

**DEPARTMENT OF BUSINESS OVERSIGHT**

***INSTRUCTIONS FOR COMPLETING THE 2014 ANNUAL REPORT  
FOR LENDERS AND BROKERS LICENSED UNDER THE  
CALIFORNIA FINANCE LENDERS LAW***

***WHO MUST FILE THE REPORT:*** Every licensee under the California Finance Lenders Law as of Dec. 31, 2014 must file the annual report. The report must include information on all business conducted under the license either in or outside the State of California.

***NO BUSINESS OR INACTIVE LICENSES:*** An annual report must be filed even if no business was conducted under the license(s) in 2014. If no business was conducted, complete Schedules A through C-3, Schedule K and the verification section only. "No business" means no loans were made, refinanced or brokered, and no loan payments or broker fees were received.

***WHEN IS THE REPORT DUE / PENALTY FOR FAILURE TO FILE THE REPORT:*** The annual report is due on or before ***Mar. 15, 2015***. ***No extension of the filing date shall be granted. Failure to file the report will result in summary revocation of your license(s). Under Government Code Section 11522, a licensee whose license has been revoked may have to wait a period of not less than one (1) year from the date of revocation before applying for a license.***

***WHAT IS THE PURPOSE OF THE ANNUAL REPORT:*** The annual report information is used to publish the Department of Business Oversight's (DBO) *Annual Report - Operation of Finance Companies Licensed under the California Finance Lenders Law*. In addition, each licensee's annual assessment is based on earned income reported from activities conducted under the license. The information reported is also used to determine the licensee's compliance with the statutory net worth requirement.

***WHERE TO FILE THE REPORT:*** The report must be filed on the DBO's website via a self-service portal. (Can we give the actual address?) Link address to be provided

***THE ANNUAL REPORT TEMPLATE:*** The information must be prepared using the annual report template posted on the DBO's website at [http://www.dbo.ca.gov/Licensees/Finance\\_Lenders/Default.asp](http://www.dbo.ca.gov/Licensees/Finance_Lenders/Default.asp). The form is in a downloadable Excel format and must be uploaded to the website when completed. Licensees must log in to the self-service portal in order to upload the completed report.

***COMPLETENESS & ACCURACY:*** Licensees will not be able to upload the annual report if the information provided is incomplete or does not foot. All questions and schedules must be completed. Each schedule worksheet has a validation box at the top. If the validation box is red, it indicates there is an error in the annual report. Each schedule will need to be checked to ensure all data has been entered correctly. Many fields are required and error notices will appear if left blank. The validation box must be green in order for the upload to occur.

All information provided in the report is subject to verification. Accordingly, due care should be exercised in the completion of the report. Licensees' annual assessment is calculated from the information provided in the annual report. If the information is erroneous, it may result in an incorrect annual assessment. Assessment notices will be distributed to licensees on or before Sept. 30, 2015.

**GENERAL INSTRUCTIONS:**

- The general instruction for completing the annual report schedules can be found in the first Excel worksheet entitled “Start Here.”
- When completing a schedule, to go from one field to another, click on the field, enter the data and use the ENTER key to go to the next field.
- Clicking on the hyperlink for a schedule on the “Start Here” worksheet will take you to the worksheet that contains the schedule.

**PERIOD COVERED BY THE REPORT:** The reporting period is either (1) Jan. 1, 2014 to Dec. 31, 2014, or (2) the effective date of licensure in 2014 to Dec. 31, 2014.

**WHICH SCHEDULES MUST BE COMPLETED:** The Table of Schedules To Be Completed in the annual report identifies the required schedules each type of license. If your business consists of more than one location, a single consolidated annual report must be submitted. Do not submit a separate annual report for each location. **Failure to complete the required schedules will be treated as a failure to file the annual report.**

**SCHEDULE A (GENERAL INFORMATION):** Item 6. If the annual report includes more than one licensed location, the license number and address of each location must be listed on a separate attachment to this schedule, marked as Schedule A, Item Number 6.

The attachment must be scanned to a PDF along with signed/scanned verification section, completed annual report Excel file, and uploaded to DBO’s self-service portal.

**SCHEDULE B-1 (BALANCE SHEET):** This schedule must be prepared consistent with generally accepted accounting principles. Licensees are required to maintain a net worth of at least \$25,000. A licensed lender employing one or more mortgage loan originators must maintain a minimum net worth of at least \$250,000, and a licensed broker employing one or more mortgage loan originators must maintain a minimum net worth of at least \$50,000. **Failure to maintain the required net worth is grounds for administrative action.**

**SCHEDULE B-2 (ANALYSIS OF LOANS AND RECEIVABLES OUTSTANDING):** Record all receivables not subject to the license as Other Receivables on lines 7 through 14. Exercise care in classifying the receivables because certain sales contracts, leases and other receivables may be subject to the CFLL. Flooring and accounts receivable financing are examples of transactions subject to the CFLL. In addition, certain types of leases such as dollar buy out, direct financing, abandonment, and purchase leases may be subject to the CFLL. Such receivables must be classified under California Finance Lenders Loan Receivables on lines 1 through 6.

**SCHEDULE C-1 (STATEMENT OF INCOME AND EXPENSES) AND SCHEDULE C-2 (INCOME RECEIVED FROM CFLL LENDERS AND BROKERS LOANS):** These schedules must be prepared consistent with generally accepted accounting principles. For reporting purposes, treat 2014 income earned **from loans originated** under Personal Property Brokers, Consumer Finance Lenders and Commercial Finance Lenders licenses as Gross Income from CFLL Loans and CFLL Brokered loans on line 1 of Schedule C-1. Report only the amount of income earned during the year under the license. Loss on loans receivable must be shown as a separate item on line 4 of Schedule C-1. Do not deduct any loss on loans receivable from the gross income on line 1 of Schedule C-1.

The income reported on lines 1 through 16 of Schedule C-2 is income received under your license and may include income from loans made under Personal Property Broker, Consumer Finance Lender and Commercial Finance Lender licenses.

Double-check your calculations. The income received must be accurately reported in the schedules because the amount you report is used to determine the amount of your annual assessment under the CFLL for the next year.

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Your annual assessment is based on the gross income you report on activities conducted under your license. Income earned under other state or federal lending licenses, activities not requiring a license, or activities conducted under licenses of other government agencies should **not** be reported on line 1 of Schedule C-1 or on lines 1 through 16 of Schedule C-2.

**SCHEDULE C-3 (ALL OTHER BUSINESS AND SOURCES):** Report under All Other Business and Sources, lines 1 through 7, only those revenues **not** subject to the CFLL. See instructions for Schedule B-2 above for classification of receivables under the CFLL. Any income received from your license must be reported in Schedule C-2.

**SCHEDULE D (SCHEDULE OF BROKERED LOANS):** All loans brokered in 2014 under your license must be reported under Section A. The Schedule of CFLL Brokered Loans must be completed by a licensee that brokered loans to any lender licensed under the CFLL. For a definition of consumer loans and commercial loans, refer to the instructions for Schedules E, F and G (Loan Statistics) below.

Line 8(a) – Residential Mortgage Loans Brokered. From the “Total Consumer Loans Brokered” reported on line 8, indicate on line 8(a) the number of loans brokered, the principal amount of loans and the amount of commissions received on residential mortgage loans.

Section B. Schedule of Other Brokered Loans. This section must be completed by licensees that have brokered loans to any lender **not** licensed under the CFLL, such as mortgage loans under a Bureau of Real Estate license. The name of the regulatory agency and license number that authorizes you to broker these loans must be provided.

**SCHEDULES E, F, & G (LOAN STATISTICS):** If any loans were made under your license during the year, Schedules E, F, and G must be completed. The loans made in 2014 must be categorized in Schedules E, F, and G as either **consumer loans** or **commercial loans** as follows:

- (1) **Consumer Loan** – an unsecured loan, or a loan secured with real and/or personal property, the proceeds of which the borrower intends to use primarily for personal, family or household purposes.

A consumer loan also includes a loan of a principal amount of less than \$5,000, the proceeds of which the borrower intends to use primarily for other than personal, family or household purposes. For example, a loan of \$4,000 used for your rental business is a consumer loan.

For the purpose of reporting “Auto Title Loans” in Schedule F, an auto title loan is a short-term loan (typically 12 to 36 months) secured by the vehicle of a borrower with clear title to the vehicle. These loans typically exceed \$2,500 in principal and have a higher interest rate.

*Note: The values for consumer loans are carried over automatically from Schedule G to Schedule F. The commercial loans section of Schedule F must be completed for lenders who made commercial loans.*

- (2) **Commercial Loan** - Either a loan with a principal amount of \$5,000 or more, or any loan made under an open-end credit program, secured by real and/or personal property, , or unsecured, the proceeds of which the borrower intends to use primarily for other than personal, family or household purposes.
- (3) **Open-End Credit Loans (Revolving Credit Loans):** For the purposes of completing Schedules E, F and G for open-end credit loans, the following guidelines should be followed:
  - (a) Total all advances made during the year under the **same** open-end credit loan agreement. This total constitutes the “Principal Amount” of the loan and counts as one loan made in Schedules E, F and G.

- (b) Classify the loans by size, and by the total advances made during the year. As an example, if five advances were made in 2014 amounting to \$15,000 under the **same** line of credit agreement of \$5,000, it should be reported as one loan made under “Number of Loans,” and \$15,000 under both “Principal Amount,” and under the column “Loans \$10,000 or more” in Schedules E, F and G.

***SCHEDULE I (SALE OF LOANS TO INSTITUTIONAL INVESTORS AND LOANS SERVICED):***

On this schedule, the Serviced Under the California Finance Lenders License item must include all loans originated, purchased or sold.

***SCHEDULE K (DIRECTORY OF DIRECTORS, OFFICERS, ETC.):*** All licensees must provide information for **all** directors, officers, members, managing members, branch managers and any person (as defined in Section 22008 of the California Financial Code) owning or controlling directly or indirectly 10 percent or more of the licensee’s outstanding interests or equity securities. If an individual was required to be included in the initial application for a license under the CFLL or in a subsequent report of changes in personnel, the individual must be included in Schedule K.

*Schedule K may be printed, filled out, scanned into a PDF, and uploaded along with the verification form(s) if a licensee has more than 50 directors, officers, members, managing members, branch managers or persons holding 10 percent or more of the outstanding interests or equity securities.*

For any individual listed in Schedule K who has not submitted a Statement of Identity and Questionnaire (FS 512 SIQ), submit the document for the individual when filing the completed annual report. The Statement of Identity and Questionnaire is available on the DBO’s website [here](#).

The information in Schedule K will be treated as confidential, and will be maintained as part of the licensee’s DBO file not subject to public inspection.

***SCHEDULE L (CFLL REPORT ON NON-TRADITIONAL, ADJUSTABLE RATE AND MORTGAGE LOAN PRODUCTS, AND LOAN SURVEY):*** All licensees are required to complete Schedule L by indicating whether they made or arranged nontraditional mortgage products and adjustable rate mortgage products as defined by the Guidance. The [Guidance](#) is available on the DBO’s website. If any loans subject to the Guidance were made or arranged, the licensee must also submit information regarding those loan products in the Loan Survey under Schedule L.

***SCHEDULE M (ADDITIONAL INFORMATION):*** All licensees must complete Schedule M by answering the mortgage-related questions in items A and C, and indicating in item B the type of loan programs that were provided to applicants during the year. Information regarding the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 ([SAFE Act](#)) can be found on the DBO’s website.

***SCHEDULE N (LOAN ACTIVITY):*** All licensees must report activity concerning consumer loans they serviced during the year, by type of security, in item A. Licensees also must provide in items B and C the total number of loans and the total principal amount of loans that were **not** made under the license for both consumer and commercial.

***SCHEDULE O (CONFIDENTIAL – DEFAULT RATES BY TYPE OF LOAN):*** Provide information on default rates for the year by type of loan. The information provided in Schedule O shall remain confidential and not subject to public inspection.

***LICENSEES OPERATING IN MULTIPLE STATES:*** If you conducted business in California and in other states, the following additional requirements must be followed:

- (1) **SCHEDULE B-1 (BALANCE SHEET)** – Complete the balance sheet in the name of the entity listed on the license. Do not complete the schedule for the California operation only. Complete Line 3, CFLL Loan

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Receivables, in Schedule B-1 only for those loans that were made under the license. All other loans and receivables not under the license should be reported on Line 4, Other Receivables.

- (2) **SCHEDULE C-1 (STATEMENT OF INCOME AND EXPENSES)** – Complete the Statement of Income and Expense in the name of the entity listed on the license. Do not complete the schedule for the California operation only. **Include on line 1, Gross Income from CFLL Loans and CFLL Brokered Loans, only income generated under the license.** All other income earned, whether in California or out of state, must be reported on Line 2, Gross Income from All Other Business and Sources.

**VERIFICATION:** The verification section must be completed in accordance with the instructions by the licensed individual, a general partner if the licensee is a partnership, a manager if the licensee is a limited liability company, or by a corporate officer if the licensee is a corporation. Have the appropriate person sign the page that requires signature and have that page scanned and uploaded to the DBO's website. **Failure to upload the signed verification will cause the annual report to be treated as unfiled.**

**FEE:** No fee is required to file the annual report.

**PUBLIC INSPECTION:** The individual annual reports filed pursuant to Financial Code Section 22159 shall be made available to the public for inspection, except for Schedule O which includes information of a proprietary business nature and shall remain confidential and not subject to public inspection. The balance sheet contained in the annual report of a sole proprietor or any other non-publicly traded licensee shall be made available to the public unless the licensee requests confidential treatment. "Nonpublicly traded" licensees means licensees with securities owned by 35 or fewer individuals.

If a sole proprietor or licensee meeting the definition of non-publicly traded persons requests confidential treatment of the balance sheet, the Request for Confidential Treatment in Schedule B-1 must be completed.

**For assistance and information regarding the annual report, contact the DBO at 213-576-7690.**