



Monthly Bulletin

Volume 11, Number 11

May 2008

Message from the Commissioner

May 19, 2008

Hello Everyone.

Last month, I was sworn-in as Commissioner of Financial Institutions by Dale Bonner, Secretary of Business, Transportation and Housing. I am grateful to the Governor for appointing me to this position. I write today to introduce myself to all of you and to talk about my expectations for the Department and our relationships with our licensees.

My career has spanned banking, academia, and now for the second time, government service. Throughout, my career choices have been shaped by my strong belief in the importance of a healthy well-functioning financial system to households, businesses and the overall economy. State-chartered financial institutions are a vital component of this system, especially in California. The tremendous diversity of our economy and our citizens is supported by the diversity and competitiveness of the financial institutions operating here.

I have spent my first few weeks on the job doing my homework - getting to know the people in the Department, understanding our approach to supervision, and scouring data on the condition of our licensees, early warning indicators, and economic conditions across the state. More recently, I've begun to meet with some of you, and I plan to step up my outreach in the weeks and months to come. You will find me to be open, accessible and a good listener.

I have come to appreciate the dedication, loyalty, pride and competence of the people in the Department. I have high expectations for them, and I have high expectations for all of you. I particularly value open and honest communication between the Department and our licensees. Speaking for the Department, we prefer to hear bad news sooner rather than later. In turn, when bad news does arrive, you have my assurance that we will deal with it thoughtfully and judiciously.

The California economy is experiencing an economic slow down along with the rest of the country. No one really knows how long it will last, how serious it will become, or how deeply it will affect financial

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institutions operating in the state. Just last week, the Nobel Prize winner, Myron Scholes, was quoted as saying: "From my perspective, I think that we don't know if the storm has passed or if we are still in the eye of the storm...Are there other shoes to drop and new events or new shocks that will come to the fore?"

In times like these, it is especially important that we use good judgment in exercising our responsibilities. Those that are convinced the worst is over may be too complacent. All of us need to stay ahead of the curve addressing our current problems and preparing for the possibility of trouble ahead. We could be facing many challenges ahead, if we are not already.

You will find that I will work hard to maintain a high level of commitment to our Department's values:

- Promoting the variety of financial services available through the State chartering system;
- Regulating and supervising our licensees in an appropriate manner with integrity and professionalism;
- Delivering effective and timely service;
- Communicating in a respectful, timely and meaningful manner; and
- Maintaining a highly skilled, professional and diverse workforce.

At the end of the day, the foundation of all financial services businesses is trust and confidence. If these are ever diminished, they are difficult to restore. You must work hard to maintain the trust and confidence of your customers, and we at the Department have the responsibility to the citizens of California to ensure that this trust and confidence is well-deserved.

I look forward to meeting you in person. I plan to be a frequent contributor to the Department's Bulletin and to the Sparklist, and I welcome your honest feedback.

Sincerely,
William S. Haraf, Commissioner
Department of Financial Institutions
111 Pine St., Suite 1100, San Francisco, CA 94111
(415) 263.8507

(This message was previously sent out via Sparklist, DFI's e-mail distribution list.)

T. Bert McLane Appointed Credit Union Division Chief Examiner

Bert McLane was appointed to the newly established position of Chief Examiner of the Division of Credit Unions on May 16, 2008. Mr. McLane will report directly to the Governor-appointed Deputy Commissioner of Credit Unions.

Mr. McLane brings many years of regulatory experience to his new position. He began his career in 1985 as a thrift and loan examiner in the Los Angeles office of the Department of Corporations.

In 1990, he transferred to the Credit Union Division of the Department of Corporations and was promoted as that Department's only Credit Union Senior Examiner in 1993.

In 1997, Mr. McLane moved to the newly created Department of Financial Institutions as a result of the merger of the Credit Union Division into the old State Banking Department.

Mr. McLane was promoted as a Credit Union Supervisor in February, 2002, and then as a Credit Union Manager in December 2002, where he has served the Credit Union Division until this most recent appointment.

Mr. McLane is a National Association of State Credit Union Supervisors (“NASCUS”) Certified Supervisor, and is a graduate of the DFI Leadership Challenge Program, which enabled him to lead in the development of the Department’s compliance program for the California Financial Information Privacy Act.

Mr. McLane will continue to work diligently toward meeting the mission and vision of the Department of Financial Institutions, and participating in directing the activities of the Credit Union Division’s regulatory and administrative program.

New Risk Focused IT/E-Banking Examination Program to be Implemented in 2008

Recently, eighteen of our bank examiners received training on DFI’s new IT/E-Banking Examination Program. This training program was developed and patterned after the IT/E-Banking training given to Federal Deposit Insurance Corporation (FDIC) examiners. Our trainers were DFI Senior Financial Institution Examiner Bob Lipot and Assistant Deputy Commissioner Richard Schorr. Participants in the one-week IT Examination Course received training in reviewing a financial institution’s IT risk management practices; operations security; IT audit/independent review program and processes; disaster recovery/business continuity program; vendor management program; wire transfer and ACH activities; and compliance with the Interagency Guidelines Establishing Information Security Standards. Because we were able to develop this program and train our examiners internally, we were able to realize a significant savings in our training costs.

The DFI IT/E-Banking Examination Program is a risk-based approach for conducting IT examinations at our commercial bank, industrial bank, foreign (other nation) bank, and trust company licensees. Not unlike the FDIC’s IT Risk Management Program (IT-RMP), DFI examinations will focus on management’s implementation of an information security program and risk management practices in securing information assets. The examination program refocuses IT risk as a business risk by integrating IT examinations into safety and soundness examinations. As such, further improvement in the effectiveness of DFI examinations is anticipated.

We expect to implement this risk focused IT/E Banking examination program starting in June, 2008.

If you have any questions about the IT/E-Banking Examination Program, please contact Deputy Commissioner Doug Kirkpatrick at (213) 897-2223 or IT/E-Banking Program Manager Richard Schorr at (213) 897-2225.

Patelco Credit Union to Absorb Cal State 9

Patelco Credit Union was selected by the National Credit Union Administration (NCUA) yesterday to absorb Cal State 9 Credit Union based in Concord, CA. Patelco will provide Cal State 9 members with uninterrupted credit union service during and following the consolidation of the two credit unions.

On November 2, 2007, the Department of Financial Institutions (DFI) placed Cal State 9 a state-chartered, NCUA insured credit union, into conservatorship. The DFI and NCUA agreed that a conservatorship was the best way to ensure the safety and soundness of Cal State 9, and to protect member assets while addressing operational issues. The NCUA operated the credit union since November with the goal of continuing credit union service to members through a merger with, or purchase by, another credit union.

NCUA press release http://www.ncua.gov/news/press_releases/2008/MR08-0522-2.htm.

Transmitter of Money Abroad Voluntarily Suspends its California Operations

Armenian Express, Inc. ("AEI") has voluntarily suspended its California operations effective May 12, 2008. Contact information for AEI is Mr. Tigran Ovakimian, 620 South Glendale Avenue, Unit C, Glendale, CA 91205, or by telephone, (818) 550-9909, or FAX (818) 550-9922. Consumers who wish to file a claim should call the DFI Consumer Information Desk's toll free number, 1-800-622-0620 or email consumer@dfi.ca.gov. Consumer complaint forms in English and Spanish are available at <http://www.dfi.ca.gov/forms/consumer/consumer.asp>.

Annual Fee Reminder

Invoices for 2008-09 Fiscal Year due July 1, 2008

The following institution types are reminded that annual fees are due in this office on or before July 1, 2008.

DFI calculated annual fees from its database and mailed invoices based on that calculation to fee payers.

Representative offices of foreign (other nation) banks

The annual representative license fee for fiscal year 2008-09 is due on or before July 1, 2008. The fee, as outlined in Section 1702(i) of the California Financial Code, is \$250.00 for each California representative office of a foreign (other nation) bank doing business as of June 1, 2008.

Invoices were mailed June 1 and must be paid on or before July 1. Fee payers that do not concur with the calculated amounts have until Monday, June 18 to request recalculation or adjustment of the amount. DFI will not entertain any requests received after that date. Those foreign (other nation) banks which also maintain agency or branch offices in California are not subject to this fee. For questions about fees, call (415) 263-8552 or e-mail Annie Constantino at rconstantino@dfi.ca.gov.

Business and Industrial Development Corporation (BIDCO)

The annual license fee for fiscal year 2008-09 is due on or before July 1, 2008. The fee, as outlined in Section 31115(a)(6), is \$2,000.00 for each BIDCO doing business as of June 1, 2008. Invoices were mailed June 1 and must be paid on or before July 1. For questions about fees, call (415) 263-8559 or email Annie Constantino at rconstantino@dfi.ca.gov.

Commercial Bank Activity

New Bank

El Camino Bank
20946 Devonshire Street, Chatsworth, Los Angeles County
Correspondent: James H. Avery
The Avery Company LLC
P.O. Box 3009
San Luis Obispo, CA 93403
(805) 544-5477
Filed: 5/9/08

Royal Business Bank
Vicinity of Figueroa Street and Wilshire Boulevard, City and County of Los Angeles
Correspondent: James H. Avery
The Avery Company LLC
P.O. Box 3009
San Luis Obispo, CA 93403
(805) 544-5477
Approved: 5/22/08

Suncrest Bank
400 West Center Avenue, Visalia, Tulare County
(559) 802-1000
(559) 802-1001 (fax)
Officers: Michael T. Wilson, President and Chief Executive Officer
Robert R. Moore III, Executive Vice President and Chief Financial Officer
Michael T. Wiley, Executive Vice President and Chief Credit Officer
Capitalization: \$19,115,770.00
Website: <http://www.suncrestbank.com>
Opened: 5/19/08

Merger

Spectrum Bank, Montebello, to merge with and into Professional Business Bank, Pasadena
Filed: 5/19/08

Acquisition of Control

Carpenter Community BancFund-A Limited Partnership, Carpenter Fund Manager GP LLC and Edward J. Carpenter, John D. Fleming, Howard Gould, James B. Jones and Arthur Hidalgo, to acquire control of Mission Community Bank

Filed: 4/8/08

Oak Valley Bancorp, to acquire control of Oak Valley Community Bank

Filed: 5/13/08

Approved: 5/23/08

Patricia L. Childress and Carol Bates, to acquire control of Sierra Bancorp/Bank of the Sierra

Filed: 5/2/08

Approved: 5/13/08

Security Business Bancorp, to acquire control of Security Business Bank of San Diego

Filed: 5/23/08

Approved: 5/27/08

Industrial Bank Activity

New Industrial Bank

CapitalSource Bank

300 North Lake Avenue, Pasadena, Los Angeles County

Correspondent: James M. Rockett

Bingham McCutchen LLP

Three Embarcadero Center

San Francisco, CA 94111

(415) 393-2000

Filed: 5/20/08

Purchase Partial Business Unit

CapitalSource Bank (Proposed), Pasadena, to acquire 22 branch offices of Fremont Investment & Loan, Brea

Filed: 5/20/08

Premium Finance Company Activity

New Premium Finance Company

Xpress Capital Premium Finance Corp.

5862 Wedgewood Drive, Granite Bay, Placer County

Opened: 5/12/08

Foreign (Other Nation) Bank Activity

New Office

DEPFA Bank plc
Esquire Plaza, 1215 K Street, City and County of Sacramento
Filed: 5/1/08

Standard Chartered Bank

- Koll Center, 501 West Broadway, City and County of San Diego
- 49 Stevenson Street, City and County of San Francisco

Filed: 5/14/08

Discontinuance

Calyon
515 South Flower Street, City and County of Los Angeles
Filed: 5/5/08

DEPFA Bank plc
One Market Street, Steuart Tower, City and County of San Francisco
Filed: 5/1/08

Credit Union Activity

Field of Membership

Nine credit unions received approval to add 21 new fields of membership during April 2008.

Bylaw Amendment

Three credit unions received approval for six bylaw amendments during April 2008.

Merger

Arrow Credit Union, San Leandro, to merge with and into Spectrum Federal Credit Union, San Francisco
Approved: 4/7/08

California Preferred Credit Union, San Francisco, to merge with and into Redwood Credit Union, Santa Rosa
Approved: 2/5/08

Church/Co-op Credit Union, Sacramento, to merge with and into The Golden 1 Credit Union, Sacramento
Approved: 4/29/08

Merger (Continued)

First Future Credit Union, San Diego, to merge with and into California Coast Credit Union, San Diego
Approved: 5/1/08

Monterey Columbian Federal Credit Union, Monterey, to merge with and into Monterey County
Employees Credit Union, Salinas
Effected: 5/31/08

Transmitter of Money Abroad Activity

Acquisition of Control

New Social Ventures, Inc., to acquire control of Omnex Group, Inc.
Filed: 5/8/08

Thomas H. Lee Partners, L.P., to acquire control of MoneyGram Payment Systems, Inc.
Filed: 5/5/08

WILLIAM S. HARAF
Commissioner of Financial Institutions

Bulletin for Month ended
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to Financial Code section 258



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