

House Engrossed Senate Bill

mortgage brokers; bankers; qualifications

State of Arizona  
Senate  
Fifty-fifth Legislature  
Second Regular Session  
2022

**CHAPTER 172**  
**SENATE BILL 1204**

AN ACT

AMENDING SECTION 6-901, ARIZONA REVISED STATUTES; AMENDING TITLE 6, CHAPTER 9, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 6-902.01; AMENDING SECTIONS 6-903, 6-941, 6-971 AND 6-976, ARIZONA REVISED STATUTES; RELATING TO MORTGAGE BROKER AND BANKER LICENSING.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 6-901, Arizona Revised Statutes, is amended to  
3 read:

4 6-901. Definitions

5 In this article, unless the context otherwise requires:

6 1. "Affiliate" means an entity which directly or indirectly,  
7 through one or more intermediaries, controls, is controlled by or is under  
8 common control with the entity specified.

9 2. "Commercial mortgage broker" means a person who for compensation  
10 or in the expectation of compensation either directly or indirectly makes,  
11 negotiates or offers to make or negotiate a commercial mortgage loan.

12 3. "Commercial mortgage loan" means a loan that is directly or  
13 indirectly secured by a mortgage or deed of trust or any lien interest on  
14 commercial property and that is created with the consent of the owner of  
15 the commercial property.

16 4. "Commercial property" means real property that is not a  
17 residential dwelling of one to four units.

18 5. "Compensation" means anything of value or any benefit, including  
19 points, commissions, bonuses, referral fees, loan origination fees and  
20 other similar fees but excluding periodic interest resulting from the  
21 application of the note rate of interest to the outstanding principal  
22 balance remaining unpaid from time to time.

23 6. "Continuing education unit" means a fifty minute period of time  
24 in a continuing education course that relates to the mortgage industry or  
25 to mortgage transactions, including courses taken to maintain recognized  
26 industry designations.

27 7. "GENERALLY ACCEPTED ACCOUNTING PRINCIPLES" MEANS UNITED STATES  
28 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ISSUED BY THE FINANCIAL  
29 ACCOUNTING STANDARDS BOARD OR THE INTERNATIONAL FINANCIAL REPORTING  
30 STANDARDS ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD.

31 ~~7.~~ 8. "Investor" means a person who lends or invests money in  
32 mortgage loans.

33 ~~8.~~ 9. "License" means a license issued under this article.

34 ~~9.~~ 10. "Licensee" means a person licensed under this article.

35 ~~10.~~ 11. "Loan originator" has the same meaning prescribed in  
36 section 6-991.

37 ~~11.~~ 12. "Mortgage broker" means a person who is not exempt under  
38 section 6-902 and who for compensation or in the expectation of  
39 compensation either directly or indirectly makes, negotiates or offers to  
40 make or negotiate a mortgage loan.

41 ~~12.~~ 13. "Mortgage loan" means a loan secured by a mortgage or deed  
42 of trust or any lien interest on real estate located in this state created  
43 with the consent of the owner of the real estate.

44 ~~13.~~ 14. "Mortgage loan closing" means the day by which all  
45 documents relating to the mortgage loan have been executed and recorded

1 and all monies have been accounted for under the terms of the escrow  
2 instructions.

3 ~~14.~~ 15. "Residential mortgage loan" means a mortgage loan that has  
4 security in the form of a residential dwelling of one to four units.

5 Sec. 2. Title 6, chapter 9, article 1, Arizona Revised Statutes, is  
6 amended by adding section 6-902.01, to read:

7 6-902.01. Exemption; responsible individual

8 A. A PARENT COMPANY MAY APPLY FOR AND BE GRANTED A CERTIFICATE OF  
9 EXEMPTION ON BEHALF OF AN ENTITY THAT ALLOWS A RESPONSIBLE INDIVIDUAL, AS  
10 PRESCRIBED IN SECTION 6-903, SUBSECTION H, TO RESIDE OUT OF STATE IF THE  
11 RESPONSIBLE INDIVIDUAL MEETS THE FOLLOWING CRITERIA:

12 1. IS A NATURAL PERSON.

13 2. MEETS ALL OF THE REQUIREMENTS PURSUANT TO THIS ARTICLE.

14 3. RECEIVES NOTIFICATION FROM THE PARENT COMPANY THAT THE PARENT  
15 COMPANY WAS GRANTED A CERTIFICATE OF EXEMPTION BY THE DIRECTOR.

16 B. THE PARENT COMPANY MUST APPLY ON BEHALF OF THE ENTITY AND SUBMIT  
17 AN ATTESTATION FORM AS PRESCRIBED BY THE DIRECTOR THAT THE PARENT COMPANY  
18 MEETS ALL OF THE FOLLOWING REQUIREMENTS:

19 1. MAINTAINS A PHYSICAL PRESENCE IN THIS STATE.

20 2. DOES NOT HAVE ANY DISCIPLINARY ACTIONS BY THE DEPARTMENT.

21 3. HAS A CLASS OF SECURITIES REGISTERED WITH THE UNITED STATES  
22 SECURITIES AND EXCHANGE COMMISSION.

23 C. THE APPLICANT SHALL PAY ALL APPLICABLE FEES AS PRESCRIBED IN  
24 RULE.

25 D. THE DIRECTOR MAY REVOKE THE CERTIFICATE IF THE DIRECTOR FINDS  
26 EITHER OF THE FOLLOWING:

27 1. THE INTERESTS OF THE CONSUMER ARE NOT MET.

28 2. THE REQUIREMENTS OF THE RESPONSIBLE INDIVIDUAL PRESCRIBED BY  
29 THIS SECTION ARE NOT MET.

30 E. THE DURATION OF THE CERTIFICATE OF EXEMPTION IS CONTINUOUS  
31 DURING THE LICENSE PERIOD UNLESS THE CERTIFICATE OF EXEMPTION IS REVOKED  
32 PURSUANT TO THIS SECTION.

33 F. IF THE DIRECTOR DENIES THE APPLICATION FOR OR REVOKES A  
34 CERTIFICATE OF EXEMPTION, THE DIRECTOR SHALL ISSUE AN ORDER OUTLINING THE  
35 FINDINGS OF FACT, CONCLUSIONS OF LAW AND REASONS FOR THE DENIAL OR  
36 REVOCATION. THE APPLICANT HAS A RIGHT TO A HEARING PURSUANT TO TITLE 41,  
37 CHAPTER 6, ARTICLE 10.

38 G. THE DIRECTOR MAY PRESCRIBE RULES TO CARRY OUT THIS SECTION.

39 Sec. 3. Section 6-903, Arizona Revised Statutes, is amended to  
40 read:

41 6-903. Licensing of mortgage brokers required;  
42 qualifications; application; bond; fees; renewal

43 A. A person shall not act as a mortgage broker if the person is not  
44 licensed under this article. A person who brokers only commercial  
45 mortgage loans shall obtain either a mortgage broker license or a

1 commercial mortgage broker license. A person who brokers residential  
2 mortgage loans shall obtain a mortgage broker license.

3 B. The deputy director shall not grant a mortgage broker's license  
4 or a commercial mortgage broker's license to a person, other than a  
5 natural person, who is not registered to do business in this state on the  
6 date of granting the license.

7 C. An applicant for an original mortgage broker's license shall:

8 1. Have not less than three years' experience as a mortgage broker  
9 or loan originator or equivalent lending experience in a related business  
10 during the five years immediately preceding the time of application.

11 2. Have satisfactorily completed a course of study approved by the  
12 deputy director during the three years immediately preceding the time of  
13 application.

14 3. Have passed a mortgage broker's test, pursuant to section 6-908.

15 D. An applicant for an original commercial mortgage broker's  
16 license shall:

17 1. Have not less than three years' experience in the commercial  
18 mortgage broker business or equivalent lending experience in a related  
19 business during the five years immediately preceding the time of  
20 application.

21 2. Have made in the past or intend to make or negotiate or offer to  
22 make or negotiate commercial mortgage loans.

23 3. Provide the deputy director with the following:

24 (a) A balance sheet prepared within the immediately preceding six  
25 months and certified by the licensee. The deputy director may require a  
26 more recent balance sheet.

27 (b) If the applicant has begun operations, a statement of  
28 operations and retained earnings and a statement of changes in financial  
29 position.

30 (c) Notes to the financial statement if applicable.

31 E. Notwithstanding subsection D, paragraph 3 of this section,  
32 commercial mortgage broker licensees and commercial mortgage broker  
33 license applicants whose own resources are derived exclusively from  
34 correspondent contracts with institutional investors shall provide the  
35 deputy director with a current financial statement or that of its parent  
36 company prepared according to generally accepted accounting principles,  
37 including:

38 1. A balance sheet prepared within the immediately preceding six  
39 months and certified by the licensee. The deputy director may require a  
40 more recent balance sheet.

41 2. If the applicant has begun operations, a statement of operations  
42 and retained earnings and a statement of changes in financial position.

43 3. Notes to the financial statement if applicable.

1 F. A person shall ~~make an application~~ APPLY for a license or for a  
2 renewal of a license in writing on the forms, in the manner and  
3 accompanied by the information prescribed by the deputy director. The  
4 deputy director may require additional information on the experience,  
5 background, honesty, truthfulness, integrity and competency of the  
6 applicant and any responsible individual designated by the applicant. If  
7 the applicant is a person other than a natural person, the deputy director  
8 may require information as to the honesty, truthfulness, integrity and  
9 competency of any officer, director, shareholder or other interested party  
10 of the association, corporation or group.

11 G. The nonrefundable application fee and annual renewal fee are as  
12 prescribed in section 6-126. The nonrefundable application fee shall  
13 accompany each application for an original license only. The deputy  
14 director shall deposit, pursuant to sections 35-146 and 35-147, the monies  
15 in the state general fund.

16 H. If a licensee is a person other than a natural person, the  
17 license issued to it entitles all officers, directors, members, partners,  
18 trustees and employees of the licensed corporation, partnership,  
19 association or trust to engage in the mortgage business if one officer,  
20 director, member, partner, employee or trustee of the person OR AN  
21 EMPLOYEE OF AN AFFILIATED ENTITY OR THE PARENT COMPANY OF THE LICENSEE is  
22 designated in the license as the individual responsible for the person  
23 under this article. If a licensee is a natural person, the license  
24 entitles all employees of the licensee to engage in the mortgage  
25 business. If the natural person is not a resident of this state, an  
26 employee of the licensee shall be designated in the license as the  
27 individual responsible for the licensee under ~~the provisions of~~ this  
28 article. For the purposes of this subsection, an employee does not  
29 include an independent contractor. ★ THE responsible individual shall be  
30 a resident of this state UNLESS THE DIRECTOR GRANTS AN EXEMPTION PURSUANT  
31 TO SECTION 6-902.01, shall be in active management of the activities of  
32 the licensee governed by this article and shall meet the qualifications  
33 set forth in subsection C or D of this section for a licensee.

34 I. A licensee shall notify the deputy director that its responsible  
35 individual will cease to be in active management of the activities of the  
36 licensee within ten days after learning that fact. The licensee has  
37 ninety days after the notification is received by the deputy director  
38 within which to replace the responsible individual with a qualified  
39 replacement and to so notify the deputy director. If the license is not  
40 placed under active management of a qualified responsible individual and  
41 if notice is not given to the deputy director within the ninety-day  
42 period, the license of the licensee expires.

43 J. Every person licensed as a mortgage broker or a commercial  
44 mortgage broker shall deposit with the deputy director, before doing  
45 business as a mortgage broker or a commercial mortgage broker, a bond

1 executed by the licensee as principal and a surety company authorized to  
 2 do business in this state as surety. The bond shall be conditioned on the  
 3 faithful compliance of the licensee, including the licensee's directors,  
 4 officers, members, partners, trustees and employees, with this  
 5 article. The bond is payable to any person injured by the wrongful act,  
 6 default, fraud or misrepresentation of the licensee or the licensee's  
 7 employees and to this state for the benefit of the person injured. Only  
 8 one bond is required for any person, firm, association or corporation  
 9 irrespective of the number of officers, directors, members, partners or  
 10 trustees who are employed by or are members of such firm, association or  
 11 corporation. ~~No~~ A suit may NOT be commenced on the bond after the  
 12 expiration of one year following the commission of the act on which the  
 13 suit is based, except that claims for fraud or mistake are limited to the  
 14 limitation period provided in section 12-543, paragraph 3. If an injured  
 15 person commences an action for a judgment to collect from the bond, the  
 16 injured person shall notify the deputy director of the action in writing  
 17 at the time of the commencement of the action and shall provide copies of  
 18 all documents relating to the action to the deputy director on request.

19 K. The bond required by this section ~~shall be~~ IS \$10,000 for  
 20 licensees whose investors are limited solely to institutional  
 21 investors, and \$15,000 for licensees whose investors include any  
 22 noninstitutional investors.

23 L. For the purposes of subsection K of this section:

24 1. "Institutional investor" means a state or national bank, a state  
 25 or federal savings and loan association, a state or federal savings bank,  
 26 a state or federal credit union, a federal government agency or  
 27 instrumentality, a quasi-federal government agency, a financial  
 28 enterprise, a licensed real estate broker or salesman, a profit sharing or  
 29 pension trust, or an insurance company.

30 2. "Investor" means any person who directly or indirectly provides  
 31 to a mortgage broker funds that are, or are intended to be, used in ~~the~~  
 32 making ~~of~~ a loan, and any person who purchases a loan, or any interest  
 33 therein, from a mortgage broker or in a transaction that has been directly  
 34 or indirectly arranged or negotiated by a mortgage broker.

35 M. Notwithstanding section 35-155, in lieu of the bond described in  
 36 this section, an applicant for a license or a licensee may deposit with  
 37 the deputy director a deposit in the form of cash or alternatives to cash  
 38 in the same amount as the bond required under subsection J of this  
 39 section. The deputy director may accept any of the following as an  
 40 alternative to cash:

41 1. Certificates of deposits or investment certificates that are  
 42 payable or assigned to the state treasurer, issued by banks or savings  
 43 banks doing business in this state and fully insured by the federal  
 44 deposit insurance corporation or any successor institution.

1           2. Certificates of deposit, investment certificates or share  
2 accounts that are payable or assigned to the state treasurer, issued by a  
3 savings and loan association doing business in this state and fully  
4 insured by the federal deposit insurance corporation or any successor  
5 institution.

6           3. Certificates of deposit, investment certificates or share  
7 accounts that are payable or assigned to the state treasurer, issued by a  
8 credit union doing business in this state and fully insured by the  
9 national credit union administration or any successor institution.

10          N. The deputy director shall deposit the cash or alternatives to  
11 cash received under this section with the state treasurer. The state  
12 treasurer shall hold the cash or alternatives to cash in the name of this  
13 state to guarantee the faithful performance of all legal obligations of  
14 the person required to post bond pursuant to this section. The person is  
15 entitled to receive any accrued interest earned from the alternatives to  
16 cash. The state treasurer may impose a fee to reimburse the state  
17 treasurer for administrative expenses. The fee shall not exceed \$10 for  
18 each cash or alternatives to cash deposit and shall be paid by the  
19 applicant or licensee. The state treasurer may prescribe rules relating  
20 to the terms and conditions of each type of security provided by this  
21 section.

22          O. In addition to such other terms and conditions as the deputy  
23 director prescribes by rule or order, the principal amount of the deposit  
24 shall be released only on written authorization of the deputy director or  
25 on the order of a court of competent jurisdiction. The principal amount  
26 of the deposit shall not be released before the expiration of three years  
27 from the first to occur of any of the following:

- 28           1. The date of substitution of a bond for a cash alternative.
- 29           2. The surrender of the license.
- 30           3. The revocation of the license.
- 31           4. The expiration of the license.

32          P. A licensee or an employee of the licensee shall not advertise  
33 for or solicit mortgage business in any manner without using the name and  
34 license number as issued on the mortgage broker's principal place of  
35 business license, except that a licensee may employ or refer to the  
36 commonly used name and any trademarks or service marks of any affiliate.  
37 If a license is issued in the name of a natural person, nothing in the  
38 advertising or solicitation may imply the license is in the name of  
39 another person or entity. For the purposes of this  
40 subsection, ~~"advertise"~~ does not include business cards, radio and  
41 television advertising directed at national or regional markets and  
42 promotional items except if those items contain rates or terms on which a  
43 mortgage loan may be obtained.

1 Q. A licensee shall not employ any person unless the licensee:

2 1. Conducts a reasonable investigation of the background, honesty,  
3 truthfulness, integrity and competency of the employee before hiring.

4 2. Keeps a record of the investigation for not less than two years  
5 after termination.

6 R. A license is not transferable or assignable and control of a  
7 licensee may not be acquired through a stock purchase or other device  
8 without the prior written consent of the deputy director. Written consent  
9 shall not be given if the deputy director finds that any of the grounds  
10 for denial, revocation or suspension of a license as set forth in section  
11 6-905 are applicable to the acquiring person. For the purposes of this  
12 subsection, "control" means the power to vote more than twenty percent of  
13 outstanding voting shares of a licensed corporation, partnership,  
14 association or trust.

15 S. The licensee is liable for any damage caused by any of the  
16 licensee's employees while acting as an employee of the licensee.

17 T. A licensee shall comply with the requirements of section 6-114  
18 relating to balloon payments.

19 U. The examination and course of study requirements of this section  
20 shall be waived by the deputy director for any person applying for a  
21 license who, within the six months immediately prior to the submission of  
22 the application, has been a licensee or a responsible person pursuant to  
23 this chapter.

24 V. If the applicant for renewal of a mortgage broker license is a  
25 natural person, the applicant shall have satisfactorily completed twelve  
26 continuing education units by a continuing education provider approved by  
27 the deputy director before submitting the renewal application. If the  
28 applicant is other than a natural person, the designated responsible  
29 individual shall have satisfactorily completed twelve continuing education  
30 units by a continuing education provider approved by the deputy director  
31 before submitting the renewal application. An applicant for renewal of a  
32 commercial mortgage broker license is not subject to the continuing  
33 education requirements prescribed by this article.

34 W. A licensee who employs a loan originator shall comply with  
35 section 6-991.03.

36 Sec. 4. Section 6-941, Arizona Revised Statutes, is amended to  
37 read:

38 6-941. Definitions

39 In this article, unless the context otherwise requires:

40 1. "Affiliate" means an entity which directly or indirectly,  
41 through one or more intermediaries, controls, is controlled by or is under  
42 common control with the entity specified.

43 2. "Compensation" means anything of value or any benefit including  
44 points, commissions, bonuses, referral fees, loan origination fees and  
45 other similar fees but excluding periodic interest resulting from the



1 application of the note rate of interest to the outstanding principal  
2 balance remaining unpaid from time to time.

3 3. "GENERALLY ACCEPTED ACCOUNTING PRINCIPLES" MEANS UNITED STATES  
4 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ISSUED BY THE FINANCIAL  
5 ACCOUNTING STANDARDS BOARD OR THE INTERNATIONAL FINANCIAL REPORTING  
6 STANDARDS ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD.

7 ~~3.~~ 4. "License" means a license issued under this article.

8 ~~4.~~ 5. "Licensee" means a person licensed under this article.

9 ~~5.~~ 6. "Mortgage banker" means a person who is not exempt under  
10 section 6-942 and who for compensation or in the expectation of  
11 compensation either directly or indirectly makes, negotiates or offers to  
12 make or negotiate a mortgage banking loan or a mortgage loan.

13 ~~6.~~ 7. "Mortgage banking loan" means a loan which is funded  
14 exclusively from the mortgage banker's own resources, which is directly or  
15 indirectly secured by a mortgage or deed of trust or any lien interest on  
16 real estate located in this state and which is created with the consent of  
17 the owner of the real property. For the purposes of this paragraph, "own  
18 resources" means any of the following:

19 (a) Cash, corporate capital, warehouse credit lines at commercial  
20 banks, savings banks or savings and loan associations or other sources  
21 that are liability items on the mortgage banker's financial statements for  
22 which its assets are pledged.

23 (b) Correspondent contracts between the mortgage banker and a bank,  
24 savings bank, trust company, savings and loan association, credit union,  
25 profit sharing or pension trust, consumer lender or insurance company.

26 (c) The mortgage banker's affiliates' cash, corporate capital,  
27 warehouse credit lines at commercial banks or other sources that are  
28 liability items on the affiliates' financial statements for which the  
29 affiliates' assets are pledged.

30 ~~7.~~ 8. "Mortgage banking loan closing" means the day by which all  
31 documents relating to the mortgage banking loan or mortgage loan have been  
32 executed and recorded and all monies have been accounted for.

33 ~~8.~~ 9. "Mortgage loan" means any loan, other than a mortgage  
34 banking loan, secured by a mortgage or deed of trust or any lien interest  
35 on real estate located in this state and created with the consent of the  
36 owner of the real estate."

37 Sec. 5. Section 6-971, Arizona Revised Statutes, is amended to  
38 read:

39 6-971. Definitions

40 In this article, unless the context otherwise requires:

41 1. "Affiliate" means an entity that directly or indirectly, through  
42 one or more intermediaries, controls, is controlled by or is under common  
43 control with the specified entity.

1           2. "Commercial mortgage banker" means a person who engages in the  
2 following:

- 3           (a) Originating commercial mortgage loans.  
4           (b) Servicing commercial mortgage loans.  
5           (c) Either directly or indirectly making, negotiating or offering  
6 to make or negotiate commercial mortgage loans.

7           3. "Commercial mortgage loan" means a loan that is directly or  
8 indirectly secured by a mortgage or deed of trust or any lien interest on  
9 commercial property and created with the consent of the owner of the  
10 commercial property.

11           4. "Commercial mortgage loan closing" means the day by which all  
12 documents relating to the commercial mortgage loan have been executed and  
13 recorded and all monies have been accounted for under the terms of the  
14 escrow instructions.

15           5. "Commercial property" means real estate that is located in this  
16 state and that is not used for a one to four family residence.

17           6. "Compensation" means anything of value or any benefit including  
18 points, commissions, bonuses, referral fees, loan origination fees and  
19 other similar fees but excluding periodic interest resulting from the  
20 application of the note rate of interest to the outstanding principal  
21 balance remaining unpaid from time to time.

22           7. "GENERALLY ACCEPTED ACCOUNTING PRINCIPLES" MEANS UNITED STATES  
23 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ISSUED BY THE FINANCIAL  
24 ACCOUNTING STANDARDS BOARD OR THE INTERNATIONAL FINANCIAL REPORTING  
25 STANDARDS ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD.

26           ~~7.~~ 8. "Institutional investor" means a person who in the regular  
27 course of business makes commercial mortgage loans of more than two  
28 hundred fifty thousand dollars that are funded exclusively from the  
29 institutional investor's own resources.

30           ~~8.~~ 9. "Investor" means a person who directly or indirectly  
31 provides monies to a commercial mortgage banker that are, or are intended  
32 to be, used to make a loan, and any person who purchases a loan, or any  
33 interest in a loan, from a commercial mortgage banker or in a transaction  
34 that has been directly or indirectly arranged or negotiated by a  
35 commercial mortgage banker.

36           ~~9.~~ 10. "License" means a license issued under this article.

37           ~~10.~~ 11. "Licensee" means a person who is licensed under this  
38 article.

39           ~~11.~~ 12. "Own resources" means any of the following:

- 40           (a) Cash, corporate capital, warehouse credit lines at commercial  
41 banks, savings banks or savings and loan associations or other sources  
42 that are liability items on the person's financial statements.

1 (b) Correspondent contracts between the commercial mortgage banker  
2 and an institutional investor, bank, savings bank, trust company, savings  
3 and loan association, credit union, profit sharing or pension trust,  
4 consumer lender or insurance company.

5 (c) The person's affiliates' cash, corporate capital, warehouse  
6 credit lines at commercial banks or other sources that are liability items  
7 on the affiliates' financial statements for which the affiliates' assets  
8 are pledged.

9 ~~12.~~ 13. "Servicing commercial mortgage loans" means collecting  
10 payments at a location in this state on commercial mortgage loans,  
11 including:

12 (a) Principal.

13 (b) Interest.

14 (c) Trust items such as hazard insurance premiums, taxes and  
15 various reserves on an obligation under the terms of the obligation.

16 (d) Operational procedures covering accounting, bookkeeping,  
17 insurance, tax records, loan payment follow-up, delinquency loan  
18 follow-up, loan analysis and property valuation.

19 Sec. 6. Section 6-976, Arizona Revised Statutes, is amended to  
20 read:

21 6-976. Responsible individual; employees

22 A. A license entitles the licensee and all officers, directors,  
23 members, partners, trustees and employees of the licensee to engage in  
24 commercial mortgage banking if one officer, director, member, partner,  
25 employee or trustee of the person OR AN EMPLOYEE OF AN AFFILIATED ENTITY  
26 OR THE PARENT COMPANY OF THE LICENSEE is designated in the license as the  
27 individual responsible for the licensee under this article. If the  
28 natural person is not a resident of this state, an employee of the  
29 licensee shall be designated in the license as the individual responsible  
30 for the licensee under this article. For THE purposes of this  
31 subsection, ~~"employee"~~ does not include an independent contractor.

32 B. ~~A~~ THE responsible individual ~~shall be a resident of this state,~~  
33 shall be active in managing the activities of the licensee governed by  
34 this article and shall meet the qualifications prescribed by section  
35 6-973, subsection D, paragraph 1 for a licensee. A licensee shall notify  
36 the deputy director that its responsible individual will cease to be  
37 active in managing the activities of the licensee within ten days ~~of~~ AFTER  
38 learning of that fact. Within ninety days after the notification is  
39 received by the deputy director, the licensee shall replace the  
40 responsible individual with a qualified replacement and notify the deputy  
41 director. If the license is not placed under active management of a  
42 qualified responsible individual and if notice is not given to the deputy  
43 director within the ninety-day period, the license of the licensee  
44 expires.

1           C. A licensee shall not employ any person unless the licensee:

2           1. Conducts a reasonable investigation of the background, honesty,  
3 truthfulness, integrity and competency of the employee before hiring.

4           2. Keeps a record of the investigation for at least two years after  
5 termination.

6           D. The licensee is liable for any damages caused by any employee  
7 while acting as an employee of the licensee.

APPROVED BY THE GOVERNOR APRIL 22, 2022.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 22, 2022.