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11 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
12 OF THE STATE OF CALIFORNIA

13 In the Matter of:) CFL LICENSE NO.: 60DBO-87584
14 THE COMMISSIONER OF FINANCIAL)
15 PROTECTION AND INNOVATION,) CONSENT ORDER
16 Complainant,)
17 v.)
18 SALT LENDING LLC,)
19 Respondent.)
20)
21)

22 This Consent Order is entered into between the Commissioner of Financial Protection and
23 Innovation (Commissioner and Department) and SALT Lending LLC (SALT), formerly known as
24 SALT Master Fund II LLC (each a party and together, parties).

25 **I.**
26 **RECITALS**

27 This Consent Order is made with respect to the following facts:

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1 **A. Background**

2 1. The Commissioner has jurisdiction over the licensing and regulation of persons and
3 entities engaged in the business of finance lending or brokering under the California Financing Law
4 (CFL) (Cal. Fin. Code § 22000 et seq.).

5 2. SALT is a limited liability company with a principal place of business at 600 17th
6 Street, Suite 2800 South, Denver, Colorado 80202.

7 3. SALT is licensed as a finance lender under the CFL with main license number
8 60DBO-87584.

9 4. SALT operates no branch offices in California.

10 5. In November 2018, SALT began to offer consumer and commercial loans to
11 California residents. These loans include crypto and fiat money loans with crypto collateral.

12 6. Under SALT's lending program, borrowers provide crypto assets as collateral,
13 receive crypto assets or fiat money as loans, and make payments in accordance with their loan
14 agreements. In exchange, the loan agreements provide that SALT can repledge, sell, or otherwise
15 transfer or use any of the borrowers' collateral for SALT's own account and at SALT's own risk,
16 without further consent required from the borrowers.

17 7. On November 11, 2022, FTX Trading Ltd. and related companies (collectively, FTX)
18 filed petitions for bankruptcy in the United States Bankruptcy Court for the District of Delaware.

19 8. On November 15, 2022, SALT sent a communication to customers, signed by Chief
20 Executive Officer Shawn Owen, stating, "I am sorry to report that the collapse of FTX has impacted
21 our business. Until we are able to determine the extent of this impact with specific details that we
22 feel confident are factually accurate, we have paused deposits and withdrawals on the SALT
23 platform effective immediately." (Emphasis in original.)

24 9. That same day, the Commissioner issued and served a notice to SALT that she would,
25 three days after service of the notice, suspend the CFL license of SALT (no. 60DBO-87584) for a
26 period of 30 days, pending investigation, under California Financial Code section 22710. Three days
27 passed after the Commissioner's service of this notice, but she received no request for a hearing on
28 this notice.

1 10. On November 22, 2022, and under Financial Code section 22710, the Commissioner
2 issued an order suspending SALT’s CFL license (no. 60DBO-87584) for a period of 30 days
3 pending investigation. This suspension would have ended on December 22, 2022.

4 11. On December 8, 2022, SALT voluntarily entered into an agreement with the
5 Commissioner. Paragraph 2 of Section II of that agreement states, among other things:

6 SALT agrees to the following:

7 a) SALT will pause collection of repayments on loans belonging to California
8 residents while SALT’s CFL License is suspended or as further agreed to
9 between the parties.

10 b) SALT will pause collection of interest payments on loans belonging to
11 California residents while SALT’s CFL License is suspended or as further
12 agreed to between the parties.

13 c) SALT will otherwise pause collection on loans belonging to California
14 residents while SALT’s CFL License is suspended or as further agreed to
15 between the parties.

16 . . .

17 f) During the Department’s suspension, SALT will not convert, pledge,
18 repledge, hypothecate, rehypothecate, sell, lend, or otherwise transfer, dispose
19 of, or use any amount of crypto assets belonging to California residents. If
20 SALT later seeks to transfer crypto assets belonging to California residents
21 back to these residents solely for these residents’ benefit, SALT will first
22 notify the Department.

23 . . .

24 (k) Upon the expiration of the suspension of SALT’s CFL license (60DBO-
25 87584) under California Financial Code section 22710 on December 22, 2022,
26 SALT agrees to be immediately subject to a further suspension under
27 California Financial Code section 22714.

28 12. The Commissioner’s investigation and examination reveal that from November 1,
2019, through November 15, 2022 (Examination Period), SALT contracted for 342 loans with 151
California residents.

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1 **B. Findings**

2 The Commissioner, based on her investigation and examination, made the following
3 findings, which SALT neither admits nor denies:

4 **Underwriting**

5 13. SALT does not have adequate underwriting policies in place for their consumer and
6 commercial loans to California residents. For example, before originating a loan, SALT does not ask
7 for, and does not evaluate, the borrower's credit history, debt, expenses, or documents relating to the
8 borrower's overall financial condition and ability to make timely payments on their loan. SALT asks
9 for, but does not verify, income for loans over \$75,000. SALT also does not evaluate the borrower's
10 debt-to-income ratio. Instead, SALT's assessment of the risk of lending to a borrower includes an
11 evaluation of the quality and quantity of the collateral provided by prospective borrowers.

12 14. As the primary feature of its underwriting, SALT requires borrowers to provide
13 collateral valued at an amount greater than the loan obligations. SALT represents that, because its
14 loans are non-recourse, the creditworthiness of the borrower is based, in large part, on the value of
15 the crypto assets pledged as collateral. SALT evaluates the crypto assets accepted as collateral based
16 on their respective legal status, market capitalization, volatility, liquidity, and trading volumes.

17 15. SALT pitches the above feature as a selling point for its loans. For example, SALT
18 states on its website, "As an asset-backed lender, one of the things that makes SALT unique is that
19 we don't even look at your credit score. With a SALT loan when you have collateral—whether
20 you're unbanked, haven't accumulated credit, or have poor credit—you can still get a loan."

21 ***Failure to Consider the Borrowers' Ability to Repay Loans***

22 ***(Tit. 10, Cal. Code Regs. section 1452)***

23 16. Section 1452 of Title 10 of the California Code of Regulations provides, "When
24 making or negotiating loans, a finance company shall take into consideration, in determining the size
25 and duration thereof, the financial ability of the borrowers to repay the same, to the end that the
26 borrowers should be reasonably to repay said loans in the time and manner provided in the loan
27 contracts."
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1 17. SALT’s practice of requiring California borrowers to overcollateralize loans is not a
2 substitute for evaluating a borrower’s ability to repay a loan in the time and manner provided in the
3 loan agreement. The extent to which a borrower collateralizes their loan concerns SALT’s ability to
4 remain secure as a lender in the event of a default by a borrower (that is, the inability of the borrower
5 to repay). Should a borrower default on their loan, SALT can draw upon the collateral to cover
6 overdue payments. To further protect SALT’s ability to remain secure, if the market value of the
7 crypto collateral drops—even through no fault of the borrower (for example, market forces) —SALT
8 can liquidate the collateral through a process it refers to as “Stabilization,” as elaborated on below.
9 The fact that borrowers can overcollateralize their loans, however, does not mean borrowers can
10 timely make each and every loan payment.

11 18. During the Examination Period, SALT contracted for 342 loans without adequately
12 considering California borrowers’ ability to repay their loans, in violation of Section 1452 of Title 10
13 of the California Code of Regulations.

StackWise Rewards

15 19. On January 11, 2022, SALT implemented the StackWise rewards program as a
16 promotion for eligible borrowers to receive lower annual percentage rates (APRs). Under this
17 program, borrowers deposit crypto collateral beyond the minimum required to originate their loans.
18 In exchange, borrowers can earn StackWise rewards in the form of certain crypto assets. SALT sets
19 certain loan-to-value ratios ranging from 30% to 70%. If a borrower meets any of these ratios, as
20 well as other requirements, they earn rewards: the lower the loan-to-value ratio achieved—that is,
21 the more collateral deposited—the more rewards the borrower is eligible to receive.

22 20. Under the StackWise rewards program, the full amount of rewards is calculated at
23 loan origination and earned monthly during the loan term. Borrowers have the option to (1) leave the
24 monthly rewards in their collateral wallet to reduce the loan-to-value ratio for their loan and decrease
25 their risk of triggering a margin call, (2) apply the rewards to the monthly interest payments for their
26 loans (as contemplated by the promotional, lower APR), or (3) withdraw them.

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1 *Understating Annual Percentage Rates for Consumer Loans*

2 *(Cal. Fin. Code sections 22161 & 22346)*

3 21. California Financial Code section 22161 provides, in relevant part, that a CFL
4 licensee shall not “[m]ake a materially false or misleading statement or representation to a borrower
5 about the terms or conditions of that borrower’s loan, when making or brokering the loan.”

6 22. All CFL licensees are also required to comply with the federal Truth in Lending Act
7 (TILA) (15 U.S.C. § 1601 et seq.), as well as its implementing regulation, known as “Regulation Z”
8 (12 C.F.R. § 1026.1 et seq.). *See* Cal. Fin. Code §§ 22346(b) & (d), 22332, 22337(a). Regulation Z
9 requires, among other things, certain disclosures for loans, including accurate disclosure of the APR.

10 23. During the period SALT offered the StackWise rewards program, 61 California
11 borrowers (about 73% of the 83 eligible California borrowers) participated in the StackWise rewards
12 program. SALT calculated the APRs for these borrowers’ loans assuming 1) borrowers would earn
13 the full amount of StackWise rewards determined at loan origination, and 2) borrowers would then
14 apply all their rewards to the interest payments for the entire duration of their loans. As such, SALT
15 deducted the United-States-dollar-equivalent value of the entire amount of potential StackWise
16 rewards that a borrower could earn from the finance charge for their loan. This, in turn, lowered the
17 APR disclosed in the loan documents to the borrower.

18 24. Such assumptions, however, did not take into account that a significant portion of
19 borrowers did not earn and then apply StackWise rewards to the interest payments of their loans.
20 Where a borrower did not apply StackWise rewards directly to their monthly interest payments, the
21 disclosed APR in the loan documents would have been less than the actual APR paid by the
22 borrower.

23 25. From January 11, 2022, through November 15, 2022, when SALT offered StackWise,
24 SALT understated the actual APRs for certain loans contracted with California borrowers and
25 disclosed erroneous rates to these borrowers. SALT’s calculations of the APRs for these loans were
26 inaccurate under Section 1026.22(a)(2) of Title 12 of the Code of Federal Regulations.

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1 26. SALT’s disclosures about these loans’ APRs, then, did not reflect the terms of the
2 legal obligations between SALT and the corresponding borrowers, in violation of Section
3 1026.17(c)(1) of Title 12 of the Code of Federal Regulations.

4 27. SALT, by understating the APRs for loans, charged excess fees, totaling at least
5 \$8,008.26, to California borrowers.

6 28. During the Examination Period, SALT contracted certain loans with California
7 borrowers in violation of the CFL under California Financial Code section 22346(b). SALT also
8 represented false and misleading statements and representations to these California borrowers about
9 the APRs for their loans, in violation of Financial Code section 22161.

10 Collateral

11 29. SALT originates crypto and fiat money loans, with a loan-to-value ratio below 70%,
12 against the underlying crypto collateral. SALT claims that it monitors changes in the value of the
13 crypto collateral and begins alerting a borrower of margin call requirements when the loan-to-value
14 ratio of the borrower’s loan reaches 75%.

15 30. If the loan-to-value ratio for a borrower’s loan reaches 90.91%, SALT may call the
16 collateral and liquidate it (for example, selling Bitcoin for USD Coins, crypto assets pegged to the
17 United States dollar). At such loan-to-value level, however, SALT has applied, since October 2020,
18 its “Stabilization” feature, wherein SALT converts the borrower’s entire crypto asset portfolio (that
19 is, their collateral balance) to USD Coins to prevent further loss to the borrower’s collateral value.
20 SALT also charges a Stabilization fee—five percent of the total amount of liquidated crypto
21 collateral before any fees were assessed—to the borrower.

22 31. On top of the Stabilization fee, SALT charges an administrative fee of one-and-a-half
23 percent of the total amount of liquidated crypto collateral before any fees were assessed. SALT
24 charges this administrative fee whenever a borrower’s crypto collateral is liquidated—for example,
25 under Stabilization or to cover overdue payments.

26 32. If the borrower wants to convert the USD-Coin-equivalent of their remaining crypto
27 collateral back to the original or another collateral type, SALT may charge a conversion fee equal to
28 one percent of the total amount of liquidated crypto assets before any fees were assessed. The

1 borrower is not required to pay a conversion fee the first time they seek to convert their remaining
2 crypto collateral after their loan undergoes Stabilization.

3 33. SALT calculates the Stabilization, administrative, and conversion fees using the
4 crypto collateral’s market price at the time of the applicable transaction. SALT deducts all applicable
5 fees directly from the borrower’s collateral.

6 34. In other words, if a borrower’s loan undergoes Stabilization, six-and-a-half percent of
7 their original collateral would be assessed as Stabilization and administrative fees (five percent and
8 one-and-a-half percent, respectively). If the borrower then wants to convert the USD-Coin-
9 equivalent of their remaining collateral back to the original or another collateral type, one more
10 percent of their original collateral value could be assessed as a conversion fee. So if a borrower’s
11 loan undergoes Stabilization and they seek to convert the USD-Coin-equivalent of their remaining
12 collateral back to the original or another collateral type, they may pay a total of seven-and-a-half
13 percent of their original collateral in fees.

14 ***Unsafe and Injurious Practices***

15 ***(Cal. Fin. Code section 22712)***

16 35. California Financial Code section 22712 provides, “[I]f, after an investigation, the
17 commissioner has reasonable grounds to believe that a person is conducting or has conducted
18 business in an unsafe or injurious manner, the commissioner shall, by written order addressed to that
19 person, direct the discontinuance of the unsafe or injurious practices.”

20 36. To date, SALT has charged Stabilization fees, totaling approximately \$328,813.65, to
21 California borrowers.

22 37. SALT, by requiring borrowers to authorize SALT to “Stabilize” collateral securing
23 loans, as defined below under Paragraph 5 of Section II below, for reasons unrelated to the
24 borrowers but still at their expense, has conducted business in an unsafe and injurious manner under
25 Financial Code section 22712.

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Charging Undisclosed Administrative Fees

(Cal. Fin. Code section 22161)

38. California Financial Code section 22161 provides, in relevant part, that a CFL licensee shall not “[m]ake a materially false or misleading statement or representation to a borrower about the terms or conditions of that borrower’s loan, when making or brokering the loan.”

39. For its lending program, SALT advertises on its website, “No hidden fees[.]”

40. SALT has charged an administrative fee to the borrower whenever SALT liquidated the borrower’s crypto collateral under Stabilization or to cover an overdue payment. This fee is not disclosed to borrowers through their loan agreements.

41. SALT charged undisclosed administrative fees, totaling approximately \$89,031.96, to California borrowers.

42. During the Examination Period, SALT contracted for approximately 91 loans with California borrowers without disclosing the existence and amount of the administrative fee in these borrowers’ loan agreements. SALT, by representing that its loans had no hidden fees, made false and misleading statements and representations to California borrowers about the terms and conditions of their loans, in violation of Financial Code section 22161.

Financial Findings

Failure to Meet Required Minimum Net Worth

(Cal. Fin. Code section 22104)

43. Under California Financial Code section 22104, all CFL licensees must maintain a minimum net worth of at least \$25,000, at all times.

44. For a period of time after October 31, 2022, through April 30, 2023, SALT failed to maintain the minimum net worth of at least \$25,000, in violation of Financial Code section 22104.

45. It is the intention of the parties to this Consent Order to resolve this matter without the necessity of a hearing or other litigation.

NOW, THEREFORE, in consideration of the foregoing, and the terms and conditions set forth herein, the parties agree as follows:

II.**TERMS AND CONDITIONS**

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3 1. Purpose. The parties intend to resolve this matter for the purpose of judicial economy
4 and expediency and without the uncertainty and expense of a hearing or other litigation. The agreed-
5 upon actions herein shall not be construed as approval for any actions outside the scope of this
6 Consent Order. SALT neither admits nor denies the facts, findings, and citations under this Consent
7 Order.

8 2. Order to Desist and Refrain. SALT is hereby ordered to desist and refrain from
9 violating the California Financing Law (CFL) (Cal. Fin. Code § 22000 et seq.) and related
10 regulations (10 C.C.R. § 1404 et seq.).

11 3. Order to Discontinue Unsafe and Injurious Practices. With respect to all loans with
12 California borrowers, SALT is hereby ordered to discontinue its practice of requiring borrowers to
13 authorize SALT to “Stabilize” collateral securing loans, as defined below under Paragraph 5 of
14 Section II, for reasons unrelated to the borrowers but still at their expense.

15 4. Definitions. For the purpose of this Consent Order, the terms below shall be defined
16 as follows:

- 17 a. “active loan” or a loan described as “active”: A loan that (i) has not reached
18 maturity as of the Effective Date, as defined under Paragraph 4(c) of Section
19 II, below; or (ii) reached maturity during the period from November 15, 2022
20 (the date when SALT paused withdrawals from its platform), through the
21 Effective Date.
- 22 b. “inactive loan” or a loan described as “inactive”: A loan for which a borrower
23 does not have current outstanding payment obligations.
- 24 c. “Effective Date” shall refer to the date when this Consent Order becomes final
25 and effective under Paragraph 37 of Section II, below.
- 26 d. “Compliance Date” shall mean either January 15, 2025, or the Effective Date,
27 whichever occurs later.
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1 5. Stabilization. “Stabilization” or “Stabilize” refers to SALT’s customer program
2 whereby, when a borrower’s loan-to-value ratio (LTV) reaches 90.91% (or other level as specified in
3 the borrower’s loan agreement), SALT will convert crypto or digital assets held as collateral into a
4 stablecoin (e.g., USD Coin or other crypto asset pegged to the U.S. dollar) and maintain such
5 collateral in the borrower’s account, which will preserve the value of the borrower’s collateral at
6 such level. With respect to all loans with California borrowers, SALT agrees to the following in
7 connection with Stabilization:

- 8 a. (i) In the event that a borrower’s LTV is equal to or exceeds 90.91%, or other
9 amount as specified in the borrower’s loan agreement, SALT will not
10 Stabilize the borrower’s account, unless the borrower has consented or
11 otherwise agreed to such Stabilization, which shall not be a condition for
12 receiving loans from SALT or otherwise maintaining loans with SALT; (ii)
13 borrowers can opt into Stabilization; (iii) the loan agreements, terms of use,
14 and related documents shall not, by default, elect that borrowers consent or
15 otherwise agree to Stabilization; and (iv) SALT shall not deny a new loan to
16 any California borrower, or provide them with terms inconsistent with those
17 offered to other borrowers, solely because the borrower decides to opt into or
18 opt out of Stabilization.
- 19 b. For a Stabilization occurring on or after the Compliance Date of this Consent
20 Order, SALT shall cap all related fees—including but not limited to the
21 Stabilization fee, spread fee, administrative fee, and conversion fee—to a
22 maximum of 3% of the total amount of crypto collateral converted at the time
23 of Stabilization.
- 24 c. As part of the loan documents provided to borrowers, and before execution of
25 said agreements, SALT shall provide risk disclosures relating to the likelihood
26 and risk of liquidation from borrowing on margin and impact of Stabilization.
27 The risk disclosures shall be conspicuous (bold and at least 12-point font).
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1 6. Refunds to Borrowers. SALT shall issue refunds for fees and charges it collected in
2 connection with loans contracted with California borrowers from November 1, 2019, through the
3 Compliance Date of this Consent Order, within sixty (60) calendar days of the Compliance Date of
4 this Consent Order, as follows:

- 5 a. All fees referenced in Paragraph 41 of Section I (Recitals), above.
6 b. 20% of Stabilization fees paid by borrowers.
7 c. Fees and charges paid by borrowers because SALT understated the annual
8 percentage rates for loans by (i) incorrectly calculating the annual percentage
9 rates, and (ii) applying the maximum earnable amount of StackWise rewards
10 to the interest payments even when borrowers did not earn and apply that
11 amount for the full duration of their loans, provided that any borrower's
12 refund with respect to understated annual percentage rates in the StackWise
13 program will be equal to (x) the aggregate interest paid above the annual
14 percentage rate reflected in the Truth in Lending Act disclosure, less (y) the
15 aggregate StackWise rewards actually provided to the borrower.
16 d. Conversion fees, if any, collected when a borrower converted stablecoins to
17 another form of crypto asset following a Stabilization.

18 7. Method of Refund.

- 19 a. Active Loans. All refunds to borrowers with active loans shall be deposited in
20 the respective SALT account of such borrowers and immediately applied by
21 SALT to reduce the outstanding loan obligations at payoff or refinancing. In
22 the event a California borrower has an active loan which has not reached its
23 contractual maturity date and the borrower elects not to close or refinance the
24 loan, SALT shall apply the refund to the next interest payment(s) due.
25 b. Inactive loans. For borrowers without current outstanding payment
26 obligations, SALT will provide them with a Notice of Refund (discussed
27 below in Paragraph 7(d)). SALT agrees to comply with any borrowers'
28 requests for SALT to do one of the following within thirty (30) calendar days

1 of borrowers' receipt of the Notice of Refund: (i) deposit the refund in the
2 borrower's SALT account; (ii) send the refund via Automated Clearing House
3 after the borrower provides SALT with Automated Clearing House
4 instructions; (iii) send the refund, in the form of stablecoins, to a designated
5 crypto wallet address; or (iv) mail a refund check via certified mail with a
6 tracking number. For borrowers who do not make a refund election within
7 thirty (30) calendar days of the borrowers' receipt of the Notice of Refund,
8 SALT will mail checks via certified mail with tracking numbers.

9 i. If the borrower requests SALT to provide a refund by Automated
10 Clearing House, but fails to provide Automated Clearing House
11 instructions, SALT shall attempt to contact the borrower via electronic
12 mail fifteen (15) calendar days after the date of the borrower's request,
13 to inquire about the Automated Clearing House instructions.

14 ii. If the borrower requests SALT to provide a refund by Automated
15 Clearing House, but fails to provide Automated Clearing House
16 instructions within thirty (30) calendar days of the date of the
17 borrower's request, SALT shall send not later than fourteen (14)
18 calendar days, a refund check via certified mail with a tracking
19 number. SALT will provide concurrent notification that SALT mailed
20 the check, as well as the tracking number for the check, to the
21 borrower via electronic mail. If the check remains uncashed for one-
22 hundred-eighty (180) calendar days after issuance, SALT will escheat
23 such funds, together with any returned or unclaimed refunds.

24 c. Reporting. Within ninety (90) calendar days after the Compliance Date, SALT
25 will confirm all refunds have been deposited into borrowers' SALT accounts
26 or sent to borrowers via Automated Clearing House, certified mail, or the
27 crypto wallet addresses designated by borrowers. SALT will also provide the
28 Commissioner with a report containing the loan identification number, the

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refund method selected by the borrower as of that date, the check number for the refund (if applicable), and the borrower’s name, address, and dollar value amount of their refund.

d. Notice of Refund. Within seven (7) calendar days of the Compliance Date of this Consent Order, SALT shall send a notice to each borrower owed a refund for which SALT has contact information. Such notice shall be sent to the borrower’s last known electronic mail address provided on SALT’s platform.

The notice shall, in pertinent part, say:

Pursuant to a settlement with the California Department of Financial Protection and Innovation (**insert link to this Consent Order**), SALT Lending LLC (SALT) is issuing you a refund for the following fees and charges: (**insert applicable fees and charges, for a total of \$XXX**). If you maintain an active loan with SALT, the amount will be applied against any outstanding loan obligation.

If your loan is inactive, you may elect to deposit the refund in your SALT account, or have SALT send the refund to you via Automated Clearing House transfer, transfer of stablecoin to your crypto wallet, or via check (certified mail) to your last known postal mailing address listed in SALT’s records. To receive the refund via Automated Clearing House transfer or stablecoin transfer to your wallet, please contact us immediately at (**insert SALT’s preferred contact number**) or via electronic mail at (**insert SALT’s preferred electronic mail address**) to confirm or update your information. If we do not receive confirmation or update of your Automated Clearing House information or wallet address within thirty (30) calendar days, we will mail your check.

8. No Waiver by Borrower. Payment of a refund to any borrower under this Consent Order shall not be conditioned on that borrower waiving any right.

9. Handling of Uncashed Checks. SALT shall escheat any returned or unclaimed refunds under Paragraph 6 of Section II to the California State Controller’s Office within the period provided by California Code of Civil Procedure section 1520 of the Unclaimed Property Law (Cal. Civ. Proc. Code § 1500 et seq.). In the event of escheat, notice shall be sent within seven (7)

1 calendar days to the Department pursuant to Paragraph 34 below, and shall include a copy of any
2 escheatment report(s) submitted to the California State Controller.

3 10. Penalty. SALT shall pay a penalty of \$137,500 (United States dollars) in six (6)
4 installments, in the following amounts and on or before the following dates:

- 5 a. \$22,916.67 on February 14, 2025.
- 6 b. \$22,916.67 on April 1, 2025.
- 7 c. \$22,916.67 on May 1, 2025.
- 8 d. \$22,916.67 on June 1, 2025.
- 9 e. \$22,916.66 on July 1, 2025.
- 10 f. \$22,916.66 on August 1, 2025.

11 The penalty shall be paid by cashier checks, company checks, or Automated Clearing House
12 transfer, pursuant to instructions which shall be separately provided, to the Department of Financial
13 Protection and Innovation and transmitted to the attention of Accounting – Litigation, Department of
14 Financial Protection and Innovation, 2101 Arena Boulevard, Sacramento, California 95834. Notice
15 of the payment must be concurrently sent to Quincy Vien, Counsel, Department of Financial
16 Protection and Innovation, via electronic mail at Quincy.Vien@dfpi.ca.gov.

17 11. Failure to Issue Borrower Refunds or Pay Penalty. If SALT fails to comply with any
18 of the provisions in Paragraphs 6 through 10 of Section II, the Commissioner may summarily
19 suspend SALT’s CFL license (no. 60DBO-87584), following the Commissioner’s notice to SALT
20 and allowing SALT thirty (30) calendar days thereafter to cure non-compliance, until SALT
21 provides evidence of compliance to the Commissioner’s satisfaction.

22 12. Reinstatement. The Commissioner hereby reinstates SALT’s CFL license (no.
23 60DBO-87584), effective as of the Compliance Date.

24 13. December 8, 2022, Agreement. The December 8, 2022, agreement between the
25 Commissioner and SALT shall be terminated and have no force and effect as of the Compliance
26 Date.

27 14. Credit Reporting. SALT shall not report to any credit agencies and organizations that
28 any current loans belonging to California borrowers became delinquent or defaulted at any point

1 from November 15, 2022, up to one-hundred twenty (120) calendar days after the Compliance Date
2 of this Consent Order.

3 15. Underwriting. SALT agrees to augment its policies and procedures for underwriting
4 to enhance its ability to take into consideration the borrower's ability to repay in the time and
5 manner contemplated. Specifically, before executing loan documents and originating loans with
6 California borrowers on or after the Compliance Date of this Consent Order, SALT shall, in addition
7 to its existing underwriting activity, do the following with respect to California borrowers:

- 8 a. SALT shall request all prospective borrowers provide annual income
9 regardless of the loan size requested.
- 10 b. SALT shall request information regarding existing secured and unsecured
11 debt(s), if any, and expenses.
- 12 c. With respect to secured debt, SALT shall request borrowers indicate if such
13 debt relates to home, auto and/or other use.
- 14 d. SALT shall verify and evaluate a prospective borrower's stated income, debts
15 (secured and unsecured), and expenses, by reviewing documents relating to
16 the borrower's overall financial condition and ability to make timely payments
17 on loans; documentation may be provided by, among other sources, the
18 following:
 - 19 i. Pay stub showing the most recent 30-calendar-day pay period.
 - 20 ii. Financial institution records showing regular deposits consistent with
21 reported income for the most recent sixty (60) calendar days.
 - 22 iii. Payroll statements.
 - 23 iv. Income records from the borrower's employer or a third party that
24 obtained income information from the employer.
 - 25 v. Records from a federal, state, or local government agency stating the
26 borrower's income from benefits or entitlements. Income from
27 benefits paid by a government entity shall not include any benefits for
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1 which the recipient must satisfy a means test or any cash equivalent
2 nonmonetary benefits, such as food stamps.

3 vi. Credit reports.

4 e. SALT will not extend a loan without considering at least one of the following
5 when determining a borrower's ability to repay a loan: The ratio of debt
6 obligations to income; the ratio of debt obligations to assets (excluding the
7 collateral for the loan); or the income or assets (excluding the collateral for the
8 loan) the consumer will have after paying debt obligations.

9 f. SALT may inquire about the borrower's net worth, where it deems
10 appropriate.

11 16. Active Loans. SALT agrees to the following with respect to active loans with
12 California borrowers, as of the Compliance Date of this Consent Order:

13 a. Notice to Borrowers. Within seven (7) calendar days of the Compliance Date
14 of this Consent Order, SALT shall (i) send a written communication to
15 California borrowers, to the borrowers' last known electronic mail addresses
16 provided on SALT's platform, detailing the actions borrowers can request
17 from SALT with respect to their loans and how they can submit a formal
18 complaint online with the Commissioner at [https://dfpi.ca.gov/submit-a-](https://dfpi.ca.gov/submit-a-complaint)
19 [complaint](https://dfpi.ca.gov/submit-a-complaint); and (ii) provide separate conspicuous notices of this directive on
20 SALT's website at <https://saltlending.com>. The written communication to
21 borrowers will advise of the reinstatement of SALT's CFL license and advise
22 borrowers that they have thirty (30) calendar days to inform SALT if such
23 borrower wants to (i) pay off their loan(s) within ten (10) business days, or (ii)
24 refinance their loan(s) on market terms consistent with those offered to other
25 SALT borrowers at the time of such refinancing. Any active loan that is not
26 paid off or refinanced will be governed by the terms of the original loan
27 agreement, provided that SALT will not declare any loan to be in default
28 within sixty (60) calendar days after the Compliance Date.

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b. Post-November 2022 Interest. SALT’s Notice to Borrowers under Paragraph 16(a) of Section II will provide each borrower with a statement of their outstanding loan obligations. The Notice to Borrowers will also state:

Pursuant to a settlement with the California Department of Financial Protection and Innovation (**insert link to this Consent Order**), if you request to pay off your active loans within thirty (30) calendar days of this Notice and then pay off those loans within ten (10) business days of your request, SALT will not charge or collect any interest, fees, or charges: (i) for closing out your loan(s); (ii) for returning collateral to you; or (iii) for the period from November 15, 2022 (the date when SALT paused withdrawals from its platform), through the date when you pay off your active loan.

c. Failure to Notify. Any active loan that is not paid off or refinanced will be governed by the terms of the original loan agreement, provided that SALT will not declare any loan defaults for sixty (60) calendar days after the Compliance Date of this Consent Order.

d. Active Loan Payoff.

i. Subject to SALT’s standard practices, if (i) a borrower requests to pay off their active loan(s) within thirty (30) calendar days of receiving the Notice to Borrowers under Paragraph 16(a) of Section II, and (ii) the borrower pays off their active loan(s) within ten (10) business days of their request, SALT shall process that request and return the borrower’s collateral held in their SALT account to them, in accordance with SALT’s Terms of Use and loan documents provided to the borrower.

ii. If a borrower pays off their loan(s) pursuant to Paragraph 16(d)(i) of Section II, above, SALT agrees to the following:

1. SALT shall not charge or collect any interest, fees, or charges: (A) for closing out loan(s); (B) for returning collateral to a borrower; or (C) incurred for the period from November 15, 2022 (the date when SALT paused withdrawals from its

1 platform), through the date when the borrower pays off their
2 active loan(s) and SALT closes their SALT account.

- 3 2. SALT shall not deny a new loan to any California borrower, or
4 provide them with terms inconsistent with those offered to
5 other borrowers, solely because the borrower decides to pay off
6 their active loans and close their SALT account. In the event a
7 borrower who has paid off their active loan desires to enter into
8 a new loan agreement with SALT, SALT will propose terms
9 consistent with SALT's current market terms, including, but
10 not limited to, applicable rates, fees, and loan minimums.
11 3. While SALT agrees to use reasonable efforts to offer a loan to
12 any California borrower, nothing contained herein shall require
13 SALT to enter into any loan.

14 e. Refinancing.

- 15 i. In the event a California borrower desires to refinance, SALT will
16 provide proposed refinancing terms consistent with SALT's current
17 market terms, including, but not limited to, applicable rates, fees, and
18 loan minimums.
19 ii. While SALT agrees to use reasonable efforts to refinance the loan of
20 any California borrower, nothing contained herein shall require SALT
21 to enter into any refinancing.
22 iii. If a borrower requests to refinance an active loan, SALT may negotiate
23 the terms of refinancing with the borrower.

24 f. Reporting. SALT shall document each transaction it conducts relating to the
25 activities outlined under Paragraph 16 of Section II and shall provide a written
26 report of those transactions to the Commissioner on a weekly basis for three
27 (3) months after the Compliance Date of this Consent Order, and then
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1 monthly for the following nine months. That report shall include the following
 2 information with respect to each loan:

- 3 i. The borrower’s full name.
- 4 ii. The borrower’s contact information (mailing address, electronic mail
 5 address, and phone number).
- 6 iii. Loan identification number.
- 7 iv. Collateral type.
- 8 v. Amount of current loan principal.
- 9 vi. Amount of loan principal paid.
- 10 vii. Amount of loan interest paid.
- 11 viii. Date that the loan was closed or refinanced.
- 12 ix. Date that the borrower received their return of collateral, if applicable.
- 13 x. Form and amount of collateral returned to the borrower (measured in
 14 the collateral type), if applicable.

15 17. Rehypothecation. As part of the loan documents provided to California borrowers,
 16 and before execution of said agreements, SALT shall provide borrowers with risk disclosures
 17 relating to SALT’s right to rehypothecate borrowers’ collateral and the related risk of loss and harm
 18 to borrowers. The risk disclosures shall be conspicuous (bold and at least 12-point font) and shall
 19 include the following:

- 20 a. A definition for SALT’s right to rehypothecate borrowers’ collateral.
- 21 b. Failure of repayment by any individual or entity to whom SALT lends
 22 borrowers’ collateral may put the collateral at risk of loss.
- 23 c. In the event of SALT’s bankruptcy, insolvency, or other inability to repay its
 24 obligations, the crypto assets deposited by borrowers as collateral for loans are
 25 at risk of loss.

26 18. Waiver of Hearing Rights. SALT acknowledges that the Commissioner is ready,
 27 willing, and able to proceed with the filing of an enforcement action upon the findings contained in
 28 this Consent Order. SALT hereby waives the right to any hearings, and to any reconsideration,

1 appeal, or other right to review which may be afforded under the CFL, California Administrative
2 Procedure Act, California Code of Civil Procedure, or any other provision of law. By waiving such
3 rights, SALT effectively consents to this Consent Order, including (1) the Order to Desist and
4 Refrain and (2) the Order to Discontinue Unsafe and Injurious Practices, contained herein, becoming
5 final.

6 19. Failure to Comply with this Consent Order. SALT agrees that if it fails comply with
7 the terms of this Consent Order, the Commissioner may avail herself of any and all remedies
8 available to her under the CFL, California Administrative Procedure Act, California Code of Civil
9 Procedure, or any other provision of law.

10 20. Information Willfully Withheld or Misrepresented. If the Commissioner discovers
11 that SALT knowingly or willfully withheld or misrepresented information used for and relied upon
12 in this Consent Order, after providing SALT with due notice and an opportunity to be heard, this
13 Consent Order or any specific paragraphs herein, at the Commissioner’s sole discretion, may be
14 revoked, and the Commissioner may pursue any and all remedies available under law against SALT.
15 SALT reserves any and all rights and defenses should such an action be brought available under law,
16 including, but not limited to, all rights and defenses available under the CFL.

17 21. Future Actions by the Commissioner. If, after providing SALT with due notice and an
18 opportunity to be heard, the Commissioner determines that SALT failed to comply with the terms of
19 this Consent Order, the Commissioner may institute proceedings for any and all matters otherwise
20 resolved under this Consent Order. The Commissioner reserves the right to bring any actions against
21 SALT, or any of its partners, owners, officers, shareholders, directors, employees, or successors for
22 any and all violations of the CFL or any other provision of law. SALT reserves any and all of its
23 rights and defenses should such an action be commenced, including, but not limited to, all rights and
24 defenses available under the CFL.

25 22. Assisting Other Agencies. Nothing in this Consent Order limits the Commissioner’s
26 ability to assist any other government agency (city, county, state, or federal) with any prosecution,
27 administrative, civil, or criminal action brought by that agency against SALT or any other person
28 based on any of the activities alleged in this matter or otherwise.

1 23. No Presumption Against Drafter. Each party acknowledges that it has had the
2 opportunity to draft, review, and edit the language of this Consent Order. Accordingly, the parties
3 intend no presumption for or against the drafting party will apply in construing any part of this
4 Consent Order. The parties waive the benefit of California Civil Code section 1654 as amended or
5 corresponding provisions of any successor statute, which provide that in cases of uncertainty,
6 language of a contract should be interpreted most strongly against the party who caused the
7 uncertainty to exist.

8 24. Independent Legal Advice. Each of the parties represents, warrants, and agrees that it
9 has had the opportunity to receive independent advice from an attorney(s) and/or representatives
10 with respect to the advisability of executing this Consent Order.

11 25. Headings. The headings for the paragraphs of this Consent Order are inserted for
12 convenience only and will not be deemed a part hereof or affect the construction or interpretation of
13 the provisions hereof.

14 26. Binding. This Consent Order is binding on all heirs, assigns, and/or successors in
15 interest.

16 27. Reliance. Each of the parties represents, warrants, and agrees that in executing this
17 Consent Order, it has relied solely on the statements set forth herein and the advice of its own legal
18 counsel, if represented. Each of the parties further represents, warrants, and agrees that in executing
19 this Consent Order, it has placed no reliance on any statement, representation, or promise of any
20 other party, or any other person or entity not expressly set forth herein, or upon the failure of any
21 party or any other person or entity to make any statement, representation, or disclosure of anything
22 whatsoever. The parties have included this clause: (1) to preclude any claim that any party was in
23 any way fraudulently induced to execute this Consent Order; and (2) to preclude the introduction of
24 parol evidence to vary, interpret, supplement, or contradict the terms of this Consent Order.

25 28. Waiver, Amendments, and Modifications. No waiver, amendment, or modification of
26 this Consent Order will be valid or binding unless it is in writing and signed by each of the parties.
27 The waiver of any provision of this Consent Order will not be deemed a waiver of any other
28 provision. No waiver by either party of any breach of, or of compliance with, any condition or

1 provision of this Consent Order by the other party will be considered a waiver of any other condition
2 or provision or of the same condition or provision at another time.

3 29. Full Integration. This Consent Order is the final written expression and the complete
4 and exclusive statement of all the agreements, conditions, promises, representations, and covenants
5 between the parties with respect to the subject matter hereof, and supersedes all prior or
6 contemporaneous agreements, negotiations, representations, understandings, and discussions
7 between and among the parties, their respective representatives, and any other person or entity, with
8 respect to the subject matter covered hereby.

9 30. Governing Law. This Consent Order will be governed by and construed in
10 accordance with California law. Each of the parties hereto consents to the jurisdiction of such court
11 and thereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient
12 forum to the maintenance of such action or proceeding in such court.

13 31. Counterparts. This Consent Order may be executed in one or more separate
14 counterparts, each of which when so executed, shall be deemed an original. Such counterparts shall
15 together constitute a single document.

16 32. Effect Upon Future Proceedings. If SALT applies for any license, permit, or
17 qualification under the Commissioner’s jurisdiction, or is the subject of any future action by the
18 Commissioner to enforce this Consent Order, then the subject matter hereof shall be admitted for the
19 purpose of such application(s) or enforcement proceeding(s). Notwithstanding the foregoing, SALT
20 shall not be denied a license, permit, or qualification solely because it has entered into this Consent
21 Order.

22 33. Voluntary Agreement. SALT hereby enters into this Consent Order voluntarily and
23 without coercion and acknowledges that no promises, threats, or assurances have been made by the
24 Commissioner or any officer, or agent thereof, about this Consent Order. The parties each represent
25 and acknowledge that he, she, or it is executing this Consent Order completely voluntarily and
26 without any duress or undue influence of any kind from any source.

27 34. Notice. Any notice required under this Consent Order shall be provided to each party
28 at the following addresses:

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To SALT: Shawn Owen
Chief Executive Officer
SALT Lending LLC
600 17th Street, Suite 2800 South
Denver, CO 80202
Shawn.Owen@saltlending.com
legaldept@saltlending.com

To the Commissioner: Quincy Vien, Counsel
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013
Quincy.Vien@dfpi.ca.gov

35. Signatures. A fax or electronic mail signature shall be deemed the same as an original signature.

36. Public Record. SALT hereby acknowledges that this Consent Order is and will be a matter of public record.

37. Effective Date. This Consent Order shall become final and effective when signed by all parties and delivered by the Commissioner’s agent via electronic mail to SALT at the following electronic mail address: Shawn.Owen@saltlending.com.

38. Authority to Sign. Each signatory hereto covenants that he/she possesses all necessary capacity and authority to sign and enter into this Consent Order and undertake the obligations set forth herein.

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Dated: December 23, 2024

CLOTHILDE V. HEWLETT

Commissioner of Financial Protection and Innovation



By:

MARY ANN SMITH
Deputy Commissioner
Enforcement Division

Dated: December 18, 2024

SALT LENDING LLC

By:

SHAWN OWEN
Chief Executive Officer