



Monthly Bulletin

Volume 8, Number 7

March 2005

Comment to Regulatory Changes Sought

Federal regulators propose changes to commercial credit exposure classification

The Department of Financial Institutions (DFI) encourages its bank licensees to provide comment on federal proposals to change the commercial credit exposure classification system.

Recently, the Federal Deposit Insurance Corporation (FDIC), Federal Reserve Board (FRB), Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS) requested comment on proposed changes to the supervisory framework for the classification of commercial credit exposures. The proposed guidance would replace the current commercial loan classification system categories—"special mention," "substandard" and "doubtful"—with a two-dimensional framework. One dimension would measure the risk of the borrower defaulting (borrower rating). The other would focus on the loss severity the institution would likely incur in the event of the borrower's default (facility rating). Facility ratings would be required only for those borrowers rated default. The proposed framework attempts to increase consistency among the agencies in assessing the credit risk in an institution's commercial loan portfolio. It also more closely aligns the determination of a facility's accrual status with an institution's allowance for loan and lease loss methodology required by GAAP and rating assessment process.

The jointly-issued proposal can be viewed online at:

<http://www.fdic.gov/news/news/press/2005/pr2805a.html>. It remains open for comment until June 30, 2005.

111 Pine Street, Suite 1100, San Francisco, CA 94111-5613
300 South Spring Street, Suite 15513, Los Angeles, CA 90013-1204
1810—13th Street, Sacramento, CA 95814-7118
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Consumer Compliance

(415) 263-8500
(213) 897-2085
(916) 322-5966
(619) 682-7227
(800) 622-0620

The Servicemembers Civil Relief Act of 2003 (SCRA)

The Department would like to direct financial institutions' attention to the The Servicemembers Civil Relief Act (SCRA) which President Bush signed into law on December 19, 2003. The SCRA revised and updated the provisions of the Soldiers' and Sailors' Civil Relief Act of 1940.

Like its predecessor, the SCRA requires a lender to lower its interest rate to 6 percent on loans made to qualified borrowers prior to their entry to military service. The 6 percent interest rate is to remain in effect throughout the borrower's term of active duty. Under the SCRA, no interest above 6 percent may accrue for credit obligations (that were established prior to active duty or activation) while on active duty, nor can that excess interest become due once the servicemember leaves active duty. Interest over and above the 6 percent threshold is permanently forgiven. Furthermore, the monthly payment must be reduced by the amount of interest saved during the covered period.

Any person on active duty in the United States Army, Air Force, Navy, Marine Corps and the Coast Guard; any officer of the Public Health Service on active duty with the armed forces; and any U.S. citizen serving with the armed forces of any allied nation is entitled to relief under the Act. A lender's rights to collect a debt (including from a cosigner or guarantor) and liquidate collateral also are restricted under the Act. Provisions of the Act can be found at 50 U.S.C. App §§ 501-596.

Credit Union Call Reports

Due Date Reminder

The March 31, 2005 5300 Call Report filing period is just around the corner. Credit unions are reminded to submit completed Call Reports no later than April 22, 2005. If you run into problems, please call the Financial Institutions Supervisor of your respective district as soon as possible prior to the due date, or email cu5300@dfi.ca.gov, attention: Sean Sisser, Les Thompson, or Lana Tom.

Common Reporting Errors Noted by Examiners

Following are some common errors that examiners have noted in their reviews of credit unions' Call Reports:

- Schedule B – Business Loans. Page 11. Several credit unions did not correctly report all business loans, as defined by Part 723 of the NCUA's Regulations. Please be sure to report all applicable business loans in the appropriate lines, whether they are originated or purchased by the credit union, or are member or nonmember loans and participations. In addition, please be sure to report any unfunded commitments unless otherwise noted in the instructions.
- All Delinquent Loans (including Credit Cards) and Leases. Page 5, Lines 1-4. Several credit unions have inadvertently excluded delinquent credit card loans or loans serviced by outside processors.

- Schedule D - Credit Union Service Organization (CUSO) Information. Page 14. If your credit union has a loan to or investment in a CUSO, please complete this schedule for each CUSO, regardless of whether the credit union wholly owns the CUSO, has a controlling financial interest/ability to exert significant influence, or owns only a small portion of the CUSO.
- Statement of Financial Condition. Page 2, Line 24. Some credit unions have not been reporting the total amount of both foreclosed and repossessed assets, including vehicle repossessions.

For complete details, please refer to the Call Report instructions.

Questions and Answers

Credit unions periodically contact DFI with questions regarding the 5300 reports or other issues. Following are some recent questions and our responses:

Q: March 31, 2005 Call Report - Page 5, Lines 10a and 10b: Could you please provide a detailed explanation of the difference between "Indirect Loans – Point of Sale Arrangement" and "Indirect Loans – Outsourced Lending Relationship"?

A: Indirect Lending - Point of Sale. A credit union contracts with a merchant to originate loans at the point of sale (e.g., credit union partners with an auto dealer, home appliance stores, etc.). Please report the number and dollar amount outstanding.

Indirect Lending - Outsourced Lending Relationships. A credit union contracts with a third party vendor, other than the merchant providing the product, to originate or service loans (e.g. Credit Union Direct Lending Program - CUDL, Centrix, etc.). This is done in lieu of administering the program in-house or directly contracting with the merchant. In addition, the third party vendor receives compensation for facilitating loan origination. Please report the number and dollar amount outstanding.

Q: Where do we send the NCUA's Report of Officials (ROO) - Form 4501?

A: As part of NCUA's reporting requirements, credit unions can file a hard copy of the report to NCUA Region 5 in Tempe, Arizona, or email the transmission file to region5@ncua.gov. For further details, please see the "General Instructions for completing this Report" which comes with the ROO software package.

Reminder: This filing does not replace DFI's reporting requirements under California Code of Regulations (CCR) Section 30.700. This regulation requires that credit unions file an annual report of officers, including the CEO, board of directors, supervisory committee, and credit committee/manager, within 30 days from the date of the annual meeting to elect officials. In addition, if there is any change in a credit union's manager or CEO, the required filing is 30 days from the date of change. Our DFI system does not read the NCUA's ROO program file. Therefore, credit unions can submit a hard copy or email a Word, Excel, or Adobe PDF file to the respective DFI district office, attention: Sean Sisser ssisser@dfi.ca.gov, Les Thompson lthompson@dfi.ca.gov, or Lana Tom ltom@dfi.ca.gov. Mr. Sisser and Ms. Tom are at the San Francisco office, 111 Pine Street, #1100, San Francisco, CA 94111-5613; Mr. Thomson is located in the Los Angeles Office, 300 South Spring Street, #15513, Los Angeles, CA 90013-1204.

Licensing Unit to Receive Requests for Name Approvals

Move should reduce turnaround time on most requests

Starting April 1, requests by nonbank corporations to use the words “bank”, “trust”, etc., in their names pursuant to Financial Code Sections 3390 et seq., and 3900 et seq., should be directed to the licensing unit in the San Francisco Office. This new procedure will facilitate the processing of requests for name approvals by the Department.

Application should be made to Patrick Carroll, Strategic Support Manager, Department of Financial Institutions, 111 Pine Street, #1100 San Francisco, CA 94111-5613. Please direct questions about the new procedure to Mr. Carroll at (415) 263-8559 or by email at pcarroll@dfi.ca.gov.

As announced in the September 2004 *Monthly Bulletin*, the licensing unit will serve as the portal for most applications.

DFI hopes to achieve significant organizational efficiencies through process improvement and by organizing duties around employees’ core competencies.

Commercial Bank Activity

New Bank

Bank of San Francisco
575 Market Street, City and County of San Francisco
Correspondent: Joseph D. Reid, III
Capitol Bancorp Limited
200 Washington Square North
Lansing, MI 48933
Filed: 3/7/05

Commonwealth Business Bank
5055 Wilshire Boulevard, City and County of Los Angeles
(323) 988-3000
Officers: Jack Choi, President and Chief Executive Officer
Elena Chan, Chief Financial Officer
Steve Park, Chief Credit Officer
Capitalization: \$23,100,000.00
Opened: 3/3/05

New Banks (Continued)

Ojai Community Bank
402 West Ojai Avenue, Ojai, Ventura County
(805) 646-9909
Officers: Sharon K. Skinner, President and Chief Executive Officer
Michelle Henson, Senior Vice President and Chief Credit Officer
Suzanne Lagos, Senior Vice President and Chief Financial Officer
Capitalization: \$11,000,000.00
Opened: 3/3/05
Website: <http://www.ojaicommunitybank.com>

Pan Pacific Bank
47065 Warm Springs Boulevard, Fremont, Alameda County
Correspondent: Maryam Hamzeh
Carpenter & Company
5 Park Plaza, Suite 950
Irvine, CA 92614
(949) 261-8888
Approved: 3/7/05

Tri-Valley Bank
2410 San Ramon Valley Boulevard, San Ramon, Contra Costa County
Correspondent: Grace Wickersham
Carpenter & Company
Five Park Plaza, Suite 950
Irvine, CA 92614
(949) 261-8888
Approved: 3/4/05

Western Commercial Bank
21550 Oxnard Street, Woodland Hills, Los Angeles County
Correspondent: Gary Steven Findley
Gary Steven Findley & Associates
1470 North Hundley Street
Anaheim, CA 92806
(714) 630-7136
Filed: 3/30/05

Merger

Center Savings Bank of Washington, Lynnwood, Washington, with and into Center Bank, Los Angeles
Approved: 3/4/05

National Bank of the Redwoods, Santa Rosa, with and into Westamerica Bank, San Rafael
Effected: 3/11/05

Merger (Continued)

Yosemite Bank, Mariposa, with and into Premier Valley Bank, Fresno

Approved: 3/2/05

Effected: 3/30/05

Conversion to State Charter

Nara Bank, N.A., Los Angeles, to convert from national bank to a state-chartered bank under the name Nara Bank

Effected: 1/4/05

Change of Name

Continental Bank of America to change its name to American Continental Bank

Approved: 3/14/05

Network Bank USA, to change its name to Security Pacific Bank

Effected: 12/3/04

Acquisition of Branch Office

Savings Bank of Mendocino County, to acquire the North Lakeport Branch of Westamerica Bank

Filed: 3/11/05

Application For Trust Powers

First State Bank of California

10820 Zelzah Avenue, Granada Hills, Los Angeles County

Filed: 3/16/05

Final Order (Financial Code Section 1913)

American Premier Bank

336 East Huntington Drive, Arcadia, Los Angeles County

Issued: 3/18/05

Premium Finance Company Activity**New Premium Finance Company**

Advent Finance Group

18301 Von Karman, Irvine, Orange County

Correspondent: Rick Scatterday

18301 Von Karman

Irvine, CA 92612

(949) 394-1695

Filed: 3/3/05

Approved: 3/14/05

Premium Finance Company (Continued)

NCMIC Finance Corporation of California
980 9th Street, City and County of Sacramento
Correspondent: Mark Raymie
14001 University Avenue
Clive, IA 50325
(515) 313-4527
Opened: 3/18/05

Prime Rate Premium Finance of California, Inc.
1920 Main Street, Suite 310, Irvine, Orange County
Correspondent: James R. Lingle
2141 Enterprise Drive
P.O. Box 100507
Florence, South Carolina 29501
(843) 669-0937
Approved: 3/9/05

New Industrial Bank**New Industrial Bank**

Pentech Bank
910 East Hamilton Avenue, Suite 150, Campbell, Santa Clara County
Correspondent: David L. Redman
910 E. Hamilton Avenue, Suite 400
Campbell, CA 95008
(408) 879-2202
Abandoned: 3/15/05

Trust Company Activity**Change of Name**

First Union Trust Company of California, to change its name to Wachovia Trust Company of California
Filed: 3/14/05

Foreign (Other Nation) Bank Activity**New Office**

The Royal Bank of Scotland
10866 Wilshire Boulevard, City and County of Los Angeles (Representative Office)
Filed: 3/1/05
Approved: 3/4/05

Credit Union Activity

Merger

U.A.L.U. #159 Credit Union, Martinez, with and into IBEW Members + Credit Union, Martinez

Approved: 9/17/04

Effectuated: 11/1/04

Conversion to State Charter

National 1st Federal Credit Union, Santa Clara to convert to state charter as National 1st Credit Union

Effectuated: 3/30/05

Field of Membership

Two credit unions received approvals to add eight new fields of membership during February 2005.

Bylaw Amendment

One credit union received approval for one bylaw amendment during February 2005.

Transmitter of Money Abroad Activity

New Transmitter

ADIR Money Transfer Corporation

Approved: 3/10/05

America Cash Exchange, Inc.

Filed: 9/5/03

Approved: 3/9/05

Custom House Currency Exchange, Ltd.

Withdrawn: 3/23/05

Viamerica Corporation

Approved: 3/11/05

Acquisition of Control

The Bank of Nova Scotia, Toronto, Canada to acquire control of Bancomercio de El Salvador, Inc., Falls Church, Virginia

Filed: 3/25/05

Gagik Asatryan and Tigran Ovakimian, to acquire control of Armenian Express, Inc.

Filed: 3/8/05

Final Order (Financial Code Section 1818)

Regent Forex, Inc., City and County of Los Angeles
Issued: 3/9/05

Payment Instrument Activity**New Payment Instrument**

Omnex Group, Inc.
Withdrawn: 3/30/05

HOWARD GOULD
Commissioner of Financial Institutions

Bulletin for Month ended
March 2005, issued pursuant
to Financial Code section 258



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