

NOTICE OF FINAL RULEMAKING

TITLE 20. COMMERCE, FINANCIAL INSTITUTIONS AND INSURANCE

CHAPTER 4. DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS

– FINANCIAL INSTITUTIONS

ARTICLE 5. CONSUMER LENDERS

R20-4-503. Adjustments in Precomputed Charges

A licensee shall adjust the total precomputed charges if the first installment period is more or less than one month in duration. The licensee's records shall reflect the adjustment's collection in one of three ways.

1. In the first installment payment,
2. Amortized over the life of the contract, or
3. As part of the final payment.

R20-4-508. Cut-off Date for Computing Refunds upon Early Repayment in Full

If a borrower repays a loan before the due date of the final installment, the licensee shall calculate any refund or credit due on the precomputed loan using the following rules:

1. A licensee shall credit any full repayment, made on or before the 15th day following an installment date, as if received on the last previous installment date.
2. A licensee shall credit any full repayment, made on or after the 16th day following an installment date, as if received on the next installment date.

R20-4-518. Deferral Fee

- A.** A licensee may collect a deferral fee at the time it agrees to a deferment or at any time after the assessment of a deferral fee. If a licensee receives a payment after it agrees to a deferment, it may apply the payment first to the deferral fee. Any remainder of the payment shall be applied to the balance of the loan.
- B.** If a licensee receives a payment that is large enough to pay in full a delinquent installment and all allowable delinquency fees, the licensee shall apply the payment first to the delinquent installment and fees. The licensee shall not show the paid installment as deferred, and shall not collect a deferral fee.

R20-4-519. Deferment Statement

A licensee shall give the borrower a statement at the time it agrees to a deferment and shall retain a copy of the statement in the borrower's credit file. The statement shall contain the following information:

1. The amount of the deferral fee,
2. The date of the borrower's next scheduled payment,
3. The amount of the borrower's next scheduled payment, and
4. The extended maturity date of the loan.

R20-4-524. Books, Accounts, and Records

- A.** A licensee may keep its books, accounts, and records as electronic records if the licensee can generate all information and copies required by this Section within the timeframe set by the Department for examination or other purposes.

- B.** A licensee authorized under A.R.S. Title 6, Chapter 5 shall:
1. Keep its books, accounts, and records of operations separate from the books, accounts, and records of its other business activities; and
 2. In addition to any statutory requirements, the books, accounts, and records of operations shall include the following:
 - a. A file containing a record of all legal actions brought during the fiscal year which the licensee shall keep until the Department conducts its examination of the licensee;
 - b. An itemized record of disbursement of the proceeds of each loan which shall also include, if the licensee makes precomputed loans, the amount of refund on each loan that is renewed or refinanced;
 - c. A record of the receipt of all allowable fees;
 - d. A record for each borrower and each loan that contains documentary evidence of filing or recording each instrument of record for the loan; and
 - e. A record of the borrower's voluntary election to purchase any insurance in connection with a loan if that insurance is sold by the licensee.

R20-4-534. Insurance

- A.** A licensee shall obtain written evidence of the borrower's voluntary election to purchase insurance in connection with a loan if the licensee's sale of insurance to the borrower is intended to secure repayment of a loan. The licensee shall retain this evidence of voluntary election in its records as required by statute. A document sufficient to comply with this Section shall read substantially as follows:

TO SECURE REPAYMENT OF MY LOAN, I ELECT TO PURCHASE INSURANCE
IN THE AMOUNT OF \$ _____ .
I UNDERSTAND THAT MY TOTAL LOAN OBLIGATION IS THE SUM OF \$ _____ .

- B.** A licensee shall obtain written evidence of the borrower's voluntary election to purchase property insurance in connection with a loan if the licensee's sale of property insurance to the borrower is intended to secure repayment of a loan. The licensee shall retain this evidence of voluntary election in its records as required by statute. A document sufficient to comply with this Section shall read substantially as follows:

TO SECURE REPAYMENT OF MY LOAN, I ELECT TO PURCHASE PROPERTY
INSURANCE IN THE AMOUNT OF \$ _____ .
I UNDERSTAND THAT MY TOTAL LOAN OBLIGATION IS THE SUM OF \$ _____ .
I ATTEST THAT THE VALUE OF MY PROPERTY INSURED IN CONNECTION
WITH THIS LOAN IS THE SUM OF \$ _____ .