



2012

California Department of Business Oversight
Annual Report
Operation of Finance Companies
Licensed under the California
Finance Lenders Law



California Department of
Business Oversight

STATE OF CALIFORNIA
EDMUND G. BROWN JR., Governor

BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY

DEPARTMENT OF BUSINESS OVERSIGHT*

JAN LYNN OWEN
CALIFORNIA COMMISSIONER OF BUSINESS OVERSIGHT

Financial Services Division
California Finance Lenders Law

Louisa A. Broudy, Deputy Commissioner
Patricia R. Speight, Special Administrator

*Effective July 1, 2013, in accordance with the Governor's reorganization of state government functions and departments, the Department of Corporations merged with the Department of Financial Institutions to form the Department of Business Oversight.

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This annual report of licensees under the California Finance Lender's Law ("Report") is a composite of annual reports submitted by lender and broker licensees for the calendar year ended December 31, 2012. The licensees' annual reports were submitted in accordance with Section 22159(a) and 22160 of the California Finance Lenders Law, which state:

22159. (a) Each finance lender and broker licensee shall file an annual report with the commissioner, on or before the 15th day of March, giving the relevant information that the commissioner reasonably requires concerning the business and operations conducted by the licensee within the state during the preceding calendar year for each licensed place of business. The individual annual reports filed pursuant to this section 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 person" for purposes of this section means persons with securities owned by 35 or fewer individuals. The report shall be made under oath and in the form prescribed by the commissioner.

22160. The commissioner shall make and file annually with the Department of Business Oversight as a public record a composite of the annual reports and any comments on the reports that he or she deems to be in the public interest.

This Report is based on unaudited data presented by licensees and submitted in a format prescribed by the Department of Business Oversight. While the format of the financial information presented in the Report follows that of conventional financial statements, the reader should be aware that the data contained herein is primarily statistical in nature.

Statistical data compilations required of licensees have been modified to provide more meaningful statistics. Comparison of such data with prior years will be left to the reader.

This report and prior years' reports can be found on the Department's website at www.dbo.ca.gov.

Highlights

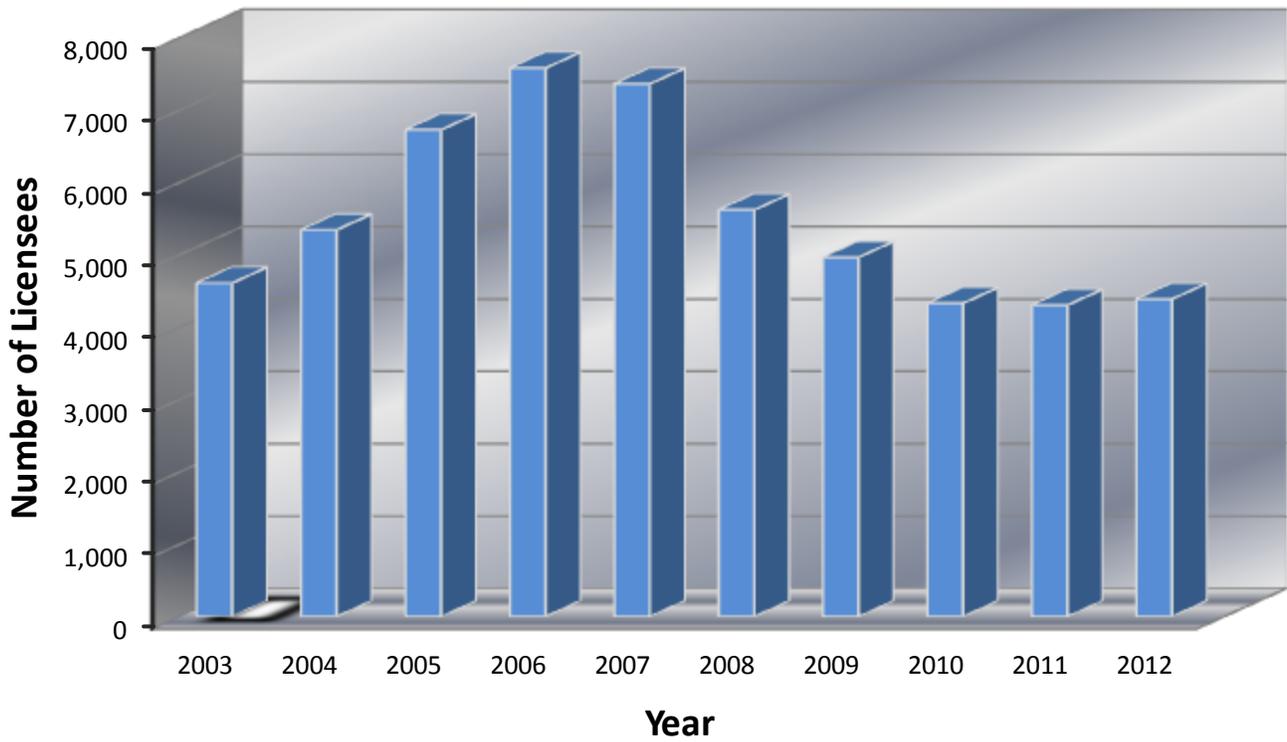
- Effective July 1, 2013, the Department of Corporations and the Department of Financial Institutions merged to form the Department of Business Oversight. All powers, duties, and functions of the Commissioner of Corporations and the Department of Corporations are transferred to the Commissioner of Business Oversight and the Department of Business Oversight, respectively;
- The number of unsecured consumer loans valued between \$2,500 to \$4,999 increased by 53 percent from 2011 to 2012, and the principal amount borrowed increased by 54 percent over the same period;
- The total number of auto title secured loans increased by 69 percent from 2011 to 2012, and the principal amount increased by 75 percent over the same period;
- The number of consumer loans secured by real property increased by 124 percent from 2011 to 2012, and the principal amount increased by 121 percent to \$43.4 billion over the same period;

Historical Data

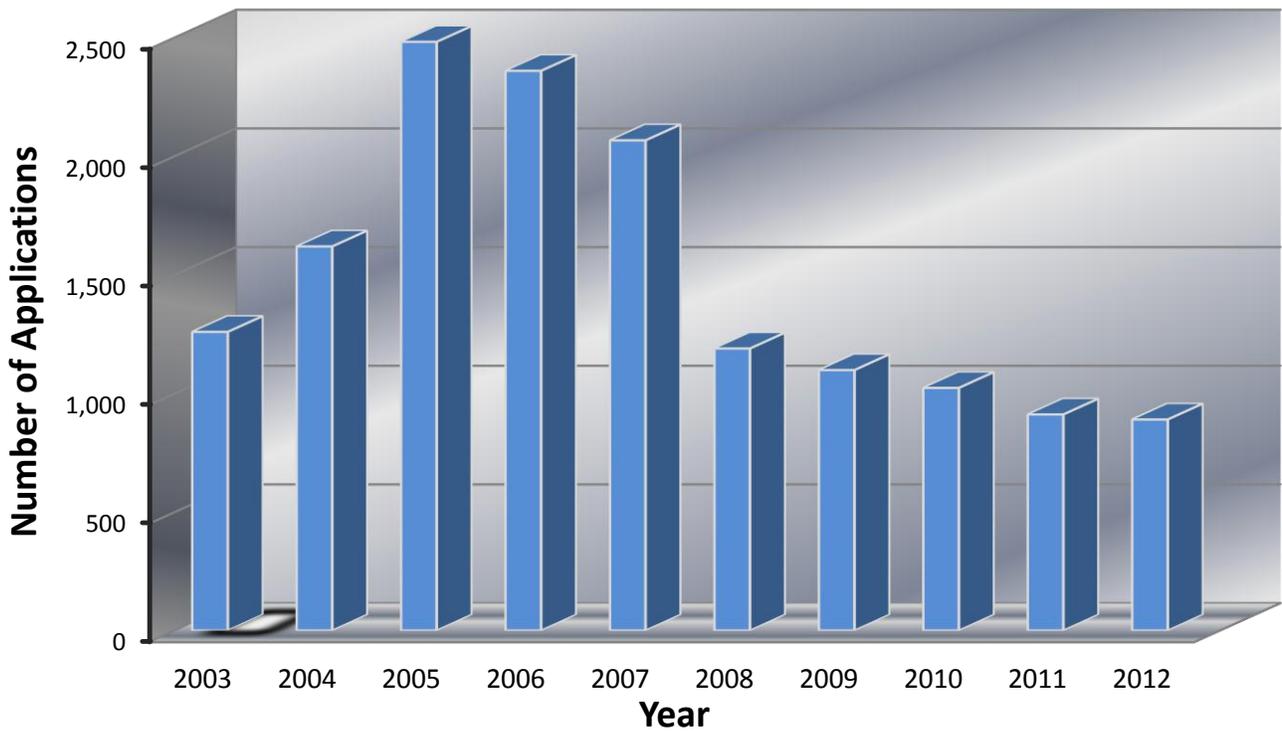
The table below shows the number of licensed California Finance Lenders (including branches) at the end of each calendar year, and the number of license applications received each year for the last 10 years.

Year	Number of Licensees	Number of Applications
2012	4,385	889
2011	4,302	910
2010	4,327	1,022
2009	4,964	1,097
2008	5,618	1,188
2007	7,358	2,065
2006	7,577	2,358
2005	6,725	2,480
2004	5,342	1,618
2003	4,608	1,258

Number of Licensees for the Last 10 Years



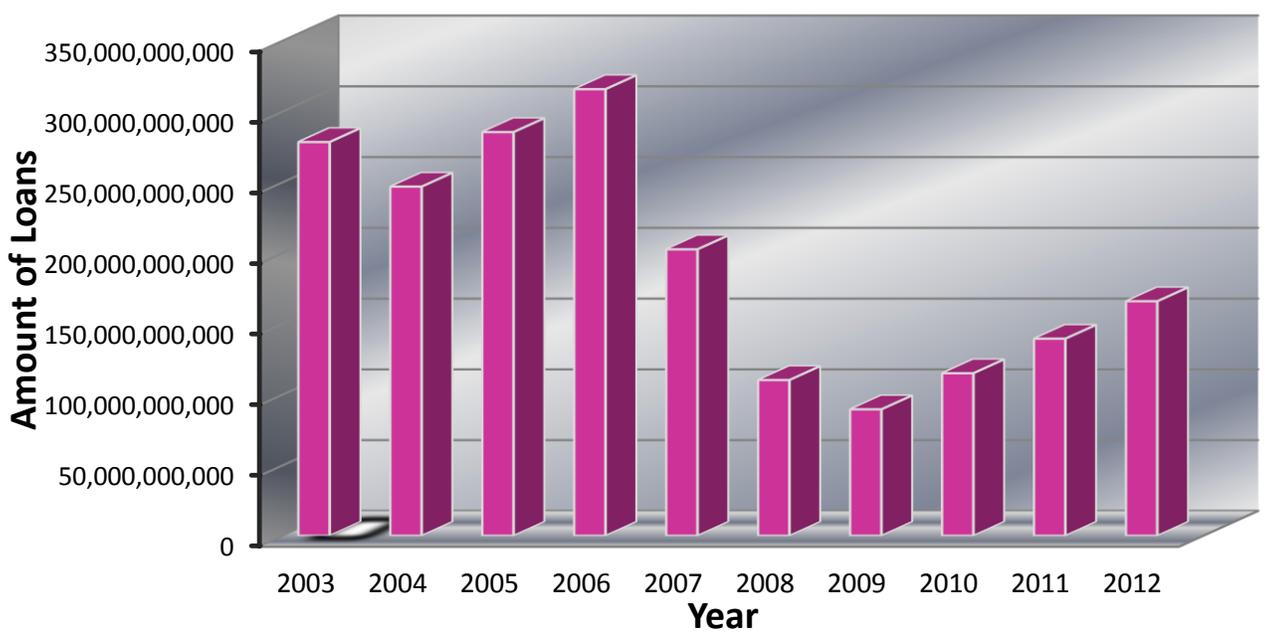
Number of Applications Received



Analysis of Loans Made Under the CFLL License for the Last 10 Years

CALIFORNIA FINANCE LENDERS					
Calendar Year	Number of Loans Made	Principal Amount of Loans Made	Average Size of Loans Made in		
			Consumer Loans	Commercial Loans	All Loans
2012	1,876,767	\$165,639,476,215	\$60,110	\$108,137	\$88,258
2011	3,076,347	139,166,897,599	36,097	47,604	45,238
2010	2,560,497	114,778,811,783	44,920	44,805	44,827
2009	2,207,881	89,287,544,941	42,814	39,932	40,440
2008	2,249,716	110,013,356,592	30,138	54,460	48,901
2007	2,893,697	202,350,867,103	52,331	76,851	69,928
2006	3,940,311	315,492,843,743	106,657	63,574	80,068
2005	3,653,036	285,178,701,531	88,605	70,803	78,066
2004	4,167,772	246,616,649,910	50,861	68,536	59,172
2003	5,140,316	278,153,215,784	28,264	96,559	54,112

Comparison of the Principal Dollar Amount of Loans Made



Comparison of Average Size of Loans Made

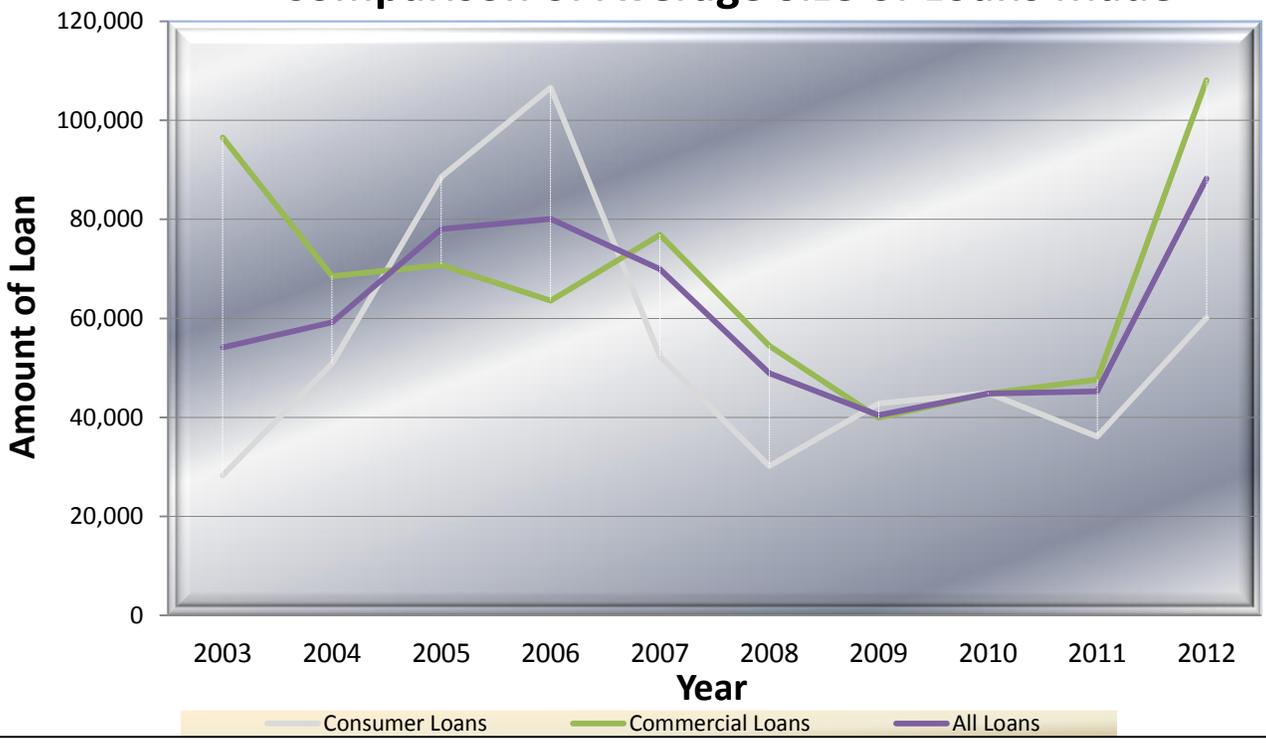


Exhibit A
California Finance Lenders
Consolidated Balance Sheet
As of December 31, 2012
(\$ in thousands)

<u>ASSETS</u>		<u>% of Total Assets</u>
Cash	\$ 77,950,824	3.02
Investments	522,594,833	20.24
California Finance Lenders Loan Receivables	71,336,690	2.76
Other Receivables	1,045,939,989	40.51
Reserves and Withholds by Banks and Finance Companies	1,396,957	0.06
Real and Personal Property (Net)	108,946,625	4.22
Prepaid Expenses and Deferred Charges	7,253,555	0.28
Commissions Receivables	93,264	0.00
Other Assets	746,331,589	28.91
Total Assets	\$ 2,581,844,326	100.00

<u>LIABILITIES AND NET WORTH</u>		<u>% of Total Liabilities and Net Worth</u>
Loans and Notes Payable from Third Parties	\$ 487,478,509	18.88
Loans and Notes Payable from Parent Companies, Affiliates, etc.	414,038,338	16.04
Bonds, Debentures, and Certificates of Indebtedness	317,363,084	12.29
Accounts Payable	57,282,285	2.22
Dealers Reserves and Withholds	437,763	0.02
Accrued Taxes Other Than Income Tax	1,789,675	0.07
Reserve for Income Taxes	42,665,007	1.65
Credit Insurance Premiums Due Insurer	24,453	0.00
Other Liabilities and Accruals	874,458,449	33.87
Total Liabilities	2,195,537,563	85.04
Net Worth	386,306,763	14.96
Total Liabilities and Net Worth	\$ 2,581,844,326	100.00

Exhibit B
California Finance Lenders
Analysis of Loans and Receivables Outstanding
As of December 31, 2012
(\$ in thousands)

	<u>Aggregate Balance</u>	<u>% of Subtotal</u>
<u>CALIFORNIA FINANCE LENDERS LOAN RECEIVABLES</u>		
Consumer Loans	\$ 17,161,835	23.18
Commercial Loans	<u>56,885,482</u>	<u>76.82</u>
Subtotal	\$ 74,047,317	<u>100.00</u>
Less: Unearned Pre-computed Charges	1,200,677	
Allowance for Bad Debts	<u>1,509,950</u>	
Net California Finance Lenders Loan Receivables	<u>\$ 71,336,690</u>	
<u>OTHER RECEIVABLES</u>		
Sales Contracts	\$ 246,200,263	23.01
Leases (True Leases)	98,103,520	9.17
Factoring	7,642,790	0.71
Other	<u>718,109,706</u>	<u>67.11</u>
Subtotal	\$ 1,070,056,279	<u>100.00</u>
Less: Unearned Pre-computed Charges and Discounts	12,718,234	
Allowance for Bad Debts	<u>11,398,056</u>	
Net Other Receivables	<u>\$ 1,045,939,989</u>	

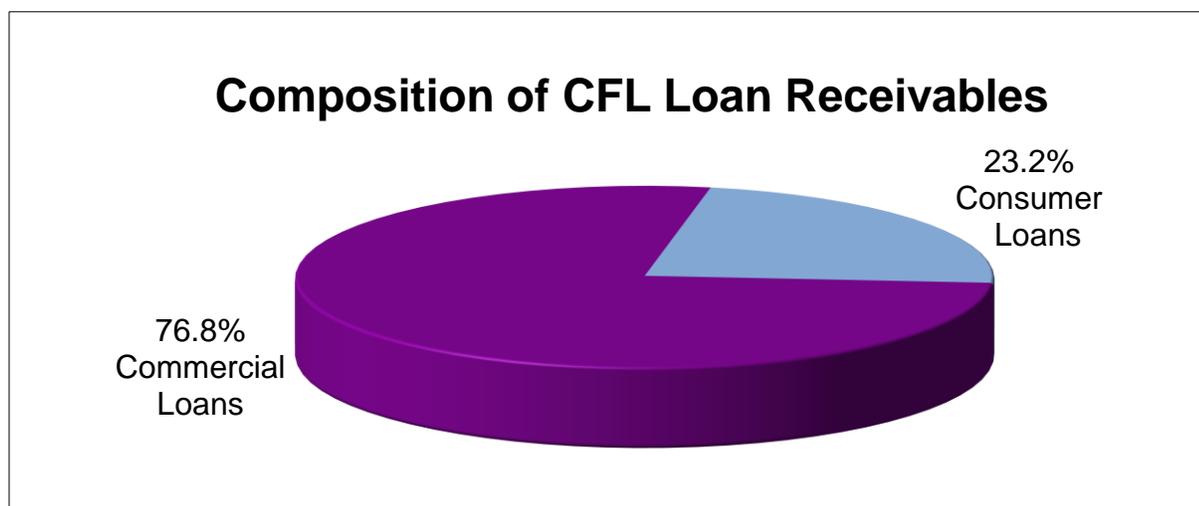


Exhibit C
California Finance Lenders
Statement of Income and Expenses
For Calendar Year 2012
(\$ in thousands)

		<u>% of Total Income</u>
<u>INCOME</u>		
Gross Income from California Finance Lenders Loans and California Finance Lenders Brokered Loans	\$ 7,514,953	1.72
Gross Income from All Other Business and Sources	<u>429,477,277</u>	<u>98.28</u>
Total Gross Income	<u>\$ 436,992,230</u>	<u>100.00</u>
<u>EXPENSES</u>		
Loss on Loans Receivable	\$ 1,789,556	0.41
Professional Audit and Accounting Services	789,891	0.18
Insurance and Bond Premiums	1,158,053	0.27
Legal Services and Expenses	1,898,380	0.43
Occupancy Expenses	3,019,437	0.69
Provision for Bad Debt Allowance	4,917,512	1.13
Salaries and Bonuses: Employees	36,042,047	8.25
Salaries and Bonuses: Owners, Partners, Executives	901,556	0.21
Depreciation	24,040,431	5.50
License Fees and Taxes	921,542	0.21
Telephone and Utilities	1,287,242	0.29
Advertising and Promotions	1,360,314	0.31
Other Expenses	<u>296,374,652</u>	<u>67.82</u>
Total Expenses before Interest and Income Taxes	<u>\$ 374,500,613</u>	<u>85.70</u>
Income before Interest and Income Taxes	\$ 62,491,617	14.30
Less: Interest Paid to Bona Fide Third Parties	25,085,287	5.74
Interest Paid to Parent Company, Affiliates and Others	<u>8,709,158</u>	<u>1.99</u>
Income before Income Taxes	\$ 28,697,172	6.57
Less: Provision for Income Taxes	<u>3,742,416</u>	<u>0.86</u>
Net Income or (Loss)	<u>\$ 24,954,756</u>	<u>5.71</u>

Exhibit D
California Finance Lenders
Analysis of Income Received
For Calendar Year 2012
(\$ in thousands)

CFL LOANS AND CFL-BROKERED LOANS	Loans Under \$2,500	Loans \$2,500 and Over	Total
<u>CONSUMER LOANS</u>			
Charges Earned on Loans	\$ 40,084	\$ 2,592,097	\$ 2,632,181
Collection from Charged Off Accounts	1,094	71,686	72,780
Income from Credit Insurance	1	1,058	1,059
Other Insurance Commissions	0	5,157	5,157
Administrative Fees	4,808	98,157	102,965
Commissions from Loan Brokering	1,328	44,696	46,024
Other Income	97	313,478	313,575
Income from Consumer Loans	<u>\$ 47,412</u>	<u>\$ 3,126,329</u>	<u>\$ 3,173,741</u>
<u>COMMERCIAL LOANS</u>			
Charges Earned on Loans			\$ 3,889,307
Collection from Charged Off Accounts			10,694
Income from Credit Insurance			0
Other Insurance Commissions			100
Commissions from Loan Brokering			20,159
Other Income			420,952
Income from Commercial Loans			<u>\$ 4,341,212</u>
Total Income from All Loans			<u>\$ 7,514,953</u>
<hr style="border-top: 1px dashed black;"/>			
<u>ALL OTHER BUSINESS AND SOURCES</u>			
Charges Earned on Loans			\$ 74,190,252
Other Interest or Return on Investments			15,778,106
Collection from Charged Off Accounts			1,078,789
Income from Credit Insurance			10,182
Other Insurance Commissions			209,577
Other Income Relating to Loans			338,210,371
Total Income from All Other Business and Sources			<u>\$ 429,477,277</u>

Exhibit E

California Finance Lenders Loans Made or Refinanced by Size For Calendar Year 2012

Size of Loan	Number of Loans	% of Total Number	Principal Amount (\$ in thousands)	% of Total Amount
<u>CONSUMER LOANS</u>				
\$ 499 or less	112,819	14.52	\$ 43,238	0.09
500 to 1,999	153,599	19.77	169,483	0.36
2,000 to 2,499	13,514	1.74	29,894	0.06
2,500 to 4,999	234,754	30.22	694,970	1.49
5,000 to 9,999	50,705	6.53	341,002	0.73
10,000 or more	211,438	27.22	45,416,541	97.27
Total Consumer Loans Made	<u>776,829</u>	<u>100.00</u>	<u>\$ 46,695,128</u>	<u>100.00</u>
<u>COMMERCIAL LOANS</u>				
\$5,000 or more	<u>1,099,938</u>	<u>100.00</u>	<u>\$ 118,944,348</u>	<u>100.00</u>
Total Commercial Loans Made	<u>1,099,938</u>	<u>100.00</u>	<u>\$ 118,944,348</u>	<u>100.00</u>
Total Loans Made, All Categories	<u>1,876,767</u>		<u>\$ 165,639,476</u>	

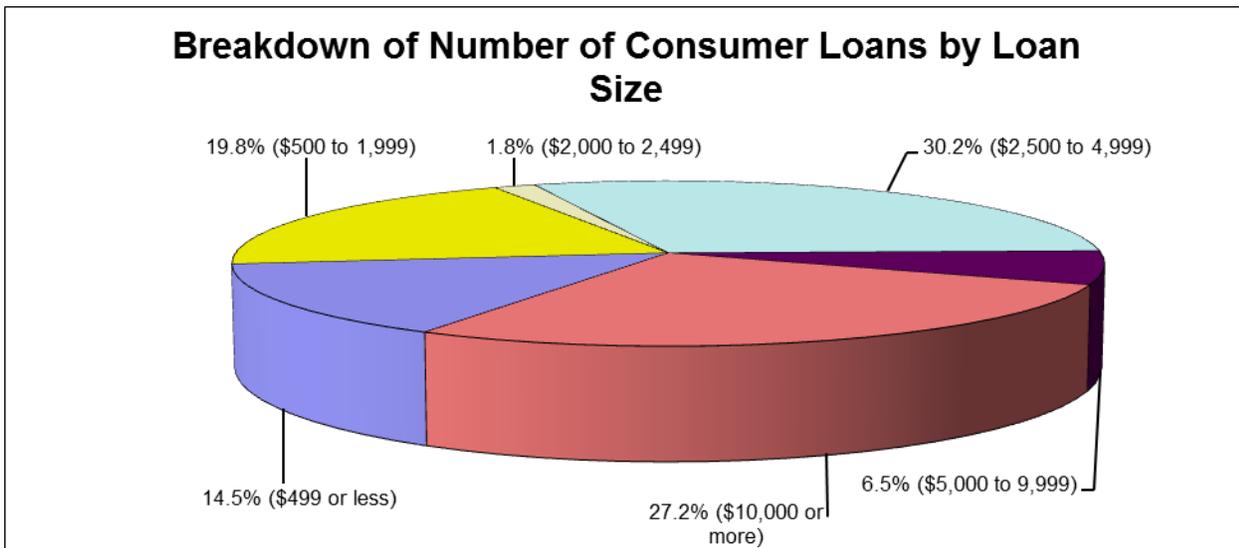


Exhibit F
California Finance Lenders
Loans Made or Refinanced By Type of Security
for Calendar Year 2012

Type of Security	Number of Loans	% of Total Number	Principal Amount (\$ in thousands)	% of Total Amount
<u>CONSUMER LOANS</u>				
<u>LOANS UNDER \$2,500</u>				
Unsecured	264,351	94.43	\$ 219,604	90.52
Personal Property	3,358	1.20	5,589	2.30
Automobiles & Other Motor Vehicles	1,976	0.71	3,644	1.50
Auto Title Loans	958	0.34	1,813	0.75
Wage Assignments	0	0.00	0	0.00
Other Security	9,289	3.32	11,965	4.93
Total Loans Made	279,932	100.00	\$ 242,615	100.00
<u>LOANS OF \$2,500 TO \$4,999</u>				
Unsecured	146,100	62.24	\$ 409,653	58.95
Personal Property	14,728	6.27	51,055	7.35
Automobiles & Other Motor Vehicles	14,749	6.28	52,020	7.48
Auto Title Loans	54,340	23.15	164,934	23.73
Wage Assignments	0	0.00	0	0.00
Other Security	4,837	2.06	17,308	2.49
Total Loans Made	234,754	100.00	\$ 694,970	100.00
<u>LOANS OF \$5,000 TO \$9,999</u>				
Unsecured	19,529	38.52	\$ 125,966	36.94
Personal Property	2,582	5.09	14,900	4.37
Automobiles & Other Motor Vehicles	20,105	39.65	145,448	42.65
Auto Title Loans	8,228	16.23	52,349	15.35
Wage Assignments	0	0.00	0	0.00
Real Property	164	0.32	1,739	0.51
Other Security	97	0.19	600	0.18
Total Loans Made	50,705	100.00	\$ 341,002	100.00
<u>LOANS OF \$10,000 AND MORE</u>				
Unsecured	5,464	2.59	\$ 204,278	0.45
Personal Property	228	0.11	15,938	0.03
Automobiles & Other Motor Vehicles	56,247	26.60	1,638,002	3.61
Auto Title Loans	1,059	0.50	15,158	0.03
Wage Assignments	3	0.00	32	0.00
Real Property	147,105	69.57	43,444,564	95.66
Other Security	1,332	0.63	98,569	0.22
Total Loans Made	211,438	100.00	\$ 45,416,541	100.00
Total Consumer Loans Made	776,829		\$ 46,695,128	

Exhibit F (Continued)
California Finance Lenders
Loans Made or Refinanced By Type of Security
for Calendar Year 2012

Type of Security	Number of Loans	% of Total Number	Principal Amount (\$ in thousands)	% of Total Amount
<u>ALL CONSUMER LOANS</u>				
Unsecured	435,444	56.06	\$ 959,501	2.05
Personal Property	20,896	2.69	87,482	0.19
Automobiles & Other Motor Vehicles	93,077	11.98	1,839,114	3.94
Auto Title Loans	64,585	8.31	234,254	0.50
Wage Assignments	3	0.00	32	0.00
Real Property	147,269	18.96	43,446,303	93.04
Other Security	15,555	2.00	128,442	0.28
Total Consumer Loans Made	<u>776,829</u>	<u>100.00</u>	<u>\$ 46,695,128</u>	<u>100.00</u>

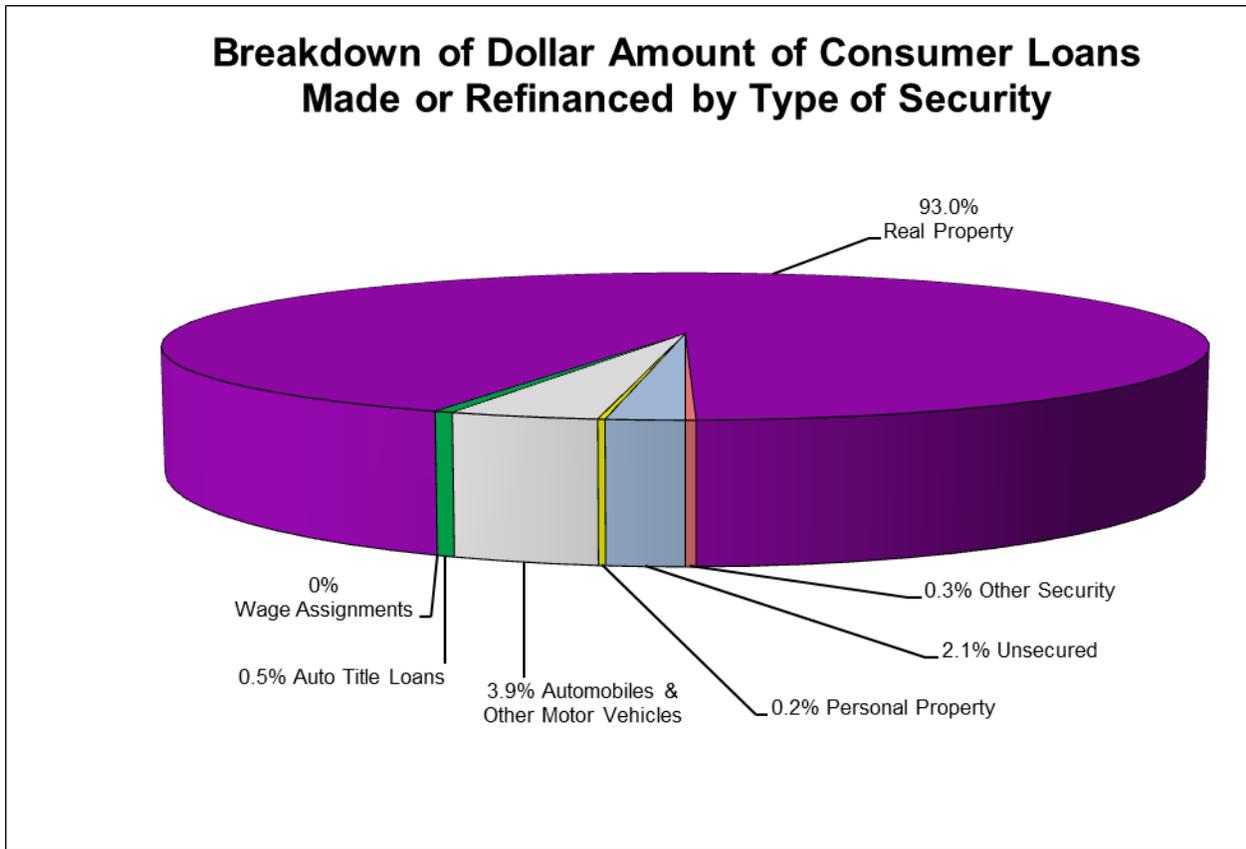


Exhibit F (Continued)
California Finance Lenders
Loans Made or Refinanced By Type of Security
for Calendar Year 2012

Type of Security	Number of Loans	% of Total Number	Principal Amount (\$ in thousands)	% of Total Amount
<u>COMMERCIAL LOANS</u>				
Unsecured	15,394	1.40	\$ 25,761,860	21.66
Personal Property	16,278	1.48	2,728,481	2.29
Automobiles & Other Motor Vehicles	986,201	89.66	54,948,885	46.20
Business Equipment	29,443	2.67	2,717,855	2.28
Real Property	6,563	0.60	18,931,354	15.92
Other Security	46,059	4.19	13,855,913	11.65
Total Commercial Loans Made	<u>1,099,938</u>	<u>100.00</u>	<u>\$ 118,944,348</u>	<u>100.00</u>
 Total Loans Made, All Categories	 <u>1,876,767</u>		 <u>\$ 165,639,476</u>	

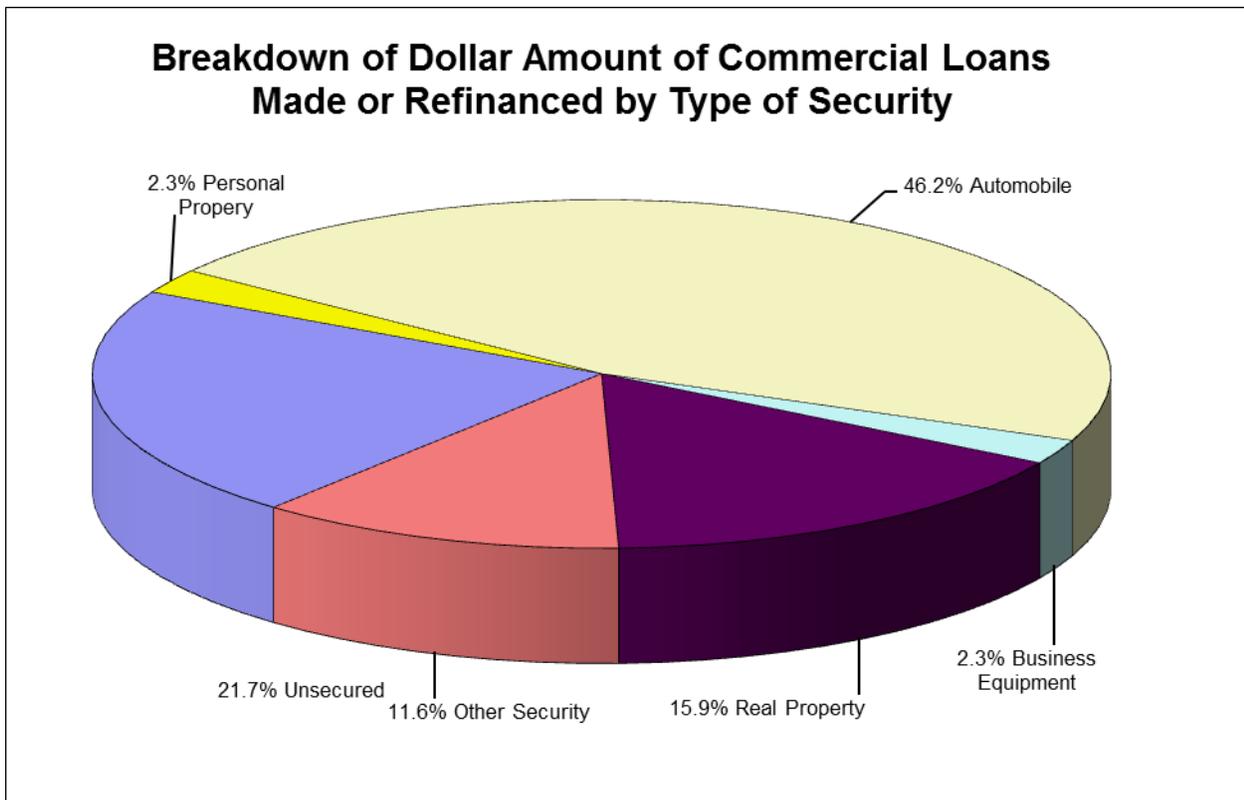


Exhibit G
California Finance Lenders
Loans Made or Refinanced by Interest Rates Charged
for Calendar Year 2012

Rates Charged	Number of Loans	% of Total Number	Principal Amount (\$ in thousands)	% of Total Amount
<u>CONSUMER LOANS</u>				
<u>LOANS UNDER \$2,500</u>				
Step Rate:				
2.5, 2, 1.5, 1% per month	120,170	42.93	\$ 32,148	13.25
Alternate Rate:				
1.6% per month	9	0.00	17	0.01
Federal Reserve Bank Rate plus 10%	0	0.00	0	0.00
Other Rates:				
Up to 14.999 APR	13,411	4.79	40,260	16.59
15.000 to 19.999 APR	13,590	4.86	13,351	5.50
20.000 to 24.999 APR	3,495	1.25	6,136	2.53
25.000 to 29.999 APR	21,723	7.76	27,805	11.46
30.000 to 34.999 APR	16,041	5.73	25,853	10.66
35.000 to 39.999 APR	50,167	17.92	65,777	27.11
40.000 to 69.999 APR	40,879	14.60	30,441	12.55
70.000 to 99.999 APR	237	0.09	445	0.18
100.000 or More APR	112	0.04	206	0.09
Variable Rates Based on Index	98	0.04	176	0.07
Total Loans Made	<u>279,932</u>	<u>100.00</u>	<u>\$ 242,615</u>	<u>100.00</u>
<u>LOANS OF \$2,500 TO \$4,999</u>				
Up to 14.999 APR	4,580	1.95	\$ 14,951	2.15
15.000 to 19.999 APR	3,061	1.30	10,907	1.57
20.000 to 24.999 APR	2,608	1.11	8,068	1.16
25.000 to 29.999 APR	11,161	4.75	38,361	5.52
30.000 to 34.999 APR	25,176	10.73	78,751	11.33
35.000 to 39.999 APR	27,415	11.68	85,740	12.34
40.000 to 69.999 APR	4,994	2.13	15,800	2.27
70.000 to 99.999 APR	34,627	14.75	105,584	15.19
100.000 or More APR	120,800	51.46	335,992	48.35
Variable Rates Based on Index	332	0.14	816	0.12
Total Loans Made	<u>234,754</u>	<u>100.00</u>	<u>\$ 694,970</u>	<u>100.00</u>

Exhibit G (Continued)
California Finance Lenders
Loans Made or Refinanced by Interest Rates Charged
for Calendar Year 2012

<u>Rates Charged</u>	<u>Number of Loans</u>	<u>% of Total Number</u>	<u>Principal Amount (\$ in thousands)</u>	<u>% of Total Amount</u>
<u>LOANS OF \$5,000 TO \$9,999</u>				
Up to 14.999 APR	3,172	6.26	\$ 24,462	7.17
15.000 to 19.999 APR	1,387	2.73	10,945	3.21
20.000 to 24.999 APR	4,177	8.24	31,240	9.16
25.000 to 29.999 APR	7,253	14.30	49,946	14.65
30.000 to 34.999 APR	6,062	11.96	38,211	11.21
35.000 to 39.999 APR	14,720	29.03	104,065	30.52
40.000 to 69.999 APR	1,761	3.47	11,954	3.51
70.000 to 99.999 APR	5,560	10.97	35,447	10.39
100.000 or More APR	6,577	12.97	34,452	10.10
Variable Rates Based on Index	36	0.07	280	0.08
Total Loans Made	<u>50,705</u>	<u>100.00</u>	<u>\$ 341,002</u>	<u>100.00</u>
<u>LOANS OF \$10,000 AND MORE</u>				
Up to 14.999 APR	189,886	89.81	\$ 44,367,974	97.69
15.000 to 19.999 APR	5,892	2.79	101,447	0.22
20.000 to 24.999 APR	6,049	2.86	85,241	0.19
25.000 to 29.999 APR	1,211	0.57	15,269	0.03
30.000 to 34.999 APR	584	0.27	109,737	0.24
35.000 to 39.999 APR	1,166	0.55	14,742	0.03
40.000 to 69.999 APR	314	0.15	5,110	0.01
70.000 to 99.999 APR	3,171	1.50	33,858	0.08
100.000 or More APR	1,071	0.51	17,234	0.04
Variable Rates Based on Index	2,094	0.99	665,929	1.47
Total Loans Made	<u>211,438</u>	<u>100.00</u>	<u>\$ 45,416,541</u>	<u>100.00</u>
Total Consumer Loans Made	<u>776,829</u>		<u>\$ 46,695,128</u>	

Exhibit G (Continued)
California Finance Lenders
Loans Made or Refinanced by Interest Rates Charged
for Calendar Year 2012

<u>Rates Charged</u>	<u>Number of Loans</u>	<u>% of Total Number</u>	<u>Principal Amount (\$ in thousands)</u>	<u>% of Total Amount</u>
<u>COMMERCIAL LOANS</u>				
Up to 14.999 APR	82,830	7.53	\$ 49,220,152	41.38
15.000 to 19.999 APR	9,297	0.85	749,890	0.63
20.000 to 24.999 APR	1,193	0.11	140,417	0.12
25.000 to 29.999 APR	884	0.08	86,598	0.07
30.000 to 34.999 APR	528	0.05	37,258	0.03
35.000 to 39.999 APR	1,376	0.12	69,235	0.06
40.000 to 69.999 APR	2,805	0.25	87,037	0.07
70.000 to 99.999 APR	350	0.03	13,399	0.01
100.000 or More APR	1,304	0.12	128,297	0.11
Variable Rates Based on Index	<u>999,371</u>	<u>90.86</u>	<u>68,412,065</u>	<u>57.52</u>
 Total Commercial Loans Made	 <u>1,099,938</u>	 <u>100.00</u>	 <u>\$ 118,944,348</u>	 <u>100.00</u>
 Total Loans Made, All Categories	 <u>1,876,767</u>		 <u>\$ 165,639,476</u>	



California Department of Business Oversight
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Materials presented in this report are a collective effort of the staff of the California Department of Business Oversight