

DEPARTMENT OF FINANCIAL INSTITUTIONS

MICHAEL A. KELLEY, Commissioner
www.dfi.ca.gov



Monthly Bulletin

Volume 11, Number 2

August 2007

California Senate Banking, Finance and Insurance Committee Hearing

“Preserving the American Dream: Homeownership Preservation and the Subprime Mortgage Crisis”

The Department of Financial Institutions (DFI) attended the third hearing on nontraditional mortgage and subprime lending activities conducted by the California Senate Banking, Finance and Insurance Committee entitled, "Preserving the American Dream: Homeownership Preservation and the Subprime Mortgage Crisis," on August 21, 2007. The hearing focused on issues related to the recent rise in mortgage defaults and delinquencies.

In addition to DFI, the Committee heard from the Department of Corporations and Department of Real Estate and from panels of experts from the lending and loan servicing industry and counseling and consumer organizations.

Carol Chesbrough, DFI's Chief Deputy Commissioner provided testimony that included information on actions the department has taken to encourage licensees to work with borrowers with adjustable rate loans.

DFI provides information and guidance to its licensees via its Monthly Bulletin and via broadcast emails. DFI pointed out that because state banks have Federal deposit insurance, they are subject to the September 29, 2006 "Interagency Guidance on Nontraditional Mortgage Product Risk" and the June 29, 2007 "Statement on Subprime Mortgage Lending" and that they are also subject to the January 31, 2001 "Expanded Examination Guidance for Subprime Lending Programs."

Non-Traditional Mortgage Survey

The Commissioner of Financial Institutions has requested that commercial bank, industrial bank and credit union licensees submit a special report, pursuant to California Financial Code sections 1934 and 14255, showing the following information:

- 1) Whether your financial institution holds non-traditional mortgage loan products;
- 2) If non-traditional mortgage loan products are held, the status of delinquencies, foreclosures, short sales, rewrites and workouts;

- 3) If your financial institution provides mortgage servicing on non-traditional loans not held by your institution, the total loan servicing volume and the number of entities you provide this service to;
- 4) If your financial institution provides mortgage servicing on non-traditional loans not held by your institution, the parameters you may have been given by the serviced entity to rewrite or modify loans that have the probability of default or are in the process of foreclosure; and
- 5) If your institution makes ADC loans or other construction/development loans, the number and dollar volume of such loans that have a take-out or permanent loan commitment.

This survey was necessitated by the increasing delinquency and foreclosure trends in non-traditional mortgage loans since our January 12, 2007 survey on these products. The foreclosure trends have drawn increased scrutiny from a wide range of sources, with concerns being expressed regarding the large number of foreclosures and the measures that underwriters may have taken to provide for refinancing into a more affordable mortgage or other work-out options to enable borrowers to avoid foreclosure. The California State Senate Committee on Banking, Insurance and Finance has held three hearings on various aspects of non-traditional mortgages, subprime lending and achieving the American dream of home ownership, and Congress continues to discuss options to deal with the issues at hand. It is in the interests of the Department, its licensees, and the borrowers to ensure that the needs of mortgage customers are met in a manner that is safe and sound for the licensees, yet does not expose the borrowers to an undue level of risk of foreclosure. The survey, which was sent out last week, is designed to ensure that the Department maintains complete, accurate, and up to date information on this issue with regard to our licensees.

Please ensure that the survey for your institution is completed and submitted on or before **Friday, September 14, 2007**. The efforts of you and your staff in providing this information to our Department are greatly appreciated.

If you have not received the survey form and instructions, please contact Kristine De Young by telephone at (916) 324-7488 or by e-mail at kdeyoung@dfi.ca.gov to make other arrangements. All bank and credit union licensees are required to complete this form. If the financial institution does not offer non-traditional mortgage products, please complete the survey form as applicable to so indicate this fact.

FAS 140 Clarification to Help Borrowers

According to a July 25, 2007 [letter](#) from Securities and Exchange Commission (SEC) Chairman Christopher Cox to Congressman Barney Frank, Chairman of the House Committee on Financial Services, the Federal Accounting Standards Board (FASB) has ruled that FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities* (FAS 140) does not preclude trust servicers from modifying the terms of mortgages. In a memorandum to Cox from SEC Chief Accountant Conrad W. Hewitt that accompanied the letter, Hewitt stated "...there appears to be a consensus in practice, and it is our view, that entering into loan restructuring or modification (consistent with the nature of activities permitted when a default has occurred) when default is reasonably foreseeable does not preclude continued off-balance sheet treatment under FAS 140."

Unclaimed Property Information and Resources Available from the State Controller's Office

The State Controller's Office (SCO) [web site](#) continues to add new information including Q&As, sample letters and forms, email newsletter, etc. related to the unclaimed property program in light of the Federal Court injunction that enjoined the SCO from accepting any unclaimed property from businesses and financial institutions required to remit and deliver such property under the unclaimed property law (Code of Civil Procedure 1500 et seq.).

DFI encourages its licensees to make use of these resources in order to stay informed about this still-developing situation.

Go Direct Campaign Kicks Off Third Year

The Department of Financial Institutions (DFI) takes this opportunity to acknowledge the Go Direct campaign, which is kicking off its third year. According to United States Treasurer Anna Escobedo Cabral, Go Direct has helped more than one million Americans switch to direct deposit. DFI thanks and acknowledges those licensees that have helped motivate so many people to change the way they receive Social Security and other federal benefits through their participation in Go Direct.

Go Direct now partners with more than 1,000 organizations nationwide. Partners include banks and credit unions, community-based organizations, advocacy groups, elected officials and police departments. DFI licensees number among the essential, trusted voice for delivering Go Direct messages to senior citizens, people with disabilities and others who will gain from it the most.

There's absolutely no question that this campaign makes a positive difference in the lives of people who rely on their federal benefit payments. As you are well aware, direct deposit is the safest, most convenient way to receive federal benefits. It reduces the risk of fraud and identity theft and makes life a little easier for the most vulnerable members of our society.

The campaign's next major push will be in the September-October timeframe, when the focus will be on the safety aspects of direct deposit. For more details, please visit www.GoDirect.org or call your campaign representative.

Thank you once again for making this past year so tremendously successful for Go Direct!

Commercial Bank Activity

Merger

Business First National Bank, Santa Barbara, to merge with and into Heritage Oaks Bank, Paso Robles
Filed: 7/23/07

Desert Community Bank, Victorville, to merge with and into East West Bank, Pasadena
Effected: 8/17/07

Conversion to State Charter

Pacific Commerce Bank, N.A., Los Angeles, to convert from national charter under the name of Pacific Commerce Bank
Effected: 8/15/07

Purchase of Partial Business Unit

County Bank, Merced, California, to acquire the California branches of National Bank of Arizona, Tucson, Arizona
Filed: 8/1/07

Change of Name

Guaranty Bank of California, Los Angeles, to change its name to GBC International Bank
Effected: 8/1/07

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

DG Holdings, Inc.
16438 Vanowen Street, Van Nuys, Los Angeles County
Filed: 1/26/07
Approved: 8/20/07

Far West Premium Finance Company, Inc.
8530 La Mesa Boulevard, La Mesa, San Diego County
Opened: 8/1/07

Silverton Insurance Financial, Inc.
8530 La Mesa Boulevard, Suite 208, La Mesa, San Diego County
Opened: 8/27/07

USAPFA, Inc.
21820 Burbank Boulevard, Woodland Hills, Los Angeles County
Opened: 8/20/07

Acquisition of Control

First Insurance Funding Corp. of California, to acquire control of Broadway Premium Funding Corporation of California
Filed: 7/27/07
Approved: 8/24/07

Industrial Bank Activity

Acquisition of Control

Gerald J. Ford, Diamond A Financial, L.P., and Ford Diamond III Corporation, to acquire control of Fremont Investment & Loan

Filed: 6/14/07

Approved: 8/2/07

Foreign (Other Nation) Bank Activity

New Office

The Hongkong and Shanghai Banking Corporation Limited
39410 Fremont Boulevard, Fremont, Alameda County (Representative Office)
Opened: 8/15/07

Intesa Sanpaolo S.p.A.
444 S. Flower Street, City and County of Los Angeles (Representative Office)
Approved: 8/17/07

Credit Union Activity

Field of Membership

Three credit unions received approvals to add five new fields of membership during July 2007.

Bylaw Amendment

Two credit unions received approval for 11 bylaw amendments during July 2007.

Merger

McColl's Credit Union, Redding, to merge with and into, Sierra Central Credit Union, Yuba City
Effected: 8/15/07

Merriam Federal Credit Union, Chatsworth, to merge with and into Matadors Community Credit Union, Chatsworth
Effected: 8/14/07

Transmitter of Money Abroad Activity

New Transmitter of Money Abroad

Viamericas Corporation
Opened: 8/27/07

Acquisition of Control

Travelex America Holdings, Inc., to acquire control of Ruesch International, Inc.

Filed: 8/6/07

Approved: 8/21/07

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Commissioner of Financial Institutions

Bulletin for Month ended
August 2007, issued pursuant
to Financial Code section 258



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