DEPARTMENT OF CORPORATIONS

INSTRUCTIONS FOR COMPLETING THE 2012 ANNUAL REPORT FOR LENDERS AND BROKERS LICENSED UNDER THE CALIFORNIA FINANCE LENDERS LAW

ATTENTION*:** Effective January 1, 2008, per California Code of Regulations Title 10 Section 1436, all licensees are required to submit a written report stating whether they made or arranged nontraditional mortgage products and adjustable rate mortgage products as defined by the "Guidance***". Therefore, every licensee shall state whether it made or arranged nontraditional mortgage products and adjustable rate mortgage products during the reporting period covered by the annual report on Schedule L.

WHO MUST FILE THE REPORT*:** Every licensee who was licensed as of December 31, 2012 must file the Department's Annual Report (Form CFL 812-12/12). The report is to include information on all businesses conducted pursuant to the authority of a California Finance Lenders license by licensees located in or outside the State of California. ***A report must be filed even if no business was conducted under the authority of the license in 2012.

WHEN IS THE REPORT DUE PENALTY FOR FAILURE TO FILE THE REPORT*:** The report is due on or before ***Friday March 15, 2013. No extension of the filing date can be granted. Failure to file the report will result in the Summary Revocation of your license(s). Please note that per Government Code Section 11522, a person whose license was revoked will have to wait a period of not less than one (1) year from the date of revocation before they can apply for a new license.

***WHAT IS THE PURPOSE OF THE REPORT*:** The information reported is used to publish the Department's *Annual Report - Operation of Finance Companies*. Each company's annual assessment is based on income reported as earned from activities conducted pursuant to their Finance Lenders license. The report is also used to determine compliance with the statutory net worth requirement.

WHERE TO FILE THE REPORT*:** ***DEPARTMENT OF CORPORATIONS
FINANCIAL SERVICES DIVISION
320 WEST FOURTH STREET, SUITE 750
LOS ANGELES, CA 90013

THE REPORT FORM*:** The report must be submitted in the format prescribed by the Department (Form CFL 812 (12/12)). ***ALL ITEMS ARE TO BE ROUNDED TO THE NEAREST WHOLE DOLLAR. Do not add ".00" to represent rounding to the nearest dollar. Also do not round items to the nearest thousand or million dollars. ***The Balance Sheet and the Income Statement must be prepared on the forms contained in the report.*** Financial statements attached to the report will NOT be accepted. The report is electronically scanned. Therefore, *the report must be* ***TYPED****, and the* ***ORIGINAL*** *signed copy of the report must be filed.*

***COMPLETENESS & ACCURACY*:** The annual assessment is calculated from the information provided in this report. If the report filed is incomplete or contains information that is incorrect, it may be rejected or may result in an improper assessment. All questions and schedules must be completed. If any schedule is inapplicable, indicate "not applicable" at the top of the page. All information provided in the report is subject to verification. Therefore, due care should be exercised in the completion of the report.

The Table on page 4 of the Annual Report specifies those schedules that must be completed by the types of licenses held.

***HOW TO READ THE MAILING LABEL*:** The mailing label attached to the report (Line 1) reflects information on your license status. Your license number or the mailing number assigned if you possess multiple licenses and the number of licenses held by you as of December 31, 2012 is shown on the top line of the label.

***PERIOD COVERED BY THE REPORT*:** The reporting period is January 1, 2012 to December 31, 2012 or from the effective date of licensure for licenses issued in 2012.

***SCHEDULE A (GENERAL INFORMATION)*:** If your operation consists of more than one location, a single consolidated report must be submitted. *Do not* submit a separate report for each location.

Item 1. If the Department's mailing label is attached to the report, item 1 does not need to be completed (Name and address of the licensee).

Item 5. If the report covers more than 1 licensed location, the license number and address of each license must be listed on a separate schedule.

SCHEDULE B-1 (BALANCE SHEET)*:** This schedule must be prepared on a basis consistent with generally accepted accounting principles. Licensees are required to maintain a net worth of at least $25,000, however, a licensee employing one or more mortgage loan originators must maintain a minimum net worth of at least $250,000, unless licensed as a broker only, then the requirement is $50,000. ***The failure to maintain the required net worth is grounds for administrative action.

***SCHEDULE B-2 (OTHER RECEIVABLES - LINES 7 THRU 14)*:** Record all receivables that do not fall under the jurisdiction of the California Finance Lenders license as Other Receivables (Lines 7 thru 14). Exercise care in classifying the receivables as certain sales contracts, leases, and other receivables may be subject to the licensing requirements of the California Finance Lenders Law. If so, they should be classified as California Finance Lender Loans Receivables (Lines 1 thru 6) on Schedule B-2.

Note: Flooring and accounts receivable financing are examples of transactions subject to the California Finance Lenders licensing requirements. Also certain types of leases such as dollar buy out, direct financing, abandonment, and purchase leases may be subject to the California Finance Lenders licensing requirements.

SCHEDULE C-1 (INCOME STATEMENT) AND SCHEDULE C-2 (ANALYSIS OF INCOME RECEIVED)*:** These schedules must be prepared on a basis consistent with generally accepted accounting principles. For reporting purposes, treat 2012 income earned ***from loans originated under the Personal Property Brokers, Consumer Finance Lenders, and Commercial Finance Lenders licenses as Gross Income from California Finance Lenders loans (Schedule C-1, Line 1). Gross income reported under Schedule C-1, line 1, must be accurately stated as it is the basis for the calculation of the annual assessment.

Note: Report only the amount of income earned during the year from CFL on line 1 of Schedule C-1. Do not deduct any loss on loans receivable from the gross income from CFL activities. Loss on loans receivable must be shown as a separate item on line 4 of Schedule C-1.

SCHEDULE C-3 (ALL OTHER BUSINESS AND SOURCES)*:** Report only those revenues ***not falling under the California Finance Lenders license under All Other Business and Sources (Lines 1 thru 7). See INSTRUCTIONS Schedule B-2 above for guidelines on classification of receivables and income falling under the jurisdiction of the California Finance Lenders license.

***SCHEDULE D (SCHEDULE OF BROKERED LOANS)*:** All loans brokered in 2012 under your California Finance Lenders license must be scheduled by lender under Section A. Schedule of CFL Brokered Loans. The brokered loans must be classified as Consumer Loans or Commercial Loans. For the definitions of consumer loans and commercial loans, refer to Instructions for Schedules E, F, and G (Loan Statistics) below.

Line 8(a) – Residential Mortgage Loans Brokered. Out of the Total Consumer Loans Brokered reported on line 8, indicate the number and amount that were Residential Mortgage loans.

Schedule of Other Brokered Loans under Section B is to be completed for loans brokered other than from California Finance Lenders such as mortgage loans under Department of Real Estate license. The name of the regulatory agency and the license number for your authority to broker these loans must be noted.

***SCHEDULES E, F, & G (LOAN STATISTICS)*:** If any loans were made under your California Finance Lenders license during the year 2012, Schedules E, F, and G must be completed. If a schedule is not applicable, state "not applicable". If no loans were made in 2012, state "none" on the applicable schedules.

To complete Schedules E, F, and G, the loans made in 2012 must be categorized as either ***Consumer Loans*** or ***Commercial Loans*** as follows:

(1) Consumer Loan -- a loan whether secured by either real or personal property, or both, or unsecured, the proceeds of which are intended by the borrower for use primarily for personal, family, or household purposes.

Consumer loan ***also*** means a loan of a principal amount of less than $5,000, the proceeds of which are intended by the borrower for use primarily other than personal, family, or household purposes. An example would be a loan of $4,000 used for your rental business.

New item under consumer loans is "**Auto Title Loans**". For the purpose of completing this annual report, an auto title loan generally has the characteristics of a short-term loan (typically 12 to 36 months) in which a borrower with clear title to his or her vehicle may immediately receive a loan secured by the borrower's vehicle. These loans typically are larger than $2,500 and have a higher interest rate. These loans differ from traditional auto loans, which are financed and secured by a lien on the vehicle in the purchase or refinance of a car.

(2) Commercial Loan means a loan of a principal amount of $5,000 or more, or any loan under an open-end credit program, whether secured by either real or personal property, or both, or unsecured, the proceeds of which are intended by the borrower for use primarily for other than personal, family, or household purposes.

SCHEDULE I (LOANS SOLD TO INSTITUTIONAL INVESTORS AND LOANS SERVICED):
Item 2 – Loans Serviced would include all loans originated, purchased or sold.

SCHEDULE K (DIRECTORY OF DIRECTORS, OFFICERS, ETC.)*:** All licensees are asked to provide information for ***ALL directors, officers, members, managing members, branch managers and any person (as defined in Section 22008 of the California Financial Code) holding 10 percent or more of the outstanding interests if the licensee is a partnership or if the licensee is a corporation, directly or indirectly controlling 10 percent or more of the outstanding equity securities.

***SCHEDULE L (CFLL REPORT ON NON-TRADITIONAL, ADJUSTABLE RATE AND MORTGAGE LOAN PRODUCTS)*:** All licensees are required to complete Schedule L and state whether they made or arranged nontraditional mortgage products and adjustable rate mortgage products as defined by the Guidance.

The Guidance can be found on the Department's website on the "Financial Services" page under "Publications". If any loans subject to the Guidance were made or arranged, the licensee shall also submit information regarding those loan products on the form entitled **Non-traditional, Adjustable Rate and Mortgage Loan Survey** (See page 26 of this Annual Report form).

SCHEDULE M (ADDITIONAL INFORMATION): All licensees are asked to answer the questions in connection with the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act). Information regarding the SAFE Act can be found on our website at www.corp.ca.gov.

In addition, all licensees must indicate the type of loan programs that were provided to applicants during the calendar year in item 2, and must answer the questions in item 3 in connection with the California Foreclosure Reduction Act and the single point of contact requirement in Civil Code Section 2323.7. Information on the California Foreclosure Reduction Act can be found in Commissioner's Release No. 65-FS, which is available on our website at www.corp.ca.gov.

SCHEDULE N (LOAN ACTIVITY FOR THE YEAR and OTHER BUSINESS CONDUCTED): All licensees are required to report activity related to the consumer loans they serviced during the year. The schedule requires licensees to report the data by type of security. Licensees must also provide the total number of loans and the total principal amount of other loans that were **not** made under the authority of the California Finance Lenders Law for both consumer and commercial loans.

THE FAILURE TO COMPLETE THESE SCHEDULES WILL CAUSE THE REPORT TO BE REJECTED AND RETURNED TO THE LICENSEE.

***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:

(1) 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.

(2) Classify the loans by size by the total advances made during the year. As an example, if 5 advances were made in 2012 amounting to $15,000 under the ***same*** line of credit agreement of $5,000, it should be reported as one loan made with a Principal Amount of $15,000 and reported in the Loans $10,000 and Over category.

***LICENSEES OPERATING IN MULTIPLE STATES*:** If you are a licensee conducting business in California and other states, the following guidelines should be followed:

(1) Schedule B-1 Balance Sheet -- Complete the balance sheet for the name of the entity that is on the license. Do not complete the schedule just for the California operation. Complete Line 3 California Finance Lenders Loans Receivables only for those loans that were made under the California Finance Lenders license. All other loans and receivables not falling under the jurisdiction of the California Finance Lenders license should be reported on Line 4 as Other Receivables.

(2) Schedule C-1 Statement of Income and Expenses -- Complete the Income and Expense Statement for the name of the entity that is on the license. Do not complete the schedule just for the California operation. ***COMPLETE LINE 1 GROSS INCOME FROM CALIFORNIA FINANCE LENDERS LOANS ONLY FOR INCOME GENERATED UNDER CALIFORNIA FINANCE LENDERS LICENSE.*** All other income earned whether in California or out of state should be reported on Line 2 Gross Income from All Other Business and Sources***. GROSS INCOME THAT IS REPORTED ON LINE 1 MUST BE ACCURATELY STATED AS YOUR ANNUAL ASSESSMENT IS BASED UPON THE INCOME REPORTED ON THIS LINE.***

***ANNUAL REPORT FORM AVAILABLE ON THE INTERNET*:** The annual report form is available in Adobe Acrobat format at the Department's Internet website. The form can be accessed by clicking on **Applications and Forms** on the Department's homepage at "www.corp.ca.gov", then click on **California Finance Lenders**.

The form can be completed online, but THE REPORT CANNOT BE FILED ELECTRONICALLY. If the report is completed online, it must be printed in the Adobe Acrobat format. The verification page must be signed on the original copy of the report filed with the Department. If you receive a report form in the mail, be sure to include the information appearing on the mailing label on the copy of the report filed. It is important to include your seven-digit license number. It is our primary means of linking your report to your company.

VERIFICATION*:** The Verification on page 3 must be executed in accordance with the instructions on the form by the licensed individual, by a general partner if the licensee is a partnership, by a manager if the licensee is a limited liability company, or by a corporate officer if the licensee is a corporation. The Verification must have an ***original signature. ***Reports bearing incomplete verifications or a missing signature will not be accepted and will be returned to the licensee.***

INACTIVE LICENSES*:** If no business was conducted under the license(s) during the calendar year 2012, only pages 1 through 11, 23, 24 and 25 need to be completed, and the remaining pages need not be submitted. "*No business*" means no loan was made, refinanced, or brokered in 2012, ***and no loan payment or broker fee was received in 2012. Also a statement must be completed at the bottom of the page 3 VERIFICATION stating that ***"No business was conducted under the license(s) during the calendar year 2012."***

***FEE*:** No fee is required to file the Annual Report. Assessment notices will be distributed on or about September 30, 2013.

***PUBLIC INSPECTION*:** The individual annual reports filed pursuant to Section 22159 shall be made available to the public for inspection except, upon request in the annual report to the Commissioner, the balance sheet contained in the annual report of a sole proprietor or any other nonpublicly traded persons. "Nonpublicly traded persons" for purposes of this section mean persons with securities owned by 35 or fewer individuals.

If confidential treatment of the balance sheet is desired by a sole proprietor of any person meeting the definition of nonpublicly traded person, the applicable portion of Schedule B-1 must be completed.

***FOR ASSISTANCE AND INFORMATION*: Call (866) ASK-CORP (1-866-275-2677).**

THE REPORT MUST BE FILED,
EVEN IF NO BUSINESS WAS CONDUCTED WITH THE LICENSE

DOUBLE CHECK YOUR NUMBERS & YOUR MATH!
YOUR ASSESSMENT IS BASED ON THE FINANCE LENDER OR BROKER INCOME YOU REPORT.

THE REPORT IS DUE FRIDAY, MARCH 15, 2013