Arizona Department of Insurance and Financial Institutions

SEMI - ANNUAL FINANCIAL INSTITUTIONS DEPARTMENT NEWS

July 27, 2020

Ducey appoints new director of Arizona Department of Insurance and Financial Institutions

The Governor's Office issued the press release below on July 10, 2020:

Gov. Doug Ducey announced the appointment Friday of Evan Daniels as the new director of the Arizona Department of Insurance and Financial Institutions. Mr. Daniels currently serves as the Unit Chief Counsel of the Technology, Innovation and Privacy Unit at the Office of the Arizona Attorney General.

"As an expert in state and federal law, Evan has extensive experience in managing and leading staff, as well as in the fields of contract development, consumer protection, data privacy, and more," Mr. Ducey stated in a release. "Through his time at the Attorney General's Office, Evan has spearheaded the state's innovative regulatory approach to fintech that's brought new companies and jobs to our state. I'm thankful for his willingness to serve Arizonans in this important role, and I look forward to working together to ensure Arizona returns stronger from this pandemic and its economic impact."

The national search for a new director began in February after former Director Keith Schraad left his post for an opportunity in the private sector, according to the release. Christina Corieri, Mr. Ducey's senior policy advisor, has served as interim director during the search.

"I'm grateful for this opportunity to lead the Arizona Department of Insurance and Financial Institutions," Mr. Daniels stated. "It's a critical time for financial services and insurance, especially those servicing health care. I look forward to leading a team focused on protecting Arizonans and their businesses and providing regulatory certainty that promotes strong and competitive insurance and financial services marketplaces."

In Mr. Daniels' current role, he manages a team supporting consumer protection in litigation, investigations, and in providing subject matter expertise, including oversight of Arizona's first-in-the-nation regulatory "sandbox" for fintech following the passage of legislation in 2018.

The program has enabled startups and entrepreneurs to launch financial services products on a limited, temporary scale in Arizona without incurring the regulatory costs and burdens that otherwise would be imposed while ensuring customer protection, the release states. Arizona's program has been recognized as a national model, which other states have looked to in creating similar programs.

Mr. Daniels also has served as Unit Chief Counsel of the Government Accountability Unit, Assistant Attorney General of the Government Accountability and Special Litigation Unit, and Assistant Attorney General of the Consumer Fraud Litigation Unit. He has served at the Attorney General's Office since 2015. Prior to that, he worked at the Arizona Court of Appeals from 2013 to 2015.

The Arizona Department of Insurance and Financial Institutions used to be two separate departments. But as of July 1, 2020, it is now one agency.

In This Issue

Introducing the Arizona Department of Insurance and Financial Institutions (DIFI)!

- Scott Greenberg, Interim Deputy Superintendent of Financial Institutions

During the past two years, Arizona policymakers enacted legislation to combine the Department of Financial Institutions (DFI) and the Arizona Automobile Theft Authority (AATA) with the Department of Insurance (DOI), creating a new **Department of Insurance and Financial Institutions (DIFI)**. During the past fiscal year, the DOI director and deputy director were appointed to also lead the DFI, allowing them to coordinate merger planning and implementation.

All three of the combining agencies collaborated on strategy, vision and priorities; consolidated its administration and technology teams; have been working on a new-and-improved website (difi.az.gov) and a wide array of other consolidation issues; and, have been benefitting from more diverse perspectives and ways of getting things done.

We're accomplishing all of this while in the midst of a global pandemic, which challenged us to immediately reform our operations to be administered remotely and to rapidly respond with assistance to address coronavirus-induced concerns from insurance and financial services consumers and industry members. Now, we are like a phoenix, emerging from the fiery challenges we surmounted and leaning forward together to fulfill our new mission and realize our new vision:

- **Mission:** To help Arizonans receive the benefits and protections to which they are legally entitled by enforcing insurance and financial institution laws and by providing information and assistance, and to combat vehicle theft.
- **Vision:** Safe, innovative, competitive, and readily available financial and insurance products and services with minimal regulatory and taxpayer burdens.

Licensing Division

The Licensing Division of the Department of Insurance and Financial Institutions remains open for business, even as our staff are all currently teleworking. During this challenging time our staff are still available to assist applicants and licensees obtain the information that they need in order to apply for and renew their licenses. In fact, financial enterprise license and renewal applications in April and May of 2020 have had the quickest processing times for fiscal year 2020.

Licensing Division (cont.)

INFORMATION ELEMENT	February 2020	March 2020	April 2020	May 2020
Number of non-NMLS financial enterprise license/renewal applications processed	904	942	711	1,021
Average calendar days to process non-NMLS financial enterprise license/renewal applications	4.9	6.7	1.9	2.0

Over the next few months the following license types will become available for renewal. The license renewal window opens 30-45 days prior to the renewal deadline. Please keep an eye out for renewal notifications as they become available.

- Collection Agencies - licenses must be renewed no later than January 1st.
- Commercial Mortgage Bankers - licenses must be renewed by December 31st.
- Commercial Mortgage Brokers – licenses must be renewed on or before December 31st.
- Escrow agents – licenses must be renewed no later than September 30th.
- Loan Originators - licenses must be renewed on or before December 31st.
- Mortgage Bankers - licenses must be renewed on or before December 31st.
- Mortgage Brokers – licenses must be renewed on or before December 31st.
- Money Transmitters – licenses must be renewed on or before November 1st.
- Premium Finance Companies – licenses must be renewed prior to December 31st.

Legislative Update

The 2020 54th Legislature, 2nd Regular Session, adjourned on May 26th, at 11:21 AM. This session, there were a total of 1,607 bills posted of which 90 bills were passed by the Legislature. The Governor signed all 90 bills. No bills were vetoed this session.

The only piece of legislation that affected the Department this session is the passage of S1293 – Department of Insurance and Financial Institutions Omnibus bill. This bill made numerous changes to statutes relating to the merger and renaming of the agency and further conforms statutes to Laws 2019, Chapter 252. It became effective July 1, 2020.

A detailed list of all the changes in Title 6 will be posted on the Department's website in the next couple of weeks.

If you have any legislative questions, please contact **Stephen Briggs at Stephen.Briggs@difi.az.gov**

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.

FINANCIAL SERVICES DIVISION

REPORTING NOTICES

Please see the Required Reports for Financial Services Licensees listed below. Please visit our website to access the guidelines, forms, and instructions.

ESCROW AGENTS:

Escrow Rate Filing: Approval required prior to implementation

Semiannual Financial and Escrow Report: Due 2/14 and 8/15, $25 late fee per day until received

Annual Audited Financials: Due 120 days after the end of the escrow agent's fiscal year, $25 late fee per day until received

Examples: 12/31 Fiscal Year End, due date is 4/30, except leap year is 4/29

6/30 Fiscal Year End, due date is 10/28

Please visit our website to access the annual audit guidelines, escrow rate filing forms, and semi-annual forms and instructions.

DEBT MANAGEMENT:

Annual Report: Due 8/15, $5 late fee per day until received

PREMIUM FINANCE:

Annual Report: Due 2/1, $25 late fee per day until received

CONSUMER LENDER:

Annual Report: Due 10/1, $5 late fee per day until received

Consumer Rate of Charge Report: Due 10/1 and within thirty days after effectuating a change

MONEY TRANSMITTER:

Fiscal Quarterly Report: Due within forty-five (45) days after the end of each fiscal quarter, as follows:

For Quarter Ending	No Later Than
March 31	May 15
June 30	August 14
September 30	November 14
December 31	February 14

COLLECTION AGENCY:

Fictitious Name Report: Due 7/1 and 12/31

FINANCIAL SERVICES DIVISION (CONT.)

AMC National Registry

Title XI of FIRREA requires the Appraisal Subcommittee (ASC) to maintain the Registry of AMCs that are either registered with and subject to supervision of a participating State or are operating subsidiaries of a Federally regulated financial institution. Title XI further requires States to transmit reports involving AMC investigations resulting in disciplinary action. As of the 2021 license renewal cycle, the Department will begin annual collection and transmission of AMC registry fees and reporting of any disciplinary actions to the registry. Those AMCs subject to the reporting requirements of the ASC will be notified by the Department of the upcoming compliance dates.

Information about the AMC National Registry, as well as license status, and disciplinary actions can be found on the ASC's website: https://www.asc.gov/National-Registries/NATREGAMC.aspx

★ !REMINDER! Appraisers: Setting up Accounts in eLicensing !REMINDER! ★

Many appraisers are renewing in August this year. If you have not yet set up an account in the Department's e-Licensing portal you will need to do so before submitting a renewal application. The portal provides the ability to update contact information, submit a service request, and renew or apply for a new license. The Department emailed all licensees in March 2019 with instructions on how to set up an account and a password. Go to: https://elicense.az.gov/. Using the information provided in the email, set up a password for your account by clicking on "Login/Create Your Account"; then, "I Have a License". The next screen will ask for a security code. Retrieve your personal code from the email. After you create a login with a passcode, this security code will no longer be valid.

If you have any difficulties, please contact the Department at licensing@difi.az.gov and we will be happy to assist you in setting up your account. ★ PLEASE DON'T WAIT UNTIL THE LAST MINUTE TO START THE RENEWAL PROCESS.

APPRAISER COMPLAINT STATISTICS

	2020/JAN	2020/FEB	2020/MAR	2020/APR	2020/MAY	2020/JUN
# of Appraiser Complaints Rec'd	2	6	5	2	9	8
The following actions were adjudicated:						
Dismissed/ "Closed"	0	0	0	1	1	0
Letter of Concern, Non-Disciplinary, Level 1	3	0	0	2	1	2
Order for Additional Education, Non-Disciplinary, Level 1 or 2	2	6	4	1	1	2
Order for Additional Education, Disciplinary, Level 2	0	0	0	0	0	0
Order for Additional Education, Disciplinary, Level 3	0	0	0	0	0	0
Order for Probation, Disciplinary, Level 3	0	0	0	0	0	0
Order for Suspension, Disciplinary, Level 4	0	0	0	0	0	0
Order for Voluntary Surrender, Disciplinary, Level 5	0	0	0	0	0	0
Order for Revocation, Disciplinary, Level 5	0	0	0	0	0	0
Order for Cease & Desist	0	0	0	0	0	0
Informal Meeting (# of Complaints)	3	0	0	2	1	0
Formal Hearing (# of Complaints)	0	0	0	0	0	0

Mortgage Lending Division

If you are a homeowner facing financial hardship as a result of COVID-19, there are several mortgage relief options available to you.

While forbearance is one of the most common options when you cannot make your monthly payment, payment deferral is now being offered to homeowners once they have resolved their COVID-19-related hardship.

What is COVID-19 Payment Deferral?

The recently announced COVID-19 Payment Deferral solution returns a homeowner's monthly mortgage payment to its pre-COVID amount by adding up to 12 months of missed payments to the end of their mortgage term without accruing any additional interest or late fees. This will ensure your mortgage is current once you are back on your feet and when other options, such as a repayment plan, are not feasible.

How do I know if I am eligible?

COVID-19 Payment Deferral became available to homeowners with Freddie Mac loans on July 1, 2020, at which time your servicer will begin evaluating your eligibility. Your servicer will contact you about 30 days before the initial forbearance plan is scheduled to end to determine which Freddie Mac assistance program is best or if additional forbearance is needed.

How will COVID-19 Payment Deferral affect my mortgage payments?

With the COVID-19 Payment Deferral, you essentially return to making your regular mortgage payments and the maturity date, remaining term, interest rate, and payment schedule will remain unchanged once you do so. The deferred payments will be due at the end of the loan, such as when your loan is paid off, refinanced, or your home is sold. Payment deferral will not prevent you from being eligible for a Freddie Mac modification if mortgage relief is needed in the future.

If you are experiencing financial challenges due to COVID-19, contact your loan servicer – the company that you send your monthly mortgage payments to – so you can explore which of the workout options is best for your situation.

In addition, the Bureau of Consumer Financial Protection (Bureau) is amending Regulation C to increase the threshold for reporting data about closed-end mortgage loans, so that institutions originating fewer than 100 closed-end mortgage loans in either of the two preceding calendar years will not have to report such data effective July 1, 2020. The Bureau is also setting the threshold for reporting data about open-end lines of credit at 200 open-end lines of credit effective January 1, 2022, upon the expiration of the current temporary threshold of 500 open-end lines of credit.

The Credit Union Division

Those Important Plans We All Talk About

Our Credit Union Examiners regularly conduct risk-focused examinations to assess the cooperatives' financial strength and health. Examiners also review compliance with regulatory areas that are evolving. The recent challenges provide opportunities to review Business Continuity Plans, Disaster Recovery Plans, and Business Resumption Plans.

Here are some fundamental parts within Business Continuity Plans:

- Focuses on the organization
- Responsible parties
- Identification of main contacts
- Critical business functions
- Member services
- Resources available or are needed
- Training needs
- Develops plans for departments and branches, including temporary measures

Here are some fundamental parts within Disaster Recovery Plans:

- Procedures for I.T.
- Communications with staff, members and vendors
- Connectivity of systems
- Preservation of records
- Restoration of backups
- Recovery timeframes
- Testing

Here are some fundamental parts within Business Resumption Plans:

Recovery procedures
Projected timeframes
Updated communications with staff, members, and vendors

Reasonable preparation for our financial industry remains important. Flexibility helps to implement changes as conditions evolve. Finally, the proper management and appropriate responses to disruptions or threats helps everyone work through unusual or difficult situations.

Bank and Trust Company Division

The Lending to Continuing Care Retirement Communities (CCRCs)

Historically, continuing care retirement community (CCRC) lending was predominantly conducted at large banks. However a growing number of community banks have recently become involved in providing financing to senior care facilities as the number of facilities have increased to meet the demands of an aging U.S. population. In addition, bankers are becoming more knowledgeable about providing financial services to investors of CCRCs. Credit extension to this sector can be profitable and beneficial if the associated risks are identified and managed.

Because loans secured by a CCRC are in the commercial real estate space, these loans have the same credit requirements as loans secured by other providers of housing services, such as developers and operators of multifamily homes. However, loans to CCRCs are different from traditional housing finance options in several important ways. First, Medicare and Medicaid regulations do not permit assignment of receivables to a lender in the event of a default for bankruptcy. Second, financing a CCRC is complex because actuarial principles for the length of residents' occupancy are used for planning and pricing. Third, a disruption in cash flow assumptions of a facility may occur if reimbursement is required for individuals' entrance to secure housing or when an individual unexpectedly vacates the premises.

Other factors that may impact the cash flow of CCRC are charitable contributions and investment income, which tends to fluctuate with economic cycles and volatility in the stock market and could also be subject to restricted use. Furthermore, as part of its mission, a CCRC may provide benevolent care to residents who run out of funds. The level and duration of such care have to be factored in when evaluating the financial condition of the CCRC.

The CCRC industry is highly dependent on personal wealth and government assistance. For most retirees, their home is their single largest asset. Seniors are likely to sell their homes to meet the entrance fee requirement for the CCRC contact. Because of this, underwriting guidelines should include an analysis of the residential housing market within the footprint where the CCRC is being marketed. Additionally, economic downturns tend to have an adverse effect not only on the residential real estate market but also on the stock and bond markets and consumer sentiment. As a result, demand fluctuations are common in the industry. CCRCs are also subject to the same economic changes that affect the general U.S. economy, such as access to capital, a skilled labor force, and general economic trends and conditions.

AZDIFI TEAM CONTACT INFORMATION

ADDRESS
Arizona Department of Insurance and Financial Institutions
100 N. 15th Avenue, Suite 261
Phoenix, AZ 85007-2630

PHONE
Main: (602) 771-2800
Toll-free: (800) 544-0708

BUSINESS HOURS
Mondays - Fridays, 8 AM - 5 PM (except state-observed holidays)

ADMINISTRATION
Employment (602) 364-2457

FINANCIAL ENTERPRISES
Examinations (602) 771-2800
financial@difi.az.gov

FINANCIAL INSTITUTIONS
Examinations (602) 771-2800
financialinst@difi.az.gov

FINANCIAL SERVICES CONSUMER ASSISTANCE
Complaints about financial enterprises and real estate appraisers
(602) 771-2800
Financial enterprise questions/complaints:
consumeraffairs@difi.az.gov
Real estate appraiser questions/complaints:
reainfo@difi.az.gov

LICENSING
(602) 364-4457 or
(877) 660-0964 (In Arizona but outside the Phoenix area) or
licensing@difi.az.gov

PUBLIC INFORMATION OFFICER
Mr. Stephen Briggs
stephen.briggs@difi.az.gov
(602) 364-3761

TECHNOLOGY SERVICES
(602) 364-2983

azstatejobs
A greater state of opportunities! .gov