

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas  
2 87th General Assembly  
3 Regular Session, 2009  
4

# A Bill

HOUSE BILL 1881

5 By: Representative Wells  
6 By: Senator Horn  
7  
8

## For An Act To Be Entitled

9  
10 AN ACT TO AMEND THE FAIR MORTGAGE LENDING ACT, §  
11 23-39-501 ET SEQ.; TO REVISE BONDING, REPORTING,  
12 RECORDS, PROHIBITED ACTIVITIES, PENALTIES, AND  
13 OTHER PROVISIONS OF THE FAIR MORTGAGE LENDING  
14 ACT, § 23-39-501 ET SEQ.; AND FOR OTHER PURPOSES.  
15

## Subtitle

16  
17 TO AMEND THE FAIR MORTGAGE LENDING ACT,  
18 § 23-39-501 ET SEQ.; TO REVISE BONDING,  
19 REPORTING, RECORDS, PROHIBITED  
20 ACTIVITIES, PENALTIES, AND OTHER  
21 PROVISIONS OF THE ACT.  
22  
23

24 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
25

26 SECTION 1. Arkansas Code § 23-39-502(9), concerning the definition of  
27 “exempt person” under the Fair Mortgage Lending Act, is amended to read as  
28 follows:

29 (9)(A) “Exempt person” means a person not required to be  
30 licensed as a mortgage broker, mortgage banker, mortgage servicer, or loan  
31 officer under this subchapter.

32 (B) “Exempt person” includes any of the following:

33 (i) An employee of a licensee whose responsibilities  
34 are limited to clerical and administrative tasks for his or her employer and  
35 who does not solicit borrowers, accept applications, or negotiate the terms  
36 of loans on behalf of the employer;



1 (ii) An agency or corporate instrumentality of the  
2 federal government or any state, county, or municipal government granting  
3 mortgage loans under specific authority of the laws of any state or of the  
4 United States;

5 (iii) A trust company or industrial loan company  
6 chartered under the laws of Arkansas;

7 ~~(iv) An insurance company licensed or authorized to~~  
8 ~~conduct business by the State Insurance Department;~~

9 ~~(v)~~(iv) A small-business investment corporation  
10 licensed under the Small Business Investment Act of 1958, 15 U.S.C. § 661 et  
11 seq., as it existed on January 1, 2009;

12 ~~(vi)~~(v) A real estate investment trust as defined in  
13 26 U.S.C. § 856, as it existed on January 1, 2009;

14 ~~(vii)~~(vi) A state or federally chartered bank,  
15 savings bank, savings and loan association, or credit union, the accounts of  
16 which are insured by the Federal Deposit Insurance Corporation or the  
17 National Credit Union Administration or any of their operating subsidiaries;

18 ~~(viii)~~(vii) An agricultural loan organization that  
19 is subject to licensing, supervision, or auditing by the ~~United States~~  
20 ~~Agricultural Stabilization and Conservation Service~~ Farm Service Agency,  
21 ~~Commodity Credit Corporation, Rural Housing Administration~~ Rural Development  
22 Housing & Community Facilities Programs, Farm Credit Administration, or the  
23 United States Department of Agriculture;

24 ~~(ix)~~(viii) A nonprofit corporation that:

25 (a) Qualifies as a nonprofit entity under §  
26 501(c)(3) of the Internal Revenue Code;

27 (b) Is not primarily in the business of  
28 soliciting or brokering mortgage loans; and

29 (c) Makes or services mortgage loans to  
30 promote home ownership or home improvements for the disadvantaged;

31 ~~(x)~~(a)(ix)(a) A licensed real estate agent or broker  
32 who is performing those activities subject to the regulation of the Arkansas  
33 Real Estate Commission.

34 (b) Notwithstanding subdivision (9)(B)~~(x)~~(a)-  
35 (ix)(a) of this section, "exempt person" does not include a real estate agent  
36 or broker who receives compensation of any kind in connection with the

1 referral, placement, or origination of a mortgage loan;

2 ~~(xi)~~(x) A person who engages in seller-financed  
3 transactions, or who as a seller of real property receives mortgages, deeds  
4 of trust, or other security instruments on real estate as security for a  
5 purchase money obligation, if:

6 (a) The person does not receive from or hold  
7 on behalf of the borrower any funds for the payment of insurance or taxes on  
8 the real property; and

9 (b) The seller does not sell the liens or  
10 mortgages in the secondary market other than to affiliated or subsidiary  
11 persons;

12 ~~(xii)~~(xi) An individual or husband and wife who  
13 provide funds for investment in loans secured by a lien on real property on  
14 his or her or their own account and who do not:

15 (a) Charge a fee or cause a fee to be paid for  
16 any service other than the normal and scheduled rates for escrow, title  
17 insurance, and recording services; and

18 (b) Collect funds to be used for the payment  
19 of any taxes or insurance premiums on the property securing the loans;

20 ~~(xiii)~~(xii) An attorney at law rendering services in  
21 the performance of his or her duties as an attorney at law;

22 ~~(xiv)~~ A person doing business under the laws of  
23 Arkansas or the United States relating to any broker-dealer, agent,  
24 investment adviser, or investment adviser representative registered with the  
25 State Securities Department;

26 ~~(xv)~~(xiii) A person performing any act under order  
27 of any court;

28 ~~(xvi)~~(xiv) A person acting as a mortgage broker,  
29 mortgage banker, or mortgage servicer for any person located in Arkansas, if  
30 the mortgage broker, mortgage banker, or mortgage servicer has no office or  
31 employee in Arkansas and the real property that is the subject of the  
32 mortgage is located outside of Arkansas;

33 ~~(xvii)~~ A person who brokers, makes, or services  
34 mortgage loans if the only mortgage loans that the person brokers, makes, or  
35 services in Arkansas are nonresidential mortgage loans;

36 ~~(xviii)~~(xv) An officer or employee of an exempt

1 person described in subdivisions (9)(B)~~(ii)-(xvi)~~ (ii)-(xiv) of this section  
2 if acting in the scope of employment for the exempt person; and  
3 ~~(xix)~~(xvi) Other persons as the commissioner may by  
4 rule or order designate;

5  
6 SECTION 2. Arkansas Code § 23-39-502(11), concerning the definition of  
7 “loan officer” under the Fair Mortgage Lending Act, is amended to read as  
8 follows:

9 (11)(A) “Loan officer” means an individual other than an exempt  
10 person described in subdivision (9) of this section who in exchange for  
11 compensation as an employee of or who otherwise receives compensation or  
12 remuneration from a mortgage broker or a mortgage banker ~~licensed under this~~  
13 ~~subchapter~~:

14 (i) Solicits or offers to solicit an application for  
15 a mortgage loan;

16 (ii) Accepts or offers to accept an application for  
17 a mortgage loan;

18 (iii) Negotiates or offers to negotiate the terms or  
19 conditions of a mortgage loan; or

20 (iv) Issues or offers to issue a mortgage loan  
21 commitment or interest rate guarantee agreement.

22 (B) “Loan officer” does not include:

23 (i) an An individual who performs clerical or  
24 administrative tasks in the processing of a mortgage loan at the direction of  
25 and subject to the supervision and instruction of a licensed loan officer; ~~or~~

26 (ii) an An underwriter if the individual performs no  
27 activities under subdivision (11)(A) of this section; or

28 (iii) An individual who is solely involved in  
29 extensions of credit relating to timeshare plans, as that term is defined in  
30 11 U.S.C. § 101(53D), as it existed on January 1, 2009;

31  
32 SECTION 3. Arkansas Code § 23-39-502(16), concerning the definition of  
33 “mortgage loan” under the Fair Mortgage Lending Act, is amended to read as  
34 follows:

35 (16) “Mortgage loan” means a loan primarily ~~secured by either a~~  
36 ~~mortgage or a deed of trust on real property~~ for personal, family, or

1 household use that is secured by a mortgage, deed of trust, reverse mortgage,  
 2 or other equivalent consensual security interest encumbering:

3 (A) A dwelling as defined in section 103(v) of the Truth  
 4 in Lending Act, 15 U.S.C. § 1601 et seq., as it existed on January 1, 2009;  
 5 or

6 (B) Residential real estate upon which is constructed or  
 7 intended to be constructed a dwelling;

8  
 9 SECTION 4. Arkansas Code § 23-39-502(18), concerning the definition of  
 10 “nonresidential mortgage loan” under the Fair Mortgage Lending Act, is  
 11 repealed.

12 ~~(18) “Nonresidential mortgage loan” means a loan secured by an~~  
 13 ~~interest in real property used or to be used for other than one to four-~~  
 14 ~~family residential purposes;~~

15  
 16 SECTION 5. Arkansas Code § 23-39-502, concerning definitions under the  
 17 Fair Mortgage Lending Act, is amended to add additional subdivisions to read  
 18 as follows:

19 (22) “Reverse mortgage” means a nonrecourse loan that pays a  
 20 homeowner loan proceeds drawn from accumulated home equity; and

21 (23) “Unique identifier” means a number or other identifier  
 22 assigned by protocols established by the automated licensing system approved  
 23 by the commissioner.

24  
 25 SECTION 6. Arkansas Code § 23-39-503(d)(3)(A), concerning the failure  
 26 to timely notify the Securities Commissioner when a loan officer ceases to be  
 27 employed as a loan officer, is amended to read as follows:

28 (A) ~~Any~~ A licensee that does not comply with subdivision  
 29 (d)(2) of this section shall pay a late fee of ten dollars (\$10.00) for each  
 30 day that he or she fails to two hundred fifty dollars (\$250) for failure to  
 31 timely notify the commissioner as provided in subdivision (d)(2) of this  
 32 section, not to exceed six hundred dollars (\$600).

33  
 34 SECTION 7. Arkansas Code § 23-39-505(a)(3)(C), concerning the  
 35 application requirements for a loan officer, mortgage banker, mortgage  
 36 broker, and mortgage servicer, is amended to read as follows:

1 (C)(i) The applicant’s proposed method of and locations  
2 for doing business, if applicable.

3 (ii) The applicant’s proposed method of doing  
4 business shall include whether the applicant is proposing to be licensed as a  
5 mortgage broker, mortgage banker, or mortgage servicer;

6  
7 SECTION 8. Arkansas Code § 23-39-505(a)(3)(D)and(E), concerning  
8 application requirements for a loan officer, mortgage banker, mortgage  
9 broker, and mortgage servicer, are amended to read as follows:

10 (D)(i) The qualifications, ~~and~~ business history, and  
11 financial condition of the applicant and any partner, officer, ~~or~~ director,  
12 any person occupying a similar status or performing similar functions, or any  
13 person directly or indirectly controlling the applicant.

14 (ii) The qualifications and business history of  
15 persons under subdivision (a)(3)(D)(i) of this section shall include:

16 (a) A description of any injunction or  
17 administrative order, including any denial to engage in a regulated activity  
18 by any state or federal authority to which the person is, has been, or has  
19 sought to be subject;

20 (b) Any conviction of a misdemeanor involving  
21 fraudulent dealings or moral turpitude or relating to any aspect of the  
22 mortgage industry, the securities industry, the insurance industry, or any  
23 other activity pertaining to financial services; and

24 (c) Any felony convictions; and

25 (E) ~~With respect to:~~

26 ~~(i) An application for licensing as a mortgage~~  
27 ~~banker, mortgage broker, or mortgage servicer, the applicant’s financial~~  
28 ~~condition and business history; and~~

29 ~~(ii) The application for licensing as a loan~~  
30 ~~officer, the applicant’s business history.~~ A disclosure of any beneficial  
31 interest in an affiliated industry business held by the applicant or by a  
32 principal, officer, director, or employee of the applicant.

33  
34 SECTION 9. Arkansas Code § 23-39-505(b), concerning the requirements  
35 for licensure as a loan officer, is amended to add an additional subdivision  
36 to read as follows:

1           (4) Furnish to the commissioner or through an automated  
 2 licensing system, information concerning the applicant's identity and  
 3 background, including:

4                   (A) Fingerprints for submission to the Federal Bureau of  
 5 Investigation and any governmental agency or entity authorized to receive  
 6 fingerprints for a state, national, and international criminal background  
 7 check; and

8                   (B) Personal history and experience in a form prescribed  
 9 by the automated licensing system and the commissioner, including the  
 10 submission of authorization for the automated licensing system and the  
 11 commissioner to obtain:

12                           (i) An independent credit report from a consumer  
 13 reporting agency described in section 603(p) of the Fair Credit Reporting  
 14 Act, 15 U.S.C. § 1681 et seq., as it existed on January 1, 2009; and

15                           (ii) Information related to any administrative,  
 16 civil, or criminal proceeding by a governmental jurisdiction.

17  
 18           SECTION 10. Arkansas Code § 23-39-505(e), concerning application  
 19 requirements for a loan officer, mortgage banker, mortgage broker, and  
 20 mortgage servicer, is amended to read as follows:

21           (e) ~~Except as provided in § 23-39-517, each~~ Each applicant for initial  
 22 licensure shall pay a filing fee of ~~seven hundred fifty dollars (\$750) for~~  
 23 ~~licensure as a mortgage broker, mortgage banker, or mortgage servicer or~~  
 24 ~~fifty dollars (\$50.00) for licensure as a loan officer.;~~

25                   (1) Seven hundred fifty dollars (\$750) for the principal place  
 26 of business of a mortgage broker, mortgage banker, or mortgage servicer;

27                   (2) One hundred dollars (\$100) for each branch office of a  
 28 mortgage broker, mortgage banker, or mortgage servicer; and

29                   (3) Fifty dollars (\$50.00) for each loan officer.

30  
 31           SECTION 11. Arkansas Code § 23-39-505(f)(1) and (2), concerning surety  
 32 bonds for mortgage brokers, mortgage bankers, and mortgage servicers, are  
 33 amended to read as follows:

34                   (f)(1)(A) Each mortgage broker, mortgage banker, and mortgage  
 35 servicer shall post a surety bond in the amount of one hundred thousand  
 36 dollars (\$100,000), and each mortgage broker shall post a surety bond in the

1 ~~amount of fifty thousand dollars (\$50,000)~~prescribed by rule or order of the  
2 commissioner.

3 (B) The amount of the surety bond prescribed by the  
4 commissioner under subdivision (f)(1)(A) of this section shall be:

5 (i) Based upon loan activity during the previous  
6 year; and

7 (ii) Not less than one hundred thousand dollars  
8 (\$100,000).

9 (2) The surety bond shall be in the form prescribed by the  
10 commissioner and shall run to the state for the benefit of any claimants  
11 against the licensee and loan officers employed by the licensee to secure the  
12 faithful performance of the obligations of the licensee and loan officers  
13 employed by the licensee under this subchapter.

14  
15 SECTION 12. Arkansas Code § 23-39-505(f)(6), concerning a deposit of  
16 cash or securities in lieu of a surety bond, is repealed.

17 ~~(6) Any appropriate deposit of cash or securities shall be~~  
18 ~~accepted in lieu of any bond that is required.~~

19  
20 SECTION 13. Arkansas Code § 23-39-505(g), concerning licensing  
21 requirements for a mortgage banker, mortgage servicer, or mortgage broker, is  
22 amended to read as follows:

23 ~~(g)(1)~~ Each applicant filing for licensure as a mortgage banker or  
24 mortgage servicer shall file with the commissioner as part of his or her  
25 application audited financial statements that reflect that the applicant has  
26 a net worth of at least twenty-five thousand dollars (\$25,000) and are:

27 ~~(A)(1)~~ Prepared by an independent certified public accountant;

28 ~~(B)(2)~~ Prepared in accordance with generally accepted accounting  
29 ~~principals~~ principles as promulgated by the Financial Accounting Standards  
30 Board;

31 ~~(C)(3)~~ Accompanied by an opinion acceptable to the commissioner;  
32 and

33 ~~(D)(4)~~ Dated within fifteen (15) months preceding the date on  
34 which the application is filed.

35 ~~(2) Each applicant filing for licensure as a mortgage broker~~  
36 ~~shall file with the commissioner as part of his or her application financial~~



1 ~~statements that reflect that the applicant has a net worth of at least~~  
 2 ~~twenty five thousand dollars (\$25,000) and are:~~

3 ~~(A) Certified as true and correct by the president or~~  
 4 ~~chief financial officer of the mortgage broker;~~

5 ~~(B) Prepared in accordance with generally accepted~~  
 6 ~~accounting principles as promulgated by the Financial Accounting Standards~~  
 7 ~~Board; and~~

8 ~~(C) Dated within eighteen (18) months preceding the date~~  
 9 ~~on which the application is filed.~~

10  
 11 SECTION 14. Arkansas Code § 23-39-505(i), concerning application  
 12 requirements for a loan officer, mortgage banker, mortgage broker, and  
 13 mortgage servicer, is amended to read as follows:

14 (i)~~(1)~~ Each principal ~~office~~ place of business and  
 15 each branch office of a mortgage broker, mortgage banker, or mortgage  
 16 servicer licensed under this subchapter shall obtain a separate license.

17 ~~(2) A licensed mortgage broker, mortgage banker, or mortgage~~  
 18 ~~servicer shall file with the commissioner an application in the form~~  
 19 ~~prescribed by the commissioner that identifies the address of the principal~~  
 20 ~~office, each branch office, and each branch manager.~~

21 ~~(3) The commissioner shall assess a filing fee of one hundred~~  
 22 ~~dollars (\$100) for each branch office that is issued a license.~~

23  
 24 SECTION 15. Arkansas Code § 23-39-505(j), concerning application  
 25 requirements for a loan officer, mortgage banker, mortgage broker, and  
 26 mortgage servicer, is amended to read as follows:

27 (j) Except as set forth in § 23-39-503(d) ~~and § 23-39-517~~, each  
 28 license issued by the commissioner under this subchapter ~~shall expire~~ expires  
 29 at the close of business on ~~the following dates~~ December 31 of the calendar  
 30 year unless the license is:

31 (1) previously ~~Previously~~ surrendered by the licensee and the  
 32 surrender is accepted by the commissioner; ~~;~~

33 (2) it is abandoned ~~Abandoned~~ by the licensee as provided in §  
 34 23-39-506; ~~;~~ or

35 (3) it is suspended ~~Suspended~~ or revoked by the commissioner; ~~.~~  
 36 ~~(1) One hundred eighty (180) days after the end of the~~

1 ~~licensee's current fiscal year in the case of a mortgage broker, mortgage~~  
2 ~~banker, or mortgage servicer; and~~

3 ~~(2) On the last day of the twelfth month after the date of~~  
4 ~~issuance in the case of a loan officer.~~

5  
6 SECTION 16. Arkansas Code § 23-39-505(1), concerning control of a  
7 licensee, is amended to add an additional subdivision to read as follows:

8 (4)(A) Failure to notify the commissioner at least thirty (30)  
9 days before the proposed change of control shall result in a late fee of one  
10 hundred dollars (\$100).

11 (B) All or part of the late fee may be waived by the  
12 commissioner for good cause.

13  
14 SECTION 17. Arkansas Code § 23-39-505, concerning qualifications for  
15 licensure, is amended to add an additional subsection to read as follows:

16 (o) The commissioner shall not issue a loan officer license unless the  
17 commissioner finds that:

18 (1) The applicant has:

19 (A) Never had a loan officer license revoked in any  
20 governmental jurisdiction;

21 (B) Not been found guilty of or pleaded guilty or nolo  
22 contendere to any offense described in § 23-39-514(a)(2)(C);

23 (C) Demonstrated sufficient financial responsibility,  
24 character, and general fitness to command the confidence of the community and  
25 to warrant a determination that the loan officer will operate honestly,  
26 fairly, and efficiently within the purposes of this subchapter; and

27 (D) Complied with the prelicensing education and testing  
28 requirements of subdivision (b)(3) of this section; and

29 (2) The applicant's employer has met the surety bond requirement  
30 of subdivision (f)(1) of this section.

31  
32 SECTION 18. Arkansas Code § 23-39-506 is amended to read as follows:  
33 23-39-506. License renewal – Termination.

34 ~~(a) Except as provided in § 23-39-517, each~~ Each licensed mortgage  
35 broker, mortgage banker, and mortgage servicer wishing to renew a license  
36 shall:

1           (1)~~(A)~~ File a renewal application with the Securities  
 2 Commissioner in the form prescribed by the commissioner ~~within one hundred~~  
 3 ~~twenty (120) days after the end of the licensee's fiscal year, between~~  
 4 November 1 and December 31 of the calendar year;

5                       (B) ~~A mortgage banker or a mortgage servicer shall also~~  
 6 ~~submit with the renewal application audited financial statements through the~~  
 7 ~~end of the mortgage banker's or mortgage servicer's previous fiscal year~~  
 8 ~~that:~~

9                               (i) ~~Reflect that the mortgage banker or mortgage~~  
 10 ~~servicer has a net worth of at least twenty five thousand dollars (\$25,000);~~  
 11 ~~and~~

12                               (ii) ~~Comply with the requirements of § 23-39-~~  
 13 ~~505(g)(1)(A)-(C).~~

14                       (C) ~~A mortgage broker shall also submit with the renewal~~  
 15 ~~application financial statements through the end of the mortgage broker's~~  
 16 ~~previous fiscal year that:~~

17                               (i) ~~Reflect that the mortgage broker has a net worth~~  
 18 ~~of at least twenty five thousand dollars (\$25,000); and~~

19                               (ii) ~~Comply with the requirements of § 23-39-~~  
 20 ~~505(g)(2)(A) and (B); and~~

21           (2)(A) Provide the commissioner with an annual report of  
 22 mortgage activity.

23                       (B) The commissioner may designate by rule or order the  
 24 information to be provided in the annual report;

25           (3) Present proof to the commissioner that the surety bond  
 26 required in § 23-39-505(f)(1) is still in effect; and

27           (4) Pay the commissioner an annual renewal fee of three hundred  
 28 fifty dollars (\$350) for the licensee's principal ~~office~~ place of business  
 29 and one hundred dollars (\$100) for each of the licensee's ~~licensed~~ branch  
 30 offices.

31           (b) The failure of a mortgage broker, mortgage banker, or mortgage  
 32 servicer to timely file a renewal application shall subject the licensee to a  
 33 late fee of ~~twenty five dollars (\$25.00) for each day, up to a maximum of~~  
 34 ~~sixty (60) days, that the renewal application is late~~ one hundred dollars  
 35 (\$100).

36           (c) ~~Except as provided in § 23-39-517, each~~ Each licensed loan officer

1 wishing to renew a license shall:

2 (1) File an application with the commissioner in the form  
 3 prescribed by the commissioner ~~no later than sixty (60) days prior to the~~  
 4 ~~expiration date of the license~~ between November 1 and December 1 of the  
 5 calendar year;

6 (2) Certify that the applicant has complied with the continuing  
 7 education requirements as required by rules promulgated by the commissioner;  
 8 and

9 (3) Pay an annual renewal fee of fifty dollars (\$50.00).

10 (d) The failure of a loan officer to timely file a renewal application  
 11 shall subject the loan officer to a late fee of fifty dollars (\$50.00).

12 (e)(1)(A) ~~Any~~ A late fee assessed ~~pursuant to~~ under subsection (b) or  
 13 subsection (d) of this section shall be in addition to the renewal  
 14 application fee under subsection (a) or subsection (c) of this section.

15 (B) ~~but may be waived, in whole or in part, at the sole~~  
 16 ~~discretion of~~ All or part of the late fee may be waived by the commissioner  
 17 for good cause ~~shown~~.

18 (2)(A) The commissioner may ~~deem~~ consider an application and a  
 19 license to be abandoned and surrendered and may require the licensee to  
 20 comply with the requirements for the initial issuance of a license under this  
 21 subchapter in order to continue in business, if the licensee:

22 (i) Fails to file a renewal application within ~~sixty~~  
 23 ~~(60)~~ fifteen (15) days after the date the renewal application is due;

24 (ii) Unreasonably fails to remedy any deficiency in  
 25 an application within thirty (30) days following the sending of written  
 26 notice to the licensee; or

27 (iii) Unreasonably fails to deliver additional  
 28 information or documents to the commissioner within thirty (30) days  
 29 following the sending of written notice to the licensee.

30 (B) For purposes of this subdivision (e)(2), notice shall  
 31 be ~~deemed~~ complete upon:

32 (i) ~~deposit~~ Deposit in the United States mail,  
 33 postage prepaid, to the address of the licensee listed in the application; or

34 (ii) Delivery through an automated licensing system  
 35 approved by the commissioner.

36 (3) The commissioner shall not reissue ~~any~~ a license for which a

1 late fee has accrued as a result of a person's failure to timely file a  
 2 renewal application unless the late fee has been paid or waived by the  
 3 commissioner for good cause ~~shown~~.

4 (f)(1) A mortgage banker or a mortgage servicer shall submit audited  
 5 financial statements to the commissioner within ninety (90) days after the  
 6 end of the mortgage banker's or mortgage servicer's fiscal year.

7 (2) The audited financial statements submitted to the  
 8 commissioner under subdivision (f)(1) of this section shall:

9 (A) Reflect that the mortgage banker or mortgage servicer  
 10 has a net worth of at least twenty-five thousand dollars (\$25,000); and

11 (B) Comply with the requirements of § 23-39-505(g)(1)(A) -  
 12 (C).

13 (3)(A) Failure to timely submit audited financial statements to  
 14 the commissioner shall result in a late fee of two hundred fifty dollars  
 15 (\$250).

16 (B) All or part of the late fee may be waived by the  
 17 commissioner for good cause.

18  
 19 SECTION 19. Arkansas Code § 23-39-508(g), concerning penalties for a  
 20 mortgage broker, mortgage banker, or mortgage servicer that does not comply  
 21 with requirements for managing principals and branch managers, is amended to  
 22 read as follows:

23 (g)(1) ~~Any~~ A mortgage broker, mortgage banker, or mortgage servicer  
 24 that does not comply with this section shall pay a late fee ~~equal to ten~~  
 25 ~~dollars (\$10.00) for each day that he or she fails to notify the commissioner~~  
 26 ~~of the violation, not to exceed six hundred dollars (\$600) of two hundred~~  
 27 fifty dollars (\$250).

28 (2) ~~The~~ All or part of the late fee may be waived, ~~in whole or~~  
 29 ~~in part, in the sole discretion of~~ by the commissioner ~~and~~ for good cause  
 30 ~~shown~~.

31 (3) The commissioner may revoke or suspend the license of any  
 32 mortgage broker, mortgage banker, or mortgage servicer who fails to pay any  
 33 late fee assessed under subdivision (g)(1) of this section.

34  
 35 SECTION 20. Arkansas Code § 23-39-509(d)(2), concerning penalties for  
 36 a mortgage broker, mortgage banker, or mortgage servicer that does not comply

1 with reporting requirements for changes in business locations, is amended to  
 2 read as follows:

3 (2)(A) Any licensee that does not comply with subdivision (d)(1)  
 4 of this section shall pay a late fee ~~equal to ten dollars (\$10.00) for each~~  
 5 ~~day that he or she fails to notify the commissioner, up to a maximum of six~~  
 6 ~~hundred dollars (\$600) of two hundred fifty dollars (\$250).~~

7 (B) ~~The~~ All or part of the late fee may be waived, ~~in whole or~~  
 8 ~~in part, at the sole discretion of~~ by the commissioner for good cause ~~shown.~~

9  
 10 SECTION 21. Arkansas Code § 23-39-510 is amended to read as follows:  
 11 23-39-510. Licensee duties.

12 (a) In addition to duties imposed by other statutory or common law,  
 13 each person required to be licensed under this subchapter shall:

14 (1) Safeguard and account for any money received for, from, or  
 15 on behalf of the borrower;

16 (2) Follow reasonable and lawful instructions from the borrower;

17 (3) Act with reasonable skill, care, and diligence; ~~and~~

18 (4) Make reasonable efforts with lenders with whom a broker  
 19 regularly does business to secure a loan that is reasonably advantageous to  
 20 the borrower considering all the circumstances, including the rates, charges,  
 21 and repayment terms of the loan and the loan options for which the borrower  
 22 qualifies with such lenders; and

23 (5) Include the full name, address, and telephone number of the  
 24 licensee in all solicitations and advertisements.

25 (b) The unique identifier of a person soliciting or originating a  
 26 mortgage loan shall be clearly shown on all mortgage loan application forms,  
 27 solicitations, advertisements, business cards, websites, and any other  
 28 document or medium established by rule or order of the Securities  
 29 Commissioner.

30  
 31 SECTION 22. Arkansas Code § 23-39-511(d)(2), concerning penalties for  
 32 a mortgage broker, mortgage banker, or mortgage servicer that does not comply  
 33 with reporting requirements for inaccurate or incomplete records, is amended  
 34 to read as follows:

35 (2)(A) Any licensee that does not comply with subdivision (d)(1)  
 36 of this section shall pay a late fee of ~~ten dollars (\$10.00) for each day~~

1 ~~that he or she fails to file a correcting amendment, up to a maximum of six~~  
2 ~~hundred dollars (\$600) two hundred fifty dollars (\$250).~~

3 (B) ~~The All or part of the late fee may be waived, ~~in~~~~  
4 ~~whole or in part, at the sole discretion of by the commissioner for good~~  
5 ~~cause shown.~~

6  
7 SECTION 23. Arkansas Code § 23-39-512(b), concerning the public  
8 inspection of records, is amended to read as follows:

9 (b) Except for reasonably segregable portions of information and  
10 records that by law would ~~routinely be made~~ be made routinely available to a  
11 party ~~other than an agency~~ in litigation with the commissioner, the  
12 commissioner shall not publish or make available the following information:

13 (1) Information contained in reports, summaries, analyses,  
14 letters, or memoranda arising out of, in anticipation of, or in connection  
15 with an examination or inspection of the books and records of any person or  
16 any other investigation;

17 (2) Interagency or intra-agency memoranda or letters,  
18 including;

19 (A) ~~generally~~ Generally, records ~~which~~ that reflect  
20 discussions between or consideration by the commissioner or members of his or  
21 her staff, or both, of any action taken or proposed to be taken by the  
22 commissioner or by any members of his or her staff; and

23 (B) ~~specifically~~ Specifically, reports, summaries,  
24 analyses, conclusions, or any other work product of the commissioner or of  
25 attorneys, accountants, analysts, or other members of the commissioner's  
26 staff, prepared in the course of an inspection of the books or records of any  
27 person whose affairs are regulated by the commissioner or prepared otherwise  
28 in the course of an examination or investigation or related litigation  
29 conducted by or on behalf of the commissioner, ~~except those that by law would~~  
30 ~~routinely be made to a party other than an agency in litigation with the~~  
31 ~~commissioner;~~

32 (3) Personnel and medical files and similar files the disclosure  
33 of which would constitute a clearly unwarranted invasion of personal privacy,  
34 including:

35 (A) Information concerning all employees of the State  
36 Securities Department and information concerning persons subject to

1 regulation by the department; and

2 (B) Personal information about employees of mortgage  
 3 brokers, mortgage bankers, mortgage servicers, or loan officers reported to  
 4 the commissioner under the department's rules concerning registration of  
 5 those persons;

6 (4)(A) Investigatory records compiled for law enforcement  
 7 purposes to the extent that production of the records would:

- 8 (i) Interfere with enforcement proceedings;
- 9 (ii) Deprive a person of a right to a fair trial or  
 10 an impartial adjudication; or
- 11 (iii) Disclose the identity of a confidential  
 12 source.

13 (B) The commissioner may also withhold investigatory  
 14 records that would:

- 15 (i) Constitute an unwarranted invasion of personal  
 16 privacy;
- 17 (ii) Disclose investigative techniques and  
 18 procedures; or
- 19 (iii) Endanger the life or physical safety of law  
 20 enforcement personnel.

21 (C) Investigatory records under this section include:

22 (i) All documents, records, transcripts,  
 23 correspondence, and related memoranda and work products concerning  
 24 examinations and other investigations and related litigation as authorized by  
 25 law that pertain to or may disclose the possible violations by any person of  
 26 any provision of any of the statutes, rules, or regulations administered by  
 27 the commissioner; and

28 (ii) All written communications from or to any  
 29 person confidentially complaining or otherwise furnishing information  
 30 respecting the possible violations, as well as all correspondence and  
 31 memoranda in connection with the confidential complaints or information;

32 (5) Information contained in or related to examinations,  
 33 operating, or condition reports prepared by, on behalf of, or for the use of  
 34 ~~any~~ an agency responsible for the regulation or supervision of financial  
 35 institutions or mortgage lenders;

36 (6)(A) Financial records of mortgage bankers, mortgage brokers,



1 mortgage servicers, or loan officers obtained during or as a result of an  
 2 examination by the department.

3 (B) However, when ~~any~~ a record under this subchapter is  
 4 required to be filed with the commissioner as part of an application for  
 5 license, annual renewal, or otherwise, the record, including financial  
 6 statements prepared by certified public accountants, shall be public  
 7 information unless sections of the information are bound separately and are  
 8 marked "confidential" by the mortgage banker, mortgage broker, mortgage  
 9 servicer, or loan officer upon its submission.

10 (C) Information under subdivision (6)(B) of this section  
 11 bound separately and marked "confidential" shall be ~~deemed~~ considered  
 12 nonpublic until ten (10) days after the commissioner has given the mortgage  
 13 banker, mortgage broker, mortgage servicer, or loan officer notice that an  
 14 order will be entered ~~deeming~~ declaring the material public.

15 (D) If the mortgage banker, mortgage broker, mortgage  
 16 servicer, or loan officer believes the commissioner's order is incorrect, the  
 17 mortgage banker, mortgage broker, mortgage servicer, or loan officer may seek  
 18 an injunction from the Pulaski County Circuit Court ordering the department  
 19 to hold the information as nonpublic pending a final order from a court of  
 20 competent jurisdiction if the order of the commissioner is appealed under  
 21 applicable law;

22 (7) Trade secrets obtained from any person; or

23 (8) Any other records that are required to be closed to the  
 24 public and are not ~~deemed~~ considered open to public inspection under the  
 25 Freedom of Information Act of 1967, § 25-19-101 et seq., or under other law.

26  
 27 SECTION 24. Arkansas Code § 23-39-512, concerning public inspection of  
 28 records filed with the Securities Commissioner, is amended to add additional  
 29 subsections to read as follows:

30 (c) This section does not prevent the commissioner from sharing with  
 31 other state or federal law enforcement authorities, regulatory authorities,  
 32 or self-regulatory organizations authorized by law any information that the  
 33 commissioner may have or may obtain in aid of the enforcement of this  
 34 subchapter or any other state or federal law.

35 (d)(1) Except as otherwise provided in this subchapter, the  
 36 requirements of any federal or state law regarding privacy or confidentiality

1 of any information or material provided to an automated licensing system  
 2 under this subchapter and any privilege arising under federal or state law,  
 3 including the rules of any federal or state court with respect to the  
 4 information or material, shall continue to apply to the information or  
 5 material after the information or material has been disclosed to the  
 6 automated licensing system.

7 (2) The information or material provided to an automated  
 8 licensing system under this subchapter may be shared with a state or federal  
 9 regulatory official with mortgage industry oversight authority without the  
 10 loss of privilege or the loss of confidentiality protections provided by  
 11 federal or state law.

12

13 SECTION 25. Arkansas Code § 23-39-513(13), concerning unlawful  
 14 activities, is amended to read as follows:

15 (13) To unreasonably fail to deliver or provide information or  
 16 documents promptly to the commissioner upon written request or to knowingly  
 17 withhold, abstract, remove, mutilate, destroy or secrete any books, records,  
 18 computer records, or other information; or

19

20 SECTION 26. Arkansas Code § 23-39-514(a)(2)(C), concerning grounds to  
 21 deny, suspend, revoke, or refuse to issue or renew a license, is amended to  
 22 read as follows:

23 (C) Has pleaded guilty or nolo contendere to, or has been  
 24 found guilty in a domestic, foreign, or military court of:

25

(i) ~~Any~~ A felony;

26

(ii) ~~Any~~ An offense involving breach of trust, moral  
 27 turpitude, money laundering, or fraudulent or dishonest dealing within the  
 28 past ten (10) years; or

29

(iii) ~~Any~~ An offense involving mortgage lending, any  
 30 aspect of the mortgage industry, or any aspect of the securities industry,  
 31 the insurance industry, or any other activity pertaining to financial  
 32 services;

33

34 SECTION 27. Arkansas Code § 23-39-514(g)(1)(C), concerning production  
 35 of books and records, is amended to read as follows:

36

(C) ~~Require~~ Issue subpoenas to require the production of

1 any books, papers, correspondence, memoranda, agreements, or other documents  
2 or records ~~which~~ that the commissioner ~~deems~~ considers relevant or material  
3 to the inquiry.

4  
5 SECTION 28. Arkansas Code § 23-39-518(c)(1), concerning cooperation  
6 with other regulatory agencies, is amended to read as follows:

7 (1) The commissioner may permit or require initial and renewal  
8 registration filings required under this subchapter to be filed with the  
9 Conference of State Bank Supervisors, a subsidiary entity owned by the  
10 Conference of State Bank Supervisors, the ~~National Association of Securities~~  
11 ~~Dealers~~ Financial Industry Regulatory Authority, or another entity  
12 maintaining or operating a multistate automated licensing system.