DEPARTMENT OF CORPORATIONS

Business Services and Consumer and Investor Protection

Jan Lynn Owen
California Corporations Commissioner
Los Angeles, California

IN REPLY REFER TO:
FILE NO: ALPHA

February 6, 2012

TO: ALL LICENSEES PURSUANT TO THE CALIFORNIA RESIDENTIAL MORTGAGE LENDING ACT

The attached Report of Principal Amount of Loans Originated and Aggregate Amount of Loans Serviced for the 12 Month Period Ended December 31, 2011, information on non-traditional mortgage products and adjustable rate mortgage products and the Report on Non-traditional, Adjustable Rate and Mortgage Loan Products **must be completed and returned to the Department of Corporations by March 1, 2012. These reports must be filed by every licensee even if no business was conducted under the authority of the license in 2011.**

Report on Non-traditional, Adjustable Rate and Mortgage Loan Products

California Code of Regulations Title 10 Section 1950.314.8 effective on January 1, 2008 requires every licensee to implement best practices to manage loan product risk on a continuous basis. These best practices shall include practices set forth in the Guidance on Nontraditional Mortgage Product Risks published on November 14, 2006 by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) and the Statement on Subprime Mortgage Lending published on July 17, 2007 by CSBS, AARMR and the National Association of Consumer Credit Administrators. Both publications, collectively referred to herein as the "Guidance," are available on the Department's website at www.corp.ca.gov. "Best practices" shall mean lawful processes, policies, and procedures to manage risks associated with use of nontraditional mortgage products and adjustable rate mortgage products as defined and prescribed by the Guidance.

In a separate written document, submitted as an addendum to its annual financial report required under Section 50307 of the Financial Code, every licensee shall state whether it made or arranged nontraditional mortgage products and adjustable rate mortgage products, as defined by the Guidance, during the reporting period covered by the annual report. If any such loans were made or arranged, the licensee shall also explain how it has implemented best practices and explain whether and how it has put into effect the following internal controls or procedures during the reporting period: adopted processes, policies and procedures to ensure compliance with the Guidance; designated a compliance officer (including contact information of that officer) to ensure compliance

with the Guidance; implemented a consumer complaint process to resolve consumer complaints involving loans covered by the Guidance; and educated employees and agents to help them understand how to apply the best practices. In addition, the licensee shall indicate the number of any consumer complaints it received during the reporting period regarding loans that are subject to the Guidance, including the number of resolved complaints and unresolved complaints and the number of workout arrangements used for resolved complaints. "Workout arrangement" shall mean a modified or converted loan product with predictable payment requirements to help the financially-stressed borrower. Attached for your convenience is a suggested format for reporting this data.

If any nontraditional mortgage loans or adjustable rate mortgage loans subject to the Guidance were made or arranged, the licensee shall also submit information regarding those loan products on the form entitled Non-traditional, Adjustable Rate and Mortgage Loan Survey (Survey.) The Survey and the definitions of these products are contained in an attachment to the report. The Survey is also available on the Department's website at www.corp.ca.gov.

Report of Principal Amount of Loans Originated and Aggregate Amount of Loans Serviced for the 12 Month Period Ended December 31, 2011

Please report the **California** loans originated, serviced, processed and underwritten and brokered. Your annual assessment for the fiscal year July 1, 2012 through June 30, 2013 as provided by Financial Code Section 50401 will be calculated from the information provided in this report. Improper reporting will result in an incorrect assessment.

PLEASE REVIEW THESE INSTRUCTIONS PRIOR TO COMPLETING THE REPORT. If you have any questions or these instructions are not clear please call (866) ASK-CORP prior to completing the report. Frequently asked questions are also posted on the Department's website at www.corp.ca.gov.

INSTRUCTIONS FOR COMPLETION

LOANS PROCESSED AND UNDERWRITTEN

As required by Section 50129, each licensee must report the number and principal amount of **California** loans processed and underwritten. The loans to be reported are those loans which, pursuant to a written agency contract with another institutional lender, the licensee engages in the business of soliciting, processing applications, or applying residential loan underwriting criteria for residential mortgage loans for that lender, using or advancing the funds of that lender.

LOANS ORIGINATED

Please include the number and the principal amount of **California** mortgage loans originated each month. "Principal Amount" means the initial total amount a borrower is obligated to repay the lender. The loans to be reported are those which the licensee made with its own funds, including funds obtained from warehouse credit lines.

LOANS BROKERED

Section 50702 authorizes a residential mortgage lender to provide brokerage services pursuant to a written brokerage agreement with the borrower under the authority of its license. Please report the number and aggregate principal amount of closed **California** residential mortgage loans secured by residential real estate in which the licensee provided brokerage services under the authority of its residential mortgage lender license issued by the Department of Corporations.

LOANS SERVICED

"Aggregate Amount of Loans Serviced" means the aggregate dollar value of all mortgage loans secured by residential real property serviced by a licensee, calculated as of the last day of each month in the 2011 calendar year.

Sincerely,

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DiAun M. Burns
Special Administrator
California Residential Mortgage Lending Act