History: Department of Business Oversight

Background

As part of a plan to increase efficiency and cost effectiveness of state government, on March 30, 2012, California Governor Edmund G. Brown Jr. sent Government Reorganization Plan No. 2 to the Milton Marks “Little Hoover” Commission on California State Government Organization and Economy (“Little Hoover Commission”) for formal consideration. The plan was sent pursuant to Government Code section 8523 to reorganize state government.

In submitting Government Reorganization Plan No. 2 to the Little Hoover Commission, Governor Brown stated, “This plan is another step in my continuing efforts to streamline government, make it more efficient, and reduce unnecessary spending. Upon implementation, this plan will improve the management and coordination of government activities, which will facilitate further consolidations and cost savings.”

Following three days of public testimony in April 2012, Little Hoover Commission produced a May 2012 recommending that the Legislature allow Government Reorganization Plan No. 2 to go forward. On May 3, 2012, GRP 2 was introduced in the California State Legislature.

Absent action pursuant to a resolution to disapprove the Plan with a majority of the Members in each house voting, the Plan went into effect on July 3rd, 2012.

The Department of Business Oversight

Effective July 1, 2013, the Department of Corporations (DOC) and the Department of Financial Institutions (DFI) had merged to form the Department of Business Oversight (the Department) reporting to a newly formed Business, Consumer Services & Housing Agency. This change was part of Governor Jerry Brown’s Reorganization Plan No. 2 plan to increase efficiency and cost effectiveness of state government.

The former DOC and DFI now operate as divisions within the newly-formed Department, enabling the core missions of both departments to continue. All applications, examinations and reports continue to be processed by the attorneys and staff who work for the former

Departments.

The Commissioner of Business Oversight is appointed by the Governor, subject to confirmation by the California State Senate.

The new Department remains committed to supporting a fair and secure financial services marketplace for all Californians. The Department will also continue to protect the public from investment fraud and educate the public about the risks and rewards of investing and finances.

Division of Corporations: Brief History

Early History
In 1903, U.S. President Theodore Roosevelt led Congress to enact legislation creating a Bureau of Corporations as a division of the Department of Commerce and Labor. The Bureau of Corporations was later abolished in 1914 when Congress created the Federal Trade Commission.

The State Corporation Department
In 1913, California's legislature enacted the "Investment Companies Act", Stats. 1913, ch. 353, creating the State Corporation Department headed by a Commissioner of Corporations. Governor Hiram Johnson appointed H.L. Carnahan as the first Commissioner of Corporations. The first annual report of the state Commissioner of Corporations was issued in 1916.

Evolution of the Department of Corporations Over time, the California Department of Corporations has assumed new authority as assigned by the California Legislature. These laws include: the Escrow Agent Law of 1948; the Corporate Securities Law of 1968; the California Franchise Investment Law (1970); the California Finance Lenders Law (1994); the California Residential Mortgage Lending Act (1994); the California Deferred Deposit Transaction Law (2005).

The U.S. Congress has additionally designated responsibilities to the Department, most recently with the enactment of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 and the Dodd–Frank Wall Street Reform and Consumer Protection Act in 2010.

The Modern Department of Corporations
In 2013, as it commemorates its hundredth year, the California Department of Corporations is dedicated to supporting a fair and secure financial services marketplace for all Californians as the principal regulator of the non-depository financial services industry in California, licensing and monitoring approximately 365,000 California financial businesses or individuals, including securities brokers and dealers, investment advisers and financial planners, fiduciaries and lenders and businesses in the mortgage lending industry, and regulating the offer and sales of securities, franchises and off-exchange commodities in California.

- DOC Commissioners

Division of Financial Institutions: Brief History

Early History

Starting in 1857, banking enterprises in California were granted charters under the General Corporation Laws. Savings banks were authorized under the provisions of an act passed in 1862.

The Board of Bank Commissioners 1878 - 1909

The year 1878 marks the advent of actual banking supervision in California. In that year, an act was passed creating a three person Board of Bank Commissioners and placing under its jurisdiction "every savings bank and banking company incorporated under the laws of this state, or any other state or country and doing business in this state".

The State Banking Department 1909 - 1997

Over time, it became apparent that the Board's weak regulatory powers and inadequate bank chartering and examination practices were insufficient to properly protect depositors. In 1909, the Bank Act was passed, creating the State Banking Department with the Superintendent of Banks appointed by the Governor to a term of four years. This was changed in 1911 to provide that the Superintendent hold office "at the pleasure of the Governor".

The Bank Act was completely revised in 1949 and was codified in 1951 as Division I of the Financial Code. The Banking Law was again extensively revised in 1979 to bring it in line with General Corporate Law and Generally Accepted Accounting Principles.

The Department of Financial Institutions 1997 - 2013

The Department of Financial Institutions (DFI) became operative July 1, 1997. For the first time, the responsibility for the safety and soundness of California's depository institutions were combined under one roof. DFI was able to reduce unneeded regulations and costs for state-chartered credit unions and industrial loan companies formerly regulated by the Department of Corporations, and commercial banks, savings and loan associations, and trust companies, and other licensees formerly regulated by the State Banking Department. Reduced regulatory costs were derived primarily from combining technology and reducing duplicative overhead expenses. Also, DFI was better able to focus on further regulatory reforms for all of California's depository institutions and to help create a climate for financial institution innovation.

- DFI Superintendents and Commissioners

Key Consumer Links

- Online Escrow Companies
- File a Complaint
- Search for DBO Licensees
- Search for DBO Actions, Orders and Administrative Hearing Decisions
- Consumer Alerts
- Consumer Advisories
- Resources and Online Tools

News and Information