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

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California Payday Lending Industry Continues to Shrink as It Maintains Heavy Reliance on Repeat Customers

Number and Dollar Amount of Transactions, Number of Locations Fell in 2017

SACRAMENTO – California's payday lending industry in 2017 continued a multi-year period of contraction while maintaining its heavy reliance on repeat customers, according to a **report** released today by the Department of Business Oversight (DBO).

"Few outside the industry may mourn payday lending's shrinkage in California," said DBO Commissioner Jan Lynn Owen. "Nevertheless, the trend highlights the importance of policymakers and stakeholders working together to increase consumers' access to lower-cost, small-dollar financing products."

Following are highlights from the report, which provides data for the 2017 calendar year, as well as historical data:

- As of Dec. 31, 2017, the DBO supervised 207 payday lending licensees that operated at 1,705 locations. The number of licensed locations has been declining steadily since 2008, but the trend has accelerated since 2016. From 2008-2017, the number of locations dropped by 680, or 28.5 percent. Of the 680 lost locations, 38.8 percent – or 264 – vanished over the two-year period 2016-17.

- The number of payday loans in 2017 fell 6.7 percent from 2016, to 10.73 million, while the aggregate dollar amount of transactions declined 6.4 percent, to $2.94 billion. From 2015 through 2017, the annual number of transactions decreased 13 percent, and the combined annual dollar amount dropped 29.5 percent. Over the same period, the aggregate number of customers who took out payday loans declined 10.4 percent, to 1.69 million in 2017.

- The average number of transactions per customer in 2017 decreased slightly from 2016, to 6.36 from 6.4. However, as in prior years, the number of customers who obtained 10 or more payday loans in 2017 exceeded the number who took out just one – 428,838 compared to 380,465.

- Subsequent transactions by the same borrower in 2017 accounted for 83.1 percent of the total number of payday loans and 70.4 percent of the aggregate dollar amount.

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- Of subsequent transactions by the same borrower in 2017, 61.2 percent were made the same day the previous transaction ended. Another 17.6 percent were made one to seven days after the previous transaction.

- Of the $436.4 million in transaction fees collected in 2017 by licensees, 70.55 percent – $307.9 million – came from customers who made seven or more transactions during the year.

- 52 percent of payday loan customers in 2017 had average annual incomes of $30,000 or less, the same ratio as in the prior year.

- Only 10 percent of licensees reported making transactions online. However, online transactions accounted for 21.4 percent of both the total number and aggregate dollar amount of all transactions.

The report is based on unaudited data provided by payday lenders regulated by the DBO under the California Deferred Deposit Transaction Law (payday loans are formally known as deferred deposit transactions). In all, 197 of 207 licensees submitted their annual reports.

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 and servicers, escrow companies, franchisors and more.