

# Monthly Bulletin

California Department of Business Oversight



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October 2017

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## Fire Response Extraordinary Situation in Butte, Lake, Mendocino, Napa, Nevada, Orange, Solano, Sonoma and Yuba Counties

On October 9<sup>th</sup> and 10<sup>th</sup>, Governor Edmund G. Brown, Jr. proclaimed states of emergency in [Napa, Sonoma, Yuba, Butte, Lake, Mendocino, Nevada, Orange](#) and [Solano](#) Counties, where a series of fires have damaged buildings and infrastructure and continue to threaten thousands of homes, necessitating the evacuation of thousands 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 these 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.



## More Than 15 million Californians Affected by Equifax Hack

On September 7, Equifax, one of the major credit reporting agencies, announced a data security breach that stretched from mid-May through July 29, 2017.

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During this period, hackers accessed names, Social Security numbers, birth dates, addresses, driver license numbers, and credit card numbers.

California financial institutions have maintained an extremely strong security posture but still need to be constantly vigilant and assess potential customer impact, develop a proactive and timely customer communication program, and offer services to help protect their customers as fully as possible.

Financial institutions can take several proactive steps to help mitigate fallout from the Equifax breach and other data breaches:

- **Vendor Management** - Ensure vendor security procedures are evaluated and approved, and that agreements identify which party has liability in a breach.
- **Patch Management** - Verify that all information technology and security patches have been installed as soon as possible.
- **Confirm credit report information with your customers** - Before originating loans and before denying any loan, confirm credit report information with your customers.
- **Monitor customer accounts for unusual activity and issue new cards as necessary.**
- **Additional security measures** - If a customer informs you they were among those whose information was stolen, you can code the customer's account with a "red flag" to contact the customer at a predesignated contact number or email address prior to opening an account, applying for credit, or making any changes on existing accounts. The customer can also contact the major credit reporting bureaus to put a Fraud Alert on their account.
- **Provide customers information about preventing and protecting themselves after a data breach.**

Equifax set up a website for consumers to check if their information was exposed: [www.equifaxsecurity2017.com](http://www.equifaxsecurity2017.com).

The Consumer Financial Protection Bureau has an [information page](#) about the Equifax breach and protective steps consumers can take.

The Federal Trade Commission also has a page listing [data breach resources](#) for consumers and businesses.



## DBO Takes Possession of SAFE-BIDCO

The DBO on Sept. 18 took possession of the State Assistance Fund for Enterprise, Business and Industrial Development Corporation (SAFE-BIDCO), a state-chartered business development corporation based in Santa Rosa created by legislative action and signed by then-Governor Edmund G. Brown, Jr. in 1981.

An order issued by Commissioner of Business Oversight Jan Lynn Owen states that years of operating losses left SAFE-BIDCO in an unsafe and unsound condition, the organization did not have a viable plan for dealing with its condition and failed to comply with an earlier order to develop and submit a detailed liquidation plan. The DBO took possession of SAFE-BIDCO because the organization is licensed and supervised by the department.

Commissioner Owen has appointed Mr. Robb Evans as a Special Deputy Commissioner to assist in the liquidation of SAFE-BIDCO. The DBO will establish a claims procedure for customers and creditors to ensure that transactions with SAFE-BIDCO are properly processed.



## Student Loan Servicing Act Rulemaking Action

The DBO has filed a Notice of Rulemaking Action with the Office of Administrative Law to adopt implementing regulations for the [Student Loan Servicing Act](#) (SLSA).

Specifically, the Commissioner proposes to adopt Sections 2032-2057 in Subchapter 15, Chapter 3, of Title 10 of the California Code of Regulations.

The SLSA authorizes the Commissioner to license, regulate, and oversee student loan servicers. The SLSA took effect on January 1, 2017, and becomes operational on July 1, 2018. Prior to enactment of the SLSA, student loan servicers were not subject to oversight by the DBO.

A copy of the Notice, Initial Statement of Reasons, and proposed Text can be found on the DBO's website [here](#). The deadline to submit comments is November 6, 2017. Comments may be e-mailed to [regulations@dbo.ca.gov](mailto:regulations@dbo.ca.gov).



## Proposed Escrow Law Regulations

The DBO invites comments on proposed changes to regulations under the Escrow Law ([Financial Code, § 17000 et seq.](#)). In accordance with [Government Code section 11346.45](#), the Commissioner seeks comments from interested parties and those who would be subject to the proposed regulations prior to providing notice of a proposed rulemaking action.

Comments are invited on amendments to sections [1732.2](#), [1737.3](#) and [1741.5 of Title 10 of the California Code of Regulations](#). Sections 1732.2 and 1737.3 set forth the books and records to be maintained and preserved by an escrow agent and section 1741.5 sets forth the requirements for the annual report. Comments are also invited on the addition of section 1741.5.1 to Title 10, which would set forth the requirements for the surrender of a license.

The [Second Invitation for Comments](#) and the [Second Text of Proposed Changes under the Escrow Law](#) are posted to the DBO website.

The deadline to submit comments is October 23, 2017. Comments may be emailed to [regulations@dbo.ca.gov](mailto:regulations@dbo.ca.gov).



## Local Agency Security Assessment

Pursuant to [Government Code section 53667](#), the Commissioner annually assesses all California depository institutions that hold deposits of local agencies. The assessments fund the DBO's administration of Local Agency Security Program.

Invoices were mailed to depository institutions on Sept. 29.

The assessment base rate was set at 0.0027% of average local agency deposits for fiscal year 2015-16, unchanged from the prior fiscal year.

Depository institutions must pay their assessment no later than Oct. 30. Questions should be directed to Patrick Carroll at 415-263-8559 or [patrick.carroll@dbo.ca.gov](mailto:patrick.carroll@dbo.ca.gov).



## FY 2017-18 Assessments for CRMLA and CFLL

The DBO has notified each California Residential Mortgage Lending Act (CRMLA) and California Finance Lenders Law (CFLL) licensee of annual assessment invoices for FY 2017-18.

The assessment is each licensee's share of the cost of administering the programs in accordance with the California Financial Code. Any licensee whose license is active on or about Sept. 30 is subject to the assessment.

The minimum assessment for CFLL licensees will be \$250 per licensed location and failure to pay the assessment by Oct. 31 will result in license revocation ([California Financial Code Section 22107](#)). For more information, call the DBO accounting unit at (916) 322-5397.

The minimum assessment for CRMLA licensees is \$1,000 and is due by Oct. 19. CRMLA invoices are posted in the [National Mortgage Licensing System](#) (NMLS). Questions can be referred to [CRMLA.Inquiries@dbo.ca.gov](mailto:CRMLA.Inquiries@dbo.ca.gov).



## DBO Self-Service Portal Aids Licensees and Consumers

The DBO Self-Service Portal offers convenient online services to businesses seeking information from DBO. The portal allows licensees to submit exemption notices and annual report information. In addition, users can search for licensees, applicants, notice filers, securities and franchise filings and more.

The DBO launched the portal in 2014 to improve communication with applicants and licensees and enhance consumer support. The core objectives are to:

- Streamline the review of applications and renewals.
- Improve exam planning and coordination.
- Better utilize data to monitor and evaluate the financial services marketplace.

The Securities and Franchise Filings [search](#) feature contains publicly available filing documents that can be downloaded instantly. The DBO has posted a [listing](#) of other filings available on portal.

If you are a current DBO licensee, new applicant, or notice filer, you will need to sign in with your username or [register](#) for an account. For more information, visit the DBO website's [Information on DBO's Self-Service Portal \("DOCQNET"\)](#).



## CSBS Develops Tool for New FASB Accounting Standards

The Conference of State Bank Supervisors (CSBS) on Sept. 27 released an optional tool to help financial institutions prepare for new accounting standards that change how banks calculate credit losses.

Known as the [Current Expected Credit Losses \(CECL\) Readiness Tool](#), the new application provides one path for financial institutions to use while preparing for the Financial Accounting Standard Board's (FASB) new accounting rules.

Under the new CECL model, financial institutions will be required to use historical information, current conditions and reasonable forecasts to estimate the expected loss over the *life of the loan*.

The new application was developed to provide a framework that a financial institution could use to plan for the eventual implementation of the new FASB rules. There is no regulatory expectation that this tool be used. It is simply offered as an optional resource to plan and prepare for the implementation of CECL.

The suggested dates are suggestions only and not regulatory expectations or deadlines.

The CECL Readiness Tool does not replace or revise any agency guidance related to CECL, nor should it replace advice your institution may receive from your auditor or accounting experts.

## **Commercial Bank Activity**

### **New Bank**

Endeavor Bank

750 B Street, San Diego

Correspondent: Maryam Hamzeh

Carpenter & Company

5 Park Plaza, Suite 950, Irvine, CA 92614

Application amended: 9/28/17: change of address from 401 West A Street, San Diego

### **Merger**

Bank of Napa, N.A., Napa, to merge with and into Bank of Marin, Novato  
Filed: 8/25/17

Community 1<sup>st</sup> Bank, Auburn, to merge with and into First Foundation Bank, Irvine  
Approved: 9/5/17

Folsom Lake Bank, Folsom to merge with and into Central Valley Community Bank, Fresno  
Approved: 7/10/17

Ojai Community Bank, Ojai, to merge with and into Bank of the Sierra, Porterville  
Approved: 8/24/17

Plaza Bank, Seattle, Washington, to merge with and into United Business Bank, Walnut Creek  
Approved: 9/19/17

Plaza Bank, Irvine, to merge with and into Pacific Premier Bank, Irvine  
Filed: 9/5/17

UniBank, Lynwood, Washington, to merge with and into Bank of Hope, Los Angeles  
Withdrawn: 9/15/17

### **Acquisition of Control**

Farmers & Merchants Bancorp, to acquire control of Bank of Rio Vista  
Approved: 7/13/17

MBC Trust u/a/d April 1, 2017, to acquire control of Montecito Bank & Trust  
Filed: 9/29/17

**Sale of Partial Business Unit**

Opus Bank, Irvine, to sell its El Cajon Branch to HomeStreet Bank, Seattle, Washington  
Effected: 9/15/17

**Purchase of Partial Business Unit**

Bank of the Sierra, Porterville, to purchase the Woodlake branch of Citizens Business Bank, Ontario  
Filed: 8/2/17

**Credit Union Activity****Merger**

Harbor Area Postal Employees Federal Credit Union, Lomita, to merge with and into Arrowhead Central Credit Union, San Bernardino  
Filed: 9/14/17

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

Banco Rosso Finance, Inc.  
1520 Washington Boulevard, Montebello  
Filed: 8/23/17

KSJT Premium Finance, Inc.  
660 Newport Center Drive, Newport Beach  
Filed: 9/26/17

Pro Capital Finance, Inc.  
660 Newport Center Drive, Newport Beach  
Filed: 9/21/17

Service Payment Plan of California, Inc.  
818 West Seventh Street, Los Angeles  
Approved: 9/7/17

**Voluntary Surrender of License**

Plainview Premium Finance Company of California, Inc.  
Effected: 8/28/17



## **Foreign (Other State) Bank Application**

### **New Office**

Darien Rowayton Bank  
15373 Innovation Drive, San Diego (Facility – Insured Bank)  
No Objection: 9/25/17

Florida Capital Bank, N.A.  
5 Upper Newport Plaza Drive, Newport Beach  
No Objection: 9/8/17

Magnolia Bank

- 131B Stony Circle, Santa Rosa (Facility – Insured Bank)
- 2640 La Alameda, Mission Viejo (Facility – Insured Bank)
- 1200 Main Street, Irvine (Facility – Insured Bank)

No Objection: 9/25/17

Signature Bank  
870 Market Street, San Francisco (Facility – Insured Bank)  
No Objection: 8/30/17  
Opened: 9/28/17

## **Money Transmitter Activity**

### **New Money Transmitter**

DFS GSD Corp.  
Filed: 9/12/17

Prabhu Group, Inc. dba Prabhu Money Transfer  
Filed: 9/26/17

Tech Friends, Inc.  
Approved: 9/5/17

Yapstone, Inc.  
Approved: 9/5/17

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**JAN LYNN OWEN**  
Commissioner of Business Oversight

