



DEPARTMENT NEWS

April 20, 2017

DEPARTMENT OF FINANCIAL INSTITUTIONS

Volume 1, Issue 2

Fun Facts about our state

- If you stood four 1,300-foot tall skyscrapers on top of each other, they still would not reach the rim of the Grand Canyon.
- Arizona is large enough to fit all of New England plus the state of Pennsylvania inside of it.

Inside this issue:

Licensing Information	2
Financial Institutions	3
Mortgage Lending	4
Legislative Update	5
Appraisal Stats	6
About AZDFI	7
More Division News	8
Just the Facts	9
DFI Mission	10

A Message from Superintendent Robert D. Charlton

Governor Doug Ducey's vision is for Arizona to be the number one state to live, work, play, recreate, retire, visit, do business, and get an education. To achieve this vision, Arizona is deploying a professional, results-driven management system to transform the way our State government thinks and does business as one enterprise. State agencies are doing more good for Arizona by tracking and improving their performance each and every day.

We at the Department of Financial Institutions have adopted this management style and strive to meet or exceed these expectations. To learn more, please visit <http://ams.az.gov>

DEPARTMENT NEWS

Meet the new Licensing Division Manager

Mark Murphy was appointed the new Licensing Division Manager last month. We asked him a few questions to learn more about him.

Please tell us about the previous positions you have held here at DFI

I have been with the AZDFI for just over 9 years. I have examined multiple types of licenses including state-chartered credit unions, money transmitters, sales finance companies and motor vehicle dealerships. As my duties and responsibilities expanded, I was promoted to Senior Examiner in 2016. I was then promoted to the Licensing Division Manager in March 2017.

What was your background before coming to DFI?

My career in the financial industry started while I was attending Arizona State University. I worked for Wells Fargo Vault Services for 4 years. I managed the team responsible for the nightly cash deposits.

(continued page 2)



Are you interested in a career with the Department of Financial Institutions? We currently have two Examiner's positions posted for our agency. Please visit <https://azstatejobs.azdoa.gov/> for more information.

(Murphy interview continued from page 1)

Now that you have been named Manager, what are some of the biggest challenges you see?

My biggest challenges are getting up to speed on all of the types of licenses our licensing division processes and gaining a more comprehensive understanding of all of the application requirements for each type of license.

How many license types does your Division process?

Currently, our licensing division processes 26 different types of licenses.

What are your plans for the next 90 days with the Division?

My main goal is to streamline the application process for all types of licenses and make the turn-around time for approval faster. I am hopeful that in the near future most of our applicants and licensees can apply for, amend, and renew licenses conveniently through NMLS.

NMLS Update:

The Arizona Department of Financial Institutions (AZDFI) is proud to announce that starting Monday, May 1st, 2017, we will begin using NMLS to manage the Consumer Lenders, Debt Management Companies and Money Transmitter Licenses. Through NMLS, Consumer Lenders, Debt Management Companies and Money Transmitter Licenses will be able to apply for, amend, and renew the licenses conveniently and safely online.

Money Transmitter Authorized Delegate Notice:

In an effort to reconcile and update authorized delegates registered with the AZDFI, an email will be sent to all Responsible Individuals asking to provide a current spreadsheet of active authorized delegates in Arizona as of December 31st, 2016. Once the spreadsheets are received, the AZDFI will issue authorized delegate notices for all authorized delegates registered in Arizona.



<u>Applications Processed 7/01/16 - 3/31/17</u>	
New Applications Received:	4,127
Renewal Applications Received:	15,734
Applications Denied:	0
Number of Licenses Issued:	4,174
<u>New License Processing Times</u>	
Collection Agency (CA)	68 days
Commercial Mortgage Broker (CMB)	31 days
Consumer Lender (CL)	94 days
Escrow Agent (EA)	85 days
Loan Originators	28 days
Money Transmitter (MT)	101 days
Mortgage Banker (BK)	54 days
Mortgage Broker (MB)	68 days
Premium Finance (PF)	84 days
Sales Finance (SF)	35 days

Editors note: The numbers shown above exclude Appraiser, AMC, and Property Tax Agent applications. It also excludes the days to process license renewals.

Financial Institutions News



The Arizona Department of Financial Institutions (AZDFI) is working to serve Arizona Financial Institutions and support Governor Ducey’s vision for reduced regulatory burden. The dual-chartering system for banks and credit unions causes the AZDFI to extend these efforts beyond the Arizona Statutes and Rules to support the reduction initiatives with burdensome federal regulations, too. To that end, AZDFI holds membership in the Conference of State Bank Supervisors (CSBS) and the National Association of State Credit Union Supervisors (NASCUS.)

CSBS and NASCUS are organized and governed by the states through the state banking and credit union supervisors, and serve to strengthen state regulatory agencies and support state chartered institutions in various ways. Some examples include: training and certification programs for state agency examiners, accreditation of state financial institution agencies and importantly, a voice for the state chartered financial institutions in Washington D.C.

State Regulators efforts specific to Banks:

Recently, the State financial regulators, through the State Liaison Committee (SLC), assisted the federal banking agencies identify ways to reduce federal regulatory burden as part of the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) review process. The SLC identified and supported the following: opportunities for improvement:

- Efforts to simplify capital rules and to tailor capital requirements for smaller and less complex institutions.
- Efforts to reduce Call Report burden by accelerating and broadening the scope; including expansion of the criteria that permit small institutions to file a streamlined Call Report.
- Efforts to update the regulatory threshold for appraisals for both residential as well as commercial real estate loans to adjust for inflation, and consider a transaction-based, de Minimis test that permits banks to make and retain a limited number of exempt loans.

Additionally, the SLC recommended the federal agencies should reevaluate the measurements currently used to determine deposit market share and evaluate market concentrations. The current calculation does not provide a realistic view of market competition.

State Regulators efforts specific to Credit Unions:

In recent years, NASCUS officials have been working with the National Credit Union Administration (NCUA) and participated in Congressional testimony to address the impact of certain NCUA budget practices on state chartered credit unions. The NCUA imposes an Overhead Transfer Rate (OTR) to cover the portion of operating expenses related to deposit insurance, while general operating expenses are charged to Federal Credit Unions. The OTR calculation is complex and lacks transparency, but most notable, the percentage of expenses attributable to deposit insurance has increased year over year since 2008 while the NCUA assessed a declining percentage of operating expenses to only Federal Chartered Credit Unions.

As is often true when dealing with challenging topics, discussions among the state and federal regulators regarding the OTR have been robust. There is still work to be done, but even an incremental improvement warrants celebration.. The 2017 OTR decreased by more than 5 percent and is the lowest level in the past four years. In addition, this is the first reduction in the OTR rate since 2008.

More information about NASCUS can be found at <http://www.nascus.org/>

NOTE: The EGRPRA review is required by the Federal Financial Institutions Examination Council (FFIEC) and its member agencies every 10 years. As part of this process, federal financial regulators issued this week a joint report to Congress detailing the results of this cycle’s review. State regulators participated in the EGRPRA review as a representative body through the State Liaison Committee (SLC), a member of the FFIEC. While state financial regulators support the findings of the FFIEC EGRPRA report, the SLC identified additional opportunities to further reduce regulatory burden. The recommendations are reported in a letter to the federal banking agencies, and adopted as Appendix 1 within the joint report to Congress. More information can be found at <https://www.csbs.org/news/press-releases/pr2017/Pages/032417.aspx>

Mortgage Lending Division

The Mortgage Lending Division of the Arizona Department of Financial Institutions regulates 391 Mortgage Brokers, 64 Commercial Mortgage Brokers, 423 Mortgage Bankers, 22 Commercial Mortgage Bankers, and 12,815 Mortgage Loan Originators.

2017 started, perhaps not surprisingly, the way 2016 ended. Rates for 30-year fixed rate mortgages remain at two year highs, but on the plus side, they are less than a point above the all-time low and remain at historically low levels. “Rate and term” refinance volumes have slowed but there is evidence that cash-out refinances are becoming a more popular choice for borrowers. Purchase volumes in Arizona have grown each of the past five years and are expected to stay strong as we look forward to the traditional summer buying season.

In a December article, Realtor.com named Phoenix #1 and Tucson #9 on their list of the Top 10 Metro areas for price and sales growth in 2017. They cited strong local economies and population growth as the main drivers. Backing up that forecast, researchers at the Seidman Research Institute in the W.P. Carey School of Business at Arizona State University place Arizona 8th for nonfarm job growth with greater Phoenix coming in 9th among large cities and Tucson, Flagstaff, Prescott, Yuma, and Lake Havasu City all posting positive growth in the 12 months ending February 2017.



Fortunately, Arizona offers perennial support for the main drivers of purchase loans, namely, population and job growth, in the form of amazing weather, infrastructure, natural beauty, and leadership that’s focused on economic improvement.

Beginning this year, Loan Originators and Commercial Mortgage Bankers must submit renewal fees via NMLS.

Public Comment Wanted: On March 24th, 2017, the Consumer Financial Protection Bureau (CFPB) released a proposal related to Regulation B in an effort to make the collection of consumer demographic information more flexible. The CFPB is seeking public comment. You can learn more by visiting www.consumerfinance.gov.

<http://www.realtor.com/news/trends/top-real-estate-markets-2017/>



Legislative Update – SB1197

The Department of Financial Institutions has Senate Bill 1197 making its way through the legislative process. If this bill passes, it will codify the decision by the Legislature in 2015, to bring the regulation of the appraisal industry under the Department of Financial Institutions. The bill is similar to the one we ran last year, HB2560, except language was added to comply with the AMC final rules this year. Senator Kate Brophy McGee is the sponsor of the bill. To check on the status of this bill please visit the Arizona Legislature website at <http://www.azleg.gov> For further information, please contact Stephen Briggs, Legislative Liaison at sbriggs@azdfi.gov.

Regulation Rollback

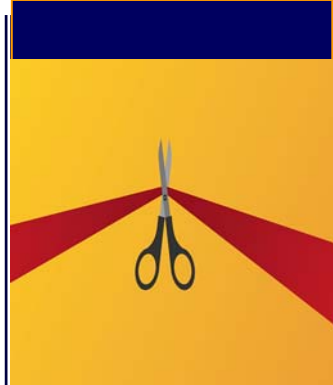
“Regulation Rollback” is a strategic step in Governor Ducey’s ongoing work to make Arizona the best state in the nation to open a new business or to expand an existing one.

While the state has made great progress in growing our economy and streamlining government over the past two years, our work remains.

As Governor Ducey said in his first State of the State address, our small businesses have to deal with an array of burdensome regulations “just because they’re on the books and nobody’s bothered to change them.”

Well—now we’re changing them and working to fulfill the governor’s mission. We have already made progress, but there’s more to do. Governor Ducey’s goal is to eliminate a total of 500 regulations by the end of 2017.

That’s why “Regulation Rollback” is offering a new online service to crowdsource recommendations on how to update Arizona’s regulatory system. The innovative new service allows individuals across the state to recommend ways to improve or eliminate outdated regulations *directly to the governor’s office* by submitting their ideas through our website.



We Need Your Help

There’s no regulation too small or rule too out-of-date to suggest eliminating to expand opportunities for people across the state. Visit <http://azgovernor.gov/redtape> and make a difference today. You send it and we’ll see it, because big things can happen when government gets out of the way of innovation, creativity, and entrepreneurship.



Appraisal Complaints and Licensing Facts

Appraisal Complaints

Appraisal complaints come into the Department for a variety of reasons. The general categories that we see include (but are not limited to) dispute of the opinion of value; compliance with mandatory reporting requirements; errors in the report about the subject property or comparables; selection of comparables; and concern about the appraiser’s business practices. Although in most cases we do not have jurisdiction over business practices, we will open any complaint that meets the jurisdictional requirements, per A.A.C. R-446-301(A)(1): “The Department will screen all complaints to ensure each complaint meets the minimum criteria and any jurisdictional requirements...including: a) the name of the respondent against whom the allegations are being made; b) the action that is the basis of the complaint; c) the time frame in which the action occurred; d) each violation alleged to have been committed by the respondent; and e) a copy of the report, if the complaint includes allegations concerning an appraisal, consulting assignment, or property tax appeal. Per ASC Policy Statement 7, “States must analyze each complaint to determine whether additional violations, especially those relating to USPAP, should be added to the complaint.”

Those filing appraisal complaints should be aware that compensation of any monetary loss experienced by a complainant does not fall within the Department’s jurisdiction. The Department’s review of the complaint in no way precludes the complainant from seeking other remedies through legal counsel or initiation of civil proceedings.

Additionally, the Department does not have jurisdiction to require an appraiser to modify an appraisal report. If the investigation of a report reveals violations of the Uniform Standards of Professional Appraisal Practice (USPAP) or state statutes or rules, the Department will determine

whether or not, depending on mitigating or aggravating circumstances, a non-disciplinary or disciplinary action is warranted. Complainants are notified by letter of the Department’s decision, once a complaint has been closed or resolved.

From January 1st thru March 31st, we received 20 complaints regarding appraisals. This is lower than last years average of almost nine complaints per month. In this same time frame, there have been 27 cases resolved. Of those, 17 (63%) were found to have no violations of standards or laws; 6 (22%) received a Letter of Concern (official warning letter, that is non-disciplinary); 3 (11%) were settled with some education assigned to correct the issue for the future; 1 (4%) was placed on probation; and 0 (0%) of the complaints resulted in the revocation of the appraiser’s license. On average it took 179 days from the date the complaint was received until the date it was resolved or closed. The number of days it takes to resolve a case varies by the complexity of the case. For more complaint statistics please see page 9.

Real Estate Appraisal Applications	
New Applications Received:	104
Issued by Category:	
New AMC Registrations:	2
Registered Trainee:	19
Licensed Residential:	1 new/6 reciprocal
Certified Residential*:	3 new/6 reciprocal
Certified General*:	5 new/16 reciprocal
Temporary Practice:	27
Property Tax Agent:	19

The above statistics represent applications received from January 1st - March 31st, 2017. It does not include the number of applications received for renewal.

ABOUT AZDFI

Consumer Affairs Division

From January 1st through March 31st of 2017, the Consumer Affairs Division received 128 complaints. The Department recovered \$55,274 for consumers during this same period of time. The Department wants Arizona residents to be aware of the following general guidelines.

- Protect your personal information. Do not give out your social security number, credit card information or banking information to strangers.
- Do not pay debt or fees with wire transfers or with gift cards. Payments made via wire transfer or gift cards are untraceable payments.
- Never prepay a fee, insurance premium, or an upfront payment in order to get a loan.
- An arrest warrant will not be issued for a debt you owe. Unpaid debt is considered to be a civil matter, not a criminal matter.
- If you are contacted about a debt you are not aware of, you have a right to ask for debt validation and/or dispute the debt in writing.
- Be aware of unlicensed internet lenders. If you are defrauded by an internet lender, it may be extremely difficult to recover your money. This is particularly true if the company is based outside the United States. Before you get a loan, check to see whether the lender is licensed in the State of Arizona.
- Before you sign a loan agreement, make sure you understand and agree to all the loan terms, especially the interest rate, any prepayment penalty and fees.

Money Services Businesses

Collection Agencies: If you use fictitious names you need to file a report with the Department. Collection Agency fictitious name reports are due on July 1st and on December 31 of each year. You may find additional information at

http://azdfi.gov/Licensing/Licensing-FinServ/Forms/FE-LC-FM-CA-Fictitious_Names_Report.pdf

New applicants and existing licensees are able to submit applications, renewals and transition filings through NMLS. Even though it is not required to submit these records through NMLS, the Department highly encourages the use of NMLS for quicker and more efficient processing of new applications, branch applications, renewals and requested changes.

Money Transmitters: A check cashing business does not require its own money transmitter license if the company is a registered authorized delegate of a licensed Arizona money transmitter.

Sales Finance Company: As a reminder, a title lending company is subject to the following maximum finance rates on a secondary motor vehicle finance contract.

Loan Amount	Monthly Finance Rate	APR
\$500 or less	17%	204%
\$501 - \$2,500	15%	180%
\$2,501 - \$5,000	13%	156%
\$5,000+	10%	120%



A Word to Escrow Agents

Dear Escrow Agents:

Just a friendly reminder that your current escrow rates need to be updated with the Department prior to implementation.

Also, please be aware of the required reports due dates below. If these reports are not filed timely, it will result in a \$25 per day late fee until received. Our examiners utilize these reports when preparing for scheduled examinations.

Semiannual Financial and Escrow Report: Due 2/14 and 8/15 each year.

Annual Audited Financials: Due 120 days after the end of the escrow agent's fiscal year

Please visit our website to access the escrow rate filing forms and semi-annual forms and instructions at:
<http://azdfi.gov/Licensing/Licensing-FinServ/EA/EA.html>

Following the Money

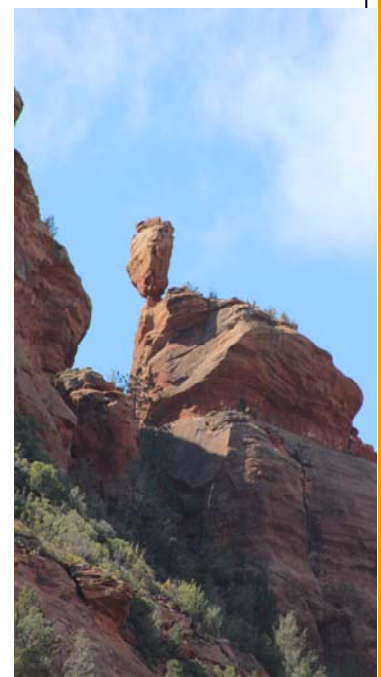
The budget for FY2018 is still being negotiated at the legislature at the time of this publication. The information shown below is our department budget information for this current fiscal year and last year.

Appropriated Budget Resources

	FY 2017	FY 2016
General Fund	2,978,200	3,008,000
Financial Services Fund 1/	1,453,000	1,457,700
Real Estate Appraisal Fund 2/	815,100	821,400
Total Appropriation	5,246,300	5,287,100

1/ Financial Services Fund: Under A.R.S. Title 6, Chapter 9, Article 4, any person acting as a loan originator was required to obtain licensure from DFI beginning July 1, 2010. This new law also provided a financial structure that allows the Loan Originator licensing program to be self-sustaining and minimize support from the General Fund. The monies in this fund - which are subject to annual legislative appropriation - fund the supervision and regulation of loan originators.

2/ Real Estate Appraisal Fund: The FY 2016 Agency Consolidation Budget Reconciliation Bill (Laws 2015, Chapter 19) merged the State Board of Appraisal into DFI effective July 3, 2015. Under the merged entity, a separate Real Estate Appraisal Division was established and the Real Estate Appraisal Fund (formerly the Board of Appraisal Fund) was retained. The monies in this fund - which are subject to annual legislative appropriation - fund the activities necessary to carry out A.R.S. Title 32, Chapter 36, Real Estate Appraisal.



JUST THE FACTS



Last year there were 12,063 bills introduced in the U.S. Congress. Of those only 3% made it into law. In Arizona, here are the numbers from last year's session and our current year:

2017: 53rd Legislature
 Bills Posted: 1057
 Bills Passed: 154 so far
 Bills Vetoed: 4

Appraisal National Exam Results

National results showed 175 applicants passed the exam in 2016. This is an increase over 2015 when 169 took and passed the exam.
 9 Arizona candidates took the exam between January 1st and March 31st, 2017. Of those:
 6 passed on the first attempt
 2 passed on the second attempt.
 1 has not passed as of yet



2016: 52nd Legislature
 Bills Posted: 1247
 Bills Passed: 388
 Bills Vetoed: 14
 Total Days of Session: 117

Mortgage Broker Test Stats 3/29/17

The latest test revealed a 75% pass rate.

Test Date:	3/29
Total tested:	20
Total that passed:	15
Total that failed:	5
Least amount of questions missed:	18
Most amount of questions missed:	45



Complaints

The Consumer Affairs Division received **377 complaints** from the beginning of the fiscal year on July 1st, 2016 to March 31, 2017.

Banks	6
Credit Union	39
Collection Agency	151
Consumer Lender	6
Debt Management	1
Escrow Agent	43
Money Transmitter	12
Mortgage Banker	53
Mortgage Broker	10
Sales Finance Company	56

In addition to the above numbers, the Department received complaints in the same time period against:

Appraisers	69
Appraisal Management Companies	11
Property Tax Agents	0



To promote excellence in strong consumer protection, effective regulatory oversight, and exceptional customer service.



About DFI

Our Mission

To license, examine, and supervise Financial Institutions, in compliance with State law, to ensure safety for the Arizona consumer and soundness for the Arizona business.

Our Vision

To promote excellence in strong consumer protection, effective regulatory oversight, and exceptional customer service.

Our Goals

- To conduct a professional, efficient and effective examination program, meeting statutory requirements and ensuring licensees operate in a safe and sound manner and comply with all applicable laws.
- To create new strategies to keep pace with the changing financial services industry.

Our Strategies

- A thorough investigation of the applicants for all permits and licenses issued by the Department at the speed of business.
- An ongoing program of examination of licensees to determine the safety and soundness of their operations and to identify those licensees with serious financial or operational problems.
- Ensuring that management of the licensees initiate timely and effective corrective action by complying with Arizona Statutes and Rules.

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