STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of: Colt Mortgage Incorporated NMLS# 288954 Respondent.	M-21-0068 FINAL ORDER TO CEASE AND DESIST, ORDER ASSESSING CIVIL PENALTIES, ORDER CONDITIONING MORTGAGE BANKER/BROKER LICENSE, AND CONSENT TO ENTRY OF ORDER

WHEREAS the Director of the Department of Consumer and Business Services for the State of Oregon (hereinafter "the Director") conducted an investigation of Colt Mortgage Incorporated ("Colt Mortgage") and determined that Colt Mortgage engaged in activities constituting a violation of ORS 86A.100 et seq. and OAR 441-850-0005 through 441-885-0010 (collectively, "the Oregon Mortgage Lender Law"); and

WHEREAS Colt Mortgage wishes to resolve and settle this matter with the Director,

NOW THEREFORE, as evidenced by the authorized signature subscribed on this order, Colt Mortgage hereby CONSENTS to entry of this order upon the Director's Findings of Fact and Conclusions of Law as stated hereinafter:

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

FINDINGS OF FACT

The Director FINDS that:

1. Colt Mortgage is an Oregon corporation with a principal place of business located at 1375 NE Beulah Drive, Roseburg, Oregon 97470.

2. Colt Mortgage received an Oregon mortgage banker/broker license on January 1, 1994, Nationwide Multistate Licensing System ("NMLS") #288954.

3. Richard Filley ("Filley") is Colt's president and sole loan originator.

Reports and Required Filings

4. Licensed mortgage banker/brokers have been required to file annual financial statements with the Division since the inception of licensing. When Oregon mortgage licensing transitioned onto NMLS, Oregon started following the NMLS requirement that the company file its financial statements within 90 days of the end of the company's fiscal year pursuant to ORS 86A.112(2) and OAR 441-865-0020(5).

5. NMLS notified the licensees as to the financial statements requirement for Oregon when the Division transitioned onto NMLS.

6. The system also places a deficiency reminding the licensees of this requirement on or around the deadline if the filings have not been made.

7. Colt Mortgage reported in NMLS that its fiscal year ends on December 31. Accordingly, its financial statements for the preceding year are required to be uploaded to NMLS no later than March 31.

8. On September 1, 2016, the Division issued a final consent order to cease and desist and order assessing a $5,000 civil penalty to Colt Mortgage for the late filing of its financial statements for fiscal year ("FY") 2015 in Case #M-16-0299 (the "2016 Administrative Order").

9. A portion of the civil penalty, $4,000, was suspended for a period of three years, provided that Colt Mortgage did not violate the Oregon Mortgage Lender Law. If there were no violations during the three-year period, the suspended portion of the civil penalty would be waived.

10. Colt Mortgage filed its FY 2016 financial statements on December 26, 2017, 270 days late, FY 2017 on February 1, 2019, 307 days late, FY 2018 on December 20, 2019, 264 days late, and FY 2020 on April 11, 2021.

11. In order to fulfill the annual financial statement filing requirements, licensees must file both a balance sheet and a statement of income or operations (profit and loss statement).

12. Colt's Mortgage's financial statements for FYs 2012-2015 and 2017 included both a

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balance sheet and profit and loss statement, but the filings for FYs 2016, 2018, 2019, 2020-2021 only included a balance sheet.

13. In 2011 the NMLS released the mortgage call report (hereinafter "MCR") functionality. The MCR includes a licensed mortgage broker/banker's residential mortgage loan activity that is compiled and submitted by the company to NMLS on a quarterly basis. For standard filers like Colt Mortgage, the standard financial condition report ("SFCR"), which is a part of the MCR functionality, must be filed annually 90 days after the end of the company's fiscal year, which is on March 31 of the following year.

14. The quarterly MCR reports are due 45 days following the end of each quarter, such that the first quarter report ("Q1") is due on May 15, the second quarter report ("Q2") on August 14, the third quarter report ("Q3") on November 14, and the fourth quarter report ("Q4") on February 14.

15. Colt Mortgage filed the following 2018 MCRs late: Q1 on May 18, 2018, Q3 on December 26, 2018, Q4 on February 17, 2019, and the SFCR on December 20, 2019, 264 days late.

16. Colt Mortgage filed the following 2019 MCRs late: Q1 on May 20, 2019, and the SFCR on December 29, 2020, 273 days late

17. Colt Mortgage filed the following 2020 MCR late: Q1 on June 1, 2020, and the SFCR on May 18, 2021. In light of the circumstances surrounding the pandemic, NMLS advised state regulators not to enforce late filings within 30 days of the deadline for 2020.

18. Colt Mortgage filed the 2021 Q3 MCR late on November 15, 2021 and has yet to file the SFCR.

19. Colt Mortgage did not complete the steps necessary to renew its Oregon mortgage banker/broker license for 2019 until February 14, 2019, which made it ineligible to originate residential mortgage transactions from January 1 through February 13, 2019.

20. From December 31, 2010 through the present, Colt Mortgage's corporate registration

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with the Oregon Secretary of State's office has been administratively dissolved and reinstated three times. Most recently, Colt Mortgage's registration was dissolved on December 26, 2019, and reinstated on February 6, 2020 when the Division inquired as to the lapse.

2021 Examination

21. The Division conducted an examination of Colt Mortgage's books and records that began in July 2020 and concluded in September 2021.

22. On or about March 24, 2021, the Division issued its examination report to Colt Mortgage, which listed the deficiencies identified in the examination, along with a request for a response to each deficiency noted.

23. The examination report noted that Colt Mortgage had not disclosed the issuance of the 2016 Administrative Order on its NMLS record. Question (C)(4) asks licensees whether, "In the past 10 years, has any State or federal regulatory agency or foreign financial regulatory authority or self-regulatory organization (SRO) ever: entered an order against the entity or a control affiliate in connection with a financial services-related activity?" Colt Mortgage answered "no."

24. In Colt Mortgage's response to the exam report, sent on June 17, 2021, Filley acknowledged his company's late report filings and stated that he had set up a calendaring system to allow him to better track the deadlines.

25. Also in Colt Mortgage's response to the examination report, Filley admitted that the company's MU1 and MU4, the forms that contain the application disclosure questions and other identifying information, were not updated, and he said he aimed to complete the updates shortly.

26. To date, Colt Mortgage's answer to question (C)(4) is still listed as "no."

Private Money Loans

27. As part of its mortgage broker business, Colt Mortgage brokers private money loans between private investors and borrowers, and oftentimes pools funds from different investors into a loan to a single borrower.

28. In 2018-2019, Colt Mortgage brokered a private loan ("2018-2019 Private Loan") that

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was secured by Oregon residential property. Five investors' funds were used for the $225,000 one-year loan that included 8.5% interest. The investors received a fractionalized interest in a promissory note and a trust deed secured by the subject property.

29. While Colt Mortgage provided information about the construction project and the underlying property to the investors on the 2018-2019 Private Loan, it did not disclose, in writing, the value of the underlying property, either the tax assessed value, or an appraisal by an independent licensed appraiser.

CONCLUSIONS OF LAW

The Director CONCLUDES that:

30. By filing four annual financial statements late (FY 2016-FY 2020), as more fully described in Paragraph 10 above, Colt Mortgage violated OAR 441-865-0020(5) and ORS 86A.112.

31. By filing 10 MCRs late (2021 Q3 and SFCR, 2020 Q1 and SFCR, 2019 Q1 and SFCR, 2018 Q1, Q3, Q4 and SFCR), as more fully described in Paragraphs 15 through 18 above, Colt Mortgage violated ORS 86A.239(2), OAR 441-865-0025, and ORS 86A.112.

32. By answering "no" to NMLS disclosure question (C)(4) when the answer should have been "yes," as more fully described in Paragraphs 23 through 26 above, Colt Mortgage failed to disclose a significant change in the information required on the mortgage broker's application form, in violation of OAR 441-860-0070(1)(h) and ORS 86A.112.

33. The violations of ORS 86A.112 as stated in Paragraphs 30 through 32 each constitute independent grounds for the Director to issue a conditional license under ORS 86A.115(12).

34. Colt Mortgage's late filing of the FY 2016-2018 financial statements, as more fully described in Paragraph 10 above, constitutes a violation of the terms of the agreement to suspend $4,000 of the $5,000 civil penalty assessed in the 2016 Administrative Order. Accordingly, the Director may assess the $4,000 in civil penalties that was suspended in that case.

35. By failing to disclose, in writing, the tax assessed value of the subject property, or an

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appraisal by an independent licensed appraiser to the investors on the 2018-2019 Private Loan, Colt Mortgage violated OAR 441-870-0050(1)(d).

ORDERS

NOW, THEREFORE, THE DIRECTOR ISSUES THE FOLLOWING ORDERS:

36. The Director, pursuant to ORS 86A.127, hereby ORDERS Colt Mortgage to Cease and Desist from violating OAR 441-865-0020(5), ORS 86A.112, ORS 86A.239(2), OAR 441-865-0025, OAR 441-860-0070(1)(h), and OAR 441-870-0050(1)(d).

37. The Director, pursuant to ORS 86A.992, may assess civil penalties of up to $5,000 per violation of the Oregon Mortgage Lender Law. Pursuant to this provision, as authorized by ORS 86A.992, the Director hereby ORDERS Colt Mortgage to pay CIVIL PENALTIES totaling $16,000 as follows:

a. $3,500 for the five violations of OAR 441-865-0020(5), ORS 86A.112;
b. $7,000 for the ten violations of ORS 86A.239(2), OAR 441-865-0025, ORS 86A.112;
c. $750 for the violation of OAR 441-860-0070(1)(h), ORS 86A.112;
d. $750 for the violation of OAR 441-870-0050(1)(d); and
e. $4,000 for Colt Mortgage's violation of the terms agreed upon in the 2016 Administrative Order.

38. Director SUSPENDS the collection of the $8,000 in CIVIL PENALTIES assessed above, provided that, in the five years following the effective date of this Order, Colt Mortgage does not violate OAR 441-865-0020(5), ORS 86A.212, ORS 86A.239(2), OAR 441-865-0025, OAR 441-860-0070(1)(h), OAR 441-870-0050(1)(d), or the terms of this Order. If Colt Mortgage fails to satisfy this condition, the $8,000 in civil penalties will become immediately due and owing. Otherwise, the Director will waive the suspended portion of the civil penalties five years after the effective date of this Order.

39. The Director, pursuant to ORS 86A.115(12), hereby ORDERS that, effective the date that

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a final order is entered in this matter, a conditional Oregon mortgage banker/broker license shall be issued to Colt Mortgage until further order of the Director, subject to renewal fee and document requirements. The conditional license shall be subject to the following conditions such that if Colt Mortgage fails to comply with any condition placed on its license, it agrees that the license shall be revoked:

A. Colt Mortgage shall make a timely and accurate filing of all financial reports or other information that the Director by statute, rule or order requires, including but not limited to:

i. Annual financial statements that include both a balance sheet and profit and loss statement, prepared pursuant to OAR 441-865-0020(5), which are due on March 31 of the following year;

ii. all features of the MCR functionality, pursuant to ORS 86A.239(2), OAR 441-865-0025, and ORS 86.112, wherein Q1 is due on May 15, Q2 on August 14, Q3 on November 14, Q4 on February 14, and the annual SFCR on March 31;

iii. a written response to the Division's future examination reports, pursuant to ORS 86A.112, which is due in accordance with the deadline stated in the request; and

iv. any request for documents or information from the Division in relation to any examination or investigation, pursuant to ORS 86A.112, ORS 86A.145, which is due in accordance with the deadline stated in any such requests.

B. Colt Mortgage shall report any "significant developments" in NMLS, as defined by and pursuant to OAR 441-860-0070.If a filing or response deadline is not listed in a Division or NMLS' request, Colt Mortgage must respond within 30 days from the date of the request, pursuant to ORS 86A.112.

C. If a filing or response deadline is not listed in a Division or NMLS' request, Colt Mortgage must respond within 30 days from the date of the request, pursuant to ORS 86A.112.

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D. If Colt Mortgage determines that, upon good cause, it cannot comply with the filing or response deadlines as stated, Colt Mortgage must notify the Division immediately.

E. Colt Mortgage shall promptly correct a document filed with the Director that is or becomes incomplete or inaccurate in any material respect within 30 days of learning of the incomplete or inaccurate information, including required numbers and figures, pursuant to ORS 86A.112.

F. Colt Mortgage shall continuously maintain an active corporate registration with the Oregon Secretary of State as long as it intends to conduct business in Oregon, pursuant to the requirements of ORS 86A.106 and OAR 441-860-0020.

G. Colt Mortgage shall continuously maintain its mortgage banker/broker license with the Division as long as it intends to conduct business in Oregon, pursuant to the requirements of ORS 86A.106 and ORS 86A.109.

H. In transacting private money loans, Colt Mortgage shall comply with all provisions of the Oregon Securities Laws, ORS 59.005 to 59.451, 59.991 and 59.995, and OAR Chapter 441, and the Oregon Mortgage Lender Law, including, but not limited to, OAR 441-870-0050(1)(d).

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I. Colt Mortgage may make a written application to the Director for an unconditional license after a five-year period so long as the company complies with the above-described conditions and any other term of this Order, including but not limited to the obligation to timely file all Division required reports, promptly pay all civil penalties, and so long as Colt Mortgage has no open or substantiated complaints with the Division at the time of requesting removal of the conditions. This shall not be construed as a guarantee that the Director, who will review and act upon any application or request for licensing according to current law, will grant the request.

Dated this 16th day of June, 2022.

Andrew Stolfi, Director
Department of Consumer and Business Services

/s/ Dorothy Bean
Dorothy Bean, Chief of Enforcement
Division of Financial Regulation

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ENTITY CONSENT TO ENTRY OF ORDER

I, Richard Filley, state that I am an officer of Colt Mortgage, and I am authorized to act on its behalf. I have read the foregoing order, and I know and fully understand the contents hereof. I have been advised of the right to a hearing and of the right to be represented by counsel in this matter. Colt Mortgage voluntarily and without any force or duress consents to the entry of this order, expressly waiving any right to a hearing in this matter. Colt Mortgage understands that the Director reserves the right to take further actions to enforce this order or to take appropriate action upon discovery of other violations of the Oregon Mortgage Lender Law or the Oregon Securities Law. Colt Mortgage will fully comply with the terms and conditions stated herein.

Colt Mortgage further assures the Director that neither Colt Mortgage nor its officers, directors, employees, or agents will effect mortgage transactions in Oregon unless such activities are in full compliance with the Oregon Mortgage Lender Law. Colt Mortgage understands that this Consent Order is a public document.

Dated this 1 day of June, 2022.

By */s/ Richard Filley*
Richard Filley

Office Held: Owner/President

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ENTITY ACKNOWLEDGMENT

There appeared before me this 1st day of June 2022,

Richard Filley, who was first duly sworn on oath, and stated that he was and is an officer of Colt Mortgage and that he is authorized and empowered to sign this Consent to Entry of Order on behalf of Colt Mortgage and to bind Colt Mortgage to the terms hereof.

/s/ Calvin Gumm

Notary Public for the State of: Oregon

My commission expires: 1/30/23

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