DEPARTMENT OF BUSINESS OVERSIGHT
Ensuring a Fair and Secure Financial Services Marketplace for all Californians

JAN LYNN OWEN
Commissioner of Business Oversight

For Immediate Release
July 10, 2017

Contact: Mark Leyes
(916) 322-5275

Installment Consumer Lending by Non-Banks grew more than 21 percent in 2016

Loans Under $2,500 Also Increased Significantly

SACRAMENTO – Installment consumer lending by non-banks in California increased more than 21 percent in 2016, to $41.3 billion, while the number of those loans grew nearly 6 percent, according to a report released today by the California Department of Business Oversight (DBO).

The report also showed a significant increase in the number and total principal of unsecured consumer loans under $2,500, where interest rates are capped. The number of such loans increased 11.4 percent, to more than 501,000, while the aggregate principal increased 9.5 percent, to almost $342 million.

Without the interest rate limits, more than half of the non-bank consumer installment loans for $2,500 to $4,999 – the second largest category of such loans – carried annual percentage rates (APRs) of 100 percent or higher in 2016, according to the report on the operations of California Finance Lenders Law (CFLL) licensees. State law does not restrict interest rates on CFLL loans of $2,500 or more.

For the year, nearly 530,000 consumers took out non-bank installment loans of $2,500 to $4,999. Of those, 58 percent, or 306,000, had APRs of 100 percent or more, according to the report.

“The numbers reflect a vibrant economy and I’m pleased to see more consumers taking advantage of interest rates capped by state law,” DBO Commissioner Jan Lynn Owen said. “But we should all be troubled by the number of consumers who are paying triple-digit APRs.”

The report for the first time provided data on consumer and commercial loans executed online. For CFLL licensees who reported making loans in 2016, 7 percent engaged in online lending, according to the report. Of the online consumer loans, almost 95 percent were unsecured with an aggregate principal amount of $2.9 billion.

Other significant data points from the CFLL report show:

- The growth in overall consumer lending by non-banks in 2016 was driven largely by residential mortgage loans made by CFLL licensees. The aggregate principal on such loans increased 29.4 percent, to $31.8 billion last year. The number of loans secured by real property increased 27.1 percent to 99,198.

- The number of auto title loans decreased 7.2 percent last year to 108,080 from 116,444 in 2015. However, the aggregate principal on such loans increased slightly, by 2.2 percent, to $433.2 million in 2016.

The DBO also has released a new report on the Pilot Program for Responsible Small Dollar Loans (RSDL), which was created to increase consumer access to credit. The two-year report showed that the combined principal of RSDL loans increased 7.7 percent, to $242.4 million in 2016, for a cumulative increase of 34.7 percent since 2014. The number of such loans increased 3.2 percent in 2016, to 201,494, and has grown 22.6 percent since 2014.

Loans made in the $300-$499 range increased nearly 2,300 percent over the two-year period, from 891 in 2014 to 21,065 in 2016. Loans in the highest range, $1,500 to $2,499, increased 39.7 percent, from 43,976 to 61,456.

Both reports are based on unaudited data provided by licensed lenders. The DBO licenses and regulates more than 360,000 individuals and entities that provide financial services in California. The department'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.

# # #