

DEPARTMENT OF BUSINESS OVERSIGHT

***INSTRUCTIONS FOR COMPLETING THE 2013 ANNUAL REPORT
FOR LENDERS AND BROKERS LICENSED UNDER THE
CALIFORNIA FINANCE LENDERS LAW***

WHO MUST FILE THE REPORT: Every licensee under the California Finance Lenders Law as of December 31, 2013 must file the annual report. The report must include information on all businesses conducted under the California Finance Lenders license by licensees located in or outside the State of California.

NO BUSINESS OR INACTIVE LICENSES: An annual report must be filed even if no business was conducted under the license(s) in 2013. If no business was conducted under the license(s) during the calendar year 2013, complete Schedules A through C-3, Schedule K and Verification section only. Include a statement at the bottom of the Verification section **"No business was conducted under the license(s) during the calendar year 2013."** "No business" means no loans were made, refinanced, or brokered in 2013, and no loan payments or broker fees were received in 2013.

WHEN IS THE REPORT DUE / PENALTY FOR FAILURE TO FILE THE REPORT: The annual report is due on or before **March 15, 2014**. **No extension of the filing date shall be granted. Failure to file the report will result in summary revocation of your license(s). Under Government Code Section 11522, a licensee whose license has been revoked may have to wait a period of not less than one (1) year from the date of revocation before applying for a license.**

WHAT IS THE PURPOSE OF THE ANNUAL REPORT: The information reported in the annual report is used to publish the Department of Business Oversight's *Annual Report - Operation of Finance Companies*. In addition, each licensee's annual assessment is based on income reported by the licensee as earned from activities conducted under the California Finance Lenders license. The information reported is also used to determine the licensee's compliance with the statutory net worth requirement.

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

THE ANNUAL REPORT FORM: The information must be prepared in the annual report form prescribed by the Department of Business Oversight in Form CFL 812 (Rev. 11/13), including Schedule B-1 Balance Sheet and Schedule C-1 Statement of Income and Expenses. Financial statements attached to the report will **not** be accepted in place of Schedule B-1 and Schedule C-1. **ALL AMOUNTS MUST BE ROUNDED TO THE NEAREST WHOLE DOLLAR.** Do not add ".00" to represent rounding to the nearest dollar. In addition, do not round items to the nearest thousand or million dollars, or round intermediate calculations. The annual report is electronically scanned and therefore the information must be **TYPED** in the annual report form, and the **ORIGINAL** signed copy of the annual report form must be filed with the Department of Business Oversight.

COMPLETENESS & ACCURACY: The annual report will be rejected by the Department of Business Oversight and returned to the licensee if the information provided is incomplete or incorrect. All questions and schedules must be completed. If any schedule is inapplicable, indicate "Not Applicable" at the top of the page. Attach a supplemental page(s) if more space is needed. All information provided in the report is subject to verification. Accordingly, due care should be exercised in the completion of the report. The annual assessment is calculated from the information provided in the annual report. If the annual report filed contains incorrect information, it may result in an incorrect annual assessment. Assessment notices will be distributed to licensees on or before September 30, 2014.

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HOW TO READ THE MAILING LABEL: If you received an annual report form from the Department of Business Oversight in the mail, a mailing label is attached at line 1 of Schedule A of the form. The mailing label provides information on your license. 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, 2013 is shown on the top line of the label.

PERIOD COVERED BY THE REPORT: The reporting period is either (1) January 1, 2013 to December 31, 2013, or (2) the effective date of licensure in 2013 to December 31, 2013.

WHICH SCHEDULES MUST BE COMPLETED: The Table of Schedules To Be Completed in the annual report identifies the schedules that must be completed by the type of license(s) held. If your business consists of more than one location, a single consolidated annual report must be submitted. Do not submit a separate annual report for each location. **FAILURE TO COMPLETE THE REQUIRED SCHEDULES WILL RESULT IN THE REJECTION AND RETURN OF THE ANNUAL REPORT TO THE LICENSEE.**

SCHEDULE A (GENERAL INFORMATION):

Item 1. If the Department of Business Oversight's mailing label is attached to the annual report form, item 1 (name and main office address of the licensee) does not need to be completed.

Item 5. If the annual report includes more than one licensed location, the license number and address of each licensed location must be listed on a separate attachment, marked as Schedule A, Item Number 5.

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. A licensed lender employing one or more mortgage loan originators must maintain a minimum net worth of at least \$250,000, and a licensed broker employing one or more mortgage loan originators must maintain a minimum net worth of at least \$50,000. **Failure to maintain the required net worth is grounds for administrative action.**

SCHEDULE B-2 (ANALYSIS OF LOANS AND RECEIVABLES OUTSTANDING): Record all receivables not subject to the California Finance Lenders license as Other Receivables on lines 7 through 14. Exercise care in classifying the receivables because certain sales contracts, leases, and other receivables may be subject to the California Finance Lenders Law. Flooring and accounts receivable financing are examples of transactions subject to the California Finance Lenders Law. In addition, certain types of leases such as dollar buy out, direct financing, abandonment, and purchase leases may be subject to the California Finance Lenders Law. If so, the receivables must be classified under the California Finance Lenders Loan Receivables on lines 1 through 6.

SCHEDULE C-1 (STATEMENT OF INCOME AND EXPENSES) AND SCHEDULE C-2 (INCOME RECEIVED FROM CFLL LENDERS AND BROKERS LOANS): These schedules must be prepared on a basis consistent with generally accepted accounting principles. For reporting purposes, treat 2013 income earned **from loans originated** under the Personal Property Brokers, Consumer Finance Lenders, and Commercial Finance Lenders licenses as Gross Income from CFLL Loans and CFLL Brokered loans on line 1 of Schedule C-1. Also report only the amount of income earned during the year under the California Finance Lenders license. Loss on loans receivable must be shown as a separate item on line 4 of Schedule C-1. Do not deduct any loss on loans receivable from the gross income on line 1 of Schedule C-1.

The income reported on lines 1 through 16 of Schedule C-2 is income received under your California Finance Lender license and may include income from loans made under the Personal Property Broker, Consumer Finance Lender, and Commercial Finance Lender Laws.

Double-check your calculations. The income received must be accurately reported in the schedules because the amount you report is used to determine the amount of your annual assessment under the California Finance Lenders Law to renew your license(s) for the next year. Your annual assessment is based on the gross income

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you report on activities conducted under your California Finance Lenders Law license. Income earned under other state or federal lending licenses, activities not requiring a license, or activities conducted under licenses of other government agencies should not be reported on line 1 of Schedule C-1 or on lines 1 through 16 of Schedule C-2.

SCHEDULE C-3 (ALL OTHER BUSINESS AND SOURCES): Report under All Other Business and Sources, lines 1 through 7, only those revenues **not** subject to the California Finance Lenders Law. See instructions for Schedule B-2 above for classification of receivables under the California Finance Lenders Law. Any income received from your California Finance Lender license must be reported in Schedule C-2.

SCHEDULE D (SCHEDULE OF BROKERED LOANS): All loans brokered in 2013 under your California Finance Lenders license must be scheduled. Schedule A. Schedule of CFLL Brokered Loans must be completed by a licensee that brokered loans to any lender licensed under the California Finance Lenders Law. For a definition of consumer loans and commercial loans, refer to the instructions for Schedules E, F, and G (Loan Statistics) below.

Line 8(a) – Residential Mortgage Loans Brokered. From the “Total Consumer Loans Brokered” reported on line 8, indicate on line 8(a) the number of loans brokered, the principal amount of loans and the amount of commissions received on residential mortgage loans.

Section B. Schedule of Other Brokered Loans must be completed by licensees that have brokered loans to any lender not licensed under the California Finance Lenders Law, such as mortgage loans under a Bureau of Real Estate license. The name of the regulatory agency and license number that authorizes you to broker these loans must be provided.

SCHEDULES E, F, & G (LOAN STATISTICS): If any loans were made under your California Finance Lenders license during the year 2013, Schedules E, F, and G must be completed. The loans made in 2013 must be categorized in Schedules E, F, and G 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 includes 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 is a loan of \$4,000 used for your rental business.

For the purpose of completing “Auto Title Loans” in Schedule F, an auto title loan 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 more 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 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.
- (3) **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:
 - (a) 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 in Schedules E, F and G.

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- (b) Classify the loans by size, by the total advances made during the year. As an example, if five advances were made in 2013 amounting to \$15,000 under the **same** line of credit agreement of \$5,000, it should be reported as one loan made under “Number of Loans”, \$15,000 under “Principal Amount”, and under the column “Loans \$10,000 or more” in Schedules E, F and G.

SCHEDULE I (SALE OF LOANS TO INSTITUTIONAL INVESTORS AND LOANS SERVICED):

Serviced Under the California Finance Lenders License must include all loans originated, purchased or sold.

SCHEDULE K (DIRECTORY OF DIRECTORS, OFFICERS, ETC.): All licensees must provide information for **all** directors, officers, members, managing members, branch managers and any person (as defined in Section 22008 of the California Financial Code) owning or controlling directly or indirectly 10 percent or more of the outstanding interests or equity securities. If an individual was required to be included in the initial application for a license under the California Finance Lenders Law or in a subsequent report of changes in personnel, the individual must be included in Schedule K.

A self-designed form may be substituted in place of Schedule K if a licensee has more than 21 directors, officers, members, managing members, branch managers or persons holding 10 percent or more of the outstanding interests. The self-designed form must contain at a minimum the information required in Schedule K.

For any individual listed in Schedule K who has not submitted a Statement of Identity and Questionnaire (FS 512 SIQ), submit the Statement of Identity and Questionnaire for the individual when filing the completed annual report. The Statement of Identity and Questionnaire is available on the Department of Business Oversight's website at www.dbo.ca.gov.

The information in Schedule K will be considered confidential information, and will be filed and maintained as part of the confidential records not subject to public inspection.

SCHEDULE L (CFLL REPORT ON NON-TRADITIONAL, ADJUSTABLE RATE AND MORTGAGE LOAN PRODUCTS, AND LOAN SURVEY):

All licensees are required to complete Schedule L by indicating whether they made or arranged nontraditional mortgage products and adjustable rate mortgage products as defined by the Guidance. The Guidance is available on the Department's website at www.dbo.ca.gov. If any loans subject to the Guidance were made or arranged, the licensee must also submit information regarding those loan products in the Loan Survey under Schedule L.

SCHEDULE M (ADDITIONAL INFORMATION): All licensees must complete Schedule M by answering the mortgage related questions in items 1 and 3, and indicating in item 2 the type of loan programs that were provided to applicants during the year. Information regarding the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) can be found on the Department's website at www.dbo.ca.gov.

SCHEDULE N (LOAN ACTIVITY): All licensees must report activity concerning consumer loans they serviced during the year by type of security in item A, and provide the total number of loans and the total principal amount of loans that were **not** made under the California Finance Lenders Law license for both consumer and commercial loans in items B and C.

SCHEDULE O (CONFIDENTIAL – DEFAULT RATES BY TYPE OF LOAN): Provide information on default rates for the year by type of loan. The information provided in Schedule O shall remain confidential and not subject to public inspection.

LICENSEES OPERATING IN MULTIPLE STATES: If you conducted business in California and in other states, the additional guidelines must be followed:

- (1) **SCHEDULE B-1 (BALANCE SHEET)** - Complete the balance sheet in the name of the entity listed on the license. Do not complete the schedule for the California operation only. Complete Line 3, CFLL Loan

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Receivables, in Schedule B-1 only for those loans that were made under the California Finance Lenders license. All other loans and receivables not under the California Finance Lenders license should be reported on Line 4, Other Receivables.

- (2) **SCHEDULE C-1 (STATEMENT OF INCOME AND EXPENSES)** - Complete the Statement of Income and Expense in the name of the entity listed on the license. Do not complete the schedule for the California operation only. **Include on line 1, Gross Income from CFLL Loans and CFLL Brokered Loans, only income generated under the California Finance Lenders license.** All other income earned, whether in California or out of state, must be reported on Line 2, Gross Income from All Other Business and Sources.

ANNUAL REPORT FORM AVAILABLE ON THE INTERNET: The annual report form is available in Adobe Acrobat format on the Department's website at www.dbo.ca.gov.

The form may be completed online; however, **THE ANNUAL REPORT CANNOT BE FILED ELECTRONICALLY.** If the report is completed online, it must be printed in the Adobe Acrobat format and submitted to the Department of Business Oversight in paper form. Please be sure to include your license number on the annual report to prevent any delays in processing your annual report. If you receive an annual report form from the Department of Business Oversight in the mail, include the information on the mailing label on the annual report you file with the Department of Business Oversight. It is important to include your seven-digit license number. It is the Department of Business Oversight primary means of linking your annual report to your company.

VERIFICATION: The Verification section must be completed in accordance with the instructions by the licensed individual, a general partner if the licensee is a partnership, a manager if the licensee is a limited liability company, or by a corporate officer if the licensee is a corporation. The Verification must be signed on the original copy of the report filed with the Department of Business Oversight. **An incomplete or unsigned Verification will result in rejection and return of the annual report to the licensee.**

FEE: No fee is required to file the Annual Report.

PUBLIC INSPECTION: The individual annual reports filed pursuant to Financial Code Section 22159 shall be made available to the public for inspection, except for Schedule O which includes information of a proprietary business nature and shall remain confidential and not subject to public inspection, and upon request, 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 a sole proprietor or licensee meeting the definition of nonpublicly traded persons is requesting confidential treatment of the balance sheet, the Request for Confidential Treatment in Schedule B-1 must be completed.

FOR ASSISTANCE AND INFORMATION REGARDING THE ANNUAL REPORT: Contact the Department of Business Oversight at (213) 576-7690.