

Monthly Bulletin

California Department of Business Oversight



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Fire Response — Extraordinary Situation in Siskiyou and Lake Counties

Governor Edmund G. Brown Jr. issued [emergency proclamations](#) on July 5 and June 25 due to the effects of the Klamathon Fire in Siskiyou County and the Pawnee Fire in Lake County. The wildfires destroyed homes and other structures, forced the closure of Interstate 5, threatened critical infrastructure, caused power outages and forced evacuations of residents.

Commissioner of Business Oversight Jan Lynn Owen, pursuant to authority under the [Bank Extraordinary Situation Closing Act](#), determined that an extraordinary situation exists in Siskiyou and Lake counties and issued [proclamations](#) authorizing state-chartered banks to close any or all of their offices in affected areas until the Commissioner determines the extraordinary condition has ended.

Commissioner Owen urges DBO licensees to grant appropriate latitude to affected customers to help everyone deal with the economic hardships caused by these disasters.

The DBO will continue to monitor the situation in Siskiyou and Lake counties and report back to our licensees.

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States Require Equifax To Implement Stronger Anti-Breach Measures

The Department of Business Oversight on June 27 announced an [agreement](#) with Equifax, Inc. that requires the credit reporting agency to correct numerous information security deficiencies that led to the 2017 data breach which affected 147 million U.S. consumers, including 15.5 million Californians.

“Equifax’s failure to properly secure confidential personal data caused widespread harm to California consumers,” said DBO Commissioner Owen. “The breach never should have happened. This order will help ensure it doesn’t happen again.”

Regulators from seven states signed the consent order along with California. The other states included Texas, New York, North Carolina, Massachusetts, Georgia, Alabama and Maine.

In a joint regulatory examination led by Texas, the eight states found deficiencies in several facets of how Equifax operated and managed its information technology systems before the breach.

The consent order requires Equifax to take corrective actions to shore up weaknesses across a wide spectrum of its information technology and data security operations. Areas covered by the order include information security, audit functions, board and management oversight, vendor management, patch management and information technology operations.

Specifically, the company must strengthen oversight of its information security program and critical vendors to ensure sufficient controls are developed to safeguard information. In addition, the company must improve standards and controls for supporting the patch management function.

The board also must bolster oversight of the audit function and approve a written risk assessment identifying foreseeable threats to the confidentiality of personally identifiable information. The order imposes deadlines by which Equifax must take corrective actions, and requires the firm to provide the regulators progress reports.



2017 Annual Reports for DBO Lending Programs Published

Annual reports for two major lending programs regulated by the DBO have been completed and posted to the department's website.

The [2017 Consolidated Annual Report and Industry Survey for Payday Lenders \(California Deferred Deposit Transaction Law\)](#) showed that payday lending continued a multi-year period of contraction while maintaining its heavy reliance on repeat customers.

The average number of transactions per customer in 2017 decreased slightly from 2016, to 6.36 from 6.4. However, as in prior years, the number of customers who obtained 10 or more payday loans in 2017 exceeded the number who took out just one – 428,838 compared to 380,465.

The [2017 Annual Report for the California Residential Mortgage Lending Act \(CRMLA\)](#) showed that non-bank mortgage lenders in California reported significantly less activity in 2017, with both the number of loans and combined principal amount declining by nearly 30 percent from 2016. These lenders reported originating 431,052 loans in 2017, down 28.4 percent from 602,430 in 2016. The combined principal amount of 2017 loans totaled \$150.7 billion, a 27.3 percent decrease from \$207.4 billion in 2016.

The report, based on unaudited data provided by licensed lenders and servicers, also found:

- The aggregate average dollar amount of loans serviced each month by licensees increased 2.13 percent in 2017, to \$854.8 billion from \$852.9 billion in 2016.
- The number of loans brokered in 2017 declined 24.3 percent from 2016, to 9,496 from 12,536. The aggregate principal amount of brokered loans totaled \$5 billion in 2017, down 14.3 percent from 2016.
- Licensees reported completing 11,478 foreclosures in 2017, which was 27.7 percent less than the 2016 total of 15,883.



Student Loan Servicing Act Effective as of July 1

As of July 1, 2018, the DBO licenses and regulates Student Loan Servicers engaged in business in California. As part of this new program, the DBO fields complaints from borrowers and enforces violations of the underlying law, the Student Loan Servicing Act (SLSA). Prior to enactment of the law, student loan servicers were not regulated by the DBO.

The DBO accepts applications for licenses through the [Nationwide Multistate Licensing System and Registry \(NMLS\)](#). Details and updated information on the SLSA may be found at the DBO's [Student Loan Servicing Program webpage](#).

The Legislature approved the program in Assembly Bill 2251, which was signed into law by Governor Edmund G. Brown Jr. in 2016. The statute established state standards to ensure consistent, fair, and quality servicing for the more than 4 million Californians who have student loans. The SLSA is in the [California Financial Code, Division 12.5](#), commencing with [section 28100](#).

In response to public comments, Commissioner Owen has [modified](#) rules proposed to implement the SLSA, which authorizes the Commissioner to license, regulate and oversee student loan servicers.



Mortgage Disclosure Form Translations Now Available in Five Languages

The DBO has posted to its website translated mortgage disclosure forms in Spanish, Chinese, Tagalog, Vietnamese, and Korean. These forms can be used by a financial organization that negotiates primarily in any of the above

languages the modification of any of the terms of a loan or extension of credit secured by residential real property.

The forms are available for download at DBO's [Master Forms page](#) under Form # DBO-CRMLA 8019. The forms available are the CFPB Closing Disclosure Form, Fannie Mae Loan Modification Form (for fixed and variable rates), and the Fannie Mae Mortgage Modification, Re-amortization or Extension Form.

Pending legislation, SB 1201 by Senator Hannah-Beth Jackson, would require a supervised financial organization that negotiates the modification of a residential mortgage loan primarily in one of the above languages to give the borrower a written disclosure of the modified terms of the loan in the same language as the negotiation.



FY 2018-19 Assessment for Financial Institutions

The DBO has mailed assessment invoices for FY 2018-19 to state-chartered banks and credit unions and other financial institutions.

Invoices were mailed on June 29 and assessments are due July 30, with more time allowed for payments made via electronic funds transfers (EFT). Electronic payments are due no later than August 6. Following is assessment information for various types of financial institutions:

- **Commercial Banks, Foreign Banks and Trust Companies:** The base rate was set at \$1.39 per \$1,000 of assets, the same as last year's rate.
- **Credit Unions:** The 2018-19 assessment rate was set at \$0.89 per \$1,000 of assets, an increase of \$0.06 from last year's rate.
- **Industrial Banks:** The 2018-19 assessment rate was set at \$1.39 per \$1,000 of assets, the same as last year's rate.
- **Money Transmitters:** The 2018-19 assessment rate was set at \$0.02 per \$1,000 of money received for transmission by a licensee in calendar year 2017, the same as last year's rate. The 2018-19 assessment rate for issuers of travelers checks and payment instruments was set at \$0.63 per \$1,000 of total payment instruments and stored value sold by the licensee, the same as last year's rate.

More information about the assessment calculations for non-money transmitter institutions can be found on the DBO website's [Assessment Calculator page](#).



Federal Regulators Release New Criteria for CRA Designations

The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency on June 25 [announced](#) the [2018 list of distressed or underserved nonmetropolitan middle-income geographies](#), where revitalization or stabilization activities are eligible for Community Reinvestment Act (CRA) consideration.

These distressed areas are designated by the agencies in accordance with their Community Reinvestment Act (CRA) regulations. The criteria for designating these areas are available on the Federal Financial Institutions Examination Council (FFIEC) [website](#). The designations continue to reflect local economic conditions, including unemployment, poverty, and population changes.

As with past releases, the agencies apply a one-year lag period for geographies that were listed in 2017 but are no longer designated as distressed or underserved in the current release.

Commercial Bank Activity

Merger

Blue Gate Bank, Costa Mesa, to merge with and into Poppy Bank, Santa Rosa
Approved: 6/4/18

First American International Bank, Brooklyn, New York, to merge with and into
Royal Business Bank, Los Angeles
Filed: 6/4/18

Merger (cont.)

Grandpoint Bank, Los Angeles, to merge with and into Pacific Premier Bank, Irvine

Approved: 6/4/18

Premier Business Bank, Los Angeles, to merge with and into First Foundation Bank, Irvine

Effectuated: 6/1/18

Scott Valley Bank, Yreka, to merge with and into Mechanics Bank, Walnut Creek

Effectuated: 6/1/18

Sale/Purchase of Partial Business Unit

BAC Community Bank to acquire the banking business of the Tracy branch office of Central Valley Community Bank

Approved: 6/4/18

Plumas Bank to acquire the banking business of the Carson City, Nevada branch office of Mutual of Omaha Bank, a federal savings association

Filed: 5/30/18

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

CJS Premium Solutions, Inc.
1249 Park Avenue, San Jose
Filed: 6/27/18

Farralone Financial Corporation
600 West Broadway, San Diego
Expired: 3/5/18

National Premium Finance, Inc.
1081 Westwood Boulevard, Los Angeles
Filed: 6/12/18

Voluntary Surrender of License

West Coast Premium Finance Corp.
Effectuated: 6/8/18

Credit Union Activity

Merger

Ocean Crest Federal Credit Union, Signal Hill, to merge with and into Arrowhead Central Credit Union, Rancho Cucamonga
Approved: 5/4/18

Foreign (Other State) Bank Application

New Office

Bank of George
Address to be determined, State of California (Facility – Insured Bank)
No Objection: 6/20/18

Manufacturers and Traders Trust Company
10250 Constellation Boulevard, Los Angeles (Facility – Insured Bank)
No Objection: 6/15/18

Money Transmitter Activity

New Money Transmitter

Alipay US, Inc.
Opened: 5/18/18

Acquisition of Control

New Skill USA Holdco LLC, to acquire control of Skill USA Inc.
Filed: 6/11/18

SW Bidco Limited, to acquire control of Choice Money Transfer, Inc.
Filed: 6/26/18

JAN LYNN OWEN

Commissioner of Business Oversight

