole office.
Q. From June 1988 to December 1994, were you the founder and president of SC Funding Corporation in Costa Mesa, California?
A. Yes.
Q. What kind of a company was that?
A. That was a mortgage lender.

Q. Okay. Just mortgages?
A. Just mortgages.
Q. All right. And as the president, you're basically the manager of -- of the entire operation?
A. Well, the operation ultimately answered to me, yes.
Q. Okay. From January 1995 until April 1999, were you the founder and president of DiTech Funding Corporation in Irvine, California?
A. Yes.
Q. And what kind of a company was DiTech Funding?

14 A. Same kind of company, mortgage lender.
15 **Q. All right. Was DiTech involved in any**
16 **kind of unsecured lending?**
17 A. No.
18 **Q. Ultimately, how many people were employed**
19 **by DiTech Funding Corporation?**
20 A. I don't know the exact number. An
21 estimate would be seven, 800.
22 **Q. All right. Ultimately, were you in charge**
23 **of the entire operation?**
24 A. Yes.
25 **Q. From April 1999 to May 2000, were you a**

16

1 **senior vice president at GMAC Mortgage in Costa**
2 **Mesa, California?**
3 A. Yes.
4 **Q. And what were your responsibilities there?**
5 A. The GMAC had purchased the assets and
6 operations of DiTech Funding, and I was in charge
7 of that division of GMAC.
8 **Q. So would it be fair to say that you**
9 **continued your duties from when DiTech was an**
10 **independent company to when it was a -- a division**
11 **of GMAC?**
12 A. Well, partially. I also had to report
13 to -- I reported to the people at GMAC in Horsham,
14 Pennsylvania.

Q. Is that their headquarters --
A. Yes.
Q. -- or was that their headquarters?
A. It was, yes.
Q. Was GMAC involved in any unsecured lending?
A. Not that had any connection to me, that I knew of.
Q. Okay. So if they did, then that wasn't a business that you oversaw; is that fair?
A. Right. I don't know if they did or

17

didn't.
Q. All right. So from May 2000 until the present, have you been the president of CashCall, Inc.?
A. Well, I'm going to have to expand a little bit on this answer. It was Relantis for a couple of years and then ultimately changed its name to CashCall. So it wasn't CashCall in 2000. And Relantis was a company that bought and sold houses, but it wasn't very active in it.
Q. So was Relantis's business mortgage lending or was it flipping houses?
A. It didn't do any lending.
Q. Okay. So when you bought -- did you buy Relantis from someone else or did you found

16 **Relantis?**
17 A. No, it was de novo when it started in
18 2000.
19 **Q. De novo meaning you started Relantis?**
20 A. Yes.
21 **Q. As a company to buy and sell houses?**
22 A. Yes.
23 **Q. All right. And then at some point, you**
24 **changed the focus of the business to lending; is**
25 **that correct?**

18

1 A. Yes.
2 **Q. When did that happen?**
3 A. Well, the actual lending started in the
4 middle of 2003. Prior to that period, for about a
5 year or so, it had developed software.

24:20-25:24
20 **Q. Let me turn to the last page of Exhibit 1,**
21 **part, entitled "Biography."**
22 **This biographical statement, have you read**
23 **it? Have you had a chance to look at it yet?**
24 A. I can read it now.
25 **Q. Okay. Why don't you read it and tell me**

25

1 **if you recognize that.**
2 A. Okay. (Reading document.) I don't

3 recognize this particular biography. I -- the
4 things that are stated in it, I recognize.
5 **Q. Are the things that are stated in this**
6 **section true, this biography?**
7 A. Well, some of it, I suppose, is relative,
8 you know. How successful is the track record,
9 that's subjective. But it's -- there's nothing
10 else ostensibly false in it.
11 **Q. All right. Let me just go through a**
12 **couple of specifics. The first sentence; is that**
13 **true, the first sentence of the biography?**
14 A. Yes.
15 **Q. The second sentence, "Mr. Reddam runs the**
16 **day-to-day operations of CashCall, which currently**
17 **originates and services unsecured loans of**
18 **$10,000." Is that true?**
19 A. Well, that's not completely true now, but
20 might have been true when this was written,
21 meaning -- I'm sorry?
22 MR. NOLAN: No, continue.
23 A. Meaning that when CashCall started, its
24 only loan amount was $10,000.

26:8-27:2
8 **Q. Well, I'll ask you this way: When -- when**
9 **was it true that you ran the day-to-day operations**
10 **of CashCall? Can you give me a time frame?**

11 A. Well --
12 MR. NOLAN: Objection. Vague and
13 ambiguous.
14 BY MR. MARTIKAN:
15 **Q. Have you ever run the day-to-day**
16 **operations of CashCall?**
17 MR. NOLAN: Same objection.
18 BY MR. MARTIKAN:
19 **Q. You can answer.**
20 A. Well, when the company started, it was
21 very small. I think we started with less than 10
22 people. And so, yes, in the beginning, I would
23 have run the day-to-day operations, and then as it
24 grew, there were managers and managers of managers,
25 et cetera, and people would report up to me. So I

27

1 would have responsibility for the operations, but
2 wouldn't necessarily be running them.

30:3-33:13
3 **Q. Let me go to the next sentence of this**
4 **biography. It states, "He is responsible for**
5 **devising and implementing all major company**
6 **policies, including its various loan programs and**
7 **interest rates." Is that a true statement with**
8 **respect to you?**
9 A. This is what -- what period of time?

Q. Is it true now?
A. No.
Q. Was it true in 2009?
A. The -- I would say I had an active hand in major company policies, but I would say it's an exaggeration to say that I devised and implemented all -- all policies. For example, human resources dealt with -- some combination of Del and Dan would devise those policies.
Q. So on page 2 of this the document, where your signature is, there's a notarized date of October 14th, 2011. Actually, your signature is dated -- is that October 20th, 2009?
A. That's what it looks like.
Q. Okay. So in October of 2009, was -- was it true that you were responsible for devising and

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implementing all major company policies for CashCall?
A. I think that would be an exaggeration.
Q. Who was responsible for devising and implementing all major company policies in October 2009?
A. Well, whoever the relative heads of whatever department we're talking about would -- would develop their policies, but they would -- they would report to me, and just in the course of

11 business sometimes, and I'm sure we would have
12 discussed them and sometimes not.
13 **Q. Did you have final approval over any**
14 **policy that one of your department heads reported**
15 **to you?**
16 A. Well, what I'm saying is that I wouldn't
17 necessarily know what their policies were, but
18 certainly as someone's boss, if they came in and
19 said I want to do X, what do you think of X, and I
20 -- I would have had some influence over it
21 potentially.
22 MR. NOLAN: Counsel, I want to interject a
23 foundation objection. The document that's been
24 marked as Exhibit 1 does not bear a Bates number or
25 an identification, and we don't know the source of
32
1 it.
2 The reason why I ask is -- and I -- I admit
3 that I have not seen this document -- is that you
4 have presented an exhibit that has a resume of J.
5 Paul Reddam stapled to the application. And I just
6 don't know whether or not that was obtained in the --
7 in the format from where you got it. And I don't
8 believe that this has been -- and I'll check during
9 the lunch break -- whether or not this has been
10 produced by CFPB to us in response to a document
11 request.

12 The other thing I'll point out -- just so
13 that we're a little bit -- to make it a little more
14 clear is: The company name on the personal and
15 business history statement is a company -- this form
16 is submitted on behalf of Delbert Services
17 Corporation as the company name. And so the
18 sense that -- the inference that all of the
19 suggestions regarding, you know, these two documents
20 may not align.
21 I just -- I know I'm not entitled to
22 speaking objections, I apologize, but I just want --
23 I wanted to raise that. There's some confusion as to
24 the foundation of this document. It appears to refer
25 to a Delbert Services Corporation license application

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1 in the Department of Banking for the State of
2 Connecticut.
3 MR. MARTIKAN: Right. And I see it says,
4 "Attached" -- "See attached resume on page 1."
5 So my questions for the witness are whether
6 he's seen these -- this document or not.
7 MR. NOLAN: Right. I just want to point
8 it out so in case there's any confusion out of
9 respect. But if you could identify for us maybe
10 later, the source of this document, because I don't
11 believe we've seen it in this -- in this format
12 from you.

13 MR. MARTIKAN: All right.

33:20-36:15

20 **Q. So the next sentence says, "He coordinates**
21 **all marketing and advertising and determines where**
22 **advertising should be directed."**
23 **Is it true that in 2009, October 2009 to be**
24 **more specific, you coordinated all marketing and**
25 **advertising for CashCall and determined where**

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1 **advertising should be directed?**
2 A. Well, in one sense it's true, in another
3 sense not, in that we use an outside advertising
4 agency named Kovel/Fuller, and they would actually
5 direct where advertising was done and what it
6 looked like, et cetera. And then sometimes I would
7 interface with them.
8 **Q. Did you, at CashCall, have final say over**
9 **any ad campaign that Kovel/Fuller put together?**
10 MR. NOLAN: Objection. Lack of
11 foundation. Calls for speculation.
12 A. Not exactly.
13 BY MR. MARTIKAN:
14 **Q. Did you hire Kovel/Fuller to do**
15 **advertising campaigns for CashCall?**
16 A. Yes.
17 **Q. All right. Did Kovel/Fuller develop**

advertising campaigns for CashCall?
A. Yes.
Q. Did they present them to you for your approval?
MR. NOLAN: Objection. Vague and ambiguous as to the use of the pronoun "you," contrasting his individual status or as a representative of CashCall.

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BY MR. MARTIKAN:
Q. When I say "you," I'm going to say you, J. Paul Reddam. Did they come to you and say, "Hey, look at this advertising campaign we put together. What do you think?"
A. Well, actually, they would get input from me sometimes, but Dan Baren was the one who ultimately approved the advertising, and he had authority over me that way. Because as a company, we need to make sure that what was being stated in the ads was correct and legal.
MR. NOLAN: Now, with the clarification of the definition of the -- of the "you" pronoun, you'd asked Mr. Reddam whether or not he -- or whether or not you had hired this agency. And with that new definition, I'd ask you to re-ask Mr. Reddam whether or not he hired them individually or was it maybe retained by CashCall.

19 MR. MARTIKAN: Well --
20 MR. NOLAN: Because I think the definition
21 has now changed.
22 BY MR. MARTIKAN:
23 **Q. Well, I'm not -- I assume CashCall is**
24 **hiring Kovel/Fuller; right?**
25 A. Correct.

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1 **Q. So the check that gets cut and pays for**
2 **Kovel/Fuller says "CashCall." It's from the**
3 **CashCall account; correct?**
4 A. Yes.
5 **Q. And -- but as president -- you are**
6 **president of CashCall; right?**
7 A. Yes.
8 **Q. As president of CashCall, you made that**
9 **decision, A, to hire Kovel/Fuller; is that right?**
10 A. Yes.
11 **Q. And B, to keep on using them as opposed to**
12 **saying, "Forget it, I don't want to use this agency**
13 **anymore"; correct?**
14 A. Yes.
15 **Q. Okay.**

39:14-18
14 **Q. All right. In 2010, what was the source**
15 **of financing for CashCall's unsecured consumer**

16 **loans?**
17 A. Well, at different points in the year it
18 obtained financing from different hedge funds.

55:2-58:18
2 **Q. Well, let's start with the ones that you**
3 **purchased from Western Sky. All right?**
4 **What was the most popular loan product that**
5 **you -- that CashCall purchased from Western Sky?**
6 A. Most popular among Western Sky's
7 customers, you mean?
8 **Q. Correct, that became CashCall's customers.**
9 **Right.**
10 MR. NOLAN: Objection. Vague and
11 ambiguous.
12 A. Yeah, I don't -- I don't know.
13 BY MR. MARTIKAN:
14 **Q. Well, you purchased -- CashCall purchased**
15 **a range of loan products from Western Sky; correct?**
16 A. Yes.
17 **Q. What were they?**
18 A. Well, they were -- there was a -- are we
19 talking about -- there was a 10,000 dollar --
20 approximately $10,000 loan, $5,000 loan, $2600
21 loan, $1500 loan. For a while, I think there was
22 an 850.
23 **Q. All right.**

24 A. You know, it's just -- I don't want to
25 guess.
56
1 **Q. I don't want you to guess.**
2 A. Yeah.
3 **Q. But, do you know if any one of those**
4 **particular loan products was more popular among**
5 **borrowers than others?**
6 MR. NOLAN: Objection as to the term
7 "popular."
8 MR. MARTIKAN: Most often chosen?
9 A. I don't -- well, I don't -- no, I don't, I
10 guess is the actual answer.
11 BY MR. MARTIKAN:
12 **Q. Do you know what the charge-off rates were**
13 **for those various products?**
14 MR. NOLAN: Objection. Lack of foundation
15 as to which period of time.
16 BY MR. MARTIKAN:
17 **Q. I'm talking about 2010 to 2013, the**
18 **Western Sky loan products. Do you know what the**
19 **charge-off rates were for those loans?**
20 A. No.
21 **Q. Do you have any idea, or would you be**
22 **speculating?**
23 A. I would be speculating, yeah. I -- I
24 mean, I guess the correct answer is no, I don't

25 know.

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Q. Did the charge-off rates play an important role in CashCall's bottom line?

A. Well, yes.

Q. Did the -- do you know if the charge-off rates for those loan products that we were just talking about varied over time, or was it fairly constant from 2010 through 2013?

A. I don't know.

Q. Was that part of the information that was reported in the Cognos report?

A. What the actual charge-off rates would be, yes, would be reported; sure.

Q. So for -- did you look at CashCall's financial statements, annual financial statements?

A. Yes.

Q. All right. Do you know what the effect or -- do you know by how much charge-off loans reduced CashCall's income in 2010, for example?

A. No. The CFO would -- would be a better source, sir.

Q. All right. Was that important information for you?

A. Well -- I'm sorry. Could you repeat what information you're asking about? I'm sorry.

Q. Was the charge-off late -- rate for

58

unsecured consumer loans, was that a significant business risk for CashCall?

A. Yes.

Q. Would you say it was the most significant business risk for CashCall's unsecured consumer loan business?

A. No.

Q. What was the biggest risk?

A. I'm not trying to be a smart aleck, but regulatory risk is the biggest risk.

Q. All right. Where -- what about -- was it the second biggest risk?

A. It and liquidity would be pretty close.

Q. And by "regulatory risk," you mean the risk that some federal or state regulator would find what you were doing violated some law and try to shut it down. Is that what you mean?

A. Or extract some penalty or something, yes.

65:8-10

Q. Is that your signature on the last page of the document?

A. It's kind of faded, but I would think so.

88:20-89:13

Q. Agreed with. Do you know if CashCall ever

21 **agreed to advertise on Western Sky Financial's**
22 **behalf?**
23 A. It -- I think the characterization would
24 be, did it ever help Western Sky with its
25 advertising. And the answer to that would be yes.

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1 **Q. How did CashCall help Western Sky**
2 **Financial with its advertising?**
3 A. Well, our -- the advertising agency that
4 CashCall used, Kovel/Fuller, prepared advertising,
5 specifically -- or more specifically, television
6 cable advertising, that it went back and forth with
7 Butch Webb on, the look and feel of it, and so on.
8 And sometimes I would have described to
9 Kovel/Fuller the general purpose of -- of why
10 borrowers would borrow this kind of money. So
11 they -- they would take ideas that I would give --
12 would give them, turn those into prospect ads, and
13 then go back and forth with, you know, Western Sky.

96:13-19
13 **Q. Are you familiar with a company called**
14 **Delbert Services Corporation?**
15 A. Roughly, yes.
16 **Q. What was your involvement with that**
17 **company?**
18 A. Well, I think that I owned it. It was a

19 collection company.

147:4-148:4

4 **Q. So CashCall, does CashCall have an office**
5 **in Anaheim?**
6 A. No. It's in Orange.
7 **Q. Okay. Is that where you work?**
8 A. Yes.
9 **Q. Did CashCall ever have an office in**
10 **Anaheim?**
11 A. Yes.
12 **Q. All right. When did --- when did that**
13 **office close down; I assume it's closed down;**
14 **right?**
15 A. Yes.
16 **Q. Okay.**
17 A. Well, yes. We moved, yes.
18 **Q. Okay. Oh, you moved. All right. So when**
19 **did you move from Anaheim to Orange?**
20 A. Well, we -- there was a period where we
21 had space in both Anaheim and Orange --
22 **Q. Okay.**
23 A. -- and I think my office moved at the
24 beginning of 2013. And ultimately after we had
25 these series of problems with having to close
148
1 buying Western Sky loans and the Freddie Mac issue,

2 and we shrunk quite a bit and eventually moved out
3 of the Anaheim office, and ultimately the landlord
4 leased it to someone else.

151:8-17
8 **Q. Okay. Who is Hudson Cove?**
9 A. Hudson Cove is a hedge fund. I think
10 they're located in New Jersey.
11 **Q. Did they provide -- did they provide**
12 **financing to CashCall?**
13 A. Yes.
14 **Q. Did they provide financing to CashCall in**
15 **connection with the Western Sky loans?**
16 A. I'm not 100 percent certain, but I believe
17 so.

151:24-152:9
24 **Q. Are you aware of any other entities, other**
25 **than the ones we've talked about today, that**
152
1 **provided financing to CashCall in connection with**
2 **the Western Sky loans from 2010 to 2013?**
3 A. Yes.
4 **Q. What are those entities?**
5 A. I don't know the long formal name, but
6 BasePoint.
7 **Q. Okay. And is BasePoint a hedge fund?**

8 A. I don't know if they technically call
9 themselves a hedge fund, but for our purposes, yes.

DATED: July 18, 2016

Respectfully submitted,

/s/ Owen Martikan

Owen Martikan (CA Bar #177104)
Attorney for Plaintiff

Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Telephone: (415) 844-9790
Facsimile: (415) 844-9788
e-mail: owen.martikan@cfpb.gov