SB 1451

Introduced by
Senators Reagan, Lujan; Representative Vogt; Senators Allen, Antenori, McComish, Melvin, Meza, Pierce S, Smith, Yarbrough; Representatives Ash, Tovar

AN ACT

AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3022.01; AMENDING TITLE 41, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 51; RELATING TO THE HOUSING FINANCE REFORM AUTHORITY.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Title 41, chapter 27, article 2, Arizona Revised Statutes, is amended by adding section 41-3022.01, to read:

41-3022.01. Arizona housing finance reform authority; termination July 1, 2022

A. THE ARIZONA HOUSING Finance reform AUTHORITY TERMINATES ON JULY 1, 2022.

B. SECTION 41-5102 IS REPEALED ON JANUARY 1, 2023.

Sec. 2. Title 41, Arizona Revised Statutes, is amended by adding chapter 51, to read:

CHAPTER 51
ARIZONA HOUSING Finance reform AUTHORITY
ARTICLE 1. GENERAL PROVISIONS

41-5101. Definitions
In this article, unless the context otherwise requires:
1. "Agreement" means any loan or other agreement, note, mortgage, deed of trust, contract, note, mortgage, trust indenture, lease, sublease or other such instrument entered into by the Authority.
2. "Authority" means the Arizona housing finance reform Authority.
3. "Authorized debt holders" means any of the following:
   (a) A trustee that does not hold any direct or indirect equity interest, including convertible debt, in the program administrator.
   (b) Any bank or trust company with authority to exercise banking powers under any federal statute or regulatory authority that does not hold any direct or indirect equity interest, including convertible debt, in the program administrator.
   (c) Any governmental authority authorized to make loans under the laws of this state.
   (d) Any other person that does not have any direct or indirect equity interest in the program administrator, and is subject to license and regulatory oversight by a state agency and satisfies such other criteria as established from time to time by the Authority.
4. "Board" means the board of directors of the Authority.
5. "Bonds" means any bonds issued pursuant to this article.
6. "Certificates" includes the following:
   (a) A home certificate. For the purposes of this subdivision home certificate means an investor debt instrument issued by the Authority that shall have a stated term and interest rate and that may be associated on a one-to-one basis with a time-out mortgage loan, as determined by the program administrator in which interest is paid periodically, as specified on the issuance of the specific home certificate, and principal is paid at or before the end of its stated term.
   (b) A loss recapture certificate. For the purposes of this subdivision, loss recapture certificate means a debt security issued by the Authority, which shall have a principal balance only.
(c) Any other certificate issued by the authority pursuant to program rules adopted by the program administrator.

7. "Closing" means the date and time at which the time-out mortgage loan is issued to the homeowner-borrower.

8. "Closing date" means the date on which the title clearance procedure occurs pursuant to section 41-5115.

9. "Competent person" means an individual who satisfies at least one of the following:
   (a) is a demonstrated expert.
   (b) is or was a senior executive officer in at least two of the following:
       (i) a nonprofit organization focused on providing sustainable housing solutions.
       (ii) a mortgage brokerage firm.
       (iii) a real estate investment firm.
       (c) a person meeting each of the following:
           (i) who is either licensed to practice law or licensed as a certified public account, or both.
           (ii) who has practiced as either an attorney or an accountant, or both, for at least five years in the field of captive insurance.
           (d) satisfies such other equivalent criteria as may be established from time to time by the authority.

10. "Costs" means all costs incurred in the issuance of bonds or certificates, including costs for an insurance policy, credit enhancement, legal, accounting, consulting, printing, advertising and travel expenses, plus any authority administrative fees and may include interest on bonds or home certificates issued pursuant to this article for a reasonable time before and during the time the proceeds are used.

11. "Current" means that all interest is paid through and including the closing date and all scheduled principal payments before the closing date have been paid excluding accelerated interest and principal payments.

12. "Deferred recapture amount" means:
   (a) with respect to a specific existing loan, the principal amount of that existing loan less the cash amount received by the holder of that existing loan from the authority from the title clearance procedure.
   (b) with respect to all existing loans, the sum of the principal amounts of all existing loans less the amount of the newly time-out mortgage loan.

13. "Demonstrated domain expertise" means an individual named as an inventor on any patent or provisional patent filed with United States Patent and Trademark Office on or before March 1, 2011 in the relevant field.

14. "Demonstrated expert" means an individual who satisfies each of the following:
   (a) has demonstrated domain expertise.
(b) HAS DEMONSTRATED SMALL BUSINESS ADMINISTRATION INSURANCE PROGRAM LENDING COMPLIANCE.

15. "DEMONSTRATED SMALL BUSINESS ADMINISTRATION INSURANCE PROGRAM LENDING REGULATORY COMPLIANCE" MEANS AN INDIVIDUAL WHO SERVES AS AN EXECUTIVE OFFICER OF, CONTROLS, AND HAS A CONTROLLING ECONOMIC INTEREST IN A RELEVANT REGULATED PERSON.

16. "EXISTING LOAN" INCLUDES ALL OF THE FOLLOWING:

(a) A FULLY IN THE MONEY LOAN. FOR THE PURPOSES OF THIS SUBDIVISION, FULLY IN THE MONEY LOAN MEANS A FIRST PRIORITY LIEN LOAN SECURED BY RESIDENTIAL REAL PROPERTY, THE PRINCIPAL AMOUNT OF WHICH IS LESS THAN OR EQUAL TO THE AMOUNT OF THE TITLE CLEARANCE PAYMENT, OR A JUNIOR PRIORITY LIEN LOAN SECURED BY THAT SAME RESIDENTIAL REAL PROPERTY FOR WHICH THE SUM OF THE PRINCIPAL AMOUNTS OF THAT LOAN AND ALL LOANS WITH HIGHER PRIORITY LIENS SECURED BY THAT SAME RESIDENTIAL REAL PROPERTY IS LESS THAN OR EQUAL TO THE AMOUNT OF THE TITLE CLEARANCE PAYMENT. THERE MAY BE NONE, ONE OR MORE THAN ONE FULLY IN THE MONEY LOANS ON EACH PARCEL OF REAL PROPERTY. THE HOLDER OF EACH FULLY IN THE MONEY LOAN SHALL BE PAID THE BALANCE OWNED TO SUCH HOLDER BY THE AUTHORITY ON BEHALF OF THE HOMEOWNER-BORROWER AS PART OF THE TITLE CLEARANCE PAYMENT.

(b) A PARTIAL IN THE MONEY LOAN. FOR THE PURPOSES OF THIS SUBDIVISION, PARTIAL IN THE MONEY LOAN MEANS A FIRST PRIORITY LIEN LOAN SECURED BY RESIDENTIAL REAL PROPERTY, OR A JUNIOR PRIORITY LIEN LOAN SECURED BY THAT SAME RESIDENTIAL REAL PROPERTY THE PRINCIPAL AMOUNT OF WHICH PLUS THE PRINCIPAL BALANCE OF ALL MORE SENIOR PRIORITY LOANS, WHEN TAKEN TOGETHER, IS GREATER THAN THE AMOUNT OF THE TITLE CLEARANCE PAYMENT AND WHICH RECEIVES PARTIAL BUT NOT FULL PAYMENT OF PRINCIPAL AMOUNT BY THE AUTHORITY ON BEHALF OF THE HOMEOWNER-BORROWER AS PART OF THE TITLE CLEARANCE PAYMENT.

(c) A NOT IN THE MONEY LOAN. FOR THE PURPOSES OF THIS SUBDIVISION NOT IN THE MONEY LOAN MEANS A JUNIOR PRIORITY LOAN SECURED BY RESIDENTIAL REAL PROPERTY, WHERE THE TITLE CLEARANCE PAYMENT IS LESS THAN THE SUM OF THE PRINCIPAL AMOUNTS OF ALL SENIOR PRIORITY LIEN LOANS SECURED BY THAT SAME REAL PROPERTY. THERE CAN BE NONE, ONE, OR MORE THAN ONE NOT IN THE MONEY LOANS ON EACH PARCEL OF RESIDENTIAL REAL PROPERTY.

17. "FEDERAL AGENCY" MEANS THE UNITED STATES OR ANY AGENCY OR AGENCIES OF THE UNITED STATES.

18. "FRAUD" MEANS A MISSTATEMENT, MISREPRESENTATION OR OMISSION THAT CANNOT BE CORRECTED AND THAT WAS RELIED UPON BY THE AUTHORITY IN ISSUING A TIME-OUT MORTGAGE LOAN AND INTENTIONAL DEFAULT ON A TIME-OUT MORTGAGE LOAN.

19. "GOVERNING BODY" MEANS, WITH RESPECT TO A CORPORATION, THE CORPORATION'S BOARD OF DIRECTORS AND WITH RESPECT TO A LIMITED LIABILITY COMPANY, THE LIMITED LIABILITY COMPANY'S BOARD OF MANAGERS.

20. "NEGATIVE CREDIT FILING" MEANS A FILING WITH A CREDIT REPORTING AGENCY INDICATING NO PAYMENT, INSUFFICIENT PAYMENT, NON-TIMELY PAYMENT, DEFAULT, DEMAND, ACCELERATION OR FORECLOSURE.
21. "PRINCIPAL AMOUNT", SOLELY WITH RESPECT TO AN EXISTING LOAN, MEANS THE PRINCIPAL BALANCE OF A HOMEOWNER-BORROWER'S EXISTING LOAN SECURED BY RESIDENTIAL REAL PROPERTY AS REFLECTED IN A PAYOFF STATEMENT PREPARED BY THE HOMEOWNER-BORROWER'S EXISTING LENDER OR SERVICER.

22. "PROGRAM ADMINISTRATOR" MEANS THE ENTITY ENGAGED TO MANAGE THE PROGRAM BY AND UNDER THE SUPERVISION OF THE AUTHORITY.


24. "PROGRAM INSURANCE FUND" MEANS THE FUNDS MANAGED BY THE PROGRAM ADMINISTRATOR UNDER THE SUPERVISION OF THE AUTHORITY THAT MAY BE USED SOLELY TO PAY INTEREST AND PRINCIPAL ON BONDS AND HOME CERTIFICATES.

25. "QUALIFIED PERSON" MEANS A CORPORATION OR A LIMITED LIABILITY COMPANY WITH A BOARD OF MANAGERS THAT HAS THE AUTHORITY TO MANAGE THE LIMITED LIABILITY COMPANY'S BUSINESS AND AFFAIRS IN A MANNER EQUIVALENT TO THE AUTHORITY GRANTED TO THE BOARD OF DIRECTORS OF A CORPORATION ORGANIZED UNDER THE LAWS OF THIS STATE THAT SATISFIES EACH OF THE FOLLOWING:

   (a) HAS AS ITS CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER OR CHIEF OPERATING OFFICER, AT LEAST ONE DEMONSTRATED EXPERT.
   (b) HAS COMPETENT PERSONS SERVING AS THE CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER.
   (c) HAS AT LEAST ONE DEMONSTRATED EXPERT SERVING AS A MEMBER OF ITS GOVERNING BODY AND A MAJORITY OF THE MEMBERS OF ITS GOVERNING BODY BEING COMPETENT PERSONS.

26. "TIME-OUT DEED OF TRUST" MEANS A DEED OF TRUST ASSOCIATED WITH A TIME-OUT MORTGAGE LOAN.

27. "TIME-OUT MORTGAGE LOAN" MEANS A LOAN ISSUED BY THE AUTHORITY SECURED A DEED OF TRUST IN FAVOR OF THE AUTHORITY ON REAL PROPERTY LOCATED WITHIN THIS STATE.

28. "TITLE CLEARANCE PAYMENT" MEANS THE RESIDENTIAL REAL PROPERTY'S PROGRAM FAIR MARKET VALUE PLUS ONE PER CENT OF PROGRAM FAIR MARKET VALUE, PAID ON BEHALF OF THE HOMEOWNER-BORROWER BY THE AUTHORITY TO THE SERVICERS OF EXISTING LOANS SECURED BY RESIDENTIAL REAL PROPERTY SUBJECT TO TITLE CLEARANCE UNDER SECTION 41-5115.

41-5102. Establishment of authority; exemption

A. THE ARIZONA HOUSING FINANCE REFORM AUTHORITY IS ESTABLISHED TO OPERATE AND ADMINISTER THE SECURE HOME PROGRAM.

B. THE AUTHORITY IS CONSIDERED TO BE A BODY CORPORATE AND POLITIC AND ACTING IN ALL RESPECTS FOR THE BENEFIT OF THE RESIDENTS OF THIS STATE AND PERFORMING A GOVERNMENTAL FUNCTION IN CARRYING OUT THE PURPOSES OF THIS ARTICLE.

C. THE AUTHORITY IS EXEMPT FROM CHAPTER 23 OF THIS TITLE.
B. EACH MEMBER SHALL SERVE FOR A TERM OF SEVEN YEARS. VACANCIES OCCURRING OTHER THAN BY EXPIRATION OF TERM SHALL BE FILLED IN THE SAME MANNER FOR THE REMAINDER OF THE UNEXPIRED TERM.

C. THE BOARD SHALL ANNUELY ELECT FROM AMONG ITS MEMBERS A CHAIRPERSON, A SECRETARY AND A TREASURER.

D. THE BOARD RULES SHALL PROVIDE FOR REGULAR ANNUAL MEETINGS OF THE BOARD. THE CHAIRPERSON MAY CALL A SPECIAL MEETING AT ANY TIME. THE BOARD SHALL ADOPT RULES TO PROVIDE FOR A METHOD OF GIVING NOTICE OF A SPECIAL MEETING.

E. THE BOARD MAY MEET BY AUDIOCONFERENCE OR VIDEOCONFERENCE. THE REQUIREMENTS OF TITLE 38, CHAPTER 3, ARTICLE 3.1 APPLY TO AN AUDIOCONFERENCE OR VIDEOCONFERENCE. EXCEPT THAT ALL VOTES OF MEMBERS MUST BE BY ROLL CALL AND THE BOARD MAY NOT MEET IN EXECUTIVE SESSION BY AUDIOCONFERENCE OR VIDEOCONFERENCE.

F. MEMBERS OF THE BOARD ARE NOT ELIGIBLE TO RECEIVE COMPENSATION FOR BOARD SERVICE BUT ARE ELIGIBLE TO RECEIVE REIMBURSEMENT FOR NECESSARY EXPENSES WHILE ENGAGED IN THE PERFORMANCE OF THE MEMBERS' DUTIES.

41-5104. Powers of board; eligibility for programs

A. THE BOARD MAY:

1. ADOPT AN OFFICIAL SEAL AND ALTER THE SEAL AT ITS PLEASURE.

2. APPLY FOR, ACCEPT AND ADMINISTER GRANTS OF MONIES OR MATERIALS OR PROPERTY OF ANY KIND FROM A FEDERAL AGENCY, STATE AGENCY OR OTHERS, SUBJECT TO SUBSECTION B OF THIS SECTION AND ON SUCH TERMS AND CONDITIONS AS MAY BE IMPOSED.

3. ISSUE BONDS OR CERTIFICATES OR PROVIDE FINANCIAL ASSISTANCE FOR HOUSING PURPOSES. THE BONDS AND CERTIFICATES SHALL BE IN THE NAME OF THE AUTHORITY. AN AFFIRMATIVE VOTE BY A MAJORITY OF THE MEMBERS OF THE BOARD IS NECESSARY TO ISSUE BONDS OR CERTIFICATES.

4. ISSUE TIME-OUT MORTGAGE LOANS, WITH THE PROCEEDS FROM BOND OR CERTIFICATE ISSUANCE, TO BORROWERS WHO RESIDE IN A HOME WITHIN THIS STATE THAT SHALL BE SUPPORTED BY, AND SUBJECT TO, A DEED OF TRUST ON EACH PROPERTY.

5. MAKE AND ENTER INTO AGREEMENTS, INCLUDING INTERGOVERNMENTAL AGREEMENTS PURSUANT TO TITLE 11, CHAPTER 7, ARTICLE 3, EXECUTE ALL INSTRUMENTS, PERFORM ALL ACTS AND DO ALL THINGS NECESSARY OR CONVENIENT TO CARRY OUT THE POWERS GRANTED IN THIS ARTICLE.

6. EMPLOY OR CONTRACT WITH HOUSING EXPERTS, ENGINEERS, ARCHITECTS, ATTORNEYS, ACCOUNTANTS, CONSTRUCTION AND FINANCIAL EXPERTS AND SUCH OTHER PERSONS AS MAY BE NECESSARY IN ITS JUDGMENT AND FIX THEIR COMPENSATION. ANY PERSON EMPLOYED OR CONTRACTED WITH PURSUANT TO THIS PARAGRAPH SHALL NOT REPRESENT MORE THAN ONE PARTY IN ANY TRANSACTION.

7. APPOINT AN EXECUTIVE DIRECTOR AND OTHER EMPLOYEES AS IT DEEMS NECESSARY WHO SERVE AT THE PLEASURE OF THE BOARD AND RECEIVE SUCH COMPENSATION AS THE BOARD SHALL FIX.

8. SUE AND BE SUED.
9. Acquire and maintain office space, equipment, supplies, services and insurance necessary to administer this article.

10. 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 under this article and receive monies relating to those contracts and services. The authority shall not interfere with or attempt to override the local jurisdiction's planning, zoning or land use regulations. This paragraph shall not be interpreted to interfere in any way with the requirements of state or federal fair housing laws.

11. Adopt bylaws and administrative rules consistent with this article.

12. Protect and enforce the interests of the authority in any real property financed through the authority's resources including investigating the physical condition, construction, rehabilitation maintenance and other related matters.

13. Establish fees and collect reimbursement of costs in connection with the issuance of bonds or certificates pursuant to Section 41-5106.

B. The authority may acquire title to real property by gift, grant or operation of law, or by purchase, and may hold the title until such time as the property may be sold, in the sole discretion of the board. After acquiring title to real property, the authority may sell the property to the homeowner it was purchased from pursuant to Section 41-5116.

C. The authority, through the program administrator, may offer funding to homeowner-borrowers under this article only if all of the following conditions are met:

1. 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 may 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.

2. The homeowner-borrower's principal residence or vacation home in this state is the subject property.

3. 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.

41-5105. Costs of operation and administration of authority:

A. The state is not responsible for any obligation incurred by the authority.

B. All costs and expenses of the authority, including initial program administrator fees, shall be paid from bond or certificate proceeds or other monies of the authority.

C. Program administrator fees other than initial fees shall be paid from monthly payments received from borrowers on time-out mortgage loans.
D. THE AUTHORITY AND ITS INCOME AND ALL BONDS OR CERTIFICATES ISSUED BY IT AND THE INCOME FROM THE BONDS OR CERTIFICATES ARE EXEMPT FROM TAXATION IN THIS STATE. TO THE EXTENT FEDERAL LAW PERMITS, INTEREST INCOME FROM THE AUTHORITY'S BONDS AND CERTIFICATES SHALL BE EXEMPT FROM FEDERAL INCOME TAX UNDER THE INTERNAL REVENUE CODE.

41-5106. Issuance of bonds and mortgage credit certificates

A. THE BOARD, FOR AND ON BEHALF OF THE AUTHORITY, BY RESOLUTION MAY ISSUE BONDS OR CERTIFICATES TO FINANCE OR REFINANCE SINGLE ONE-FAMILY OR SINGLE TWO-FAMILY RESIDENTIAL DWELLING UNITS LOCATED IN THIS STATE.

B. THE AUTHORITY SHALL NOT INTERFERE WITH OR ATTEMPT TO OVERRIDE A LOCAL JURISDICTION'S PLANNING, ZONING OR LAND USE REGULATIONS. THIS SUBSECTION SHALL NOT BE INTERPRETED TO INTERFERE IN ANY WAY WITH THE REQUIREMENTS OF STATE OR FEDERAL FAIR HOUSING LAWS.

C. THE BONDS OR CERTIFICATES AND ANY BONDS OR CERTIFICATES REFUNDING THOSE BONDS OR CERTIFICATES MAY BE ISSUED IN ONE OR MORE SERIES, BEAR SUCH DATE OR DATES, BE IN SUCH DENOMINATION OR DENOMINATIONS, MATURE AT SUCH TIME OR TIMES, NOT EXCEEDING FORTY YEARS FROM THE RESPECTIVE DATES THEREOF, MATURE IN SUCH AMOUNT OR AMOUNTS, BEAR INTEREST AT FIXED OR VARIABLE RATES PAYABLE AT LEAST ANNUALLY, BE IN SUCH FORM, CARRY SUCH REGISTRATION PRIVILEGES, BE EXECUTED IN SUCH MANNER, BE PAYABLE IN SUCH MEDIUM OF PAYMENT, AT SUCH PLACE OR PLACES, BE REFUNDABLE EITHER AT OR IN ADVANCE OF MATURITY AND BE SUBJECT TO SUCH TERMS OF REDEMPTION, WITH OR WITHOUT PREMIUM, AS THE BOARD DIRECTS. THE BONDS MAY BE SOLD AT EITHER PUBLIC OR PRIVATE SALE OR BY AN ELECTRONIC BIDDING PROCESS IN SUCH MANNER AND ON SUCH TERMS AS MAY BE DETERMINED BY THE BOARD TO BE THE MOST ADVANTAGEOUS. SUCH BONDS SHALL BE FULLY NEGOTIABLE WITHIN THE MEANING AND FOR ALL PURPOSES OF TITLE 47.

D. PRINCIPAL AND INTEREST ON THE BONDS ARE PAYABLE SOLELY FROM THE REVENUES DERIVED BY THE AUTHORITY FROM THE AGREEMENTS AUTHORIZED BY THIS ARTICLE AND THE ARIZONA HOME INSURANCE FUND.

E. ANY RESOLUTION AUTHORIZING THE ISSUANCE OF BONDS OR CERTIFICATES MAY PROVIDE FOR:

1. 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 BONDHOLDERS AND FACILITATE THE PAYMENT OF THE PRINCIPAL AND INTEREST ON THE BONDS.

2. PAYMENT OF THE BONDS SOLELY FROM THE MONIES PAID BY THE OBLIGATED HOMEOWNER-BORROWERS AND ARIZONA HOME INSURANCE FUND.

3. CAPITALIZATION OF A BOND RESERVE WITH ANY APPROPRIATE MONIES WHEN THE BOARD DEEMS NECESSARY.

4. 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.

5. 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 MAY EXERCISE AND ENFORCE ANY RIGHTS, COVENANTS AND
REMEDIES.

6. 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.

7. RECLAMATION OF THE RESIDENTIAL REAL PROPERTY IF A PAYMENT REQUIRED
UNDER AN AGREEMENT OR ANY OTHER CONDITION REQUIRED IN AN AGREEMENT IS NOT
TIMELY PAID OR IS BREACHED.

8. THE APPOINTMENT OF A RECEIVER DURING A PERIOD OF DEFAULT IN THE
REGULAR PAYMENT OR PERFORMANCE UNDER AN AGREEMENT.

F. 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. 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. No action may be brought questioning the legality of
any agreement, proceeding or issuance of bonds under this article after two
months from the date the bonds are authorized to be issued by the board.

41-5107. Authority funds; transfer of excess monies to state
general fund

A. IF THE BOARD ISSUES BONDS OR CERTIFICATES UNDER THIS ARTICLE, THE
BOARD SHALL SEPARATE ALL PROCEEDS FROM THE ISSUANCE OF BONDS OR CERTIFICATES
AND SHALL UTILIZE THE PROCEEDS SOLELY TO FUND TIME-OUT MORTGAGE LOANS, THE
PROGRAM INSURANCE FUND AND FEES, INCLUDING PROGRAM LICENSE FEES.

B. AFTER ALL BONDS AND HOME CERTIFICATES, TOGETHER WITH THE INTEREST
ON THE BONDS OR HOME CERTIFICATES, ARE FULLY PAID AND DISCHARGED AND ALL
AGreements ARE FULLY PERFORMED, ALL FUNDS REMAINING IN THE PROGRAM INSURANCE
FUND SHALL BE TRANSFERRED FOR DEPOSIT IN THE STATE GENERAL FUND.

41-5108. State online digital registry; fee

A. THE STATE ONLINE DIGITAL REGISTRY OF NOTES SECURED BY AND LIENS
RELATING TO THOSE SECURED NOTES ON RESIDENTIAL REAL PROPERTY LOCATED IN THIS
STATE IS ESTABLISHED. THE REGISTRY SHALL BE CREATED AND MAINTAINED BY THE
PROGRAM ADMINISTRATOR SUBJECT TO SUPERVISION BY THE STATE TREASURER. NOTES
SHALL BE ACCESSIBLE ONLINE BY THE AUTHORITY, THE PROGRAM ADMINISTRATOR, THE
HOMEOWNER, THE NOTE OWNER AND THIS STATE, AND THEIR AUTHORIZED
REPRESENTATIVES. LIENS ARE PUBLIC RECORDS AND SHALL BE ACCESSIBLE TO THE
PUBLIC ONLINE.

B. ALL EASEMENTS, TAX LIENS, MECHANICS LIENS, LIENS SECURING BUSINESS
LOANS AND ANY OTHER FILINGS THAT WERE RECORDED AS OF THE EFFECTIVE DATE OF
THIS SECTION AND THAT WERE AUTHORIZED TO BE RECORDED IN THE OFFICE OF THE
COUNTY RECORDER AGAINST THE REAL PROPERTY LOCATED IN THIS STATE SHALL BE
MAINTAINED WITH THE EXISTING PRIORITY EXCEPT THAT THE AUTHORITY’S SECURITY
INTEREST CREATED UNDER THIS ARTICLE, REGARDLESS OF WHEN CREATED, SHALL HAVE
FIRST AND BEST PRIORITY OVER ANY AND ALL OTHER LIENS.

C. BEGINNING ON ____________, IN ORDER FOR A PROMISSORY NOTE SECURED
BY REAL PROPERTY IN THIS STATE AND THE RESULTING LIEN ON THE REAL PROPERTY TO
BE VALID EACH CREDITOR AND EACH ASSIGNEE SHALL FILE A COPY OF THE PROMISSORY
NOTE AND ANY AMENDMENT TO THE NOTE AND REGISTER ITS OWNERSHIP OF THE
PROMISSORY NOTE AND EACH RESULTING LIEN WITH THIS REGISTRY. NO ACTION MAY BE
FILED OR MAINTAINED, INCLUDING ANY NONJUDICIAL OR JUDICIAL FORECLOSURE
PROCEEDING, ON A PROMISSORY NOTE SECURED BY REAL PROPERTY WITHIN THIS STATE
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 STATE ONLINE DIGITAL
REGISTRY.

D. BEGINNING ON ____________, EACH ASSIGNMENT OR OTHER TRANSFER OF
REAL PROPERTY LOCATED WITHIN THIS STATE, OR A NOTE SECURED BY REAL PROPERTY
IN THIS STATE SHALL BE FILED WITH THE REGISTRY AND THE APPROPRIATE FILING FEE
PAID. IF THE FILING IS NOT MADE WITHIN THIRTY DAYS OF THE ASSIGNMENT OR
TRANSFER OR THE APPROPRIATE FILING FEE IS NOT PAID WITH THE FILING, THE DEED
OF TRUST SHALL BE VOID AS A MATTER OF LAW AND THE LOAN SHALL BE 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, THE DEED OF
TRUST SHALL BE VOID AS A MATTER OF LAW AND THE LOAN IS DEEMED AN UNSECURED
LOAN.

E. ANY PAPER DOCUMENT MAY BE SIGNED IN BLUE INK AND SHALL BE SCANNED,
UPLOADED AND STORED IN THE STATE ONLINE DIGITAL REGISTRY. A DOCUMENT SCANNED
IN COLOR WITH A BLUE SIGNATURE SHALL BE CONSIDERED AN ORIGINAL DOCUMENT.
SCANNED COPIES WITHOUT A BLUE SIGNATURE ARE DEEMED COPIES AND NOT THE
ORIGINAL.

F. THE PROGRAM ADMINISTRATOR SHALL PAY FIFTEEN DOLLARS PER FILING TO
THE STATE TREASURER AND A FEE OF FIFTEEN DOLLARS TO THE TREASURER OF THE
COUNTY IN WHICH THE REAL PROPERTY IS LOCATED. ALL RECORDINGS OF LIENS AS
SECURITY INTEREST ON PROPERTY IN THIS STATE THAT WERE MADE BEFORE THE
EFFECTIVE DATE OF THIS SECTION SHALL REMAIN VALID AND ARE NOT REQUIRED TO BE
FILED IN THE REGISTRY. ANY MODIFICATIONS TO EXISTING LIENS SHALL BE FILED IN
THE ONLINE REGISTRY. LIENS OTHER THAN THOSE CREATED THROUGH A LOAN SECURED
BY RESIDENTIAL REAL PROPERTY LOCATED IN THIS STATE OR ANY ASSIGNMENT OF SUCH
LIEN SHALL CONTINUE TO BE RECORDED WITH THE APPLICABLE COUNTY RECORDER’S
OFFICE IN THIS STATE. THE AUTHORITY AND PROGRAM ADMINISTRATOR ARE EXEMPT
FROM FILING AND RECORDING FEES.

41-5109. Credit enhancement

IN ADDITION TO THE POWERS GRANTED BY THIS ARTICLE, THE AUTHORITY MAY:
1. ENTER INTO COVENANTS AND AGREEMENTS WITH ANY FEDERAL AGENCY,
PRIVATE AGENCY, CORPORATION OR INDIVIDUAL TO PERFORM ALL ACTS THAT MAY BE
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 CONSTITUTION OF THIS STATE AND THAT MAY BE NECESSARY, CONVENIENT OR DESIRABLE FOR THE ISSUANCE OF BONDS OR HOME CERTIFICATES AND FOR THEIR SECURITY.

2. 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:

(a) PAY THE COST OF THE ADDITIONAL SECURITY FROM AMOUNTS PRODUCED FROM THE BOND ISSUE OR FROM OTHER AVAILABLE SOURCES.

(b) ENTER INTO REIMBURSEMENT OBLIGATIONS IN CONNECTION WITH THE ADDITIONAL SECURITY.

41-5110. No abrogation of rights

THIS STATE PLEDGES TO AND AGREES WITH THE HOLDERS OF ANY BONDS AND HOME CERTIFICATES ISSUED UNDER THIS ARTICLE, AND WITH THOSE PARTIES WHO MAY ENTER INTO AGREEMENTS WITH THE AUTHORITY PURSUANT TO THIS ARTICLE, THAT THE STATE WILL NOT LIMIT OR ALTER THE RIGHTS VESTED IN THE AUTHORITY OR SUCCESSOR AGENCY UNTIL ALL BONDS AND HOME CERTIFICATES, TOGETHER WITH THE INTEREST ON THE BONDS OR HOME CERTIFICATES, ARE FULLY PAID AND DISCHARGED AND ALL AGREEMENTS ARE FULLY PERFORMED, PROVIDED THAT NOTHING CONTAINED IN THIS ARTICLE PRECLUDES SUCH LIMITATION OR ALTERATION IF AND WHEN ADEQUATE PROVISION IS MADE BY LAW FOR THE PROTECTION OF THE HOLDERS OF SUCH OBLIGATIONS OF THE AUTHORITY OR THOSE ENTERING INTO SUCH AGREEMENTS WITH THE AUTHORITY.

41-5111. Bonds and home certificates as legal investments

BONDS AND HOME CERTIFICATES ISSUED BY THE AUTHORITY ARE SECURITIES IN WHICH ALL PUBLIC OFFICERS AND BODIES OF THIS STATE AND ALL POLITICAL SUBDIVISIONS OF THIS STATE, ALL FINANCIAL INSTITUTIONS, INVESTMENT COMPANIES, INSURANCE COMPANIES AND ASSOCIATIONS AND ALL EXECUTORS, ADMINISTRATORS, GUARDIANS, TRUSTEES AND OTHER FIDUCIARIES MAY LEGALLY INVEST ANY SINKING FUNDS, MONIES OR OTHER FUNDS BELONGING TO THEM OR UNDER THEIR CONTROL.

41-5112. Bond and certificates obligations

A. ALL BONDS AND HOME CERTIFICATES ISSUED PURSUANT TO THIS ARTICLE ARE OBLIGATIONS OF THE AUTHORITY TO BE PAID SOLELY FROM THE INTEREST AND PRINCIPAL PROCEEDS OF TIME-OUT MORTGAGE PAYMENTS AND THE ARIZONA HOME INSURANCE FUND AND ARE PAYABLE ONLY IN ACCORDANCE WITH THE TERMS OF THE BONDS OR HOME CERTIFICATES AND SHALL NOT BE OBLIGATIONS GENERAL, SPECIAL OR OTHERWISE OF THIS STATE. SUCH BONDS AND HOME CERTIFICATES DO NOT CONSTITUTE A LEGAL DEBT OF THIS STATE AND ARE NOT ENFORCEABLE AGAINST THE STATE, NOR SHALL PAYMENT OF THE BONDS OR HOME CERTIFICATES 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 ARIZONA HOME INSURANCE FUND.

B. ALL BONDS AND HOME CERTIFICATES SHALL BE FULLY INSURED AGAINST DEFAULT AS TO PRINCIPAL AND INTEREST THROUGH THE PROGRAM INSURANCE FUND.
C. All loss recapture certificates issued pursuant to the article are obligations of the borrower and are payable only in accordance with the terms of the loss recapture certificates, shall not be insured and shall not be obligations general, special or otherwise of this state or the authority.

41-5113. Supplemental law

The powers conferred by this article are in addition and supplemental to the powers conferred by any other law, general or special, and shall be deemed full authority for the issuance of bonds and certificates, time-out mortgage loans, and loss recapture certificates, for entering into agreements in connection therewith and for the authorization, issuance and sale of the bonds and certificates and the issuance of time-out mortgage loans and the filing of a deed of trust related to any such time-out mortgage loan pursuant to this article and without regard to the procedure required by any other such law.

41-5114. Arizona home insurance fund; report; termination

A. The Arizona home insurance fund is established. The program administrator shall administer the fund. The fund consists of monies from:

1. One-time insurance premiums paid on issuance of time-out mortgage loans.
2. Monthly insurance payments received from mortgagors.
3. Amounts paid to the fund by the attorney general from settlements with financial institutions relating to housing matters.
4. Amounts transferred from the Arizona housing authority originally received from the federal government's troubled assets relief program.
5. Investment earnings.

B. The state treasurer shall invest and divest monies in the fund as provided by section 35-313, and monies earned from investment shall be credited to the fund.

C. Fund monies shall be used to pay insurance claims from holders of insured bonds or insured home certificates. Fund monies may 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.

D. The program administrator shall report quarterly and annually to the legislature on the status of the fund. Each quarterly report shall 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. The annual report shall 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 on the last day of April for the quarter, including the months of January through March, July for the quarter,
INCLUDING THE MONTHS OF APRIL, MAY AND JUNE, OCTOBER FOR THE QUARTER, INCLUD\nINCLUDING THE MONTHS OF JULY, AUGUST AND SEPTEMBER, AND JANUARY FOR THE
QUARTER, INCLUDING THE MONTHS OF OCTOBER, NOVEMBER AND DECEMBER.

E. THE INCOME OF THE FUND SHALL BE EXEMPT FROM TAXATION.

F. THIS STATE AND ANY OF ITS AGENCIES SHALL NOT HAVE A CLAIM ON THE
ASSETS OR PROCEEDS OF THE FUND FOR THE DURATION OF THE PROGRAM.

41-5115. Title clearance; legislative intent

A. IT IS THE PUBLIC POLICY OF THIS STATE TO MAINTAIN A CLEAR CHAIN OF
TITLE TO RESIDENTIAL REAL PROPERTY LOCATED IN THIS STATE AND IT IS DISRUPTIVE
TO THE FUNCTIONING OF THIS STATE TO NOT HAVE A CLEAR CHAIN OF TITLE TO
RESIDENTIAL REAL PROPERTY LOCATED WITHIN THIS STATE, NOTWITHSTANDING THE NEED
FOR TRANSFERABILITY OF LOANS SECURED BY RESIDENTIAL REAL PROPERTY. TO
RESOLVE ANY QUESTION AS TO CHAIN OF TITLE TO RESIDENTIAL REAL PROPERTY IN
THIS STATE FOR THE RESIDENTIAL REAL PROPERTIES OWNED BY QUALIFIED HOMEOWNER
PROGRAM APPLICANTS, THE AUTHORITY MAY PURCHASE THE IMPROVED RESIDENTIAL REAL
PROPERTY OF EACH PROGRAM PARTICIPANT FOR ONE HUNDRED ONE PER CENT OF THE FAIR
MARKET VALUE OF THE REAL PROPERTY.

B. THE MAXIMUM PROGRAM FAIR MARKET VALUE OF IMPROVED REAL PROPERTY
THAT MAY PARTICIPATE IN THIS PROGRAM IS SEVEN HUNDRED THOUSAND DOLLARS. TO
DETERMINE PROGRAM FAIR MARKET VALUE OF THE REAL PROPERTY, EACH PROGRAM
PARTICIPANT SHALL CONDUCT TWO PROPERTY APPRAISALS AT THEIR COST THROUGH
APPRAISERS SELECTED BY AUTHORITY. IF THE TWO APPRAISALS ARE MORE THAN FIVE
PER CENT DIFFERENT FROM EACH OTHER, A THIRD APPRAISAL SHALL BE PERFORMED BY
AN APPRAISER SELECTED BY THE AUTHORITY. THE HIGHEST APPRAISAL SHALL BE USED
TO DETERMINE THE FAIR MARKET VALUE OF THE PROPERTY FOR PURPOSES OF THIS
PROGRAM. THE HOMEOWNER SHALL BE REIMBURSED THE COSTS OF APPRAISALS AT THE
TIME OF CLOSING. THE PROGRAM ADMINISTRATOR SHALL MAKE PAYMENT OF THE
APPLICABLE AMOUNTS IN ACCORDANCE WITH THIS ARTICLE AND ANY APPLICABLE RULES
ADOPTED TO THE SERVICER ON ANY LOAN SECURED BY RESIDENTIAL REAL PROPERTY FOR
WHICH A PAYMENT IS TO BE MADE.

C. THE ANTI-DEFICIENCY PROTECTIONS OF SECTION 33-814 APPLY ON ANY
PROPERTY THAT IS ACQUIRED BY THE AUTHORITY PURSUANT TO THIS SECTION AND NO
ACTION MAY BE MAINTAINED TO RECOVER ANY DIFFERENCE BETWEEN THE AMOUNT
OBTAINED BY SALE AND THE AMOUNT OF THE INDEBTEDNESS AND ANY INTEREST COSTS
AND EXPENSES.

41-5116. Mortgage loan and security interest

A. THE AUTHORITY SHALL PROMPTLY SELL THE REAL PROPERTY PURCHASED UNDER
SECTION 41-5115 TO THE FORMER HOMEOWNER FOR A PURCHASE PRICE CONSISTING OF
THE SUM OF THE FOLLOWING:

1. THE AMOUNT OF THE TITLE CLEARANCE PAYMENT.
2. TWO THOUSAND FIVE HUNDRED DOLLARS.
3. AN ADDITIONAL SIX THOUSAND DOLLARS 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.
4. AN AMOUNT THAT EQUALS TEN PER CENT OF THE TOTAL PURCHASE PRICE
COMPUTED IN PARAGRAPHS 1, 2 AND 3 OF THIS SUBSECTION 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.
B. THE TERM AND INTEREST RATE SHALL 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 AUTHORITY PURCHASES THE REAL
PROPERTY. THE TEN PER CENT AMOUNT, PRESCRIBED IN SUBSECTION A, PARAGRAPH 4,
SHALL BE DEPOSITED INTO THE ARIZONA HOME INSURANCE FUND. THE TIME-OUT
MORTGAGE LOAN SHALL BE SERVICED BY THE PROGRAM ADMINISTRATOR. IF A MORTGAGOR
OR A TRUSTOR ON A DEED OF TRUST HAS COMMITTED FRAUD, THE ANTI-DEFICIENCY
PROTECTIONS OF SECTIONS 33-729 AND 33-814 SHALL NOT APPLY TO THAT MORTGAGOR
OR TRUSTOR.
C. 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.
D. THE AUTHORITY SHALL ISSUE TIME-OUT MORTGAGE LOANS THAT SHALL BE
SECURED BY DEEDS OF TRUST IN FAVOR OF THIS STATE. A TIME-OUT MORTGAGE LOAN
SHALL BE AN INTEREST-ONLY LOAN AND ITS TERM SHALL BE TEN YEARS, UNLESS A
LESSER TERM IS SPECIFIED FOR A SPECIFIC HOMEOWNER-BORROWER BY THE PROGRAM
ADMINISTRATOR. THE INTEREST RATE SHALL BE THE INTEREST RATE SPECIFIED BY THE
AUTHORITY THAT SHALL 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 TWENTY-FIVE BASIS POINTS TO INCLUDE
PROGRAM SERVING FEES AND LICENSING FEES. THE AUTHORITY SHALL CREATE A
STANDARD FORM FOR TIME-OUT MORTGAGE LOANS AND TIME-OUT DEEDS OF TRUST THAT
SHALL BE UTILIZED FOR ALL LOANS ISSUED BY THE AUTHORITY UNDER THIS PROGRAM.
A HOMEOWNER-BORROWER MAY 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.
E. IF A TIME-OUT MORTGAGE LOAN BORROWER EXPERIENCES A CHANGE IN
CIRCUMSTANCES THAT MAKES TIMELY PAYMENT DIFFICULT, THE BORROWER SHALL
PROMPTLY COMMUNICATE THE SPECIFIC CIRCUMSTANCES AND PROVIDE DOCUMENTARY PROOF
TO THE PROGRAM ADMINISTRATOR OF THAT FACT. IF SUCH CIRCUMSTANCES MEET THE
THRESHOLD FOR AN ALLOWABLE CHANGE OF CIRCUMSTANCES AS PRESCRIBED IN RULES
ADOPTED BY THE PROGRAM ADMINISTRATOR, THE PROGRAM ADMINISTRATOR SHALL ATTEMPT
TO UTILIZE THE PROGRAM’S FINANCE MODIFICATION TOOLS TO REDUCE THAT BORROWER’S
INTEREST RATE SO THAT THE MONTHLY PAYMENT REQUIRED CAN BE MORE AFFORDABLE TO
THAT BORROWER. 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, THE AUTHORITY SHALL ISSUE A
REPLACEMENT TIME-OUT MORTGAGE LOAN THAT SHALL SPECIFY THE NEW TERM, WHICH
SHALL BE COTERMINOUS WITH THE TERM OF THE SUBSTITUTE FINANCING. PAYMENT OF
SOME OR ALL OF EITHER OR BOTH OF THE ANNUAL ARIZONA HOME INSURANCE FUND
INSURANCE PREMIUM OR THE ADDITIONAL TWENTY-FIVE BASIS POINTS MAY BE WAIVED BY
THE PROGRAM ADMINISTRATOR SOLELY IN THE EVENT OF AN ALLOWABLE CHANGE OF
CIRCUMSTANCES AS PRESCRIBED IN RULE.

F. AFTER THE AUTHORITY RECEIVES A PAYMENT OF PRINCIPAL ON A TIME-OUT
MORTGAGE LOAN, THE AUTHORITY SHALL PROMPTLY CAUSE THE BALANCE OF THE
ASSOCIATED TIME-OUT DEED OF TRUST TO BE REDUCED BY THE PRINCIPAL AMOUNT
REPAID. A BORROWER MAY REPAY PRINCIPAL ON A TIME-OUT MORTGAGE LOAN AT ANY
TIME WITHOUT PENALTY.

G. AFTER A TIME-OUT MORTGAGE LOAN HAS BEEN REPAYED IN FULL AND THE
BALANCE OF ANY APPLICABLE LOSS RECAPTURE CERTIFICATE IS ZERO, THE AUTHORITY
SHALL RELEASE THE APPLICABLE TIME-OUT DEED OF TRUST. THE TIME-OUT DEED OF
TRUST IN FAVOR OF THE AUTHORITY SHALL 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.

H. RULES ADOPTED BY THE PROGRAM ADMINISTRATOR MAY 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 OR BOTH. IF THE PROGRAM ADMINISTRATOR RECEIVES ESCROW
PAYMENTS FOR TAXES, THE PROGRAM ADMINISTRATOR SHALL PAY THE APPLICABLE AMOUNT
TO THE APPROPRIATE TAXING AUTHORITY ON OR BEFORE THE TENTH DAY OF THE MONTH
FOLLOWING RECEIPT OF SUCH AMOUNTS BY THE PROGRAM ADMINISTRATOR. IF A
HOMEOWNER-BORROWER ALLOWS HOMEOWNER'S INSURANCE ON A PROPERTY SECURED BY A
TIME-OUT DEED OF TRUST TO LAPSE, THE PROGRAM ADMINISTRATOR MAY OBTAIN SUCH
INSURANCE COVERAGE UP TO THE AMOUNT OF THE TIME-OUT DEED OF TRUST LIEN WITH
THE ARIZONA HOME INSURANCE FUND NAMED AS BENEFICIARY. THE PROGRAM
ADMINISTRATOR SHALL CHARGE THE HOMEOWNER-BORROWER FOR THE COST OF THE
INSURANCE COVERAGE PLUS A FEE IN AN AMOUNT DETERMINED BY THE PROGRAM
ADMINISTRATOR BY RULE. ANY INSURANCE COVERAGE PURCHASED UNDER THIS SECTION
MUST BE PURCHASED FROM AN ENTITY UNAFFILIATED AND UNRELATED TO THE PROGRAM
ADMINISTRATOR OR ANY OF ITS OFFICERS, DIRECTORS, MEMBERS OR EMPLOYEES.

I. THE AUTHORITY SHALL FORECLOSE ON A TIME-OUT DEED OF TRUST IN
ACCORDANCE WITH PROCEDURES ADOPTED BY THE PROGRAM ADMINISTRATOR. EXCEPT IN
THE CASE OF FRAUD, IT IS THE INTENT OF THIS LEGISLATION FOR FORECLOSURE TO BE
A LAST RESORT TO BE USED ONLY AFTER OTHER OPTIONS HAVE BEEN EXHAUSTED, AS
DETERMINED BY THE PROGRAM ADMINISTRATOR. IN THE EVENT OF FORECLOSURE, THE
PROGRAM ADMINISTRATOR SHALL ATTEMPT TO MAXIMIZE THE LONG-TERM RETURN TO THE
ARIZONA HOME INSURANCE FUND TAKING INTO CONSIDERATION THE CONSUMER PROTECTION
NATURE OF THIS LEGISLATION AND THE PROGRAM IT IMPLEMENTS.
41-5117. Loss recapture certificates; payments on partial in
the money loans and not in the money loans

A. UNLESS A CASH PAYMENT WAS MADE ON THE PARTIAL IN THE MONEY LOAN
UNDER SUBSECTION G OF THIS SECTION, THE PROGRAM ADMINISTRATOR SHALL ISSUE A
LOSS RECAPTURE CERTIFICATE TO THE SERVICER OF EACH PARTIAL IN THE MONEY LOAN.
THE LOSS RECAPTURE CERTIFICATE SHALL HAVE A PRINCIPAL AMOUNT ONLY AND SHALL
HAVE A TERM OF TEN YEARS AND NO INTEREST SHALL BE DUE ON THE PRINCIPAL
BALANCE OF THE LOSS RECAPTURE CERTIFICATE. THE PRINCIPAL AMOUNT OF THE LOSS
RECAPTURE CERTIFICATE SHALL BE ONE OF THE FOLLOWING, WHICHEVER AMOUNT IS
LEAST:

1. 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.

2. THE PRINCIPAL AMOUNT OF THE PARTIAL IN THE MONEY LOAN THAT WAS
SECURED BY THE SAME RESIDENTIAL REAL PROPERTY.

3. ONE HUNDRED TWENTY-FIVE PER CENT 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.

B. THE PRINCIPAL AMOUNT CALCULATED PURSUANT TO SUBSECTION A OF THIS
SECTION SHALL BE REDUCED BY THE SUM OF ALL TITLE CLEARANCE PAYMENTS MADE ON
NOT IN THE MONEY LOANS. OTHER ATTRIBUTES OF THE LOSS RECAPTURE CERTIFICATE
SHALL BE SPECIFIED IN REGULATIONS PROMULGATED BY THE PROGRAM ADMINISTRATOR.

C. 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
SIXTY-SEVEN PER CENT OF THE SUM OF THE REQUIRED MONTHLY PAYMENTS ON ALL
EXISTING LOANS FOR THE LATEST MONTH BEFORE THE TIME-OUT MORTGAGE LOAN WAS
ISSUED BY THE AUTHORITY TO THE HOMEOWNER-BORROWER, THE HOMEOWNER-BORROWER
SHALL MAKE A MONTHLY PRINCIPAL PAYMENT ON THE LOSS RECAPTURE CERTIFICATE
EQUAL TO THE LESSER OF THE REMAINING BALANCE DUE ON THE LOSS RECAPTURE
CERTIFICATE OR THE AMOUNT EQUAL TO SIXTY-SEVEN PER CENT OF THE SUM OF THE
REQUIRED MONTHLY PAYMENTS ON ALL EXISTING LOANS FOR THE LATEST MONTH BEFORE
THE TIME-OUT MORTGAGE LOAN WAS ISSUED BY THE AUTHORITY TO THE
HOMEOWNER-BORROWER, LESS THE REQUIRED TIME-OUT MORTGAGE LOAN MONTHLY INTEREST
PAYMENT TO THE PROGRAM ADMINISTRATOR. IF THE PROGRAM ADMINISTRATOR HAS
RECEIVED A PRINCIPAL PAYMENT ON A LOSS RECAPTURE CERTIFICATE DURING A
CALENDAR QUARTER, THE PROGRAM ADMINISTRATOR SHALL ISSUE A QUARTERLY PAYMENT
WITHIN THIRTY 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. FULL OR PARTIAL PAYMENT MAY BE MADE ON THE PRINCIPAL AMOUNT DUE ON
A LOSS RECAPTURE CERTIFICATE AT ANY TIME WITHOUT PENALTY.

D. NOTWITHSTANDING SUBSECTION C OF THIS SECTION, IF THE
HOMEOWNER-BORROWER HAS EXPERIENCED AN ALLOWABLE CHANGE OF CIRCUMSTANCES, NO
PRINCIPAL PAYMENT SHALL BE DUE FROM THAT HOMEOWNER-BORROWER UNLESS AND UNTIL
THE ALLOWABLE CHANGE OF CIRCUMSTANCES HAS BEEN RESOLVED IN ACCORDANCE WITH
RULES ADOPTED BY THE PROGRAM ADMINISTRATOR.

E. THE PROGRAM ADMINISTRATOR SHALL NOT RECEIVE A FEE FOR SERVICING THE
LOSS RECAPTURE CERTIFICATE.

F. A LOSS RECAPTURE CERTIFICATE SHALL BE PRESUMED TO BE RECOURSE DEBT
AND SHALL BE ISSUED AS SUCH. THE LOSS RECAPTURE CERTIFICATE SHALL BE
SERVICED BY THE PROGRAM ADMINISTRATOR. IF THE HOMEOWNER-BORROWER CAN
DOCUMENT, TO THE PROGRAM ADMINISTRATOR THE FACT THAT THE PARTIAL IN THE MONEY
LOAN THAT THE LOSS RECAPTURE CERTIFICATE WAS ISSUED ON WAS A NON-RECOURSE
DEBT UNDER APPLICABLE STATE LAW, THE PROGRAM ADMINISTRATOR SHALL REISSUE THE
LOSS RECAPTURE CERTIFICATE SPECIFYING IT AS NON-RECOURSE DEBT. UNLESS THE
LOSS RECAPTURE CERTIFICATE HAS BEEN REISSUED SPECIFYING IT AS NON-RECOURSE
DEBT, IF A HOMEOWNER TRANSFERS THE RESIDENTIAL REAL PROPERTY THAT SECURES A
RECOURSE LOSS RECAPTURE CERTIFICATE FOR ANY REASON AND IN ANY MANNER, THE
LIEN SHALL FOLLOW THE HOMEOWNER-BORROWER TO ANY NEW PROPERTY PURCHASED WITHIN
THIS STATE AND SHALL BE A LIEN WITH THE HIGHEST PRIORITY BEHIND ANY PURCHASE
MONEY LIEN ON THAT NEWLY PURCHASED REAL PROPERTY. IF THE LOSS RECAPTURE
CERTIFICATE WAS RECOURSE DEBT AND IF NO NEW PROPERTY IS PURCHASED IN THIS
STATE, THE LOSS RECAPTURE CERTIFICATE SHALL BECOME UNSECURED RECOURSE DEBT.

G. A PARTIAL IN THE MONEY LOAN HOLDER SHALL HAVE THE OPTION TO RECEIVE
AN IMMEDIATE CASH PAYMENT INSTEAD OF RECEIVING A LOSS RECAPTURE CERTIFICATE.
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 SHALL BE DETERMINED AS FOLLOWS:

1. IF THERE ARE NO NOT IN THE MONEY LOANS ON THE SAME RESIDENTIAL REAL
PROPERTY SECURING THE PARTIAL IN THE MONEY LOAN, THE IMMEDIATE CASH PAYMENT
ON THE PARTIAL IN THE MONEY LOAN SHALL BE SIX THOUSAND DOLLARS.

2. IF THERE IS ONE NOT IN THE MONEY LOAN ON THE SAME RESIDENTIAL REAL
PROPERTY SECURING THE PARTIAL IN THE MONEY LOAN, THE IMMEDIATE CASH PAYMENT
ON THE PARTIAL IN THE MONEY LOAN SHALL BE FIVE THOUSAND TWO HUNDRED FIFTY
DOLLARS.

3. IF THERE ARE TWO NOT IN THE MONEY LOANS ON THE SAME RESIDENTIAL
REAL PROPERTY SECURING THE PARTIAL IN THE MONEY LOAN, THE IMMEDIATE CASH
PAYMENT ON THE PARTIAL IN THE MONEY LOAN SHALL BE FOUR THOUSAND SEVEN HUNDRED
FIFTY DOLLARS.

H. IF A PARTIAL IN THE MONEY LOAN HOLDER OR SERVICER DOES NOT
COMMUNICATE ITS DECISION TO ACCEPT EITHER A LOSS RECAPTURE CERTIFICATE OF AN
IMMEDIATE CASH PAYMENT WITHIN ___ DAYS FROM RECEIPT OF NOTICE, THE PARTIAL IN
THE MONEY LOAN HOLDER OR SERVICER SHALL BE DEEMED TO HAVE ELECTED TO RECEIVE
AN IMMEDIATE CASH PAYMENT.

1. 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 IN THE MONEY LOAN, THE CASH PAYMENT ON THAT NOT IN THE
MONEY LOAN SHALL BE SEVEN HUNDRED FIFTY DOLLARS AND IF THERE ARE TWO NOT IN
THE MONEY LOANS, THE CASH PAYMENTS SHALL BE SEVEN HUNDRED FIFTY DOLLARS TO THE HIGHER PRIORITY NOT IN THE MONEY LOAN AND FIVE HUNDRED DOLLARS TO THE LOWER PRIORITY NOT IN THE MONEY LOAN.

J. 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 NOT IN THE MONEY LOAN ON THE SAME RESIDENTIAL REAL PROPERTY SECURING THE PARTIAL IN THE MONEY LOAN SHALL BE SIX THOUSAND DOLLARS AND IF THERE ARE TWO NOT IN THE MONEY LOANS, THE CASH PAYMENTS SHALL BE FIVE THOUSAND FIVE HUNDRED DOLLARS TO THE HIGHER PRIORITY NOT IN THE MONEY LOAN AND FIVE HUNDRED TO THE LOWER PRIORITY NOT IN THE MONEY LOAN.

K. IF THERE ARE MORE THAN TWO NOT IN THE MONEY LOANS ON THE SAME RESIDENTIAL REAL PROPERTY SECURING THE PARTIAL IN THE MONEY LOAN, NO PAYMENT SHALL BE MADE ON THOSE NOT IN THE MONEY LOANS.

41-5118. No negative credit filings; civil penalty

A. AS OF THE CLOSING DATE, NO PARTY SHALL FILE A NEGATIVE CREDIT FILING ON AN EXISTING MORTGAGE LOAN WITH ANY CREDIT REPORTING COMPANY. IF A NEGATIVE CREDIT REPORT HAS BEEN FILED, THE CREDIT REPORTING COMPANY SHALL REMOVE THE NEGATIVE CREDIT FILING FROM THE ELIGIBLE HOMEOWNER'S CREDIT REPORT ON WRITTEN APPLICATION BY THE ELIGIBLE HOMEOWNER-BORROWER. NO CREDIT REPORTING COMPANY SHALL ACCEPT A NEGATIVE FILING FROM ANY PERSON OR ENTITY WITH RESPECT TO AN EXISTING LOAN SECURED BY RESIDENTIAL REAL PROPERTY ON WHICH A TIME-OUT MORTGAGE LOAN AND TIME-OUT DEED OF TRUST HAS BEEN ISSUED PURSUANT TO THIS ARTICLE. THIS PROVISION DOES NOT APPLY TO THE AUTHORITY OR PROGRAM ADMINISTRATOR.

B. EACH NEGATIVE CREDIT REPORT IN VIOLATION OF THIS SECTION IS PUNISHABLE BY A FINE OF TWENTY-FIVE THOUSAND DOLLARS PAYABLE TO THE STATE TREASURER. PROCEEDS OF FINES SHALL BE FIRST APPLIED TO PROGRAM EXPENSES AND ALL REMAINING AMOUNTS SHALL BE TRANSFERRED FOR DEPOSIT INTO THE ARIZONA HOME INSURANCE FUND.

Sec. 3. Initial terms of members of Arizona housing finance reform authority

A. Notwithstanding section 41-5103, Arizona Revised Statutes, as added by this act, the initial terms of members of the Arizona housing finance reform authority are:

2. One term ending in 2018.

B. The governor shall make all subsequent appointments as prescribed by statute.