STATE OF CALIFORNIA - BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY EDMUND G. BROWN JR., Governor

DEPARTMENT OF BUSINESS OVERSIGHT

Ensuring a Fair and Secure Financial Services Marketplace for all Californians

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Payday Loan Customers with 10 Transactions Outnumbered Those with One in 2015

DBO Report Shows Repeat Customers' Prominence in Sector

SACRAMENTO – The number of California payday loan customers who made 10 transactions in 2015 outnumbered those who made just one, according to a report released today by the California Department of Business Oversight (DBO).

"The numbers in this report reflect repeat customers' significant role in the payday loan sector," said DBO Commissioner Jan Lynn Owen. "The data also raise questions related to the debt trap issue that is central to the debate over proposals to more strictly regulate the industry."

The number of customers in 2015 who obtained 10 payday loans (formally called deferred deposit transactions under state law) totaled 462,334, according to a survey of DBO-licensed payday lenders included in the report. That was 42.7 percent more than the 323,870 customers who made only one transaction. Those numbers are based on survey responses from 216 of 252 licensees. Other survey data related to repeat customers:

- Subsequent transactions by the same borrower accounted for 76.2 percent of the total number of payday loans for respondent licensees in 2015 and 83.1 percent of the aggregate dollar amount (based on survey responses from 129 of 252 licensees).

- Of subsequent payday loans for the same borrower, 47.2 percent were made the same day the previous transaction ended. Another 23.2 percent were made one to seven days after the previous transaction (based on survey responses from 136 licensees).

The response rates to the survey questions varied substantially. Commissioner Owen is considering whether to require licensees to complete the survey again later this year so the DBO can obtain more complete answers from all licensees.

The report released today – the 2016 Summary Report: California Deferred Deposit Transaction Law Annual Report and Industry Survey – contains unaudited data submitted by licensees. The state's payday lending law requires licensees to provide the information to the DBO.

(MORE)

Following are data points from the Annual Report portion of the publication released today. In all, 251 of 252 licensees participated in the Annual Report component.

- The number of payday loans made in 2015 dropped 1.17 percent from 2014, to roughly 12.3 million. However, the aggregate dollar amount of transactions increased by 23.51 percent over the period, to about $4.2 billion.

- The average number of transactions per customer declined in 2015, to 6.5 from 6.82 in 2014.

- The average annual percentage rate (APR) for payday loans in 2015 increased to 366 percent from 361 percent in 2014.

- The total number of returned checks represented 6.37 percent of all payday loans in 2015, up from 5.84 percent in 2014. However, the dollar amount of returned checks, as a percentage of the total dollar amount of all transactions, declined to 5.1 percent from 5.82 percent in 2014.

- The number of charged off returned checks increased as a share of total payday loans in 2015, to 3.11 percent from 3.04 percent in 2014. However, the dollar amount of charged off returned checks, as a percentage of the total dollar amount of all transactions, fell to 2.23 percent from 2.95 percent in 2014.

As of Dec. 31, 2015, the DBO supervised 252 payday loan licensees at 1,969 licensed locations. The number of licensed locations was down 4.57 percent from 2014 and 18.06 percent from 2007, according to the report.

The DBO licenses and regulates more than 360,000 individuals and entities that provide financial services in California. DBO's regulatory jurisdiction extends over state-chartered banks and credit unions, money transmitters, securities broker-dealers, investment advisers, non-bank installment lenders and payday lenders, mortgage lenders, escrow companies, franchisors and more.

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