

September 26, 2018

Dear XXX

The Department of Business Oversight (DBO) is assessing the effectiveness of the state's regulatory structure that governs the brokering and making of consumer loans ranging from \$2,500 to \$9,999. To help make this evaluation, the DBO requires certain data and information from lenders licensed to make such loans under the California Financing Law (CFL).

Subdivision (b) of Financial Code section 22159 mandates that CFL licensees submit "special reports that may be required" by the Commissioner of Business Oversight. Pursuant to this statute, please provide answers to the questions below. Submit your special report electronically to lila.mirrashidi@dbo.ca.gov within 45 days from the date of this letter.

Failure to file this special report within 10 days of the due date may result in action being taken against your company. Paragraph (1) of subdivision (a) of Financial Code section 22714, and Financial Code section 22715, authorize the Commissioner to suspend or revoke the license of a licensee that fails to comply with any demand or requirement of the Commissioner.

The DBO sent you this request for information because your 2017 annual report of CFL lending activity shows your company made at least 1,000 consumer loans ranging from \$2,500 to \$9,999, and that at least 90% of those loans carried annual percentage rates (APR) of 100%, or higher. This same request has been sent to 19 other CFL licensees.

The DBO may produce a report based on the data received from you and the other affected licensees. The DBO will make public any such report. A request for confidential treatment of any information provided in connection with your special report will be considered pursuant to Section 250.10 of Title 10 of the California Code of Regulations.

For purposes of the questions below, "LOANS" means all consumer loans made under your CFL license(s) in 2017 with principal amounts ranging from \$2,500 to \$9,999.

QUESTIONS:

1. How many LOANS did your company make?
2.
 - a. What was the highest APR among the LOANS?
 - b. What was the lowest APR among the LOANS?
 - c. What was the median APR of the LOANS?
 - d. What was the average APR of the LOANS?
3. How many unique, individual customers obtained LOANS from your company?
4.
 - a. How many of the customers reported in response to question #3 submitted their LOAN application online?
 - b. How many of the customers reported in response to question #3 submitted their LOAN application over the phone?
 - c. How many of the customers reported in response to question #3 submitted their LOAN application at a physical location?
5.
 - a. How many of the customers reported in response to question #3 were referred or directed to your company by an online lead generator?

- b. How many of the customers reported in response to question #3 were referred or directed to your company by an online lead generator that was only compensated if the referred customer successfully obtained a loan from you?
6. a. Does your underwriting on customers referred by an online lead generator differ in any respect from the underwriting you conduct on borrowers who apply for a loan at a physical location, or who apply on your website or over the phone, without having been referred? If so, please explain in detail.
- b. For how many of the customers reported in response to question #3 did you obtain a credit report as part of your underwriting?
- c. For how many of the customers reported in response to question #3 did you verify the customer's reported income?
- d. For how many of the customers reported in response to question #3 did your underwriting rely only on information reported by the customer?
- e. For how many of the customers reported in response to question #3 did you rely on information provided by the online lead generator as part of your underwriting?
7. Of the customers reported in response to question #5, how many informed the online lead generator they were seeking a loan of less than \$2,500, either by indicating they wanted a loan in a specific amount of less than \$2,500, or by indicating they wanted a loan within a specific dollar-amount range below \$2,500?
8. Explain to what extent, if any, your company handles referred customers who were reported under question #7 differently from referred customers who did not indicate they were seeking a loan of less than \$2,500. In your answer, identify and describe any policies that govern the processing of such referrals, including, but not limited to, policies related to underwriting and disclosures to customers.

Please direct any questions regarding this letter to Lila Mirrashidi, Deputy Commissioner for Policy, at 916-322-8862 or lila.mirrashidi@dbo.ca.gov.

Thank you in advance for providing this special report, and for helping the DBO better understand California's consumer lending market.

Sincerely,

Jan Lynn Owen
Commissioner
Department of Business Oversight