

CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT  
ADDENDUM TO THE FINAL STATEMENT OF REASONS  
FOR THE ADOPTION OF RULES CHANGES UNDER THE  
CORPORATE SECURITIES LAW OF 1968  
CALIFORNIA FINANCE LENDERS LAW  
CALIFORNIA RESIDENTIAL MORTGAGE LENDING ACT  
SECURITIES DEPOSITORY LAW

The following statements supplement the Final Statement of Reasons:

**Update to Initial Statement of Reasons**

**Necessity**

Section 260.211

The Department is proposing to delete previous language concerning social security numbers and replace it with a more complete information practices notice. The previous language is outdated and inconsistent with the Department's more recent information practices notice, which is included in the regulations under the other laws administered by the Department. The proposed change helps ensure that the Department is providing consistent information on its information practices.

Section 1422

The Department is proposing to require license applicants that are owned by another entity or individual, or have subsidiaries or affiliated entities, to provide an organization chart identifying each owner and their percentage of ownership in the applicant. The proposed change is needed to assist the Department in its statutory requirement to investigate the applicant and specified persons associated with the applicant. Specifically, Financial Code section 22105 requires the Department to investigate among others, the applicant, persons owning or controlling, directly or indirectly, 10 percent or more of the applicant, or any person responsible for the conduct of the applicant's lending activities. The business ownership structures are often complex and therefore the information would help the Department in complying with the statutory mandate to investigate the applicant before issuing a license.

Section 1423

The Department is proposing to add instructions on how to submit fingerprints to the Department with the application in Section 1423. The purpose of the change is to make the application process easier and more user-friendly for licensees by providing complete instructions to enable them to complete the form.

Licensees seeking to engage in business at a new location must submit an application for a branch office license to the Department (Financial Code section 22102). The branch office license application is in Section 1423. The language for the fingerprint instructions in Section 1423 was copied without change from the license application form already

adopted by regulation in Section 1422. The fingerprinting requirement, including the instructions for submitting fingerprints, is not a new requirement, and the proposed change does not change or impose any new requirements on licensees.

### Section 1423

The Department is proposing to add instructions concerning the Statement of Identity and Questionnaire to Exhibit C of Section 1423. The purpose of the change is to make the application process easier and more user-friendly for licensees by providing complete instructions to enable them to complete the form.

The Department is required to investigate the person responsible for the lending activity of the licensee at the new location (Financial Code section 22105). The Statement of Identity and Questionnaire is used to assist the Department in conducting the background investigations. The Statement of Identity and Questionnaire is not a new requirement, and the proposed change does not change or impose any new requirements on licensees.

### **Incorporation by Reference (Title 1, California Code of Regulations, Section 20)**

The California Finance Lenders License Change of Address Form, pursuant to Title 1, California Code of Regulations, Section 20, is incorporated by reference in the regulation text because it would be cumbersome, unduly expensive, or otherwise impractical to publish the documents in the California Code of Regulations. The document was available upon request at all relevant times during the rulemaking and on the Department's website at [www.dbo.ca.gov](http://www.dbo.ca.gov), and the regulation text states that the document is incorporated by reference and identifies the document by title and date of publication or issuance.

### **Non-duplication Standard [Title 1, California Code of Regulations, Section 12, Subdivision (b)(1)]**

The proposed regulation duplicates state statutes which are cited as authority or reference for the proposed regulation. The duplication is necessary to satisfy the clarity standard of Government Code section 11349.1, subdivision (a)(3). Specifically, the license application forms and annual report form under the California Finance Lenders Law include language which repeats or rephrases in whole or in part state statutes for the purposes of assisting finance lenders and brokers in understanding the law and identifying the Department's authority to request certain information from them.