

COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2018-AH-00045



DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

AGREED ORDER

STEADFAST MORTGAGE COMPANY, LLC (MB321717); and
DANIEL RYAN SHULTS (MC93104)

RESPONDENTS

PARTIES

1. The Department of Financial Institutions (“DFI”) is responsible for regulating and licensing entities engaged in mortgage brokering, origination, and processing in accordance with the provisions set forth in KRS Chapter 286.8.

2. Respondent Steadfast Mortgage Company, LLC (“Steadfast”) is authorized to conduct business in Kentucky (License# MB321717) with an office located at 6401 Dutchmans Parkway, Louisville, Kentucky 40205. (ICIE# 391200)

3. Respondent Daniel Ryan Shults (“Shults”) is the owner of Steadfast Mortgage Company, LLC, and is licensed as a mortgage loan originator in Kentucky (License# MC93104). Mr. Shults has a mailing address of 149 North Canterbury Glen Drive, Mount Washington, Kentucky 40047.

FACTUAL BACKGROUND

4. On October 13, 2017, Steadfast and Shults entered into a consent agreement with the Indiana Secretary of State, Securities Division. On December 26, 2017, Shults attested in his NMLS recertification filing that his March 8, 2017 filing with the National Multistate Licensing

System (“NMLS”) was accurate. In this previous filing, he answered “no” to the questions “[h]as any state ...regulatory agency found you to be in violation of a financial services-related business regulation(s) or statute(s)?” and “[h]as any state ...regulatory agency entered an order concerning you in connection with any license or registration.”

5. On November 8, 2017, DFI received information from a confidential complainant alleging that Shults asked his administrative assistant S.M. to utilize his logon information in order to complete continuing education credits on Shults’ behalf. Based on this information, DFI initiated an investigation into Shults and Steadfast.

6. On November 30, 2017, DFI examiners interviewed the confidential complainant at the DFI’s Louisville Field Office. During the interview, the confidential complainant alleged that S.M. had completed continuing education credits on behalf of Shults and mortgage processing activities, as defined by KRS 286.8-010(22). The confidential complainant further alleged that Jill Reiring (“Reiring”) processed most of Shults’ loans through RB Processing, a processing company owned by Reiring. During the interview, the confidential complainant provided copies of emails and paystubs that supported the confidential complainant’s allegations. Later communication with Shults indicated that Shults denied having S.M. complete continuing education on his behalf.

7. On December 6-11, 2017, DFI examiners visited Steadfast’s office located at 6401 Dutchmans Pkwy, Louisville, KY, 40205. During this investigation, Shults stated to the examiners that S.M. processed loans for Steadfast. He further stated that he had not conducted a background check, credit check, or pursued registration for S.M. S.M. was not registered to conduct business as a processor in Kentucky.

8. On January 4, 2018, DFI examiners located a Facebook page for “Louisville Mortgage Broker” based on information Shults provided to NMLS. This Facebook page did not contain the required unique NMLS identification number.

9. On June 25, 2018, Shults submitted a Mortgage Broker branch application through NMLS for a branch located in Bowling Green, KY. The application submission was deemed incomplete, as it did not include a branch authorization form or a lease agreement. The application was placed in an ongoing pending status.

10. On July 25, 2018, Non-Depository Licensing Division staff emailed Shults, stating that the mortgage branch application for the Bowling Green location was still pending. They further stated that the application would be deemed abandoned if Shults did not provide a branch authorization form and lease agreement by August 1, 2018.

11. On July 27, 2018, Shults provided the lease agreement and the branch authorization form to DFI. However, the branch authorization form contained multiple errors. Based on this information, Non-Depository Licensing Division staff set a deficiency in NMLS.

12. On August 30, 2018, DFI examiners visited 310 E. Main Avenue, Unit 204 Bowling Green, Kentucky. Once onsite, the examiners found Steadfast signage above the office door. The examiners spoke with Steadfast employee and mortgage originator, Devin Kelly (“Kelly”). Kelly stated that he had been working at the location since July 1, 2018.

13. On August 30, 2018, Non-Depository Licensing Division staff located a Facebook page for Kelly that was linked from Steadfast’s Facebook page. Posts on Kelly’s Facebook page revealed that Kelly had closed loans for three borrowers.

14. On September 5, 2018, DFI examiners visited the Steadfast location at 6401 Dutchmans Parkway, Louisville, Kentucky, to obtain documentation related to the loans closed by

Kelly, along with a list of all loans originated from the unlicensed Bowling Green branch. A list of all loans closed by Kelly was provided, which listed the three known loans referenced on his Facebook page, along with three additional loans.

APPLICABLE LAW

15. Pursuant to KRS 286.8-010(17), “[m]ortgage lending process” means the process through which a person seeks or obtains a mortgage loan, including the solicitation, application, origination, negotiation of terms, processing, underwriting, signing, closing, and funding of a mortgage loan and the services provided incident to a mortgage loan, including the appraisal of the residential real property...”

16. Pursuant to KRS 286.8-010(22), a mortgage loan processor is “a natural person who performs only clerical or support duties at the direction of and subject to the supervision and instruction of a mortgage loan originator.

17. Pursuant to KRS 286.8-030(5), “[t]he unique identifier shall also be displayed on solicitations or advertisements, including business cards or Web sites, of all persons holding themselves out as being able to originate mortgage loans in Kentucky, and any other document as established by rule, regulation, or order of the commissioner.”

18. Pursuant to KRS 286.8-032(5), “[i]f a licensee desires to establish a branch, the licensee shall file an application with the commissioner that includes the physical location and telephone number of the branch, the name of the prospective manager, the anticipated opening date, and any other information requested by the commissioner.”

19. Pursuant to KRS 286.8-090(1)(h), the commissioner may suspend or revoke the registration of a registrant if the commissioner finds that the registrant “[h]as made or caused to be made to the commissioner any false representation of material fact or has suppressed or withheld from the commissioner any information that the person possesses and which, if submitted

to the commissioner, would have rendered the person ineligible to be licensed, registered, or exempted from licensing or registration under this subtitle.”

20. Pursuant to KRS 286.8-090(1)(n), the commissioner may suspend or revoke the registration of a registrant if the commissioner finds that the registrant “has demonstrated incompetence or untrustworthiness to act as a licensee or registrant.”

21. Pursuant to KRS 286.8-090(1)(v), the commissioner may “suspend or revoke the registration of a registrant if the registrant has violated any provision of KRS 286.8, any administrative regulation promulgated under KRS 286.8, or any order issued by the commissioner.”

22. Pursuant to KRS 286.8-100(1), “[n]o licensee shall establish or maintain a branch transacting business in Kentucky, either directly or indirectly, without filing the application as described in KRS 286.8-032(5) and receiving prior written approval of the commissioner.”

23. Pursuant to KRS 286.8-220(1), “[i]t shall be unlawful for any person to make or cause to be made, in any document filed with the commissioner, a governmental agency, the Nationwide Multistate Licensing System and Registry, or in any proceeding under this subtitle, any statement that is, at the time and in light of the circumstances under which it is made, false or misleading in any material respect, including an omission of a material fact.”

24. Pursuant to KRS 286.8-220(2) “[i]t shall be unlawful for any person, in connection with a transaction involving the mortgage lending process, or in connection with the operation of a mortgage loan business or the management or servicing of mortgage loans, directly or indirectly:

- (i) To fail to comply with state or federal laws, including the rules and regulations thereunder, that are applicable to transacting business in Kentucky.”

25. Pursuant to KRS 286.8-255(9), in regard to a mortgage loan processor employed by a mortgage loan company or mortgage loan broker, “[a] mortgage loan processor shall not be required to maintain a registration, but the processor's supervising mortgage loan company or mortgage loan broker shall be required to provide the mortgage loan processor with the continuing education required under KRS 286.8-260, as well as perform an employee background check in accordance with uniform standards established by the commissioner prior to hiring an applicant as a processor, and provide proof of compliance with this section to the commissioner upon demand...”

26. Pursuant to KRS 286.8-295, “[e]very mortgage loan company and mortgage loan broker shall exercise proper supervision and control over the operations, employees, and affairs of its company...”

27. DFI possesses a range of administrative authority in addressing violations of the Act, including license revocation or denial, suspension or the imposition of civil penalties. *See* KRS 286.8-046 and 286.8-090.”

AGREEMENT AND ORDER

1. In the interest of economically and efficiently resolving the violations described herein, DFI and Respondents agree as follows:

a. Respondent Shults and Respondent Steadfast admit to the following violations:

i. Respondents employed and utilized the services of a mortgage loan processor, without vetting this individual, in violation of KRS 286.8-255(9).

- ii. Respondents failed to include the required unique NMLS identification number on the Facebook page “Louisville Mortgage Broker,” used as an advertisement for Steadfast, in violation of KRS 286.8-030(5).
 - iii. the Respondents conducted mortgage lending activities, either directly or indirectly, from the 310 E Main Avenue, Unit 204, Bowling Green, KY office location, in violation of KRS 286.8-032(5) and KRS 286.8-100(1).
 - iv. Respondent Shults inadvertently made or caused to be made, in a document filed with a government agency, a false statement in his recertification filing with DFI regarding the prior history of administrative action against himself and Steadfast Mortgage, LLC, in violation of KRS 286.8-220(1);
- b. The respondents neither admit, nor deny, the remaining conclusions of law and fact;
- c. And in admitting to the above violations, the continuing registration of Daniel Shults as a mortgage loan originator shall be conditioned, for a period of three years, on his compliance with the following requirements:
- i. That Shults complete his required continuing education courses at a testing facility, with the option that a DFI employee be allowed to observe this testing. Shults shall notify DFI in writing, no less than ten days in advance of the test date, of the time and location of his testing.
 - ii. That Shults have no ownership interest, managerial position, or position of control in any mortgage company or mortgage brokerage,

other than the interest in Steadfast needed to comply with this Agreed Order and other applicable law;

iii. That Shults pay a civil penalty of \$10,000, with \$5000 probated on the condition that Mr. Shults/Steadfast comply with these stated requirements. This initial payment is due upon entry of this agreed order. The payment shall be in the form of a certified check or money order made payable to "Kentucky State Treasurer" and mailed to the Department of Financial Institutions, Attn: Non-Depository Division – Agreed Order, 1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601;

d. Steadfast's license shall be revoked immediately. Steadfast will provide DFI with a list of open loans as of the entry date of the agreed order. Those loans must be closed within ninety (90) days of the entry of the agreed order. Steadfast agrees to not engage in any loan solicitation, or application after the agreed order is entered. Steadfast will provide proof of each loan closing to DFI;

e. That Steadfast Mortgage Company will pay a civil penalty of \$40,000.00. with \$20,000.00 of the assessed penalty to be probated based on compliance with the above stated conditions. \$6,000 of this civil penalty will be paid upon entry of this Agreed Order. The balance will be due on the last day of each month, in \$2000 increments, over a seven month period, beginning the month following the entry of the agreed order. Any payments received in the offices of DFI 5 (five) or more days past the due date will nullify the probated amount and the full civil penalty will become payable immediately. The payments shall be in the form of a certified check or money order made payable to "Kentucky State Treasurer" and mailed to

the Department of Financial Institutions, Attn: Non-Depository Division – Agreed Order, 1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601;

f. That all operations at the office in Bowling Green, or any unlicensed location will cease upon the execution of the agreed order.

g. The bond required by KRS 286.8-060 must remain in place and valid until all loans have closed and have left the pipeline.

h. Failure to comply with all the provisions and conditions herein pertaining to this Agreed Order will create a default whereby all probated fines, or remaining payment of fines, will be immediately due and payable.

2. Entry of this agreed order will resolve all violations alleged or known to DFI, up to the entry of this agreed order.

3. Respondents waive their right to demand a hearing at which they would be entitled to legal representation, to confront and cross-examine witnesses, and to present evidence on their own behalf, or to otherwise appeal or set aside this Order.

4. Respondents consent to and acknowledge the jurisdiction of DFI over this matter and that this Agreed Order is a matter of public record and may be disseminated as such.

5. In consideration of execution of this Agreed Order, Respondents for themselves, and for their successors and assigns, hereby release and forever discharge the Commonwealth of Kentucky, DFI, Office of Legal Services, and each of their members, agents, and employees in their individual capacities, from any and all manner of actions, causes of action, suits, debts, judgments, executions, claims and demands whatsoever, known and unknown, in law or equity, that Respondents ever had, now have, may have or claim to have against any or all of the persons

or entities named in this paragraph arising out of or by reason of this investigation, this disciplinary action, this settlement or its administration.

6. By signing below, Respondents acknowledge they have read the foregoing Agreed Order, know and fully understands its contents, and that the individual signing on behalf of each Respondent is authorized to enter into and execute this Agreed Order and legally bind the party they are signing for.

7. This Agreed Order shall constitute the Final Order in this matter.

IT IS SO ORDERED on this the 30th day of May, 2019.



CHARLES A. VICE
COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **Agreed Order** was sent on this the 30th day of May, 2019, by certified mail, return receipt requested, to:

Daniel Shults
149 North Canterbury Glen Drive
Mount Washington, Kentucky 40047

Counsel for Daniel Shults/Steadfast
Hon. Robert Moore
Stites and Harbison, PLLC
421 West Main Street
P.O. Box 634
Frankfort, KY 40602

Steadfast Mortgage Company, LLC
6401 Dutchmans Parkway
Louisville, Kentucky 40205

Via hand-delivery to:

Kathryn Adams-Cornett, Attorney
Department of Financial Institutions
1025 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601

Kentucky Department of Financial Institutions

Name: Auisin Reed

Title: Executive Staff Advisor