



# Arizona Department of Financial Institutions

## MEET OUR NEW SUPERINTENDENT!

July 1, 2019

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In March 2019, Governor Doug Ducey appointed **Keith Schraad** to serve as Interim Superintendent of the Arizona Department of Financial Institutions (AZDFI), while also serving as the Director of the Arizona Department of Insurance (ADOI).

Keith came to the State of Arizona with over 25 years of private- and public-sector experience in the areas of insurance, healthcare, technology and government.

During his term as President and CEO of Online Insurance Corporation (2008-2015), Keith helped developed solutions for insurance companies and health care professionals that streamlined their customer service operations and improved their interfaces with government.

Formerly from Kansas, Keith served in the Kansas Senate from 1996 to 1998, where he was Vice Chairman of the Judiciary Committee. He was also Vice President of a government technology company, where he worked with states to improve the delivery of government services.

### ADMINISTRATION

During the 2019 legislative session, Arizona enacted [Senate Bill \(SB\) 1469](#), which consolidates the AZDFI with the ADOI, and the Arizona Automobile Theft Authority into a new **Arizona Department of Insurance and Financial Institutions (ADIFI)** effective July 1, 2020. The agencies have already begun working together to unify operations in a way that promotes efficiency and delivers high-quality, responsive service to all our customers and stakeholders.

In March 2019, AZDFI implemented its new Salesforce licensing and regulatory system, which makes Arizona's **eLicense** portal (<https://elicense.az.gov>) available to financial services industry members who are not able to use the Nationwide Multistate Licensing System & Registry (NMLS) to apply for, update and renew licenses, submit required filings, and pay fees. It also makes the eLicense portal available to Arizona citizens and businesses for looking up information about licensees and for filing complaints. The system has already significantly accelerated our license application review process. Like with any new system implementation, we have already found things that could have been configured better, and we are working with our business partners to make the system even better.

In December 2018, AZDFI transitioned its internet website ([www.azdfi.gov](http://www.azdfi.gov)) to a new platform, giving it a new look and feel, and making it easier to maintain. As part of the agency

## LEGISLATION

The 2019 54<sup>th</sup> Legislature, 1<sup>st</sup> Regular Session, adjourned on May 28<sup>th</sup>, at 12:58 AM. There were a total of 1,318 bills posted of which 331 bills were passed by the Legislature. The Governor signed 320 bills into law and vetoed 11.

The Department supported the passage of [SB 1333](#) this session, introduced by Senator Mesnard. This bill was introduced in response to feedback the Department received from the Appraisal Subcommittee (ASC) during our annual accreditation review. SB 1333 passed unanimously through both the Senate and House before being signed by the Governor on March 22<sup>nd</sup>.

As previously mentioned, [SB 1469](#) consolidates AZDFI with ADOI and the Arizona Automobile Theft Authority starting July 1, 2020.

If you have any legislative questions, please contact **Stephen Briggs** at [sbriggs@azdfi.gov](mailto:sbriggs@azdfi.gov)



### Our Mission

- ◆ To protect and foster the success of Arizona citizens and businesses by promoting a strong, diverse, safe and vibrant financial services marketplace.

### Our Vision

- ◆ Making safe and innovative financial services easy to offer in Arizona.

### 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.

## LICENSING & CONSUMER AFFAIRS

### Money Transmitter Update

AZDFI licensed money transmitters can now use Arizona’s e-License portal to add, terminate, pay for, and view all authorized delegate certificates anytime throughout the year. For instructions on how to use this new feature, please click [here](#).

### Information for Upcoming Renewals

Before submitting your license renewal through Arizona’s e-License portal, a company must first register an account and link its user account to your AZDFI license. Please click [here](#) for instructions.

If your company has already set up an account through e-License and linked your company license to your account, please click the license type below for renewal information and instructions.

Renewal Information and Instructions	Renew by
<a href="#">Escrow Agents</a>	September 30, 2019
<a href="#">Money Transmitters</a>	November 1, 2019

### Collection Agency and Premium Finance Licensees

Collection agency and premium finance licensees that have chosen to manage its license through the Nationwide Multistate Licensing System & Registry (NMLS) must use the NMLS to renew its Arizona license. If you manage your license through Arizona’s e-License portal, you must use eLicense to renew your Arizona license. Please click the license type below for renewal information and instructions.

Renewal Information and Instructions	Renew by
<a href="#">Collection Agency</a>	January 1, 2020
<a href="#">Premium Finance</a>	December 30, 2019

## LICENSING & CONSUMER AFFAIRS (CONT.)

### Important Information for NMLS Licensees

Due to AZDFI's e-License implementation, all [Arizona financial services licensees](#), except the mortgage industry are required to renew AZDFI licenses through Arizona's e-License portal. Even if you manage your AZDFI license through the NMLS, you still need to submit your AZDFI license renewal through Arizona's e-License. Please click [here](#) before submitting an online renewal application.

### NMLS Renewal Information

All mortgage banker, commercial mortgage banker, mortgage broker, commercial mortgage broker, and mortgage loan originator, collection agency, and premium finance licensees are required to submit its renewal through the NMLS. The AZDFI recommends all mortgage licensees review the detailed instructions found on the [NMLS Resource Center](#) carefully. Please click the license type below for renewal information and instructions.

Renewal Information and Instructions	Renew by
<a href="#">Commercial Mortgage Banker</a>	December 31, 2019
<a href="#">Commercial Mortgage Broker</a>	December 31, 2019
<a href="#">Mortgage Banker</a>	December 31, 2019
<a href="#">Mortgage Broker</a>	December 31, 2019
<a href="#">Mortgage Loan Originator</a>	December 31, 2019

### Consumer Affairs

We are here to help. AZDFI's Consumer Affairs Division is responsible for reviewing and processing all complaints filed against entities licensed with the Department. All complaints are forwarded to the licensee with a requirement to respond to the complaint within ten days. Failure to respond may subject the licensee to administrative action, including a cease and desist order with a civil money penalty.

Also, the Consumer Affairs Division processes complaints filed against entities transacting business in Arizona that may require licensure by the Department. Each company doing business in Arizona must obtain the appropriate license before conducting business in Arizona.

The Consumer Affairs Division now accepts complaints through our e-License portal. Please click [here](#) to file a complaint with the AZDFI. The Department reviews all submitted complaints to ensure compliance with all applicable laws and rules.

A list of license types and the various lists of active licensees can be obtained [here](#). Please ensure to click either the 'Individuals' or 'Business' link and select Arizona Department of Financial Institutions under "Board" before your search.

The AZDFI's website provides information on consumer education, protection, and other resources that can be helpful to bankers, organizations, and consumers of all ages. The AZDFI's website also provides information for financial literacy and foreclosure help. If you would like to review these resources, please click [here](#).

FINANCIAL SERVICES DIVISION

Reminder for Consumer Lenders:

Consumer Lenders Rate of Charge Report due dates:

- Upon licensing - newly licensed consumer lenders should submit the rate of charge report once their license is approved.
- Annually on or before 10/1 along with the annual report
- Within thirty days after effectuating a change in the standard rate of charge for any of the types of loans described in the report

Did you know the rate of charge reports are combined for all consumer lender licensees and can be found on our website under the Public Information link? The combined rate of charge report is updated quarterly and posted to our website.



	Renewal	Report Due	Semi-Annual Report
Collection Agencies	December 31	N/A	Fictitious Name Report: July 1 and December 31
Consumer Lenders	June 30	Annually–October 1	N/A
Debt Management Companies	June 30	Annually–August 15	N/A
Escrow Agents	September 30	Annually– April 30	August 15 & February14
Money Transmitters	October 31	Quarterly–See A.R.S. 6-1211	N/A
Premium Finance Companies	December 31	Annually–February 1	N/A
Sales Finance Companies	June 30	N/A	N/A

FINANCIAL SERVICES DIVISION (CONT.)

The following chart is a month by month breakdown of how appraisal complaints have been adjudicated in the prior six months. The very top row shows how many complaints were received in the given month. These numbers are not connected in any way to the numbers of complaints adjudicated found in the next section of the chart. It takes several months (sometimes up to a year) to adjudicate a complaint from the date it is submitted to the date it is adjudicated. This is based on many factors, including, but not limited to, the case load and, for complaints where violations are found, the consent agreement process between the Department and the Respondent. The breakdown shows the various outcomes for a complaint and the outcomes for the complaints that were adjudicated that month. At the bottom, there are two rows which show how many informal meetings or formal hearings took place for that month. Again, these numbers are unrelated to the top two sections.

<u>Appraiser Complaints</u>	2019/JAN	2019/FEB	2019/MAR	2019/APR	2019/MAY
# of Appraiser Complaints Filed*	5	4	3	7	4
The following actions were adjudicated**:					
Dismissed/ "Closed"	3	1	4	4	0
Letter of Concern, Non-Disciplinary, Level 1	0	1	2	2	1
Order for Additional Education, Non-Disciplinary, Level 1 or 2	0	2	1	0	1
Order for Additional Education, Disciplinary, Level 2	0	0	0	0	0
Order for Additional Education, Disciplinary, Level 3	0	0	0	0	0
Order for Probation, Disciplinary, Level 3	0	0	0	0	0
Order for Suspension, Disciplinary, Level 4	0	0	0	0	0
Order for Voluntary Surrender, Disciplinary, Level 5	0	0	0	0	0
Order for Revocation, Disciplinary, Level 5	0	0	0	0	0
Order for Cease & Desist	0	0	0	0	0
Informal Meeting (# of Complaints)	0	3	1	0	0
Formal Hearing (# of Complaints)	0	0	0	0	0

## MORTGAGE LENDING DIVISION

The mortgage industry is constantly changing, with new regulations and rules, trend changes, and economy adjustments. All these changes affect both the industry and consumers alike. One such change has been the increase in Arizona conventional, FHA, and VA loan limits, making it the third consecutive year that conventional loan limits have increased. Across the nation, it is still considered to be a seller’s market, meaning there are more would-be-buyers than available homes for sale. That being said, with a higher demand than supply, housing prices are expected to continue to rise as well as mortgage rates.

In other news, per the NMLS Renewal Recap and Q1 Activity that went out on May 28, in 2019, state-licensed Mortgage Loan Originators (MLOs) are experiencing a net annual decline, mortgage refinance volumes declined, interest rates increased, and purchase volume has increased. Per data collected by the NMLS, the number of MLOs entering NMLS has declined by 26% since Q1 of 2018 and the total number of licensed MLOs has decreased by 4.8% in 2019.

Arizona Mortgage Industry as of June 12nd, 2019	
Number of Licensees:	
Mortgage Entities	1,105
Branches	5,367
Mortgage Loan Originators	16,221

The Mortgage Lending Division created a new mortgage broker test, which is now being offered monthly (First Thursday of every month) and a new mortgage broker handbook that is available on our website at [www.azdfi.gov](http://www.azdfi.gov). Registration for the mortgage broker test is available online 24 hours a day, 7 days a week at <https://elicense.az.gov>. The registration deadline is no later than two (2) days prior to the test date.

### **2019 MORTGAGE BROKER TEST DATES**

<b>**Friday, July 5, 2019</b>
Thursday, August 1, 2019
Thursday, September 5, 2019
Thursday, October 3, 2019
Thursday, November 7, 2019
Thursday, December 5, 2019

## The Credit Union Industry

### A Look At Trends In Transition:

As required by statutes and regulations, the AZDFI continues to supervise its state-chartered credit unions to evaluate their financial conditions. Examiners regularly conduct risk-focused examinations to assess the cooperatives' financial strength and health. Examiners also review compliance with regulatory areas that are evolving, such as 2018's Customer Due Diligence directive (31 CFR 1010.230) and the Home Mortgage Disclosure Act reporting requirements with updated partial exemptions.

#### The question may arise - what else is evolving?

Let's begin by covering some areas that principally remain constant: Credit unions are member-owned cooperatives offering reasonable rates on depository and lending products and services; members, as owners, can influence the running of the credit union via their membership vote; possible dividends paid to members from investments made; financial education programs; and the protection of depository insurance coverage of up to \$250,000 per depositor.

Now let's look at potential changes that may affect future financial capacities: New financial tools for members; new technologies that digitally stream transactions faster or instantaneously; data analytics to assess cost effective programs as well as to align offerings in more meaningful manners; culture shifts when innovation occurs in market products, such as through the 'internet of things' when consumers purchase 'smart' devices, 'smart' living spaces or driverless vehicles.

Some of the new technologies may take time to implement. However, as those trends in innovation develop, the credit union industry can continue to strengthen its data security, reconfigure delivery channels, and update staff knowledge so that members can communicate with insightful, proactive advisors.

## ARIZONA FUN FACTS

The saguaro cactus blossom is the official state flower.

The white flower blooms on the tips of the saguaro cactus during May and June.

The saguaro is the largest American cactus.



## BANK AND TRUST COMPANY DIVISION

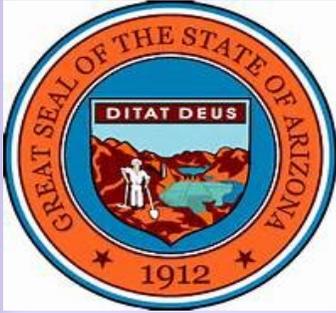
Accounting changes are going to affect financial institutions in the next eighteen months. This is particularly true with regard how financial institutions recognize and measure for credit losses for loans and debt securities.

The **Current Expected Credit Loss** model (CECL) is the new accounting model FASB (Financial Accounting Standards Board) has issued for the recognition and measurement of credit losses for loans and debt securities. **CECL** is a new accounting standard that will change how financial institutions (i.e. banks, credit unions) account for expected credit losses. CECL replaces the current standards for loss accounting – commonly known as FAS-5 and FAS-114.

The deadline to implement CECL varies. Public business entities (PBE) that are SEC filers must adopt CECL guidelines for fiscal years beginning after **December 15, 2019**. All other public business entities (PBE) must adopt CECL guidelines for fiscal years beginning after **December 15, 2020**.

Financial institutions throughout the nation and Arizona began preparing for this change over the past year, in anticipation of its implementation deadline. Some of the preparation has come through communicating with their external auditor, revising and identifying the systems and reports that provide needed information, and establishing an implementation committee. Since the implementation date is still off in the future; it is unknown what impact the accounting change will have, but state and federal regulators have held discussions with senior management, in order to gauge their implementation success.





## DFI MANAGEMENT

### 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.



**Stephen Briggs**  
 Legislative  
 Liaison/Ombudsman  
 602-771-2770  
[SBriggs@azdfi.gov](mailto:SBriggs@azdfi.gov)

**Scott Greenberg**  
 Interim Deputy  
 Superintendent  
 AZDFI  
 602-364-3764  
[sgreenberg@azdfi.gov](mailto:sgreenberg@azdfi.gov)

**Keith Schraad**  
 Superintendent  
 AZDFI  
 602-364-3100  
[KSchraad@azinsurance.gov](mailto:KSchraad@azinsurance.gov)

**Marie Corral**  
 Division Manager  
 Credit Union Division  
 602-771-2826  
[MCorral@azdfi.gov](mailto:MCorral@azdfi.gov)

**Gabriela Macias**  
 Division Manager  
 Mortgage Lending  
 Division  
 602-771-2800  
[GMacias@azdfi.gov](mailto:GMacias@azdfi.gov)

**Tammy Seto**  
 Division Manager  
 Financial Services Division  
 602-771-2777  
[TSeto@azdfi.gov](mailto:TSeto@azdfi.gov)

**Lola Duncan**  
 Administration  
 Manager/IT  
 Administration and IT  
 Division  
 602-771-2781  
[LDuncan@azdfi.gov](mailto:LDuncan@azdfi.gov)

**Mark Murphy**  
 Division Manager  
 Licensing and Consumer  
 Affairs Division  
 602-771-2810  
[MMurphy@azdfi.gov](mailto:MMurphy@azdfi.gov)

**Susan Zimmerman**  
 Information Technology  
 Manager  
 I.T. Division  
 602-771-2800  
[SZimmerman@azdfi.gov](mailto:SZimmerman@azdfi.gov)

**Greg Dunn**  
 Division Manager  
 Bank and Trust Division  
 602-771-2816  
[GDunn@azdfi.gov](mailto:GDunn@azdfi.gov)