

Monthly Bulletin

California Department of Business Oversight



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April 2017



Eric Davies Is DBO's New Special Administrator for CFLL

Eric Davies has been named Special Administrator for the Department of Business Oversight's (DBO) California Finance Lenders Law (CFLL) program. The promotion took effect Mar. 13. Eric previously served as supervising examiner for the DBO's Division of Corporations. He has been with the DBO for 30 years, and has spent the majority of that time working with the CFLL.

Eric has served on DBO's Management Call Report committee where he helped develop the current mortgage call report. He also helped develop the California-state-specific test questions for mortgage loan originators. Eric graduated from California State University, San Diego with a degree in accounting and earned his CPA license while working at the DBO.

2016 DBO Enforcement Numbers Rise



DBO posted a productive and successful 2016 for enforcement of the laws it administers. DBO collected nearly \$2.9 million in restitution for consumers compared to \$920,000 in 2015.

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Other highlights:

- Overall in 2016, DBO enforcement actions, including administrative actions and desist and refrain orders, increased eight percent. That included an 11 percent increase in desist and refrain orders and a seven percent rise in administrative actions.
- The largest number of desist and refrain orders targeted unlicensed securities offerings. Actions brought for violations of the California Residential Mortgage Lenders Act comprised the largest share of administrative actions (31 percent).
- California Finance Lenders Law (CFLL) actions increased 62 percent. This was due, in part, to an initiative to revoke licenses for net worth deficiencies and because more entities petitioned to have their suspended CFLL licenses reinstated.
- DBO collected 32 percent more in penalties in 2016 for a total of \$9,066,102.
- The \$2.9 million of consumer restitution collected in 2016 more than tripled the 2015 total. This was primarily attributable to settlements with deferred deposit and installment lender LendUp, and mortgage companies Prospect and PrimeLending. Consumers received more than \$1 million in refunds as a result of those settlements.



IT System Survey for Banks and Credit Unions Available Apr. 17

The DBO on Apr. 17 will email its biennial IT survey to all banks and credit unions. Emails will be sent to each institution's designated email address in accordance with the [Commissioner's Order on Electronic Communications](#).

The email will contain information on accessing and submitting the electronic *2017 IT Systems Survey*. The purpose of the biennial survey is to help the DBO determine the level of each licensee's IT risk, and prepare for its examinations. Licensees are required to submit the survey pursuant to [Financial Code section 455](#). Responses will be kept confidential and used only in the examination process

All surveys will be due May 19. If you have questions regarding the survey, contact Senior IT Examiner Robert J. Lipot at robert.lipot@dbo.ca.gov, or Senior Financial Institutions Examiner Rochelle Rapada at rochelle.rapada@dbo.ca.gov. For email or technical issues contact survey@dbo.ca.gov.



Proposed Finders Exemption for Broker-Dealers

The DBO has noticed modifications to proposed regulations that would implement a new exemption for finders from the broker-dealer requirements under the Corporate Securities Law of 1968. The exemption was created by statute in 2015 ([Assembly Bill 667](#), Wagner).

A copy of the Notice of Modification and 15-Day text can be found on the DBO's website [here](#). The deadline to submit comments is Apr. 14. Comments may be emailed to regulations@dbo.ca.gov.



DBO To Hold Escrow Roundtable Meeting

Commissioner of Business Oversight Jan Lynn Owen invites licensed escrow companies to participate in an informal roundtable discussion with key DBO staff on Apr. 13 from 1-3 p.m. at the DBO's Sacramento office located at 1515 K Street.

The purpose of the meeting is to discuss issues of mutual interest to licensees and the DBO.

To suggest agenda items, or to ask questions regarding the meeting, contact Deputy Commissioner Chuck Lilly at (213) 576-7554 or Charles.Lilly@dbo.ca.gov. If you plan to attend, please RSVP directly to Lizzett Gamez at (213) 576-7662 or Lizzett.Gamez@dbo.ca.gov.



CYBER-ALERT: Smishing Attacks Are On The Rise

“Smishing” (SMS phishing) is a text messaging scam that has been on the rise, according to cybersecurity experts. Smishing is similar to older email “phishing” scams and the bottom line is identity theft.

A smishing attack uses a text message to trick an unsuspecting target into divulging valuable information, such as an account or card number, card expiration date, password/pin, Social Security number and the like. Once obtained, attackers can use the information to generate, among other things, counterfeit ATM cards. It can take as little as one hour from the time the information is obtained for an attacker to conduct a fraudulent cash withdrawal.

Financial institutions can help fight this cyber threat in the following ways:

- Educate your customers about potential threats related to this type of crime.
- Ensure card processing and fraud rule configurations are made to help reduce the likelihood counterfeit cards can be used.
- If possible, subscribe to a brand abuse mitigation service. The vendor can help expedite the take-down of the attacker’s number.
- Work with law enforcement when the scam is actively occurring with your customers.
- Ensure your cybersecurity incident response program, procedures and processes are up-to-date.

More information on smishing and cybersecurity can be found on the [Federal Financial Institutions Examination Council's \(FFIEC\) website](#).



FFIEC Regulatory Report to Congress

The Federal Financial Institutions Examination Council (FFIEC) on Mar. 21 released its [Joint Report to Congress: Economic Growth and Regulatory Paperwork Reduction Act \(EGRPA\), which](#) reviews rules related to financial institutions. The report highlights the effect of regulations on smaller institutions.

The [EGRPA](#) requires a review of regulations at least once every 10 years. The report was produced by FFIEC members, including: the Office of the Comptroller of the Currency; the Board of Governors of the Federal Reserve System; the Federal Deposit Insurance Corporation; and the National Credit Union Administration.

The report specifies several joint efforts of FFIEC members, including initiatives to:

- Simplify regulatory capital rules for community banks and savings associations.
- Streamline reports of condition and income (call reports).
- Increase the appraisal threshold for commercial real estate loans.
- Expand the number of institutions eligible for less frequent examination cycles.

The report also describes actions taken by FFIEC member agencies to “update rules, eliminate unnecessary requirements and streamline supervisory procedures.”



Less Than 10% of State Remains in Drought Conditions

The [U.S. Drought Monitor](#) has reported that, as of the end of March, less than 10% of the state remains in drought conditions, although some parts of central and southern California remain abnormally dry.



Meanwhile, the winter storms of 2016-17 have resulted in one of the largest Sierra Nevada snowpacks in California history, according to State water officials. The snowpack across the range is the largest since 2011 and the seventh-deepest since 1950. The snowpack is source of a third of California's drinking water. For more information on the drought and conservation programs, go to www.drought.ca.gov/.

Commercial Bank Activity

New Bank

Endeavor Bank
401 West A Street, San Diego, San Diego County
Correspondent: Maryam Hamzeh
Carpenter & Company
5 Park Plaza, Suite 950, Irvine, CA 92614
Approved: 3/21/17

Merger

Heritage Oaks Bank, Paso Robles, to merge with and into Pacific Premier Bank, Irvine
Approved: 3/20/17

Valley Business Bank, Visalia, to merge with and into Citizens Business Bank, Ontario
Approved: 3/3/17
Effected: 3/10/17

UniBank, Lynwood, Washington, to merge with and into Bank of Hope, Los Angeles, California
Filed: 2/24/17

United Business Bank, FSB, Oakland, to merge with and into Bay Commercial Bank, Walnut Creek
Filed: 1/23/17

Acquisition of Control

Alan Chi, to acquire control of California Pacific Bank
Filed: 2/14/17

Acquisition of Control (cont.)

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

Filed: 3/9/17

Approved: 3/20/17

Conversion to State-Chartered Bank

United Business Bank, FSB, to convert to state-chartered bank under the name of United Business Bank

Withdrawn: 3/31/17

Change of Name

Bay Commercial Bank to change its name to United Business Bank

Notified: 3/16/17

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

TAFS Premium Finance California, Inc.

6200 Canoga Avenue, Woodland Hills

Approved: 3/28/17

Western Finance Company

660 Newport Center Drive, Newport Beach

Withdrawn: 3/28/17

Voluntary Surrender of License

LG Premium Finance

Effected: 12/22/16

Credit Union Activity**Merger**

Chevron Valley Credit Union, Bakersfield, to merge with and into Safe 1 Credit Union, Bakersfield

Effected: 3/1/17

North Island Financial Credit Union, San Diego, to merge with and into California Credit Union, Glendale

Effected: 3/1/17

Foreign (Other Nation) Bank Activity

New Office

Sumitomo Mitsui Banking Corporation
101 Jefferson Drive, Menlo Park (Representative Office)
Opened: 3/24/17

Foreign (Other State) Bank Activity

New Office

Depository Trust Company of Delaware, LLC
1695 Adolfo Lopez Drive, Seal Beach (Facility – Uninsured Trust Company)
Opened: 3/1/17

Money Transmitter Activity

New Money Transmitter

Tech Friends, Inc.
Filed: 3/16/17

Acquisition of Control

APIS Growth 5, Inc. to acquire control of Trans-Fast Remittance, Inc.
Filed: 12/22/16
Approved: 3/29/17

PayPal, Inc., to acquire control of Softgate Systems of California, Inc.
Filed: 3/9/17

JAN LYNN OWEN

Commissioner of Business Oversight

