# 2007

# ANNUAL REPORT

*Operation of*

*Finance Companies Licensed*

*under the*

*California Finance Lenders Law*

*State of California*

*Business, Transportation and Housing Agency*

*Department of Corporations*

# *STATE OF CALIFORNIA*

***ARNOLD SCHWARZENEGGER, Governor***

***BUSINESS, TRANSPORTATION AND HOUSING AGENCY***

***DEPARTMENT OF CORPORATIONS***

***Preston DuFauchard***
***California Corporations Commissioner***

***FINANCIAL SERVICES DIVISION***

***California Finance Lenders Law***


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***California Department of Corporations***

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*TTY 1-800-735-2922*
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*Los Angeles, California*
*June 23, 2008*

***This Report is a composite of annual reports of California's lender and broker licensees for the calendar year ended December 31, 2007 submitted in compliance with Section 22159 of the California Finance Lenders Law.***

***This Report is based on unaudited data presented by licensees and submitted in a format prescribed by the Department of Corporations. While the format of the financial information presented in the Report follows that of conventional financial statements, the reader should be aware that the data contained herein is primarily statistical in nature.***

***Statistical data compilations required of licensees have been modified to provide more meaningful statistics. Comparison of such data with prior years will be left to the reader.***

| AS OF | NUMBER OF LICENSEES |
|---|---|
| DECEMBER 31, 1998 | 4,180 |
| DECEMBER 31, 1999 | 3,829 |
| DECEMBER 31, 2000 | 3,789 |
| DECEMBER 31, 2001 | 3,732 |
| DECEMBER 31, 2002 | 4,110 |
| DECEMBER 31, 2003 | 4,608 |
| DECEMBER 31, 2004 | 5,342 |
| DECEMBER 31, 2005 | 6,725 |
| DECEMBER 31, 2006 | 7,577 |
| DECEMBER 31, 2007 | 7,358 |

**STATISTICAL INFORMATION**
**Average Size of Loans**

| CALIFORNIA FINANCE LENDERS | | | | | |
|---|---|---|---|---|---|
| | Number | Principal | Average Size of Loans Made | | |
| Calendar Year | of Loans Made | Amount of Loans Made | Consumer Loans | Commercial Loans | All Loans |
| 1998 | 2,912,288 | $ 96,772,880,848 | $ 21,510 | $ 45,945 | $ 33,229 |
| 1999 | 3,032,409 | 106,276,270,474 | 21,881 | 56,110 | 35,047 |
| 2000 | 3,006,443 | 87,886,670,201 | 15,456 | 48,173 | 29,233 |
| 2001 | 3,530,073 | 137,947,617,838 | 20,699 | 64,389 | 39,078 |
| 2002 | 3,522,892 | 179,873,083,672 | 27,363 | 78,928 | 51,058 |
| 2003 | 5,140,316 | 278,153,215,784 | 28,264 | 96,559 | 54,112 |
| 2004 | 4,167,772 | 246,616,649,910 | 50,861 | 68,536 | 59,172 |
| 2005 | 3,653,036 | 285,178,701,531 | 88,605 | 70,803 | 78,066 |
| 2006 | 3,940,311 | 315,492,843,743 | 106,657 | 63,574 | 80,068 |
| 2007 | 2,893,697 | 202,350,867,103 | 52,331 | 76,851 | 69,928 |

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*CALIFORNIA FINANCE LENDERS*


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EXHIBIT A
CALIFORNIA FINANCE LENDERS
**BALANCE SHEET**
AS OF DECEMBER 31, 2007
(in thousands)

| **ASSETS** | | | % of Total Assets |
|---|---|---|---|
| Cash | $ | 253,361,219 | 6.89 |
| Investments | | 921,352,141 | 25.07 |
| California Finance Lenders Loan Receivables | | 127,035,518 | 3.46 |
| Other Receivables | | 1,274,792,808 | 34.69 |
| Reserves and Withholds by Banks and Finance Companies | | 3,432,873 | 0.09 |
| Real and Personal Property (Net) | | 123,068,945 | 3.35 |
| Prepaid Expenses and Deferred Charges | | 10,308,459 | 0.28 |
| Commissions Receivables | | 106,788 | 0.00 |
| Other Assets | | 961,732,221 | 26.17 |
| Total Assets | $ | 3,675,190,973 | 100.00 |

| **LIABILITIES AND NET WORTH** | | | % of Total Liabilities and Net Worth |
|---|---|---|---|
| Loans and Notes Payable from Third Parties | $ | 1,076,931,612 | 29.30 |
| Loans and Notes Payable from Parent Companies, Affiliates, etc. | | 469,714,057 | 12.78 |
| Bonds, Debentures, Notes and Certificates of Indebtedness | | 506,383,681 | 13.78 |
| Accounts Payable | | 162,222,653 | 4.41 |
| Dealers Reserves and Withholds | | 779,312 | 0.02 |
| Accrued Taxes Other Than Income Tax | | 1,472,927 | 0.04 |
| Reserve for Income Taxes | | 48,032,765 | 1.31 |
| Credit Insurance Premiums Due Insurer | | 173,045 | 0.01 |
| Other Liabilities and Accruals | | 1,055,592,025 | 28.72 |
| Total Liabilities | | 3,321,302,077 | 90.37 |
| Net Worth | | 353,888,896 | 9.63 |
| Total Liabilities and Net Worth | $ | 3,675,190,973 | 100.00 |

EXHIBIT B
CALIFORNIA FINANCE LENDERS
**ANALYSIS OF LOANS AND RECEIVABLES OUTSTANDING**
AS OF DECEMBER 31, 2007
(in thousands)

| | | Aggregate Balance | % of Subtotal |
|---|---|---|---|
| **CALIFORNIA FINANCE LENDERS LOAN RECEIVABLES** | | | |
| Consumer Loans | $ | 40,017,391 | 30.94 |
| Commercial Loans | | 89,342,177 | 69.06 |
| Subtotal | $ | 129,359,567 | 100.00 |
| Less: Unearned Pre-computed Charges | | 960,215 | |
| Allowance for Bad Debts | | 1,363,835 | |
| Net California Finance Lenders Loan Receivables | $ | 127,035,518 | |

| | | | |
|---|---|---|---|
| **OTHER RECEIVABLES** | | | |
| Sales Contracts | $ | 307,385,476 | 23.55 |
| Leases (True Leases) | | 130,183,754 | 9.97 |
| Factoring | | 19,127,857 | 1.47 |
| Other | | 848,638,538 | 65.01 |
| Subtotal | $ | 1,305,335,626 | 100.00 |
| Less: Unearned Pre-computed Charges and Discounts | | 13,438,761 | |
| Allowance for Bad Debts | | 17,104,057 | |
| Net Other Receivables | $ | 1,274,792,808 | |

EXHIBIT C
CALIFORNIA FINANCE LENDERS
**STATEMENT OF INCOME AND EXPENSES**
FOR CALENDAR YEAR 2007
(in thousands)

| | | | % of Total Income |
|---|---|---|---|
| **INCOME** | | | |
| Gross Income from California Finance Lenders Loans and California Finance Lenders Brokered Loans | $ | 13,006,584 | 2.57 |
| Gross Income from All Other Business and Sources | | 493,858,556 | 97.43 |
| Total Gross Income | $ | 506,865,140 | 100.00 |
| **EXPENSES** | | | |
| Advertising and Promotion | $ | 2,842,604 | 0.56 |
| Professional Audit and Accounting Services | | 1,600,932 | 0.32 |
| Insurance and Bond Premiums | | 589,144 | 0.12 |
| Legal Services and Expenses | | 1,289,982 | 0.25 |
| Occupancy Expenses | | 4,026,785 | 0.79 |
| Provision for Bad Debt Allowance | | 18,989,170 | 3.75 |
| Salaries and Bonuses: Employees | | 46,438,564 | 9.16 |
| Salaries and Bonuses: Owners, Partners, Executives | | 7,864,581 | 1.55 |
| Depreciation | | 31,224,235 | 6.16 |
| License Fees and Taxes | | (2,520,991) * | (0.50) |
| Telephone and Utilities | | 1,363,447 | 0.27 |
| Travel | | 1,130,504 | 0.22 |
| Other Expenses | | 228,935,138 | 45.17 |
| Total Expenses before Interest and Income Taxes | $ | 343,774,096 | 67.82 |
| Income before Interest and Income Taxes | $ | 163,091,044 | 32.18 |
| Less: Interest Paid to Bona Fide Third Parties | | 108,132,594 | 21.33 |
| Interest Paid to Parent Company, Affiliates and Others | | 48,973,285 | 9.66 |
| Income before Income Taxes | $ | 5,985,165 | 1.19 |
| Less: Provision for Income Taxes | | (1,241,750) | -0.24 |
| Net Income | $ | 7,226,915 | 1.43 |

* A large company reported a tax credit of $3.3 billion.

EXHIBIT D
CALIFORNIA FINANCE LENDERS
**ANALYSIS OF INCOME RECEIVED**
FOR CALENDAR YEAR 2007
(in thousands)

| CFL LOANS AND CFL BROKERED LOANS | Loans Under $2,500 | Loans $2,500 and Over | Total |
|---|---|---|---|
| **CONSUMER LOANS** | | | |
| Charges Earned on Loans | $ 37,635 | $ 3,288,882 | $ 3,326,517 |
| Collection from Charged Off Accounts | 1,185 | 28,124 | 29,310 |
| Income from Credit Insurance | 11 | 854 | 865 |
| Other Insurance Commissions | 19 | 4,671 | 4,690 |
| Administrative Fees | 780 | 192,100 | 192,879 |
| Commissions from Loan Brokering | 423 | 229,517 | 229,940 |
| Other Income | 550 | 70,929 | 71,478 |
| Income from Consumer Loans | $ 40,602 | $ 3,815,077 | $ 3,855,679 |
| **COMMERCIAL LOANS** | | | |
| Charges Earned on Loans | | | $ 8,342,498 |
| Collection from Charged Off Accounts | | | 5,739 |
| Income from Credit Insurance | | | 32 |
| Other Insurance Commissions | | | 407 |
| Commissions from Loan Brokering | | | 45,164 |
| Other Income | | | 757,065 |
| Income from Commercial Loans | | | $ 9,150,905 |
| Total Income from All Loans | | | $ 13,006,584 |
| **ALL OTHER BUSINESS AND SOURCES** | | | |
| Charges Earned on Loans | | | $ 98,437,295 |
| Other Interest or Return on Investments | | | 29,030,139 |
| Collection from Charged Off Accounts | | | 286,996 |
| Income from Credit Insurance | | | 2,684 |
| Other Insurance Commissions | | | 40,387 |
| Other Income Relating to Loans | | | 366,061,056 |
| Total Income from All Other Business and Sources | | | $ 493,858,556 |

EXHIBIT E
CALIFORNIA FINANCE LENDERS
**LOANS MADE OR REFINANCED BY SIZE**
FOR CALENDAR YEAR 2007

| Size of Loan | Number of Loans | % of Total Number | Principal Amount (in thousands) | % of Total Amount |
|---|---|---|---|---|
| **CONSUMER LOANS** | | | | |
| $ 499 or less | 11,867 | 1.46 | $ 4,710 | 0.01 |
| 500 to 1,999 | 76,872 | 9.41 | 90,309 | 0.21 |
| 2,000 to 2,499 | 16,027 | 1.96 | 38,364 | 0.09 |
| 2,500 to 4,999 | 123,619 | 15.13 | 416,435 | 0.97 |
| 5,000 to 9,999 | 213,263 | 26.10 | 1,850,153 | 4.33 |
| 10,000 or more | 375,330 | 45.94 | 40,353,073 | 94.39 |
| Total Consumer Loans Made | 816,978 | 100.00 | $ 42,753,044 | 100.00 |
| **COMMERCIAL LOANS** | | | | |
| $5,000 or more | 2,076,719 | 100.00 | $ 159,597,824 | 100.00 |
| Total Commercial Loans Made | 2,076,719 | 100.00 | $ 159,597,824 | 100.00 |
| Total Loans Made, All Categories | 2,893,697 | | $ 202,350,867 | |

EXHIBIT F
CALIFORNIA FINANCE LENDERS
**LOANS MADE OR REFINANCED BY TYPE OF SECURITY**
FOR CALENDAR YEAR 2007

| Type of Security | Number of Loans | % of Total Number | Principal Amount (in thousands) | % of Total Amount |
|---|---|---|---|---|
| **CONSUMER LOANS** | | | | |
| LOANS UNDER $2,500 | | | | |
| Unsecured | 87,236 | 83.27 | $ 106,371 | 79.75 |
| Personal Property | 3,445 | 3.29 | 6,714 | 5.03 |
| Automobiles & Other Motor Vehicles | 4,133 | 3.94 | 9,846 | 7.38 |
| Wage Assignments | 25 | 0.02 | 36 | 0.03 |
| Other Security | 9,927 | 9.48 | 10,417 | 7.81 |
| Total Loans Made | 104,766 | 100.00 | $ 133,383 | 100.00 |
| LOANS OF $2,500 TO $4,999 | | | | |
| Unsecured | 80,468 | 65.09 | $ 261,862 | 62.88 |
| Personal Property | 18,583 | 15.03 | 69,194 | 16.62 |
| Automobiles & Other Motor Vehicles | 18,162 | 14.69 | 62,316 | 14.96 |
| Wage Assignments | 21 | 0.02 | 58 | 0.02 |
| Other Security | 6,385 | 5.17 | 23,005 | 5.52 |
| Total Loans Made | 123,619 | 100.00 | $ 416,435 | 100.00 |
| LOANS OF $5,000 TO $9,999 | | | | |
| Unsecured | 153,534 | 72.00 | $ 1,081,139 | 58.44 |
| Personal Property | 14,230 | 6.67 | 94,621 | 5.11 |
| Automobiles & Other Motor Vehicles | 43,240 | 20.28 | 590,310 | 31.91 |
| Wage Assignments | 48 | 0.02 | 324 | 0.02 |
| Real Property | 1,712 | 0.80 | 78,717 | 4.25 |
| Other Security | 499 | 0.23 | 5,041 | 0.27 |
| Total Loans Made | 213,263 | 100.00 | $ 1,850,153 | 100.00 |
| LOANS OF $10,000 AND MORE | | | | |
| Unsecured | 45,890 | 12.23 | $ 622,333 | 1.54 |
| Personal Property | 6,069 | 1.62 | 116,045 | 0.29 |
| Automobiles & Other Motor Vehicles | 169,655 | 45.20 | 4,293,302 | 10.64 |
| Wage Assignments | 146 | 0.04 | 2,674 | 0.01 |
| Real Property | 142,122 | 37.86 | 33,396,993 | 82.76 |
| Other Security | 11,448 | 3.05 | 1,921,726 | 4.76 |
| Total Loans Made | 375,330 | 100.00 | $ 40,353,073 | 100.00 |
| Total Consumer Loans Made | 816,978 | | $ 42,753,044 | |

EXHIBIT F
(Continuation)
CALIFORNIA FINANCE LENDERS
**LOANS MADE OR REFINANCED BY TYPE OF SECURITY**
FOR CALENDAR YEAR 2007

| Type of Security | Number of Loans | % of Total Number | Principal Amount (in thousands) | % of Total Amount |
|---|---|---|---|---|
| **COMMERCIAL LOANS** | | | | |
| Unsecured | 67,133 | 3.23 | $ 17,819,259 | 11.17 |
| Personal Property | 891 | 0.05 | 2,442,940 | 1.53 |
| Automobiles & Other Motor Vehicles | 1,131,909 | 54.50 | 28,191,852 | 17.66 |
| Business Equipment | 67,092 | 3.23 | 5,177,986 | 3.24 |
| Real Property | 129,947 | 6.26 | 67,893,102 | 42.54 |
| Other Security | 679,747 | 32.73 | 38,072,684 | 23.86 |
| Total Commercial Loans Made | 2,076,719 | 100.00 | $ 159,597,824 | 100.00 |
| Total Loans Made, All Categories | 2,893,697 | | $ 202,350,867 | |

EXHIBIT G

CALIFORNIA FINANCE LENDERS

**LOANS MADE OR REFINANCED BY RATES CHARGED**

FOR CALENDAR YEAR 2007

| Rates Charged | Number of Loans | % of Total Number | Principal Amount (in thousands) | % of Total Amount |
|---|---|---|---|---|
| **CONSUMER LOANS** | | | | |
| LOANS UNDER $2,500 | | | | |
| Step Rate: | | | | |
| 2 1/2 - 2 - 1 1/2 - 1% per month | 4,485 | 4.28 | $ 7,404 | 5.55 |
| Alternate Rate: | | | | |
| 1.6% per month | 1,526 | 1.46 | 902 | 0.68 |
| Federal Reserve Bank Rate plus 10% | 0 | 0.00 | 0 | 0.00 |
| Other Rates: | | | | |
| Up to 14.999 APR | 6,159 | 5.88 | 9,103 | 6.82 |
| 15.000 to 19.999 APR | 42,104 | 40.19 | 53,607 | 40.19 |
| 20.000 to 24.999 APR | 12,793 | 12.21 | 21,683 | 16.26 |
| 25.000 to 29.999 APR | 32,816 | 31.32 | 36,823 | 27.61 |
| 30.000 to 34.999 APR | 2,115 | 2.02 | 2,353 | 1.76 |
| 35.000 to 39.999 APR | 400 | 0.38 | 1,114 | 0.84 |
| 40.000 to 99.999 APR | 94 | 0.09 | 69 | 0.05 |
| 100.000 or More APR | 2,107 | 2.01 | 64 | 0.05 |
| Variable Rates Based on Index | 167 | 0.16 | 261 | 0.19 |
| Total Loans Made | 104,766 | 100.00 | $ 133,383 | 100.00 |
| LOANS OF $2,500 TO $4,999 | | | | |
| Up to 14.999 APR | 19,693 | 15.93 | $ 73,028 | 17.54 |
| 15.000 to 19.999 APR | 11,606 | 9.39 | 44,769 | 10.75 |
| 20.000 to 24.999 APR | 18,160 | 14.69 | 64,872 | 15.58 |
| 25.000 to 29.999 APR | 33,496 | 27.10 | 118,815 | 28.53 |
| 30.000 to 34.999 APR | 4,226 | 3.42 | 14,151 | 3.40 |
| 35.000 to 39.999 APR | 187 | 0.15 | 589 | 0.14 |
| 40.000 to 99.999 APR | 34,894 | 28.23 | 95,709 | 22.98 |
| 100.000 or More APR | 870 | 0.70 | 2,719 | 0.65 |
| Variable Rates Based on Index | 487 | 0.39 | 1,784 | 0.43 |
| Total Loans Made | 123,619 | 100.00 | $ 416,435 | 100.00 |
| LOANS OF $5,000 TO $9,999 | | | | |
| Up to 14.999 APR | 76,060 | 35.66 | $ 837,151 | 45.25 |
| 15.000 to 19.999 APR | 17,574 | 8.24 | 126,968 | 6.86 |
| 20.000 to 24.999 APR | 26,738 | 12.54 | 184,417 | 9.97 |
| 25.000 to 29.999 APR | 73,749 | 34.58 | 531,051 | 28.70 |
| 30.000 to 34.999 APR | 1,283 | 0.60 | 8,191 | 0.44 |
| 35.000 to 39.999 APR | 285 | 0.13 | 1,650 | 0.09 |
| 40.000 to 99.999 APR | 15,780 | 7.40 | 81,817 | 4.43 |
| 100.000 or More APR | 610 | 0.29 | 4,162 | 0.22 |
| Variable Rates Based on Index | 1,184 | 0.56 | 74,746 | 4.04 |
| Total Loans Made | 213,263 | 100.00 | $ 1,850,153 | 100.00 |
| LOANS OF $10,000 AND MORE | | | | |
| Up to 14.999 APR | 210,020 | 55.96 | $ 28,114,759 | 69.67 |
| 15.000 to 19.999 APR | 30,822 | 8.21 | 717,093 | 1.78 |
| 20.000 to 24.999 APR | 9,046 | 2.41 | 158,399 | 0.39 |
| 25.000 to 29.999 APR | 24,297 | 6.47 | 352,491 | 0.87 |
| 30.000 to 34.999 APR | 440 | 0.12 | 11,210 | 0.03 |
| 35.000 to 39.999 APR | 1,333 | 0.35 | 18,646 | 0.05 |
| 40.000 to 99.999 APR | 71,946 | 19.17 | 2,045,557 | 5.07 |
| 100.000 or More APR | 683 | 0.18 | 237,934 | 0.59 |
| Variable Rates Based on Index | 26,743 | 7.13 | 8,696,985 | 21.55 |
| Total Loans Made | 375,330 | 100.00 | $ 40,353,073 | 100.00 |
| Total Consumer Loans Made | 816,978 | | $ 42,753,044 | |

EXHIBIT G
(Continuation)
CALIFORNIA FINANCE LENDERS
**LOANS MADE OR REFINANCED BY RATES CHARGED**
FOR CALENDAR YEAR 2007

| Rates Charged | Number of Loans | % of Total Number | Principal Amount (in thousands) | % of Total Amount |
|---|---|---|---|---|
| **COMMERCIAL LOANS** | | | | |
| Up to 14.999 APR | 56,110 | 2.70 | $ 52,422,502 | 32.85 |
| 15.000 to 19.999 APR | 60,976 | 2.94 | 1,592,362 | 1.00 |
| 20.000 to 24.999 APR | 14,405 | 0.69 | 294,258 | 0.18 |
| 25.000 to 29.999 APR | 3,390 | 0.16 | 108,491 | 0.07 |
| 30.000 to 34.999 APR | 612 | 0.03 | 49,896 | 0.03 |
| 35.000 to 39.999 APR | 1,190 | 0.06 | 101,297 | 0.06 |
| 40.000 to 99.999 APR | 47,963 | 2.31 | 126,063 | 0.08 |
| 100.000 or More APR | 389 | 0.02 | 574,631 | 0.36 |
| Variable Rates Based on Index | 1,891,684 | 91.09 | 104,328,324 | 65.37 |
| Total Commercial Loans Made | 2,076,719 | 100.00 | $ 159,597,824 | 100.00 |
| Total Loans Made, All Categories | 2,893,697 | | $ 202,350,867 | |