

# Monthly Bulletin

California Department of Business Oversight



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## California Drought Update:

### Governor Brown Signs Historic Groundwater Legislation

Putting California communities on a path to become less vulnerable to water shortages, Governor Edmund G. Brown Jr. signed historic legislation to strengthen local management and monitoring of groundwater basins most critical to the state's water needs.

"We have to learn to manage wisely water, energy, land and our investments," said Governor Brown. "That's why this is important."

On September 16, 2014 the Governor signed AB 1739 by Assemblymember Roger Dickinson (D-Sacramento) and Senate Bills 1168 and 1319 by Senator Fran Pavley (D-Agoura Hills), which will create a framework for sustainable, local, groundwater management for the first time in California history. The legislation allows local agencies to tailor sustainable groundwater plans to their regional economic and environmental needs. The Governor's signing message can be found [here](#).

Financial institutions that make agricultural loans are encouraged to familiarize themselves with this legislation and work with borrowers to ensure that their groundwater use is sustainably managed.

For the full text of these bills, visit: <http://leginfo.legislature.ca.gov>

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## Scott Wyckoff Appointed General Counsel

Scott Wyckoff was appointed general counsel at the California Department of Business Oversight on August 18, 2014. Wyckoff has served as supervising deputy attorney general at the California Department of Justice, Office of the Attorney General since 2008, where he was a deputy attorney general from 1999 to 2008. Wyckoff was an associate attorney at Cuneo Black Ward and Missler from 1998 to 1999 and assistant to the government affairs director at the Oregon Education Association from 1993 to 1994. He served as chief of staff for Representative Sharon Wylie from 1992 to 1993 and legislative assistant for Representative Hedy Rijken from 1990 to 1991 at the Oregon House of Representatives. Wyckoff is a member of the Sacramento Law Foundation's Operation Protect and Defend program and the Law and Public Policy Academy at C.K. McClatchy High School.



## Annual Renewal Fee Reminder

### Broker-Dealer and Investment Adviser Licensees

This is a reminder notice that renewal season for calendar year 2015 is coming up and fees should be paid directly to the Central Registration Depository ("CRD"). The fee covers registrations for calendar year 2015. The total amount due, including any system maintenance fees charged by CRD, can be found in the Preliminary Renewal Statement, available November 10, 2014. On that date licensees may access their statement by logging onto their Web CRD account by clicking on the "Renewal Statement" link under the Accounting section on the Site Map. Please contact the CRD call center at (240) 386-4848 with any questions concerning this process.

**It is very important that licensees pay the total amount due on or before the payment due date of December 15, 2014. If the total amount due is not paid, the firm's registration will be terminated. Additionally, all of the firm's Registered Representatives / Investment Advisor Representatives will be terminated.** More information on the 2015 renewal program, renewal calendar, payment methods, and addresses, may be found on the CRD web site at:

<http://www.finra.org/industry/compliance/registration/crd/renewalprogram/>

Please note: Starting October 1, 2014 firms can review their registered persons and branch offices detail to ensure that they have properly and timely reported or terminated all appropriate individuals/branch offices in Web CRD and IARD. **Fees will be calculated precisely based on this information as reported in CRD/IARD.**

If you have any questions concerning the renewal process, please feel free to contact our Consumer Services Office at 1-866-275-2677 or 916-327-7585.



## California Residential Mortgage Lending Act Licensees

### Company and Branch License Renewal Requirements for 2014

All entities that wish to renew their licenses under the California Residential Mortgage Lending Act must submit a renewal request through the Nationwide Mortgage Licensing System and Registry (NMLS) between November 1, 2014 and December 31, 2014.

The NMLS Streamlined Renewal Process allows companies to conveniently manage the renewal of their company, branch, and sponsored mortgage loan originator licenses through their company's NMLS account.

Entities must meet several requirements in order to renew their licenses and continue their mortgage activities after December 31, 2014. These requirements are:

1. To log in to their NMLS account and request renewal of their company and branch licenses. They must also review their MU1 and MU3s for completeness and accuracy, make any required changes and attest to its accuracy.
2. To pay the annual renewal fee.
  - NMLS company annual renewal fee of \$100.
  - NMLS branch annual renewal fee of \$20.

NOTE: There are no renewal fees paid to the Department of Business Oversight through NMLS. Annual assessments are invoiced separately by the Department.

3. To review the license items set on the NMLS record and to complete all requirements as soon as possible.
4. To have licensed mortgage loan originators employed by the entity to renew their licenses by December 31, 2014.

Additional resources are available on the NMLS Resource Center at: <http://mortgage.nationwidelicensingsystem.org/SLR/COMMON/RENEWALS/Pages/default.aspx>

Entities must request renewal of their company and branch licenses by 5:00 p.m. PST on December 31, 2014. If they fail to request renewal, their license status will be automatically changed to "Approved – Failed to Renew" on January 1, 2015.

If an entity wishes to surrender its company or branch licenses, it must submit a Surrender Request through NMLS and submit the items required from the Company Surrender Checklist or the Branch Surrender Checklist for each license it wishes to surrender.

Questions to the Department concerning license renewal may be directed to [CRMLA.Inquiries@dbo.ca.gov](mailto:CRMLA.Inquiries@dbo.ca.gov)



## Mortgage Loan Originators

### License Renewal November 1 through December 31

The annual renewal period for mortgage loan originator licenses will be from November 1, 2014 through December 31, 2014. Mortgage loan originators must renew their license during this period in order to ensure that they are authorized to continue originating loans during the 2015 calendar year.

Mortgage loan originators must meet several requirements in order to renew their licenses and continue as a licensed mortgage loan originators after December 31, 2014. The requirements are:

1. To log in to their NMLS accounts and request renewal of their mortgage loan originator licenses. They must also review their MU4 for completeness and accuracy, make any required changes and attest to its accuracy.
2. To complete eight hours of continuing education prior to filing a request for renewal. The continuing education course must be received from an NMLS approved course provider. The continuing education must include:
  - Three hours of federal law and regulations
  - Two hours of ethics and
  - Two hours of lending standards for nontraditional mortgages.

For more information, please refer to the NMLS Resource Center at <http://mortgage.nationwidelicencingsystem.org/profreq/education/Pages/default.aspx>

3. To pay annual renewal fees.
  - The annual renewal fee is \$300, and payable to "CA DBO" in NMLS.
  - The NMLS annual renewal fee is \$30, and payable to NMLS.
  - If you apply for renewal/reinstatement between January 1, 2015 and February 28, 2015 there will be an additional reinstatement fee of \$100.

Payment of the renewal fees by ACH requires five to seven days to clear. Your request for renewal or reinstatement will not be approved until the funds have cleared.

4. To review the license items set on their NMLS records and complete all requirements as soon as possible.

Mortgage loan originators must request renewal of their licenses by 5:00 p.m. PST on December 31, 2014. If they fail to request renewal, their license status will be automatically changed to terminated status on January 1, 2015, and they will no longer be permitted to originate loans in California. They may request reinstatement of their licenses until 5:00 p.m. PST on February 28, 2015. If they fail to request reinstatement, their license status will be automatically changed to "Terminated – Expired".



## Local Agency Security Assessment

In accordance with Government Code section 53667, the Commissioner assesses annually all depositories in California in which the monies of local agency securities are deposited in order to fund the Department of Business Oversight in administering the laws relating to local agency security. Invoices were mailed to depositories on October 3, 2014.

For the purposes of this assessment, the base rate was set at 0.0021% of average local agency deposits for the fiscal year July 1, 2013 through June 30, 2014.

Depositories must pay their assessment no later than October 23, 2014. For questions regarding the assessment, contact Patrick Carroll at 415-263-8559 or by email at [patrick.carroll@dbo.ca.gov](mailto:patrick.carroll@dbo.ca.gov).

## October is National Cyber Security Awareness Month



National Cyber Security  
Awareness Month

Celebrated every October, National Cyber Security Awareness Month was created as a collaborative effort between government and industry to share resources needed to stay safer and more secure

online.

The Internet is a shared resource and securing it is a responsibility that we all share. "Our Shared Responsibility" is once again the theme for National Cyber Security Awareness Month 2014. Learn [more](#) about your role in securing your part of cyberspace, including the devices and networks you use. By implementing stronger security practices, raising community awareness, educating the public or training employees we will be safer from digital attacks and more resilient if an attack occurs.

In recognition of the Department of Business Oversight's role in Our Shared Responsibility, we have prepared a [guide](#) to help you identify cybersecurity threats and protect yourself and your institution from them.



### New Initiative Seeks to Promote Executive Leadership of Cybersecurity Management

The increase in frequency and sophistication of cyber-attacks directed at financial institutions in recent years shows that cybersecurity is not simply an IT issue, but an executive level issue for the board room, senior executives and the CEO.

This is the core message of an initiative launched in September by the Conference of State Bank Supervisors (CSBS) called "[Executive Leadership of Cybersecurity](#)". The goal of this initiative is to promote and encourage community bank CEOs and senior executives to actively engage in the management of cybersecurity risks at their institutions.

The Executive Leadership of Cybersecurity (ELOC) initiative doesn't simply tell bank CEOs they should get involved in the cybersecurity management of their banks, the ELOC also shows bank CEOs how to get involved and provides questions to ask their IT staff.

Each week, during October, new content will be published on the ELOC website that focuses on different cybersecurity topics, including the risk management process, incident response plans, the types of cyber-attacks, and much more.

[Read more](#) about the Executive Leadership of Cybersecurity initiative and sign up to receive a cybersecurity 101 resource guide including content designed exclusively for bank senior management.



## New DBO Email Encryption

Starting on October 10th, the Department will implement a new platform to encrypt confidential email. Email encryption is an essential tool for the Department, allowing us to communicate securely with financial regulators, licensees, state agencies, and the public.

This change will affect all those who currently exchange encrypted email correspondence with the Department. You will no longer be able to reply to or to forward encrypted email through the old encryption portal. It is necessary to reestablish your encrypted email correspondence using the new portal.

If you receive an encrypted email from the Department of Business Oversight, please follow the [instructions provided](#) in order to register for a new Microsoft Encryption Email Service Account to open the encrypted email. No action on your part is required until you receive an email from Microsoft that says "You've received an encrypted message from" a DBO email address.



## 1031 Exchange Industry, Escrow Industry Targeted by Wire Fraud and Cyber Hacking

The 1031 exchange and escrow industries have become direct targets of wire fraud and cyber hacking schemes designed to access exchange funds.

The Federation of Exchange Accommodators (FEA) reported that multiple members have been the target of sophisticated and individualized efforts to inject fraudulent wire instructions and disbursement requests into the flow of specific transaction communications.

A recent email scam soliciting accommodators from multiple members of the FEA illustrates the risk. Upon responding to the inquiry, the sender attached a file containing a computer virus under the appearance of being a file containing exchange documents. These computer viruses are created to track keystrokes, passwords and processes, exert control over computer systems and in many cases hijack a computer system.

An escrow company reported that one of its agents sent wire instructions to a Buyer's agent for forwarding. The agent's computer was hacked and the wire instruction was altered to direct the money to a different bank and name. Fortunately the alert Buyer questioned the east coast bank destination and name on the instruction. The wire was not sent.

Other instances of fraud have included persons posing as potential buyers of qualified intermediaries and a fraudulent email offering bank depository services.

The Department of Business Oversight encourages escrow agents to talk to their clients and to always confirm any wiring instructions received via email.

Other tips to avoid becoming the victim of cybercrime may be viewed at the following links:

- FBI: [http://www.fbi.gov/scams-safety/fraud/internet\\_fraud](http://www.fbi.gov/scams-safety/fraud/internet_fraud)
- Internet Crime Complaint Center: <http://www.ic3.gov/preventiontips.aspx>
- Microsoft: <http://www.microsoft.com/security/default.aspx>
- Symantec: <http://us.norton.com/prevention-tips/article>



## **FFIEC Issues Bourne-Again Shell (Bash) 'Shellshock' Vulnerability Alert**

On September 26, 2014, the Federal Financial Institutions Examination Council (FFIEC) issued an Alert about a material security vulnerability in the Bourne-again shell (Bash) system software. Bash is widely used in servers and other computing devices and the vulnerability could allow attackers to access and gain control of operating systems. The vulnerability, nicknamed "Shellshock," could expose organizations and individuals to potential fraud, financial loss, operational delays, or unauthorized access to confidential information. Given the widespread use of Bash and the evolving nature of the risk, the statement outlines FFIEC member agencies' risk mitigation expectations and provides references for management to monitor the changing threat and vulnerability landscape.

Please refer to the below links for more information.

[FFIEC Press Release](#)

[FFIEC Bourne-Again Shell \(Bash\) 'Shellshock' Vulnerability Alert](#) (PDF)

If you have any questions regarding the alert, please contact George Mori at 415-974-2923 or [George.mori@sf.frb.org](mailto:George.mori@sf.frb.org).

## Fraudulent USDA Guaranteed Loans



A registered investment advisor that places loans with financial institutions discovered during a routine due diligence process that 26 loans it purchased from a United States Department of Agriculture (USDA) approved lender totaling approximately \$179 million may be fraudulent.

The investment advisor followed all appropriate and industry-recognized procedures in purchasing the loans, including obtaining prior confirmation directly from the USDA that the firm selling the loans was an approved USDA lender. However, the USDA had no record of the loans, which invalidated the USDA guarantee relied upon by the financial institutions in which the loans were placed. Upon suspecting the fraud, the investment advisor acted promptly to identify the issues, involved legal counsel and notified the appropriate regulatory agencies, including the USDA and law enforcement agencies to protect the interest of its clients.

Institutions that purchase loans guaranteed by an agency of the United States government should have a procedure in place to validate the existence of the guarantee; i.e., call the guarantor and request a verification of guarantee. Institutions that do not have a procedure in place may be subject to examination criticism.



## SCO Fall Newsletter

The State Controller's Office (SCO) has requested that the Department of Business Oversight (DBO) assist them with notifying businesses and financial institutions of various changes concerning California's Unclaimed Property Program by forwarding the following information to licensees and others that hold unclaimed property:

*Dear Holders,*

*We invite you to read the 2014 Fall Newsletter regarding the California Unclaimed Property Program. The newsletter includes articles on the following topics:*

- *Tips for Completing the Holder Notice Report*
- *Holder Notice Report Interest Assessment*

- *Holder's Claim for Reimbursement*
- *Upcoming Unclaimed Property Event*
- *Are You Closing Owner Accounts Too Soon?*

The newsletter can be found  
at [http://www.sco.ca.gov/upd\\_rptg\\_outreach.html](http://www.sco.ca.gov/upd_rptg_outreach.html).

If you have any questions, please contact the Holder Outreach and  
Compliance Unit at (916) 464-6088 or [UPDHolderOutreach@sco.ca.gov](mailto:UPDHolderOutreach@sco.ca.gov).

## Commercial Bank Activity

### New Bank

Sierra Interim Bank

Filed: 8/19/14

(In connection with the merger of Santa Clara Valley Bank, N.A., Santa Paula, with and into Bank of the Sierra, Porterville)

### Acquisition of Control

Cornerstone Community Bancorp, to acquire control of Cornerstone Community Bank

Filed: 8/22/14

Seacoast Commerce Banc Holdings, to acquire control of Seacoast Commerce Bank

Approved: 9/29/14

### Merger

1<sup>st</sup> Enterprise Bank, Los Angeles, to merge with and into California United Bank, Encino

Approved: 9/19/14

Santa Clara Valley Bank, N.A., Santa Paula, with and into Bank of the Sierra, Porterville

Filed: 8/19/14

### Conversion to State-Chartered Mutual Savings Association

Monterey Credit Union, to convert to a state-chartered mutual savings association  
under the name Community Savings Bank of Monterey

Filed: 9/16/14

## Credit Union Activity

### Merger

Western Valley Federal Credit Union, Roseville, to merge with and into California Community Credit Union, Sacramento

Approved: 9/23/14

Effectuated: 9/23/14

### Conversion to State Charter

Glendale Area Schools Federal Credit Union, Glendale, to convert to a state-chartered credit union under the name Glendale Area Schools Credit Union

Filed: 8/22/14

## Premium Finance Company Activity

### New Premium Finance Company

Premium Hub, Inc.

600 Newport Center Drive, Newport Beach, Orange County

Filed: 9/10/14

## Foreign (Other State) Bank Activity

### New Facility

Dunham Trust Company

10251 Vista Sorrento Parkway, San Diego, San Diego County (Facility – Uninsured Trust Company)

Filed: 9/26/14

## Money Transmitter Activity

### New Transmitter

RealPage Payments Services, LLC

Filed: 9/19/14

Transfermate Inc.

License Issued: 9/26/14

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**New Transmitter (Continued)**

Venmo LLC  
Filed: 9/22/14

**Voluntary Surrender of License**

Meracord LLC  
Effected: 8/28/14

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JAN LYNN OWEN  
Commissioner of Business Oversight

*Bulletin for Month ended September 2014, issued pursuant to Financial Code section 376*



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