

Senate Engrossed House Bill

**FILED**  
**KEN BENNETT**  
**SECRETARY OF STATE**

State of Arizona  
House of Representatives  
Fifty-first Legislature  
Second Regular Session  
2014

CHAPTER 196

## **HOUSE BILL 2098**

AN ACT

AMENDING SECTIONS 6-991.03 AND 6-991.04, ARIZONA REVISED STATUTES; RELATING TO LOAN ORIGINATORS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 6-991.03, Arizona Revised Statutes, is amended to  
3 read:

4 6-991.03. Licensing; renewal; qualifications; application; fees

5 A. A natural person shall not act as a loan originator unless THE  
6 PERSON IS licensed under this article.

7 B. The superintendent shall not grant a loan originator license to a  
8 person, other than a natural person. An applicant for an original loan  
9 originator's license shall have done all of the following:

10 1. Satisfactorily completed a course of study, including at least  
11 twenty hours of education, for loan originators approved by the  
12 superintendent during the ~~two~~ THREE-year period immediately preceding the  
13 time of application. The twenty hours of education must include at least all  
14 of the following:

15 (a) Three hours of federal law.

16 (b) Three hours of ethics, which shall include instruction on fraud,  
17 consumer protection and fair lending issues.

18 (c) Two hours of training related to lending standards of the  
19 nontraditional mortgage product marketplace.

20 2. COMPLETED LATE CONTINUING EDUCATION FOR THE PURPOSES OF SATISFYING  
21 CONTINUING EDUCATION FOR THE LAST YEAR THAT THE LOAN ORIGINATOR WAS IN  
22 RENEWABLE STATUS.

23 ~~2-~~ 3. Passed a loan originator's examination pursuant to section  
24 6-991.07. ~~not more than one year before the granting of the license~~  
25 ~~demonstrating~~ THE APPLICANT SHALL DEMONSTRATE knowledge and understanding of  
26 the following:

27 (a) Federal laws.

28 (b) Laws of this state.

29 (c) Subjects described in section 6-991.07, subsection A.

30 4. RETAKEN THE LOAN ORIGINATOR'S EXAMINATION IF THE LICENSED LOAN  
31 ORIGINATOR FAILED TO MAINTAIN A VALID LICENSE FOR A PERIOD OF FIVE YEARS OR  
32 LONGER, NOT INCLUDING ANY TIME DURING WHICH THE APPLICANT IS A REGISTERED  
33 LOAN ORIGINATOR.

34 ~~3-~~ 5. Obtained a unique identifier through the nationwide mortgage  
35 licensing system and registry established by the secure and fair enforcement  
36 for mortgage licensing act of 2008 (P.L. 110-289; 122 Stat. 2810; 12 United  
37 States Code sections 5101 through 5116) or its successor.

38 ~~4-~~ 6. Deposited with the superintendent a bond executed by the  
39 applicant's employer or registered exempt person as principal and a surety  
40 company licensed to do business in this state as a surety pursuant to section  
41 6-903, 6-912 or 6-943.

42 ~~5-~~ 7. Submitted fingerprints to the department for the purpose of a  
43 background investigation.

1           ~~6-~~ 8. Paid an amount to be determined by the superintendent for  
2 deposit in the mortgage recovery fund established pursuant to section  
3 6-991.09 or deposited with the superintendent a bond executed by the  
4 applicant's employer or registered exempt person as principal and a surety  
5 company licensed or approved to do business in this state for the benefit of  
6 any person aggrieved by any act, representation, transaction or conduct of a  
7 licensed loan originator that violates this title or the rules adopted  
8 pursuant to this title. Notwithstanding section 6-903 or 6-943, the amount  
9 of the bond shall be in an amount of not less than two hundred thousand  
10 dollars. Loan originators working under the employer or registered exempt  
11 person bond described in this paragraph do not have to contribute to the  
12 mortgage recovery fund.

13           C. A person shall ~~make an application~~ APPLY for a license or renewal  
14 of a license in writing in the manner prescribed by the superintendent and  
15 accompanied by the information prescribed by the superintendent.

16           D. Before submitting a renewal application, an applicant for renewal  
17 of a loan originator license shall have satisfactorily completed eight  
18 approved continuing education units that include at least:

19           1. Three hours of federal law.

20           2. Two hours of ethics, including instruction on fraud, consumer  
21 protection and fair lending issues.

22           3. Two hours of training related to lending standards for the  
23 nontraditional mortgage product marketplace.

24           E. Education courses taken before licensure shall be reviewed and  
25 approved by the nationwide mortgage licensing system and registry established  
26 by the secure and fair enforcement for mortgage licensing act of 2008 (P.L.  
27 110-289; 122 Stat. 2810; 12 United States Code sections 5101 through 5116) or  
28 its successor.

29           F. Continuing education courses shall be reviewed and approved by the  
30 nationwide mortgage licensing system and registry established by the secure  
31 and fair enforcement for mortgage licensing act of 2008 (P.L. 110-289; 122  
32 Stat. 2810; 12 United States Code sections 5101 through 5116) or its  
33 successor. A licensed loan originator:

34           1. May only receive credit for a continuing education course in the  
35 year in which the course is taken.

36           2. May not take the same approved course in the same year or  
37 successive years to meet the annual requirements for continuing education.

38           G. The nonrefundable application fee shall accompany each application  
39 for an original loan originator license.

40           H. A license issued pursuant to this article is not transferable or  
41 assignable.

42           I. At the superintendent's discretion, application fees may be waived  
43 if the applicant is a housing counselor certified by the United States

1 department of housing and urban development and employed by a nonprofit  
2 agency.

3 J. Each mortgage broker, mortgage banker or registered exempt person  
4 shall submit to the nationwide mortgage licensing system and registry  
5 established by the secure and fair enforcement for mortgage licensing act of  
6 2008 (P.L. 110-289; 122 Stat. 2810; 12 United States Code sections ~~1501~~ 5101  
7 through 5116) or its successor reports of condition that are in a form and  
8 that contain information required by the nationwide mortgage licensing  
9 system.

10 K. The superintendent shall establish a process for loan originators  
11 to challenge information that the superintendent enters into the nationwide  
12 mortgage licensing system and registry.

13 Sec. 2. Section 6-991.04, Arizona Revised Statutes, is amended to  
14 read:

15 6-991.04. Issuance of license; notice from employing mortgage  
16 broker, mortgage banker or consumer lender or  
17 registered exempt person; renewal; inactive status;  
18 address change; fee

19 A. The superintendent, on determining that an applicant is qualified  
20 and has paid the required fees, shall issue a loan originator's license to  
21 the applicant evidenced by a continuous certificate. The superintendent  
22 shall grant or deny a license within one hundred twenty days after receiving  
23 the completed application and fees. An applicant who has been denied a  
24 license may not reapply for a license before one year from the date of the  
25 previous application.

26 B. On issuance of the license, the superintendent shall keep the loan  
27 originator's license until a mortgage broker or mortgage banker licensed  
28 pursuant to this chapter or a consumer lender employs the loan originator and  
29 the employer provides a written notice that the employer has hired the loan  
30 originator or until an exempt person who is registered pursuant to section  
31 6-912 provides a written notice that the exempt person has engaged the loan  
32 originator on an exclusive contract with the exempt person. The employer  
33 shall provide the notice before the loan originator begins working for the  
34 employer. Exempt persons who are registered pursuant to section 6-912 shall  
35 provide the notice before the loan originator begins work under the exclusive  
36 contract with the exempt person. The notice shall be from an officer or  
37 other person authorized by the employer or registered exempt person. The  
38 notice shall contain a request for the loan originator's license and shall be  
39 dated, signed and notarized. On receipt of the request, the superintendent  
40 shall forward the loan originator's license to the employing mortgage broker,  
41 mortgage banker, consumer lender or registered exempt person.

42 C. Licenses shall be issued for a one-year period.

43 D. A loan originator shall ~~make application~~ APPLY for renewal on forms  
44 prescribed by the superintendent. The application shall include original

1 certificates evidencing the loan originator's successful completion of eight  
2 continuing education units during the preceding one-year period by a  
3 continuing education provider approved by the superintendent.

4 E. A loan originator shall pay the renewal fee every year on or before  
5 December 31. Licenses not renewed by December 31 are suspended, and the  
6 licensee shall not act as a loan originator until the license is renewed or a  
7 new license is issued pursuant to this article. A person may renew a  
8 suspended license by paying the renewal fee plus a dollar amount to be  
9 determined by the superintendent for each day after December 31 that a  
10 license renewal fee is not received by the superintendent.

11 F. Licenses that are not renewed by January 31 of each year expire. A  
12 license shall not be granted to the holder of an expired license except as  
13 provided in this article for the issuance of an original license.

14 G. From December 1 through December 31 of each renewal period, a  
15 licensee may request inactive status for the following license period. The  
16 license shall be placed on inactive status after the licensee pays to the  
17 superintendent the inactive status renewal fee and surrenders the license to  
18 the superintendent. During inactive status, an inactive licensee shall not  
19 act as a loan originator. ~~A licensee may not be on inactive status for more~~  
20 ~~than two consecutive renewal periods in any ten year period.~~ The license  
21 expires if the licensee violates this subsection.

22 H. At renewal an inactive licensee may return to active status by  
23 doing all of the following:

- 24 1. Providing the superintendent with evidence that the licensee has  
25 met the requirements of section 6-991.03, subsection B.  
26 2. Making a written request to the superintendent for reactivation.  
27 3. Paying the annual licensing fee.  
28 4. Providing the superintendent with proof that the licensee meets all  
29 other requirements for acting as a loan originator.

30 I. The mortgage broker, mortgage banker, consumer lender or registered  
31 exempt person shall keep and maintain at the principal place of business in  
32 this state the loan originator's license during the loan originator's  
33 employment or exclusive contract term. A copy of the loan originator's  
34 license shall be available for public inspection during regular business  
35 hours.

36 J. A loan originator shall immediately notify the superintendent of a  
37 change in the loan originator's residence address. The superintendent shall  
38 endorse the change of address on the license for a fee to be determined by  
39 the superintendent.

40 K. Within five business days after any licensee's employment  
41 termination, the employing mortgage broker, mortgage banker, consumer lender  
42 or registered exempt person shall do both of the following:

- 43 1. Notify the superintendent of the licensee's termination.  
44 2. Return the license to the superintendent.

1           L. An applicant for a loan originator license who is currently  
2 registered with the nationwide mortgage licensing system and registry  
3 established by the secure and fair enforcement for mortgage licensing act of  
4 2008 (P.L. 110-289; 122 Stat. 2810; 12 United States Code sections 5101  
5 through 5116) or its successor may be granted a temporary license for a  
6 period not to exceed one hundred eighty days.

7           M. The superintendent shall establish a process for loan originators  
8 to challenge information that the superintendent enters into the nationwide  
9 mortgage licensing system and registry.

APPROVED BY THE GOVERNOR APRIL 23, 2014.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 24, 2014.

Passed the House February 18, 2014

by the following vote: 53 Ayes,

7 Nays, 0 Not Voting

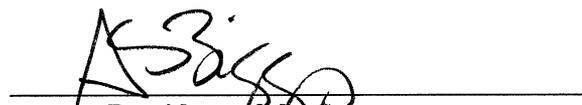
  
\_\_\_\_\_  
Speaker of the House

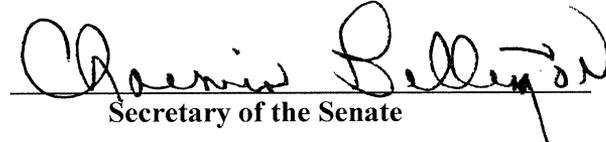
  
\_\_\_\_\_  
Chief Clerk of the House

Passed the Senate April 17, 2014

by the following vote: 24 Ayes,

3 Nays, 3 Not Voting

  
\_\_\_\_\_  
President of the Senate

  
\_\_\_\_\_  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill received by the Governor this

\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary to the Governor

Approved this \_\_\_\_\_ day of

\_\_\_\_\_

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary of State

H.B. 2098

HOUSE CONCURS IN SENATE  
AMENDMENTS AND FINAL PASSAGE

April 21, 2014,

by the following vote: 49 Ayes,

6 Nays, 5 Not Voting

[Signature]  
Speaker of the House

[Signature]  
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this

22 day of April, 2014,

at 8:30 o'clock A M.

[Signature]  
Secretary to the Governor

Approved this 23rd day of

April, 2014,

at 11:06 o'clock A M.

[Signature]  
Governor of Arizona

H.B. 2098

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 24<sup>th</sup> day of April, 2014,

at 8:57 o'clock a M.

[Signature]  
Secretary of State