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10 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT  
11 OF THE STATE OF CALIFORNIA

13 In the Matter of: ) CFL FILE NO.: 60DBO-78868  
14 THE COMMISSIONER OF BUSINESS )  
OVERSIGHT, ) STIPULATION  
15 )  
16 Complainant, )  
17 v. )  
18 CREDIT KARMA, INC., )  
19 Respondent. )  
20 )  
21 )

23 In consideration of the application filed by Credit Karma Offers, Inc. for a license under the  
24 California Financing Law<sup>1</sup> (Fin. Code, § 22000, et seq.) (CFL), this Stipulation is entered into by and  
25 between the Commissioner of Business Oversight and Credit Karma, Inc. (Stipulation).  
26

27 <sup>1</sup> Effective October 4, 2017, the name of the “California Finance Lenders Law” changed to the “California Financing  
28 Law.” (Assem. Bill No. 1284 (2017-2018 Reg. Sess.) § 4.) For purposes of this Stipulation, a reference to the California  
Financing Law means the California Finance Lenders Law before October 4, 2017 and the California Financing Law on  
and after that date. (Fin. Code, § 22000.)

**RECITALS**

This Stipulation is made with reference to the following facts:

A. Credit Karma, Inc. (CKI) is a Delaware corporation organized in 2007 with its principal place of business at 760 Market Street, 5th Floor, San Francisco, California 94102. CKI has never been licensed under the CFL.

B. Credit Karma Offers, Inc. (CKO, and, collectively with CKI, Credit Karma) is a Delaware corporation organized in 2017 with its principal place of business at 760 Market Street, 5th Floor, San Francisco, California 94102. CKO is a wholly-owned subsidiary of CKI. CKO has never been licensed under the CFL.

C. Susannah S. Wright is the Chief Legal Officer of CKI. As such, Susannah S. Wright is authorized to enter into this Stipulation on behalf of CKI.

D. The Department of Business Oversight, through the Commissioner of Business Oversight (Commissioner), has jurisdiction over the licensing and regulation of persons and entities engaged in the business of lending and brokering pursuant to the CFL.

E. On or about November 16, 2017, CKO voluntarily filed with the Commissioner an application for licensure as a broker under the CFL (CFL File No. 60DBO-78868) (Application). Credit Karma cooperated with the Commissioner during the application process and provided to the Commissioner information describing services Credit Karma rendered in connection with loans made under the CFL in 2016 and 2017 (Information). From the Commissioner’s review of the Application and the Information, the Commissioner made the following factual findings.

**Factual Findings Regarding Pre-Qualification Service**

i. In 2017, CKI offered a pre-qualification service to participating lenders, including lenders that made loans under the CFL (Pre-Qualification Lenders).

ii. As part of this service, prospective borrowers opted to receive pre-qualified offers from the Pre-Qualification Lenders by voluntarily submitting certain confidential information to CKI and by authorizing the Pre-Qualification Lenders to perform soft credit pulls based upon the confidential information submitted.

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1           iii.           With the prospective borrower’s consent, CKI transmitted a prospective  
2 borrower’s confidential information and authorization to the Pre-Qualification Lenders in the form of  
3 a pre-qualification request.

4           iv.           In response to a pre-qualification request, the Pre-Qualification Lenders  
5 notified CKI of the offers the Pre-Qualification Lenders determined were available to the prospective  
6 borrower in accordance with the pre-qualification criteria of the Pre-Qualification Lenders.

7           v.           Subsequently, CKI displayed to a prospective borrower, on the CKI website,  
8 offers from the Pre-Qualification Lenders for which a prospective borrower was pre-qualified.

9           vi.           If a prospective borrower was interested in an offer from a Pre-Qualification  
10 Lender, the prospective borrower could click on a link that directed the prospective borrower to the  
11 website of the Pre-Qualification Lender. If the prospective borrower chose to complete an  
12 application on the Pre-Qualification Lender’s website and ultimately received a loan, CKI earned a  
13 fee.

14           vii.           In connection with this service, CKI represented to prospective borrowers that  
15 it assisted borrowers in finding rates from the Pre-Qualification Lenders.

16                           Factual Findings Regarding Hosted Application Service

17           viii.           From 2016 through 2017, CKI offered a hosted application service to one  
18 lender that made loans under the CFL (Hosted Application Lender).

19           ix.           As part of this service, CKI posted an application form on the CKI website for  
20 loans offered by the Hosted Application Lender. When a prospective borrower completed the  
21 application form on CKI’s website, CKI transmitted the completed application to the Hosted  
22 Application Lender for consideration. CKI was paid a fee if a completed application it transmitted  
23 resulted in a loan.

24           F.           Based on these factual findings, the Commissioner determined that CKI engaged in  
25 the business of negotiation or performing any act as broker in connection with loans made by a  
26 finance lender in violation of section 22100 of the Financial Code.

27           G.           CKI disagrees with the Commissioner’s determinations; however, it is the intention  
28 and desire of CKI and the Commissioner (Parties) to resolve this matter amicably without the

1 necessity of a hearing or other litigation.

2 H. The Commissioner finds that this action is appropriate, in the public interest, and  
3 consistent with the purposes fairly intended by the policy and provisions of the CFL.

4 NOW, THEREFORE, in consideration of the foregoing, and the terms and conditions  
5 contained herein, the Parties agree as follows:

6 **TERMS AND CONDITIONS**

7 1. **Desist and Refrain Order.** In accordance with Financial Code section 22712, CKI  
8 stipulates that it is ordered to desist and refrain from engaging in the business of negotiation or  
9 performing any act as broker in connection with loans made by a finance lender in violation of  
10 section 22100 of the Financial Code.

11 2. **Finality.** CKI acknowledges that the Commissioner is ready, willing, and able to  
12 proceed with the filing of an administrative enforcement action on the allegations contained in  
13 this Stipulation. CKI hereby waives the right to any hearings, and to any reconsideration, appeal,  
14 injunction, or other rights to review which may be afforded pursuant to the Financial Code, the  
15 California Administrative Procedure Act, the Code of Civil Procedure, or any other provision of law.  
16 CKI further expressly waives any requirement for the filing of an Accusation that may be afforded by  
17 Government Code section 11415.60, subdivision (b), the California Administrative Procedure Act,  
18 the Code of Civil Procedure, or any other provision of law. By waiving such rights, CKI  
19 effectively consents to this Stipulation herein becoming final.

20 3. **Fee.** CKI shall pay an administrative and investigative fee of \$200,000.00 to the  
21 Commissioner (Fee). The Fee is due by the Effective Date, as defined in Paragraph 6, and should be  
22 made payable in the form of a cashier's check or Automated Clearing House deposit to the  
23 "Department of Business Oversight" and transmitted to the attention of: Accounting – Enforcement  
24 Division, Department of Business of Oversight, 1515 K Street, Suite 200, Sacramento, California  
25 95814. Notice of such payment shall be forwarded to Adam Wright, Senior Counsel, Department of  
26 Business Oversight, Enforcement Division, 320 West 4th Street, Suite 750, Los Angeles, California  
27 90013.

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1           4.       **Consideration.** In consideration of CKI’s agreement to the issuance of this  
2 Stipulation, CKI’s payment of the administrative and investigative fee, the Application, and the  
3 Information, the Commissioner hereby agrees that she shall issue a CFL broker license to CKO  
4 within five business days of the Effective Date of this Stipulation, as defined in Paragraph 6.

5           5.       **Full and Final Agreement.** The Parties hereby acknowledge and agree that this  
6 Stipulation is intended to constitute a full, final, and complete resolution of the allegations set forth in  
7 Paragraph F above and any other Financial Code section 22100 claims arising out of the Information  
8 relating to services rendered prior to the Effective Date of this Stipulation (22100 Claims), and that  
9 no further proceedings or actions will be brought by the Commissioner in connection with the 22100  
10 Claims, under the CFL or any other provision of law, unless the proceeding or action is based upon  
11 discovery of new and further violations of the CFL that do not form the basis for this Stipulation or  
12 which were knowingly concealed from the Commissioner by Credit Karma.

13           6.       **Effective Date.** This Stipulation will not become effective until signed by all Parties  
14 and delivered by the Commissioner’s counsel by email to Clinton Rockwell, outside counsel for  
15 Credit Karma, at [crockwell@buckleysandler.com](mailto:crockwell@buckleysandler.com).

16           7.       **Counterparts.** The Parties agree that this Stipulation may be executed in any number  
17 of counterparts, each of which will be deemed an original when executed. A signature delivered by  
18 facsimile or email shall be deemed the same as an original signature. Such counterparts will together  
19 constitute and be one and the same instrument.

20           8.       **Binding.** This Stipulation is binding on all heirs, assigns, or successors in interest.

21           9.       **Third Party Actions.** It is the intent and understanding between the Parties that this  
22 Stipulation does not create any private rights or remedies against CKI or create any liability for CKI  
23 or limit defenses of CKI against any person or entity not a party to this Stipulation. Further, entering  
24 this Stipulation by CKI does not constitute an admission of wrongdoing or violation of law, statute,  
25 or regulations.

26           10.       **Independent Legal Advice.** Each of the Parties represents that it has received  
27 independent advice from its counsel or representatives regarding the advisability of executing this  
28 Stipulation.

1           11.    **No Further Representation.** Each of the Parties represents that in executing this  
2 Stipulation it has relied solely on the statements set forth in this Stipulation and on the advice of its  
3 counsel or representatives. Each of the Parties further represents that in executing this Stipulation, it  
4 has not relied on any statement, representation, or promise of any other party or any other person or  
5 entity not expressly set forth in this Stipulation or upon the failure of any party or any other person or  
6 entity to make any statement, representation, or disclosure. The Parties have included this clause to  
7 preclude any claim that any party was fraudulently induced to execute this Stipulation.

8           12.    **Waiver and modifications.** No waiver, amendment, or modification of this  
9 Stipulation shall be valid or binding unless it is in writing and signed by all of the parties affected by  
10 it. Waiver of any provision of this Stipulation will not waive any other provision.

11           13.    **Full Integration.** This Stipulation is the final written expression and the complete  
12 and exclusive statement of all the agreements, conditions, promises, representations, and covenants  
13 between the Parties concerning its subject matter and supersedes all discussions regarding such  
14 subject matter between the Parties, their representatives, and any other person or entity. The Parties  
15 have included this clause to preclude the introduction of parol evidence to vary, interpret,  
16 supplement, or contradict the terms of this Stipulation.

17           14.    **Presumption from Drafting.** In that the Parties have had the opportunity to draft,  
18 review and edit the language of this Stipulation, no presumption for or against any party arising out  
19 of drafting all or any part of this Stipulation will apply in construing this Stipulation. Accordingly,  
20 the Parties waive the benefit of Civil Code section 1654 as amended or any successor statute, which  
21 provides that in cases of uncertainty, language of a contract should be interpreted most strongly  
22 against the party that caused the uncertainty to exist.

23           15.    **Headings and Governing Law.** The headings to the paragraphs of this Stipulation  
24 are for convenience only and do not affect its meaning. This Stipulation will be construed and  
25 enforced in accordance with, and governed by, the laws of the State of California.

26           16.    **Severability.** The provisions of this Stipulation are severable and the invalidity or  
27 unenforceability of any of them will not affect the remainder of this Stipulation.

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