ARIZONA STATE SENATE

Fiftieth Legislature, Second Regular Session

FACT SHEET FOR S.B. 1451

housing finance reform

Purpose

Establishes the Arizona Housing Finance Reform Authority (Authority).

Background

A deed of trust is a deed that conveys trust property to a trustee or trustees to secure the performance of a contract. Arizona statute defines trust property as any legal, equitable, leasehold or other interest in real property that is capable of being transferred, whether or not it is subject to any prior mortgages, trust deeds, contracts for conveyance of real property or other liens or encumbrances.

Pursuant to Arizona Revised Statutes (A.R.S.), Title 33, Chapter 6.1, the trustee is authorized to sell the property on behalf of the beneficiary, typically a lender or bank, due to nonperformance or breach of contract, such as delinquent payments. Unlike a foreclosure of a mortgage, this process does not require court action. Statute prescribes the actions that a trustee must take in order to sell a trust property by means of a trustee's sale, including providing notice of the trustee's sale, conduct of the sale by public auction, execution of the trustee's deed and disposition of the proceeds of the sale.

Pursuant to A.R.S. § 41-3904, the Board of Directors of the Arizona Housing Finance Authority may: issue bonds or certificates or provide financial assistance for housing purposes; apply for, accept and administer grants of monies or materials or property of any kind from a federal agency or others; employ or contract with housing experts, engineers, architects, attorneys, accountants, construction and financial experts and other such persons as necessary and fix their compensation; and enter into any housing facility financed through the Authority to investigate specific issues. Additionally, pursuant to A.R.S. § 41-3906, the Board may issue bonds for multifamily residential rental projects and to finance residential dwelling units, and establish mortgage credit certificate programs for rural areas of Arizona.

The Authority uses monies from the Housing Program Fund to pay the costs of administering any programs. The Housing Program Fund is funded by fees received through those programs. The Authority also receives federal monies for programs and grants relating to affordable housing programs and does not receive any state General Fund appropriation.

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

Establishment of the Arizona Housing Finance Reform Authority

1. Establishes the Authority to operate and administer the Secure Home Program (Program).

2. Stipulates that the Authority is considered to be a body corporate and politic and acting in all respects for the benefit of Arizona residents and performing a governmental function.

3. Exempts the Authority from the Arizona Procurement Code.

Governing Board

4. Requires the Authority to be governed by a Board of Directors (Board) consisting of three members to be appointed by the Governor.

5. Requires each member to serve for a term of seven years and vacancies occurring other than by expiration of term are to be filled in the same manner for the remainder of the unexpired term.

6. Requires the Board to annually elect a chairperson, secretary and a treasurer from its members.

7. Requires the Board rules to provide for regular annual meetings.

8. Allows the chairperson to call a special meeting at any time and requires the Board to adopt rules to provide for a method of giving notice of a special meeting.

9. Allows the Board to meet by audioconference or videoconference and stipulates that the requirements of the public meeting and proceedings statutes apply, except all votes must be by roll call.

10. Prohibits the Board from meeting in executive session by audioconference or videoconference.

11. Prohibits Board members from receiving compensation for Board service but can receive reimbursement for necessary expenses while engaged in the performance of duties.

Powers of the Board

12. Allows the Board to:
    a) adopt an official seal and alter the seal at its pleasure;
    b) apply for, accept and administer grants of monies or materials or property of any kind from a federal agency, state agency or others on such terms and conditions as may be imposed;

c) issue bonds or certificates or provide financial assistance for housing purposes which must be in the name of the Authority and can only be issued by a majority of the members of the Board;
d) issue time-out mortgage loans, with the proceeds from bond or certificate issuance, to borrowers who reside in a home in Arizona that must be supported by, and subject to, a deed of trust on each property;
e) make and enter into agreements, including intergovernmental agreements, execute all instruments, perform all acts and do all things necessary or convenient to carry out the powers granted;
f) employ or contract with housing experts, engineers, architects, attorneys, accountants, construction and financial experts and such other persons necessary in its judgment and fix their compensation. Any person employed or contracted is prohibited from representing more than one party in any transaction;
g) appoint an executive director and other employees as it deems necessary who serve at the pleasure of the Board and receive such compensation fixed by the Board;
h) sue or be sued;
i) acquire and maintain office space, equipment, supplies, services and insurance necessary;
j) contract with, act as guarantor for or coinsure with any federal, state or local governmental agency and other organizations or corporations in connection with its housing activities and receive monies related to those contracts and services but cannot interfere with or attempt to override the local jurisdiction's planning, zoning, land use regulations or interfere with the requirements of state or federal fair housing laws;
k) adopt bylaws and administrative rules;
l) protect and enforce the interests of the Authority in any property financed through the Authority's resources including investigating the physical condition, construction, rehabilitation maintenance and other related matters; and
m) establish fees and collect reimbursement of costs in connection with the issuance of bonds or certificates.

13. Allows the Authority to acquire title to real property by gift, grant or operation of law, or by purchase, and hold the title until such time as the property is sold, in the sole discretion of the Board.

14. Allows the Authority to sell the property to the homeowner it was purchased from after the title has been acquired.

15. Allows the Authority, through the Program Administrator, to offer funding to homeowner-borrowers if all of the following conditions are met:
    a) the homeowner-borrower is current on all in the money and partial in the money mortgages and deeds of trust on the property at the time of closing. A homeowner-borrower who is not current before the closing date can pay the amount of principal and interest required to become current as of the closing to the Program Administrator at or before closing for further payment to the servicer of the applicable existing loan;
    b) the homeowner-borrower's principal residence or vacation home in Arizona is the subject property; and
    c) the homeowner's property insurance, taxes and homeowners' association regular assessments are current and paid at the time of closing and on the closing date.

Costs of Operation and Administration

16. Stipulates that the state is not responsible for any obligation incurred by the Authority.

17. Requires all costs and expenses of the Authority, including initial Program Administrator fees, to be paid from bond or certificate proceeds or other monies of the Authority.

18. Requires Program Administrator fees, other than initial fees to be paid, from monthly payments received from borrowers on time-out mortgage loans.

19. Exempts the Authority and its income and all bonds on certificates issued and the income from the bonds or certificates from taxation in Arizona.

20. Requires, to the extent federal law permits, interest income from the Authority's bonds and certificates to be exempt from federal income tax.

Issuance of Bonds and Mortgage Credit Certificates

21. Allows the Board, for and on behalf of the Authority, by resolution to issue bonds or certificates to finance or refinance single one-family or two-family residential dwelling units in Arizona.

22. Prohibits the Authority from interfering with or attempting to override a local jurisdiction's planning, zoning or land use regulations or with the requirements of state or federal fair housing laws.

23. Specifies how bonds or certificates and any bonds or certificates refunding those bonds or certificates are to be issued.

24. Allows bonds to be sold at either public or private sale or by an electronic bidding process in such a manner and on such terms as determined by the Board to be most advantageous and requires the bonds to be fully negotiable within the meaning of the Uniform Commercial Code.

25. Stipulates that principal and interest on the bonds are payable solely from the revenues derived by the Authority from authorized agreements and the Arizona Home Insurance Fund (Fund).

26. Allows any resolution authorizing the issuance of bonds or certificates to provide for:
    a) execution of agreements and instruments the Board deems necessary, including the execution of a trust indenture and assignment to a trustee of the agreements relating to the issue of bonds in order to protect the bondholder or and facilitate the payment of the principal and interest on the bonds;
    b) payment of the bonds solely from the monies paid by the obligated homeowner-borrowers and the Fund;

c) capitalization of a bond reserve with any appropriate monies when the Board deems necessary;
d) assignment to a trustee of any or all agreements made or entered into by the Authority and vesting in the trustee the right to enforce any covenant made to secure or pay the bonds;
e) execution and delivery of trust agreements setting forth the powers, duties and remedies available to trustees, limiting liabilities, describing what occurrences constitute default and prescribing terms and conditions on which trustees or holders of bonds of any specified amount or percentage of such bonds can exercise and enforce any rights, covenants and remedies;
f) vesting in a trustee or holder of any specified amount or percentage of bonds the right to apply to any court of competent jurisdiction for, and have granted, the appointment of a receiver to act under the terms of any agreement;
g) reclamation of the residential real property if a payment required under an agreement or any other condition required in an agreement is not paid timely or is breached; and
h) the appointment of a receiver during a period of default in the regular payment or performance under an agreement.

27. Stipulates that bonds bearing the signatures of officers in office on the date of the signing of the bonds are valid and binding obligations, notwithstanding that before their delivery and payment any persons whose signatures appear on the bonds have ceased to be officers of the Authority.

28. Stipulates that the validity of the bonds is not dependent on or affected by the validity or regularity of any proceedings to acquire the property financed by the bonds or taken in connection therewith.

29. Prohibits action being brought questioning the legality of any agreement, proceeding or issuance of bonds after two months from the date the bonds are authorized to be issued by the Board.

Authority Funds

30. Requires the Board, if bonds or certificates are issued, to separate all proceeds from the issuance of bonds or certificates and to utilize the proceeds solely to fund time-out mortgage loans, the Program Insurance Fund and fees, including program license fees.

31. Requires all funds remaining in the Program Insurance Fund to be transferred for deposit in the General Fund after all bonds and home certificates, together with the interest on bonds or home certificates, are fully paid and discharged and all agreements are fully performed.

State Online Digital Registry

32. Establishes the State Online Digital Registry of Notes (Registry) secured by and liens relating to those secured notes on residential real property located in Arizona.
33. Requires the registry to be created and maintained by the Program Administrator subject to supervision by the State Treasurer.

34. Requires notes to be accessible online by the Authority, Program Administrator, homeowner, note owner and the state and their authorized representatives.

35. Specifies that liens are public records and required to be accessible to the public online.

36. Requires all easements, tax liens, mechanics liens, liens securing business loans and any other filings that were recorded as of the effective date and that were authorized to be recorded in the Office of the County Recorder against real property located in Arizona to be maintained with existing priority except that the Authority's security interest, regardless of when created, must have first and best priority over any and all other liens.

37. Stipulates that beginning on a specific date, in order for a promissory note secured by real property in Arizona and the resulting lien on the real property to be valid, each creditor and each assignee must file a copy of the note and any amendment to the note and register its ownership of the note and each resulting lien with the Registry.

38. Prohibits action from being filed or maintained, including any nonjudicial or judicial foreclosure proceeding, on a promissory note secured by real property within Arizona or a mortgage or deed of trust for which both the promissory note and any amendments and the mortgage or deed of trust and each transfer of that mortgage or deed of trust is not filed with the Registry.

39. Requires each assignment or other transfer of real property located in Arizona, or a note secured by real property, beginning on a specific date, to be filed with the Registry and the appropriate filing fee to be paid and is void if not made within 30 days.

40. Requires the deed of trust to be void as a matter of law and the loan deemed unsecured if a promissory note and a deed of trust that represent the same obligation to pay are at any time not owned by the same person or entity.

41. Requires any paper document, which can be signed in blue ink, to be scanned, uploaded and stored in the Registry.

42. Requires a document scanned in color with a blue signature to be considered an original document and those without a blue signature deemed not original.

43. Requires the Program Administrator to pay $15 per filing to the State Treasurer and a $15 fee to the Treasurer of the county in which the real property is located.

44. Requires all recording of liens as security interest on property in Arizona that was made before the effective date to remain valid and are not required to be filed in the Registry.

45. Requires any modifications to existing liens to be filed in the Registry.

46. Requires liens other than those created through a loan secured by residential real property located in Arizona or any assignment of such lien to continue to be recorded with the applicable county recorder's office.

47. Exempts the Authority and Program Administrator from filing and recording fees.

Credit Enhancement

48. Allows the Authority to:
    a) Enter into covenants and agreements with any federal agency, private agency, corporation or individual to perform all acts necessary, convenient or desirable in order to secure bonds or home certificates or that, in the judgment of the Board, tend to make the bonds or home certificates more marketable and to perform all acts that are not inconsistent with the Arizona Constitution and that may be necessary, convenient or desirable for the issuance of bonds or home certificates and for their security; provide additional security for the bonds or home certificates in the form of a line of credit, letter of credit, insurance policy or other security and:
        i. pay the cost of the additional security from amounts produced from the bond issue or from other available sources; and
        ii. enter into reimbursement obligations in connection with the additional security.

Bonds and Home Certificates as Legal Investments

49. Stipulates that bonds and home certificates issued by the Authority are securities in which the following can legally invest any sinking funds, monies or other funds belonging to them or under their control:
    a) all state public officers and bodies;
    b) all state political subdivisions;
    c) all financial institutions;
    d) investment companies;
    e) insurance companies and associations; and
    f) all executors, administrators, guardians and trustees and other fiduciaries.

Bond and Certificates Obligations

50. Stipulates that all bonds and home certificates are obligations of the Authority to be paid solely from the interest and principal proceeds of time-out mortgage payments and the Fund and are payable only in accordance with the terms of the bonds or home certificates and must not be obligations general, special or otherwise of the state.

51. Specifies that bonds and home certificates do not constitute a legal debt of the state and are not enforceable, nor any payment of bonds or home certificates can be enforceable out of any funds of the Authority other than the income and revenue pledged and assigned to, or in trust for the benefit of, the holder or holders of such bonds and home certificates and the Fund.

52. Requires all bonds and home certificates to be fully insured against default as to principal and interest through the Program Insurance Fund.

53. Specifies that all loss recapture certificates issued are obligations of the borrower and are payable only in accordance with the terms of the loss recapture certificates, must not be insured and must not be obligations general, special or otherwise of the state or Authority.

Arizona Home Insurance Fund

54. Establishes the Fund which is required to be administered by the Program Administrator.

55. Specifies that the Fund consists of monies from:
    a) one-time insurance premiums paid on issuance of time-out mortgage loans;
    b) monthly insurance payments received from mortgagors;
    c) amounts paid to the Fund by the Attorney General from settlements with financial institutions relating to housing matters;
    d) amounts transferred from the Arizona Housing Authority originally received from the federal government's Troubled Assets Relief Program;
    e) investment earnings; and
    f) gifts, grants and donations.

56. Requires the State Treasurer to invest and divest monies in the Fund and monies earned from investment must be credited to the Fund.

57. Requires Fund monies to be used to pay insurance claims from holders of insured bonds or insured home certificates.

58. Allows Fund monies to be used, in the discretion of the Program Administrator, to pay interest charges on insured bonds, insured home certificates or insured economic incentive bank loans, solely to the extent that the time-out mortgage loan associated with the insured bond or insured home certificate has not been timely paid by the mortgagor.

59. Requires the Program Administrator to report quarterly and annually to the Legislature on the status of the Fund.

60. Requires each quarterly report to include the balance of the Fund on the close of business on the last day of the quarter and a summary of premiums received, investment earnings, claims received and amounts paid on claims, during the preceding calendar quarter.

61. Requires the annual report to be submitted to the President of the Senate and the Speaker of the House of Representatives no later than March 31 for the previous calendar year and quarterly.

62. Exempts income of the Fund from taxation.

63. Prohibits the state and any of its agencies from having a claim on the assets or proceeds of the Fund for the duration of the Program.

64. Stipulates, notwithstanding the statutory requirements for new programs established by the Legislature, on redemption of all bonds and home certificates issued by the Authority the program must terminate and any remaining proceeds after payment of all debts and liabilities must be transferred for deposit in the General Fund.

Title Clearance

65. Stipulates that it is the public policy of the state to maintain a clear chain of title to residential real property and it is disruptive to the functioning of the state to not have a clear chain of title to residential real property, notwithstanding the need for transferability of loans secured by residential real property.

66. Allows the Authority to purchase the improved residential real property of each Program participant for 100 percent of the fair market value to resolve any question as to chain of title to residential real property for residential real properties owned by qualified homeowner Program applicants.

67. Stipulates that the maximum Program fair market value of improved real property that can participate in the Program is $700,000.

68. Requires each program participant to conduct two property appraisals at their cost through appraisers selected by the Authority, in order to determine Program fair market value of the real property.

69. Requires a third appraisal to be performed if the two appraisals are more than five percent different from each other.

70. Requires the highest appraisal to be used to determine the fair market value of property.

71. Requires the homeowner to be reimbursed the costs of appraisals at the time of closing.

72. Requires the Program Administrator to make payment of the applicable amounts in accordance with the law and any applicable rules adopted to the servicer on any loan secured by residential real property for with a payment is to be made.

73. Stipulates that anti-deficiency protections apply on any property that is acquired by the Authority and no action can be maintained to recover any difference between the amount obtained by sale and the amount of the indebtedness and any interest costs and expenses.

Mortgage Loan and Security Interest

74. Requires the Authority to promptly sell the real property purchased to the former homeowner for a purchase price consisting of the sum of the following:
    a) the amount of the title clearance payment;
    b) $2,500;

c) an additional $6,000 only if the partial in the money loan holder opts to receive the immediate cash payment and there are no not in the money loans on the same residential real property; and
d) an amount that equals 10 percent of the total purchase price in exchange for a time-out mortgage loan in that amount secured by the same residential real property with the term and interest rate of such time-out mortgage loan determined by the Program Administrator under rules adopted by the Authority.

75. Requires the term and interest rate to be communicated to the owner of the residential real property promptly after such information is determined but in all cases prior to the time that the Authority purchases the property.

76. Requires the 10 percent amount of the total purchase price to be deposited in the Fund and for the time-out mortgage loan to be served by the Program Administrator.

77. Stipulates that if a mortgagor or trustor on a deed of trust commits fraud, the anti-deficiency protections do not apply to that mortgagor or trustor.

78. Specifies that, notwithstanding any other law, the state and the Authority are immune from any liability due to ownership of the real property, including any liability based on strict liability, if the Authority has sold the real property to the former homeowner.

79. Requires the Authority to issue time-out mortgage loans that must be secured by deeds of trust in favor of the state.

80. Requires a time-out loan to be an interest-only loan and its term must be 10 years, unless a lesser term is specified for a specific homeowner-borrower by the Program Administrator.

81. Requires the interest rate to be the interest rate specified by the Authority that must equal the interest rate specified on the home certificate assigned to the property or the effective interest rate on bonds issued by authority used to finance the issuance of mortgage loans by authority as determined by the Program Administrator, the annual home insurance fund insurance premium and 25 basis points to include program servicing fees and licensing fees.

82. Requires the Authority to create a standard form for time-out loans and time-out deeds of trust that must be utilized for all loans issued by the Authority.

83. Allows a homeowner-borrower to make a payment of all or any portion of principal amount due on the time-out mortgage loan at any time without penalty in accordance with procedures adopted by the Program Administrator.

84. Requires the borrower to promptly communicate the specific circumstances and provide documentary proof to the Program Administrator, if a time-out mortgage loan borrower experiences a change in circumstances that makes timely payment difficult.

85. Requires the program administrator to attempt to utilize the Program's finance modification tools to reduce the borrower's interest rate so that the monthly payment required can be more

affordable to that borrower, if circumstances meet the threshold for an allowable change of circumstances as prescribed in rules adopted by the Program Administrator.

86. Requires the Authority, to the extent that the Program Administrator substitutes alternative financing to reduce the borrower's annual interest rate that has a different term than the original financing, to issue a replacement time-out mortgage loan that must specify the new term, which must be coterminous with the term of the substitute financing.

87. Allows payment of some or all of either or both of the annual Fund insurance premium or the additional 25 basis points to be waived by the Program Administrator solely in the event of an allowable change of circumstances as prescribed in rule.

88. Requires the Authority to promptly cause the balance of the associated time-out deed of trust to be reduced by the principal amount repaid, after the Authority receives a payment of principal on a time-out mortgage loan.

89. Allows a borrower to repay principal on a time-out mortgage loan at any time without penalty.

90. Requires the Authority to release the applicable time-out deed of trust after a time-out mortgage loan has been repaid in full and the balance of any applicable loss recapture certificate is zero.

91. Requires the time-out deed of trust in favor of the Authority to be in an amount equal to the time-out mortgage loan plus the amount of any loss recapture certificate created through the title clearance procedure on the same residential real property that is securing the time-out mortgage loan.

92. Allows the rules adopted by the Program Administrator to require homeowner-borrowers to make monthly escrow payments to the Program Administrator for state, county and local real estate taxes or homeowner's insurance premiums of both.

93. Requires the Program Administrator, if escrow payments for taxes are received, to pay the applicable amount to the appropriate taxing authority on or before the 10th day of the month following receipt of such amounts.

94. Stipulates if a homeowner-borrower allows homeowner's insurance on a property secured by a time-out deed of trust to lapse, the Program Administrator is allowed to obtain such insurance coverage up to the amount of the time-out deed of trust lien with the Fund named as beneficiary.

95. Requires the Program Administrator to charge the homeowner-borrower for the cost of the insurance coverage plus a fee in an amount determined by rule.

96. Requires any insurance to be purchased from an entity unaffiliated and unrelated to the Program Administrator or any of its officers, directors, members or employees.

97. Requires the Authority to foreclose on a time-out deed of trust in accordance with procedures adopted by the Program Administrator.

98. Stipulates that it is the intent of the legislation, except in the case of fraud, to be a last resort to be used only after other options have been exhausted, as determined by the Administrator.

99. Requires the Program Administrator, in the event of foreclosure, to attempt to maximize the long-term return to the Fund taking into consideration the consumer protection nature of the legislation and the program it implements.

Loss Recapture Certificates

100. Requires the Program Administrator to issue a loss recapture certificate to the servicer of each partial in the money loan, unless a cash payment was made on the partial in the money loan.

101. Requires the loss recapture certificate to have a principal amount only and must have a term of 10 years and no interest is to be due on the principal balance.

102. Requires the principal amount of the loss recapture certificate to be one of the following, whichever amount is least:
    a) the principal amount of the partial in the money loan plus the principal amounts of any fully in the money loans secured by the same real property less the principal amount of the time-out mortgage loan;
    b) the principal amount of the partial in the money loan that was secured by the same residential real property; or
    c) 125 percent of the program fair market value for the residential real property secured by that loan less the amount of the time-out mortgage loan secured by the same residential real property.

103. Requires the calculated principal to be reduced by the sum of all title clearance payments made on not in the money loans and other attributes of the loss recapture certificate to be specified in regulations promulgated by the Program Administrator.

104. Stipulates if there is a balance due on the loss recapture certificate and if the required time-out mortgage loan monthly interest payment is less than 67 percent of the sum of the required monthly payments on all existing loans for the latest month before the time-out mortgage loan was issued, the homeowner-borrower is required to make a monthly principal payment on the loss recapture certificate equal to the lesser of the remaining balance due or the amount equal to 67 percent of the sum of the required monthly payments on all existing loans for the latest month before the time-out mortgage loan was issued, less the required time-out mortgage loan monthly interest payment,.

105. Stipulates that if the Program Administrator has received a principal payment on a loss recapture certificate during a calendar quarter, the Program Administrator is required to issue a quarterly payment within 30 days from the end of that calendar quarter to the servicer of

the partial in the money loan in an amount equal to the amount of loss recapture principal received from the homeowner-borrower during that calendar quarter.

106. Allows full or partial payment to be made on the principal amount due on a loss recapture certificate at any time without penalty.

107. Stipulates, notwithstanding statute, if the homeowner-borrower has experienced an allowable change of circumstances, no principal payment is due unless and until the allowable change of circumstances has been resolved in accordance with adopted rules.

108. Prohibits the Program Administrator from receiving fees for servicing the loss recapture certificate.

109. Stipulates that a loss recapture certificate must be presumed to be recourse debt and to be issued as such.

110. Requires the loss recapture certificate to be serviced by the Program Administrator.

111. Requires the Program Administrator to reissue the loss recapture certificate specifying it as non-recourse debit if the homeowner-borrower can document that the partial in the money loan that the loss recapture certificate was issued on was a non-recourse debt.

112. Specifies, unless the loss recapture certificate has been reissued as non-recourse debt, if a homeowner transfers the residential real property that secures a recourse loss recapture certificate, the lien must follow the homeowner-borrower to any new property purchased within the state and to be a lien with the highest priority behind any purchase money lien on the new property.

113. Requires the loss recapture certificate to become unsecured recourse debt if it was recourse debt and no new property is purchased in the state.

114. Requires a partial in the money loan holder to have the option to receive an immediate cash payment instead of receiving a loss recapture certificate.

115. Specifies that if a partial in the money loan holder or servicer opts for an immediate cash payment instead of receiving a loss recapture certificate, the amount of the immediate cash payment must be determined as follows:
    a) $6,000 if there are no not in the money loans on the same residential real property securing the partial in the money loan;
    b) $5,250 if there is one not in the money loan on the same residential real property securing the partial in the money loan; and
    c) $4,750, if there are two not in the money loans on the same residential real property securing the partial in the money loan.

116. Requires the partial in the money loan holder or servicer to be deemed to have elected to receive an immediate cash payment if a partial or servicer does not communicate its decision

to accept either a loss recapture certificate of an immediate cash payment within a specified number of days from the receipt of notice.

117. Specifies if the partial in the money loan holder or servicer opts to receive an immediate cash payment instead of a loss recapture certificate and if there is only one not in the money loan on the same residential real property securing the partial, the cash payment on that not in the money loan is required to be $750 and if there are two not in the money loans, the cash payments are required to be $750 to the higher priority not in the money loan and $500 to the lower priority not in the money loan.

118. Specifies if the partial in the money loan holder or servicer opts to receive a loss recapture certificate, and if there is only one not in the money loan, the cash payment on that loan on the same residential real property securing the partial must be $6,000 and if there are two not in the money loans, the cash payments must be $5,500 to the higher priority not in the money loan and $500 to the lower priority not in the money loan.

119. Prohibits payment from being made on not in the money loans if there are more than two on the same residential real property securing the partial in the money loan.

Negative Credit Filings

120. Prohibits a party from filing a negative credit filing on an existing mortgage loan with any credit reporting company as of the closing date.

121. Specifies if a negative credit report is filed, the reporting company must remove the negative credit filing from the eligible homeowner's credit report on written application by the eligible homeowner-borrower.

122. Prohibits a credit reporting company from accepting a negative filing from any person or entity with respect to an existing loan secured by the residential real property on which a time-out mortgage loan and time-out deed of trust has been issued and does not apply to the Authority or Program Administrator.

123. Specifies that the penalty for each negative credit report in violation of law is a fine of $25,000, payable to the State Treasurer.

124. Requires proceeds from fines to be first applied to program expenses and all remaining accounts must be transferred for deposit into the Fund.

Initial Terms of Authority Members

125. Specifies that the initial terms of members of the Authority are as follows:
    a) one term ending in 2019;
    b) one term ending in 2018; and
    c) one term ending in 2017.

126. Requires the Governor to make all subsequent appointments.

Miscellaneous

127. Contains a no abrogation of rights clause.

128. Contains a supplemental law clause.

129. Defines terms.

130. Terminates the Authority on July 1, 2022 and repeals the corresponding section on January 1, 2023.

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