



2017

Summary Report:
California Deferred Deposit Transaction Law -
Annual Report and Industry Survey



June 2018



California Department
of Business Oversight

STATE OF CALIFORNIA
EDMUND G. BROWN JR., GOVERNOR

ALEXIS PODESTA, SECRETARY
BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY

JAN LYNN OWEN
COMMISSIONER of BUSINESS OVERSIGHT

Edgar L. Gill Jr., Senior Deputy Commissioner
Division of Corporations

Financial Services
California Deferred Deposit Transaction Law

Mona Elsheikh, Deputy Commissioner
Marchael Kelly, Special Administrator

DEPARTMENT OF BUSINESS OVERSIGHT

Ensuring a Fair and Secure Financial Services Marketplace for all Californians



June 22, 2018

In January 2018, the California Department of Business Oversight (DBO) directed DBO-licensed deferred deposit originators (also commonly known as payday lenders) to submit the 2017 *California Deferred Deposit Transaction Law Annual Report and Industry Survey*.

The DBO conducts the annual report pursuant to Financial Code section 23026 and the industry survey pursuant to Financial Code section 23015.

The survey allows the DBO to gather up-to-date information on licensees' activities in order to assess the financial health and compliance practices of California's deferred deposit originator industry.

The 2017 annual report and industry survey collected information on licensee activities during the calendar year ended December 31, 2017 related to the following:

CONSOLIDATED ANNUAL REPORT

- Transaction Analysis
- Returned Checks
- Licensing

CONSOLIDATED INDUSTRY SURVEY

- Volume of transactions per customer
- Customer ages and income
- Internet transactions
- Lead generators
- Disbursements to customers
- Payments from customers
- Collections
- Fees
- Subsequent transactions by the same borrower
- Transactions with customers who receive government assistance
- Dishonored checks
- Dispute arbitration
- Active military customers

Responses to the annual report and industry survey have been consolidated into this summary report. Effective January 1, 2018, individual licensees' responses to the annual report will be made available to the public for inspection, except, upon request in the annual report to the Commissioner, the balance sheet contained in the annual report of a sole proprietor or any other non-publicly traded persons. Individual licensees' responses to the industry survey will remain confidential this year pursuant to Government Code section 6254 (d). This summary report has been included with this letter for your convenience and also can be found on the DBO website at

http://www.dbo.ca.gov/Licensees/payday_Lenders/payday_lenders.asp.

If you have questions or comments about this summary report, please contact Marchael Kelly, Special Administrator, at (415) 972-8586 or Marchael.Kelly@dbo.ca.gov.

Jan Lynn Owen
Commissioner
Department of Business Oversight

*1515 K Street, Suite 200
Sacramento, CA 95814-4052
(916) 445-7205*

*320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500*

*1350 Front Street, Room 2034
San Diego, CA 92101-3697
(619) 525-4233*

*One Sansome Street, Suite 600
San Francisco, CA 94104-4428
(415) 972-8565*

*300 S. Spring Street, Suite 15513
Los Angeles, CA 90013
(213) 897-2085*

*7575 Metropolitan Drive, Suite 108
San Diego, CA 92108
(619) 682-7227*

TABLE OF CONTENTS

Executive Summary 7

PART I: CONSOLIDATED ANNUAL REPORT

Introduction 9

CDDTL Historical Data - Transactions:

Total Number and Dollar Amount 10

Transaction Analysis 11

CDDTL Historical Data - Returned Checks:

Total Number and Dollar Amount 12

Returned Checks Recovered 13

Returned Checks Charged Off 14

CDDTL Historical Data - Licensing:

Number of Licensed Locations 15

Number of Applications Filed 15

PART II: CONSOLIDATED INDUSTRY SURVEY

| | |
|---|----|
| Introduction | 16 |
| Volume of Transactions per Customer | 17 |
| Customer Age | 18 |
| Customer Income | 20 |
| Internet Transactions | 21 |
| Lead Generators | 22 |
| Disbursements to Customers | 24 |
| Payments to Customers | 26 |
| Collections | 29 |
| Fees | 31 |
| Subsequent Transactions by Same Borrower | 32 |
| Loans Made to Customers Receiving Government Assistance | 35 |
| Dishonored Checks | 36 |
| Dispute Arbitration | 38 |
| Active Military Customers | 39 |

EXECUTIVE SUMMARY

The California Deferred Deposit Transaction Law (CDDTL), which became effective on January 1, 2003, shifted responsibility for licensing and regulating persons engaged in the business of deferred deposit transactions from the Department of Justice to the Department of Business Oversight (DBO). Pursuant to statute, the DBO annually publishes a report containing information provided by CDDTL licensees.

In a deferred deposit transaction, commonly known as a payday loan, the consumer provides the originator a personal check for the amount of money the consumer wants. The originator provides the consumer the money, minus an agreed upon fee. The fee cannot exceed 15 percent of the face amount of the personal check. The originator then defers depositing the consumer's check for a specific period of time, which cannot exceed 31 days. The amount of the customer's personal check cannot exceed \$300.

The annual report and survey data contained in this report is unaudited and covers licensees' activities in calendar year 2017. The annual report also provides historical data going back to 2008.

Following are highlights from the 2017 annual report and industry survey:

- As of Dec. 31, 2017, the DBO supervised 207 deferred deposit licensees at 1,705 licensed locations. The number of licensed locations declined 8.04 percent from 2016 and has dropped 28.51 percent from 2008. (Of the 207 licensees, 197 submitted data in time to compile this report.)
- The number of deferred deposit transactions made in 2017 decreased 6.68 percent from 2016, to 10.7 million, while the dollar amount of transactions declined by 6.39 percent over the same period, to about \$2.9 billion.
- The total number of customers who obtained deferred deposit transactions dropped 6 percent, to 1.68 million from 1.8 million in 2016.
- The average number of transactions per customer fell slightly in 2017, to 6.36 from 6.4 in 2016.
- The average dollar amount of deferred deposit transactions in 2017 dropped just \$1, to \$250 from \$251 in 2016, while the average length of a deferred deposit transaction was unchanged at an average 17 days.
- The average annual percentage rate (APR) for deferred deposit transactions in 2017 increased to 377 percent from 372 percent in 2016.
- As in prior years, the number of customers who obtained 10 or more deferred deposit transactions in 2017 exceeded the number who obtained one – 428,838 compared to 380,465.
- Subsequent deferred deposit transactions by the same borrower accounted for 83.1 percent of the total number of deferred deposit transactions in 2017 and 70.37 percent of the aggregate dollar amount.
- Of subsequent deferred deposit transactions by the same borrower, 61.17 percent were made the same day the previous transaction ended. Another 17.65 percent were made one to seven days after the previous transaction.

Summary Report:
California Deferred Deposit Transaction Law – Annual Report and Industry Survey

- Fifty-two (52) percent of deferred deposit customers had average annual incomes of \$30,000 or less in 2017, the same ratio as in the previous year.
- Respondent licensees collected \$436.4 million in fees on deferred deposit transactions they originated in 2017. Of that total, 70.55 percent – \$307.9 million – came from customers who made seven or more transactions during the year.
- Only 10 percent of licensees reported conducting transactions online. However, online transactions accounted for 21.4 percent (2,297,626) of the total number of all transactions and 21.4 percent (\$630.2 million) of the aggregate dollar amount of all transactions.
- For respondent licensees, the use of cash to disburse funds to customers and receive payments from customers fell in 2017, while the use of electronic transfers (ACH) grew. Measured in dollar amounts, cash disbursements decreased to 78.41 percent of all disbursements from 80.89 percent in 2016, while ACH disbursements went up to 19.68 percent from 16.23 percent. In 2017, 63.54 percent of customers' payments were made with cash, down from 66.7 percent in 2016. Electronic transfers accounted for 18.09 percent of payments in 2017, compared to 16.44 percent in 2016.
- The total number of returned checks represented 6.15 percent of all deferred deposit transactions in 2017, down from 6.72 percent in 2016. During the same period, the dollar amount of returned checks, as a percentage of the total dollar amount of all deferred deposit transactions, declined slightly to 6.07 percent from 6.15 percent.
- The number of charged off returned checks decreased as a share of total deferred deposit transactions in 2017, to 3.20 percent from 4.76 percent in 2016, while the dollar amount of charged off returned checks, as a percentage of the total dollar amount of all deferred deposit transactions in 2017, also dropped, to 2.81 percent from 4.57 percent in 2016.
- With respect to dispute resolution, 48 percent of respondent licensees have clauses in their written agreements requiring arbitration, and 28 percent have arbitration clauses that prohibit customers from doing joining class actions.

PART I: CONSOLIDATED ANNUAL REPORT

INTRODUCTION

The DBO has compiled in this report unaudited data submitted by licensed deferred deposit originators. The report is required by Financial Code section 23026. The complete citation is below:

On or before March 15 of each year, beginning March 2006, each licensee shall file an annual report with the Commissioner pursuant to procedures that the Commissioner shall establish. Effective January 1, 2018, individual licensees' responses to the annual report will be made available to the public for inspection, except, upon request in the annual report to the Commissioner, the balance sheet contained in the annual report of a sole proprietor or any other non-publicly traded persons. The annual consolidated report shall be prepared by the Commissioner and made available to the public. For the previous calendar year, these reports shall include the following:

- (a) The total number and dollar amount of deferred deposit transactions made by the licensee.*
- (b) The total number of individual customers who entered into deferred deposit transactions.*
- (c) The minimum, maximum, and average amount of deferred deposit transactions.*
- (d) The average annual percentage rate of deferred deposits.*
- (e) The average number of days of deferred deposit transactions.*
- (f) The total number and dollar amount of returned checks.*
- (g) The total number and dollar amount of checks recovered.*
- (h) The total number and dollar amount of checks charged off.*

The Department also has included related information, such as the number of licenses issued, filed and surrendered.

The CDDTL defines a "deferred deposit originator" as any person who offers, originates or makes a deferred deposit transaction.

This year 197 out of 207 DBO-licensed deferred deposit originators filed their annual report. The DBO has revoked the licenses or has enforcement actions pending against those licensees that did not submit the required information.

Summary Report:
California Deferred Deposit Transaction Law – Annual Report and Industry Survey

CDDTL Historical Data - Transactions

Total Dollar Amount and Number of Transactions

| | Total dollar amount of deferred deposit transactions | Total number of deferred deposit transactions | Total number of individual customers who obtained deferred deposit transactions (repeat customers counted once) |
|--------------|--|---|---|
| 2017 | \$2,940,236,402 | 10,734,226 | 1,688,718 |
| 2016* | \$3,140,937,922 | 11,502,397 | 1,796,515 |
| 2015 | \$4,170,267,951 | 12,261,885 | 1,885,934 |
| 2014 | \$3,376,447,239 | 12,407,422 | 1,818,524 |
| 2013 | \$3,165,667,707 | 12,163,832 | 1,779,471 |
| 2012 | \$3,229,018,352 | 12,255,026 | 1,768,501 |
| 2011 | \$3,276,629,497 | 12,427,810 | 1,738,219 |
| 2010 | \$3,125,299,157 | 12,092,091 | 1,646,700 |
| 2009 | \$3,088,358,316 | 11,784,798 | 1,567,188 |
| 2008 | \$3,092,592,282 | 11,841,014 | 1,665,019 |

* Variances from data published in the 2016 annual report due to late filings by licensees.

In 2017, the total dollar amount of transactions decreased by 6.39 percent from the previous year, while the total number of transactions declined by 6.68 percent. The table also reflects a 6 percent decline from 2016 in the number of deferred deposit transaction customers. The average number of transactions per individual customer fell from 7.11 in 2008 to 6.36 in 2017.

Summary Report:
California Deferred Deposit Transaction Law – Annual Report and Industry Survey

CDDTL Historical Data - Transactions (continued)

Transaction Analysis

| | *Average dollar amount of deferred deposit transactions | **Average annual percentage rate (APR) | Average number of days of deferred deposit transactions |
|-------------|--|---|--|
| 2017 | \$250 | 377% | 17 |
| 2016 | \$251 | 372% | 17 |
| 2015 | \$237 | 366% | 17 |
| 2014 | \$235 | 361% | 16 |
| 2013 | \$260 | 408% | 17 |
| 2012 | \$260 | 411% | 17 |
| 2011 | \$263 | 411% | 17 |
| 2010 | \$258 | 414% | 17 |
| 2009 | \$262 | 414% | 17 |
| 2008 | \$261 | 416% | 17 |

** Maximum transaction amount, per statute, is \$300.*

*** APR is calculated using the average method, in which all APRs reported are divided by the number of licensees.*

The average deferred deposit dollar amount decreased to \$250 in 2017 from \$251 in 2016. The average APR for deferred deposit transactions increased to 377 percent in 2017 from 372 percent in 2016.

Summary Report:
California Deferred Deposit Transaction Law – Annual Report and Industry Survey

CDDTL Historical Data - Returned Checks

Returned Checks: Total Number and Dollar Amount

| | Total number of returned checks in deferred deposit transactions | Total number of returned checks in deferred deposit transactions as percentage of total number of deferred deposit transactions | Total dollar amount of returned checks in deferred deposit transactions | Total dollar amount of returned checks in deferred deposit transactions as percentage of total dollar amount of deferred deposit transactions |
|--------------|--|---|---|---|
| 2017 | 660,351 | 6.15% | \$178,500,307 | 6.07% |
| 2016* | 773,368 | 6.72% | \$193,301,210 | 6.15% |
| 2015 | 780,856 | 6.37% | \$212,767,330 | 5.10% |
| 2014 | 725,170 | 5.84% | \$196,652,680 | 5.82% |
| 2013 | 706,214 | 5.81% | \$191,816,906 | 6.06% |
| 2012 | 674,648 | 5.51% | \$180,460,466 | 5.59% |
| 2011 | 931,387 | 7.49% | \$246,769,462 | 7.53% |
| 2010 | 931,735 | 7.71% | \$239,593,849 | 7.67% |
| 2009 | 677,616 | 5.75% | \$178,369,234 | 5.78% |
| 2008 | 816,605 | 6.90% | \$214,887,020 | 6.95% |

* Variances from data published in the 2016 annual report due to late filings by licensees.

- From 2016 to 2017, the number of returned checks in deferred deposit transactions decreased by 14.61 percent.

Summary Report:
California Deferred Deposit Transaction Law – Annual Report and Industry Survey

CDDTL Historical Data - Returned Checks (Continued)

Returned Checks Recovered

| | Total number of returned checks recovered (includes partial recoveries) in deferred deposit transactions | Total number of returned checks in deferred deposit transactions recovered (includes partial recoveries) as percentage of total number of deferred deposit transactions | Total dollar amount of returned checks recovered (includes partial recoveries) in deferred deposit transactions | Total dollar amount of returned checks recovered (includes partial recoveries) in deferred deposit transactions as percentage of total dollar amount of deferred deposit transactions |
|--------------|---|--|--|--|
| 2017 | 421,561 | 3.93% | \$89,419,679 | 3.04% |
| 2016* | 421,371 | 3.66% | \$92,191,739 | 2.94% |
| 2015 | 417,957 | 3.41% | \$96,878,435 | 2.32% |
| 2014 | 399,973 | 3.22% | \$93,854,369 | 2.78% |
| 2013 | 370,812 | 3.05% | \$88,276,576 | 2.79% |
| 2012 | 389,312 | 3.18% | \$92,394,261 | 2.86% |
| 2011 | 642,069 | 5.17% | \$160,480,858 | 4.90% |
| 2010 | 674,470 | 5.58% | \$164,196,162 | 5.25% |
| 2009 | 432,284 | 3.67% | \$98,998,954 | 3.21% |
| 2008 | 522,157 | 4.41% | \$120,316,378 | 3.89% |

* Variances from data published in the 2016 annual report due to late filings by licensees.

- From 2016 to 2017, the aggregate dollar amount of returned checks recovered declined 3 percent, to \$89.42 million.

Summary Report:
California Deferred Deposit Transaction Law – Annual Report and Industry Survey

CDDTL Historical Data - Returned Checks (Continued)

Returned Checks Charged Off

| | Total number of returned checks charged off (includes partial balances) in deferred deposit transactions | Total number of returned checks charged off (includes partial balances) in deferred deposit transactions as percentage of total number of deferred deposit transactions | Total dollar amount of returned checks charged off (includes partial balances) in deferred deposit transactions | Total dollar amount of returned checks charged off (includes partial balances) in deferred deposit transactions as percentage of total dollar amount of deferred deposit transactions |
|--------------|---|--|--|--|
| 2017 | 343,865 | 3.20% | \$82,592,712 | 2.81% |
| 2016* | 548,001 | 4.76% | \$143,439,201 | 4.57% |
| 2015 | 380,925 | 3.11% | \$92,891,127 | 2.23% |
| 2014 | 376,728 | 3.04% | \$99,586,657 | 2.95% |
| 2013 | 336,780 | 2.77% | \$88,390,920 | 2.79% |
| 2012 | 289,982 | 2.37% | \$73,647,144 | 2.28% |
| 2011 | 285,555 | 2.30% | \$72,367,689 | 2.21% |
| 2010 | 180,020 | 2.32% | \$70,937,735 | 2.27% |
| 2009 | 280,233 | 2.38% | \$72,023,747 | 2.33% |
| 2008 | 321,555 | 2.72% | \$81,783,721 | 2.67% |

* Variances from data published in the 2016 annual report due to late filings by licensees.

- From 2016 to 2017, the number of returned checks charged off declined by 37.25 percent, while the dollar amount of returned checks charged off dropped by 42.42 percent during the same period.

Summary Report:
California Deferred Deposit Transaction Law – Annual Report and Industry Survey

CDDTL Historical Data - Licensing

The information below reflects licensing activity for calendar years 2008 through 2017. The long form application refers to the first application for a CDDTL license. The short form application refers to a license for an additional business location. Applications are subject to abandonment if a deficiency is not corrected within 90 days of notification. Applications can be withdrawn at the request of the applicant.

Licensed Locations

| | Number |
|-------------|---------------|
| 2017 | 1,705 |
| 2016 | 1,854 |
| 2015 | 1,969 |
| 2014 | 2,014 |
| 2013 | 2,058 |
| 2012 | 2,100 |
| 2011 | 2,119 |
| 2010 | 2,144 |
| 2009 | 2,187 |
| 2008 | 2,385 |

- The information on the above table shows there has been a steady decline in the number of licensed locations. From 2008 to 2017, the number dropped by 680, or 28.51 percent.

Applications Filed

| | Long Form Applications Filed | Short Form Applications Filed | Total Applications Filed |
|-------------|-------------------------------------|--------------------------------------|---------------------------------|
| 2017 | 8 | 20 | 28 |
| 2016 | 17 | 51 | 68 |
| 2015 | 19 | 29 | 48 |
| 2014 | 35 | 125 | 160 |
| 2013 | 38 | 67 | 105 |
| 2012 | 29 | 61 | 90 |
| 2011 | 32 | 48 | 80 |
| 2010 | 33 | 123 | 156 |
| 2009 | 53 | 47 | 100 |
| 2008 | 56 | 197 | 253 |

PART II: CONSOLIDATED INDUSTRY SURVEY

INTRODUCTION

In January 2018, the Department provided the *California Deferred Deposit Transaction Law – 2017 Industry Survey* to all licensed deferred deposit originators.

The survey allows the Department to gather up-to-date information on transaction activities in order to assess the financial health and compliance practices of California's licensed deferred deposit originators, as well as potential consumer risks. The industry survey collected information on licensees' activities in calendar year 2017 related to the following:

- Volume of transactions per customer
- Customer ages and income
- Internet transactions
- Lead generators
- Disbursements to customers
- Payments from customers
- Collections
- Fees
- Subsequent transactions by the same borrower
- Transactions with customers who receive government assistance
- Dishonored checks
- Dispute arbitration
- Active military customers

Some data included in this industry survey may not exactly match data in the annual report due to minor differences in the data reported by licensees (Part I of this report).

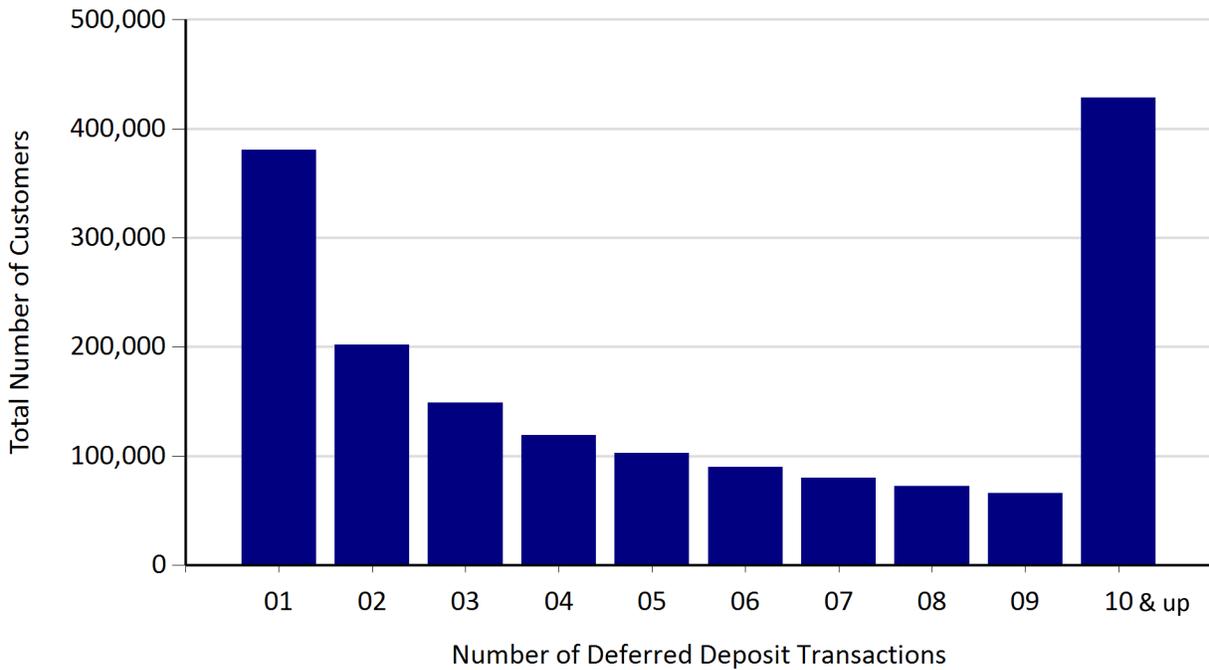
Summary Report:
California Deferred Deposit Transaction Law – Annual Report and Industry Survey

Deferred Deposit Transaction Volumes Per Customer

- Questions one through 10 of the survey asked licensees to report the number of customers who obtained a specified number of transactions during 2017. The table and graph below provide the aggregated response data for each question.

Total Number of Customers by Number of Transactions

Source: Survey questions 1-10

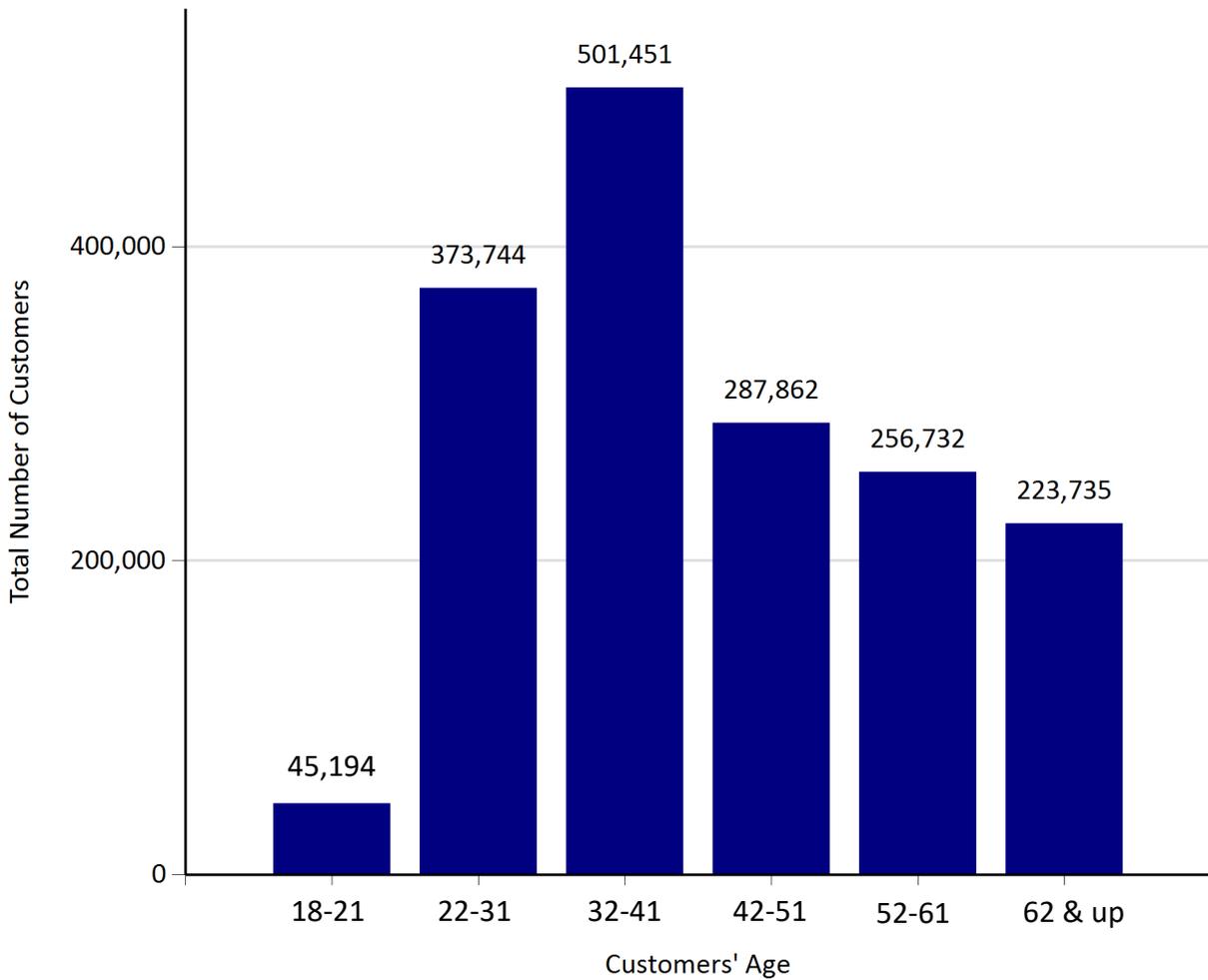


| Question Number | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|-----------------|---|--|--|--|--|--|--|--|--|---|
| Question Text | Obtained 1 deferred deposit transaction | Obtained 2 deferred deposit transactions | Obtained 3 deferred deposit transactions | Obtained 4 deferred deposit transactions | Obtained 5 deferred deposit transactions | Obtained 6 deferred deposit transactions | Obtained 7 deferred deposit transactions | Obtained 8 deferred deposit transactions | Obtained 9 deferred deposit transactions | Obtained 10 or more deferred deposit transactions |
| Totals | 380,465 | 201,795 | 148,735 | 118,974 | 102,577 | 89,799 | 79,655 | 72,412 | 65,968 | 428,338 |

Customer Age

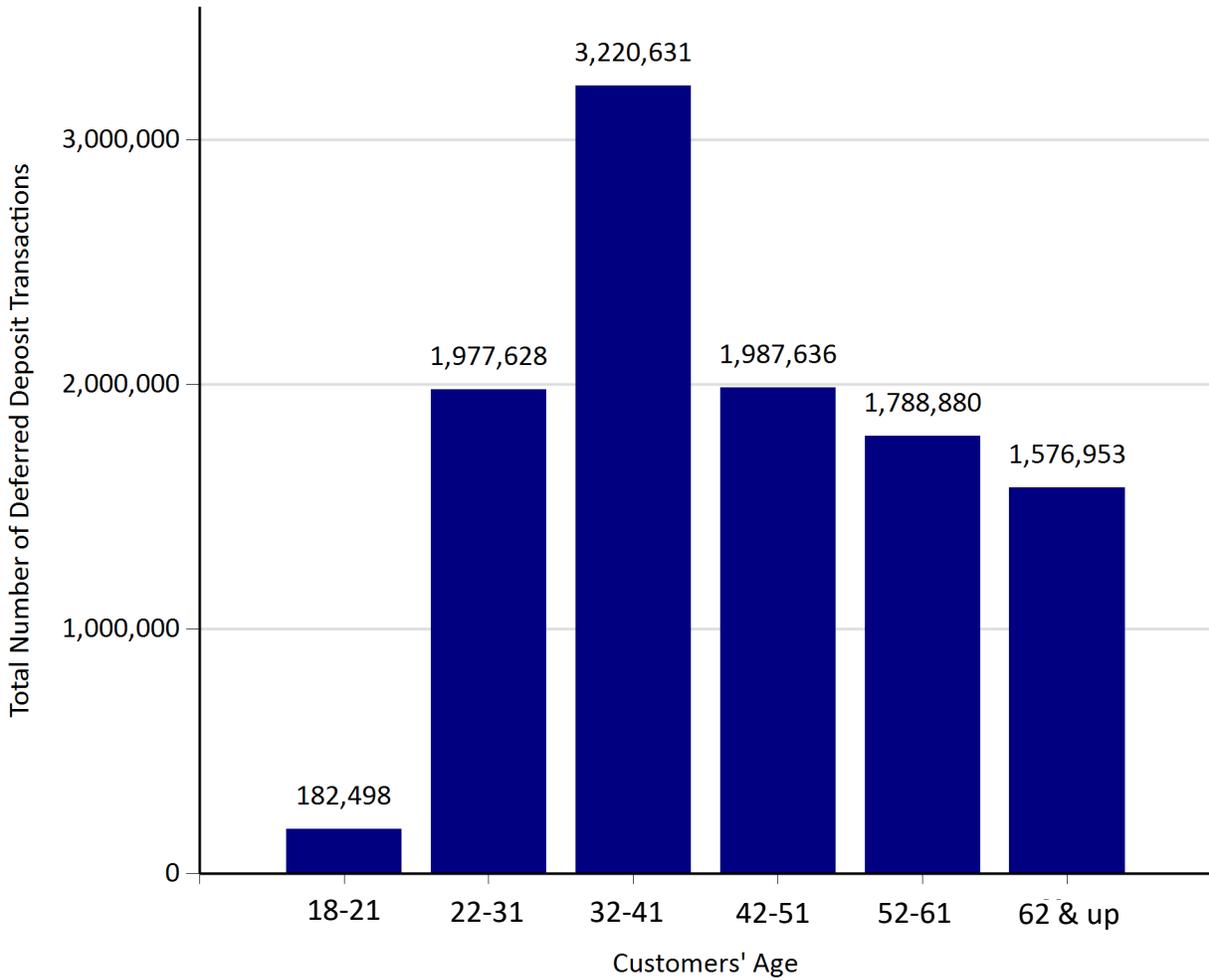
Number of Customers by Customers' Age

Source: Survey questions 12-17



Customer Age (continued)

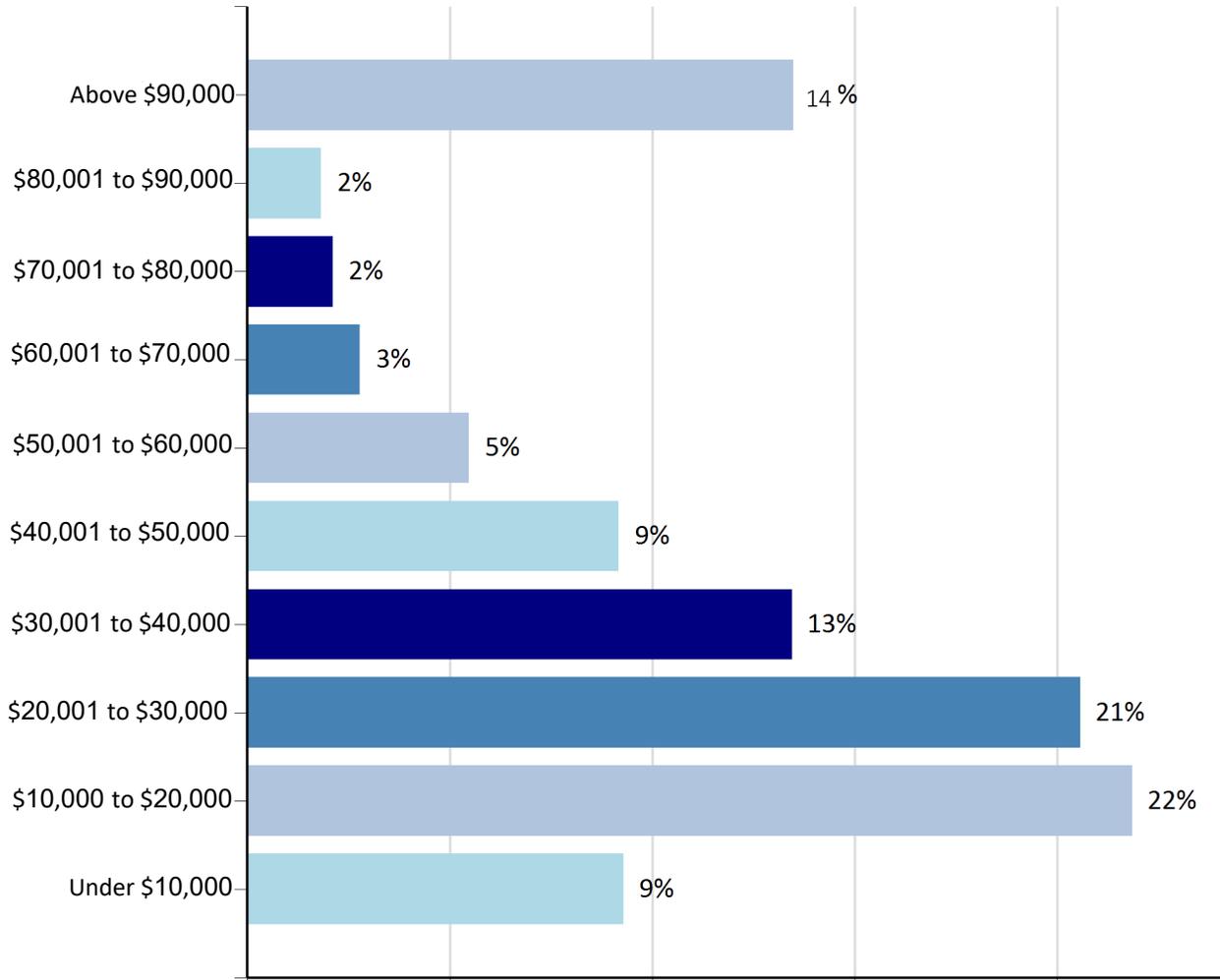
Number of Transactions by Customers' Age
Source: Survey questions 19-24



Summary Report:
California Deferred Deposit Transaction Law – Annual Report and Industry Survey

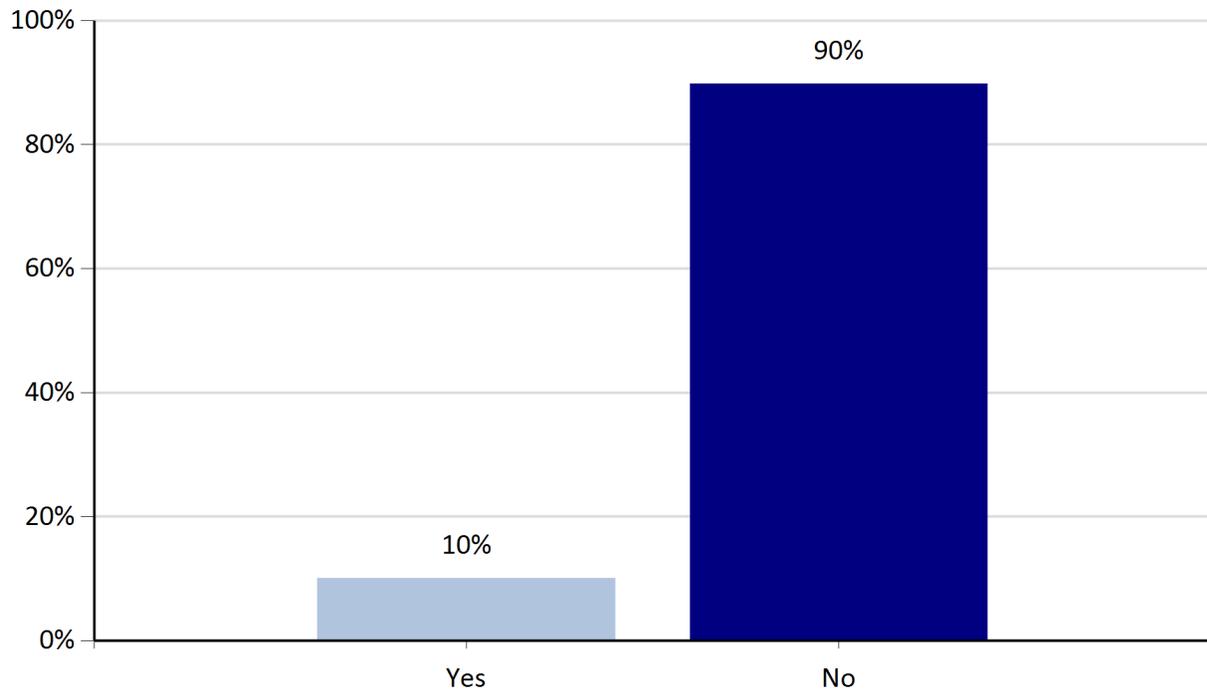
Customer Income

Average Annual Income
Source: Survey questions 26-35



Internet Transactions

Percentage of Payday Lenders Conducting Transactions on Internet
Source: Survey question 37



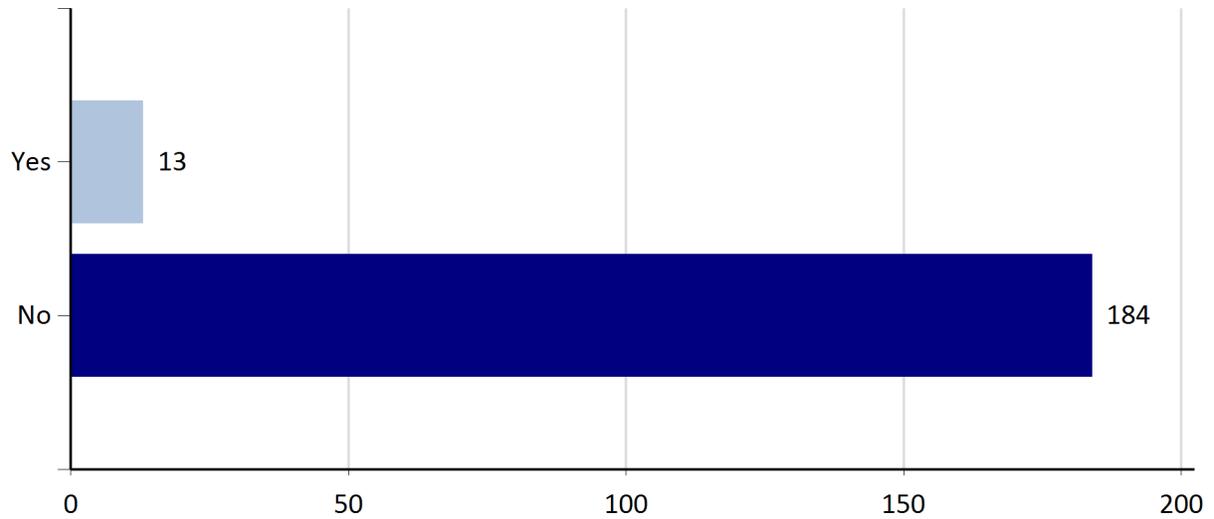
Internet Transaction Volumes and Amounts
Source: Survey questions 38 – 40

| | 2017 |
|------------------------|---------------|
| Number of Customers | 450,896 |
| Number of Transactions | 2,297,626 |
| Transaction Amounts | \$630,208,926 |

Lead Generators

Number of Payday Lenders Using Lead Generators

Source: Survey question 41



Lead Generator Fees

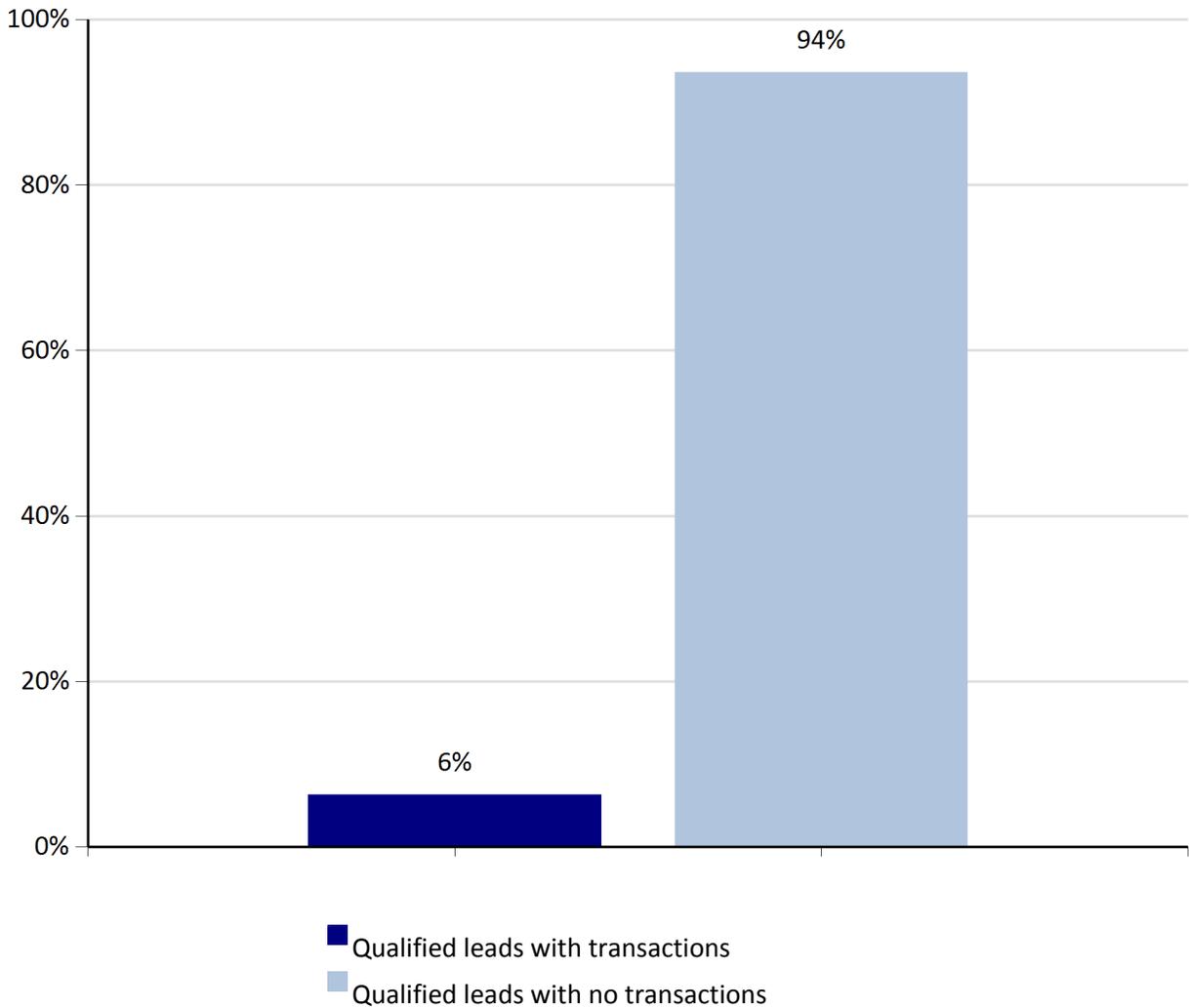
Source: Survey questions 43 and 44

| | 2017 |
|---|-------------|
| Fees Paid to Lead Generators | \$4,560,634 |
| Number of Customers Who Made Deferred Deposit Transactions that Resulted from Leads | 107,691 |

Lead Generators (continued)

Percentage of Qualified Leads Resulting in Transactions

Source: Survey question 43 & Annual Report question 3

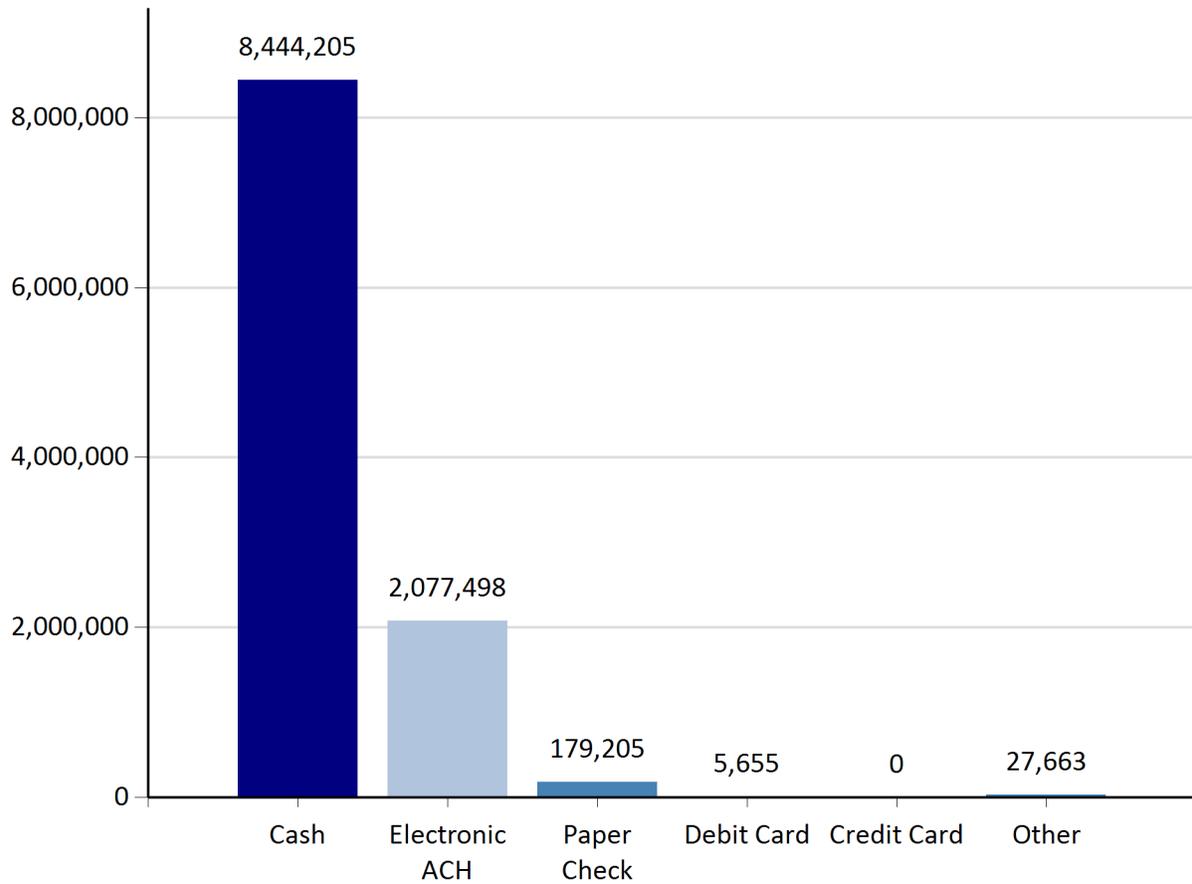


- Six percent of 1,688,718 customers who obtained deferred deposit transactions were referred by lead generators.

Disbursements to Customers

Number of Disbursements to Customers

Source: Survey question 54

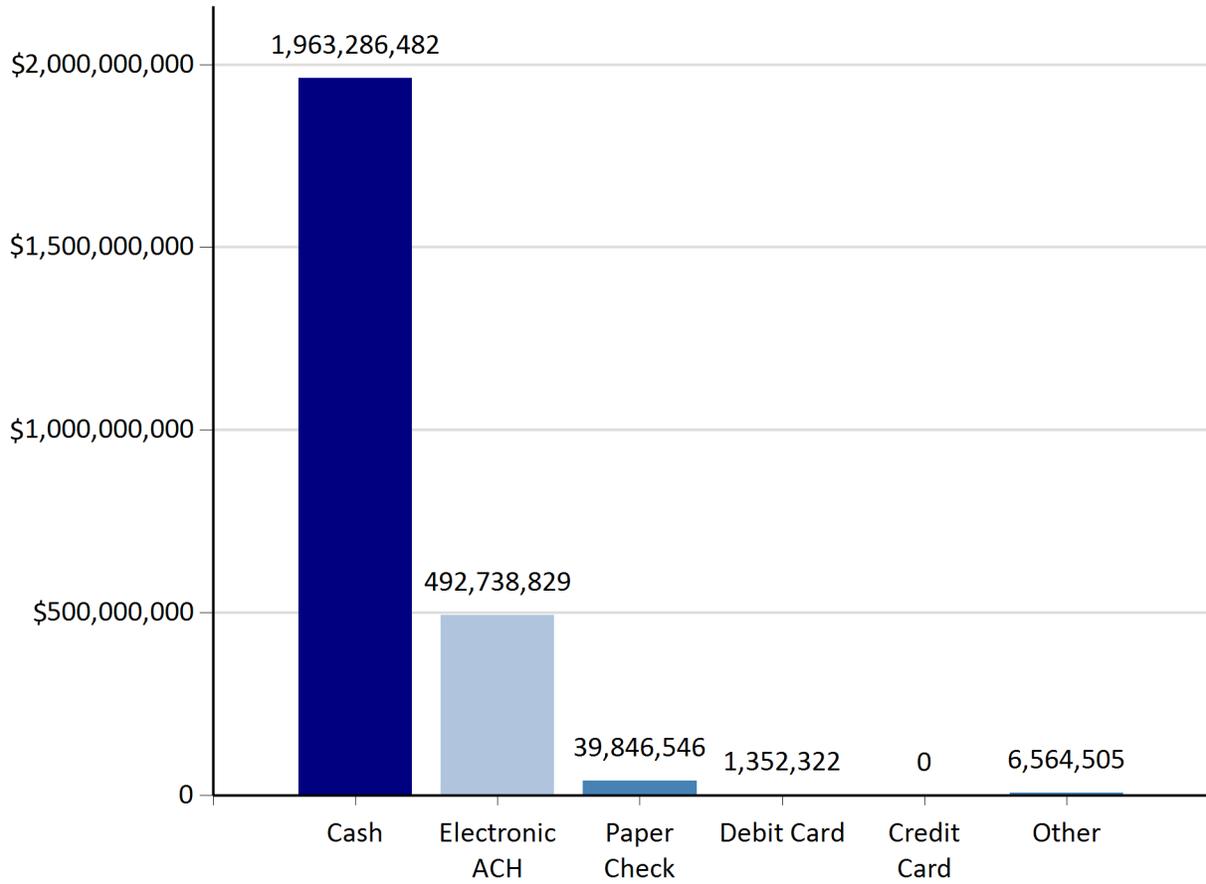


- Of the disbursements above, Cash represented 79 percent; Electronic ACH, 19 percent; Paper Check, 1.7 percent; Debit Card, 0.05 percent; Credit Card, 0 percent; and Other, 0.26 percent.

Disbursements to Customers (continued)

Dollar Amount of Disbursements to Customers

Source: Survey question 55

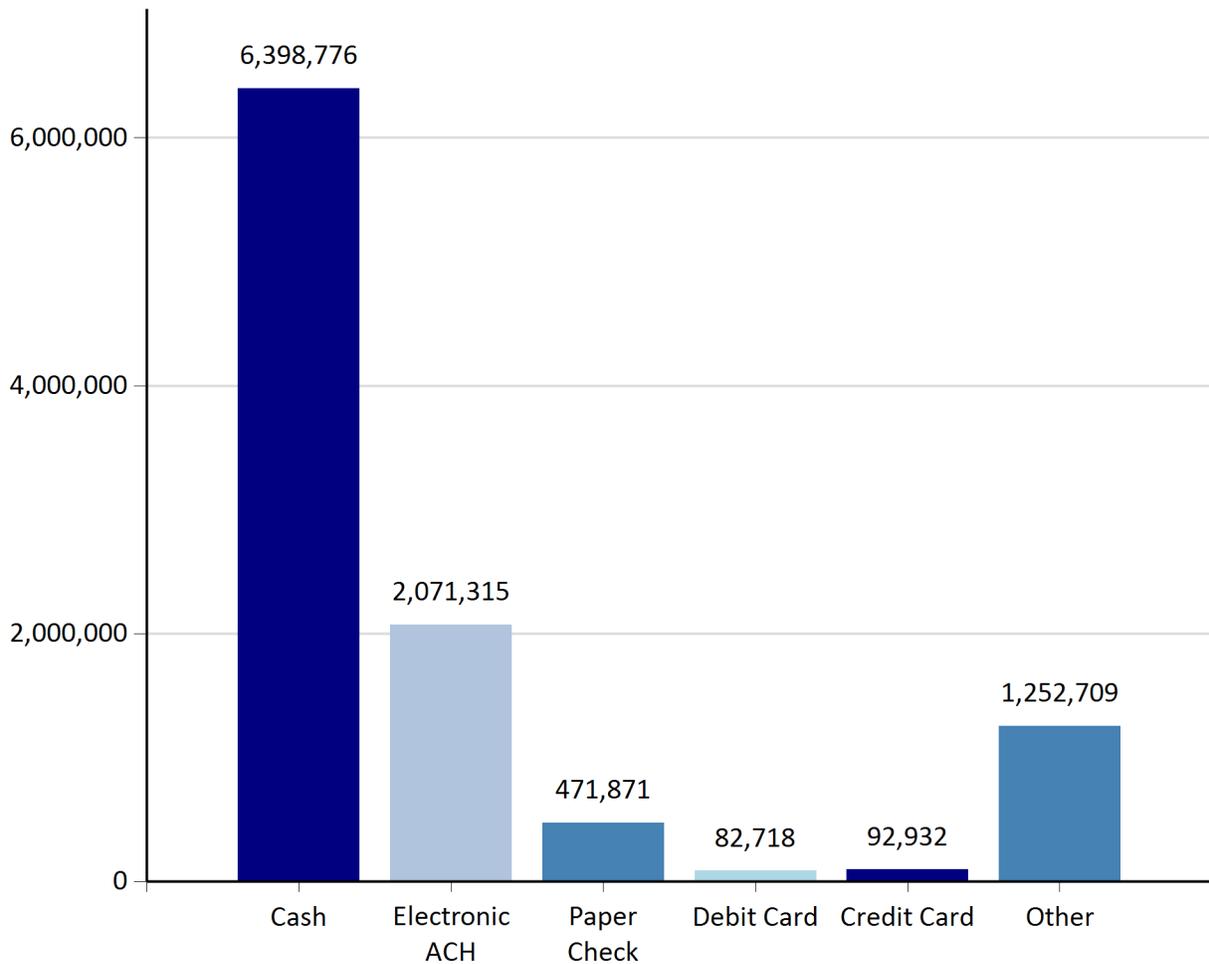


- Licensees described the "Other" category as wire transfers.
- Of the disbursements above, Cash represented 78.4 percent; Electronic ACH, 20 percent; Paper Check, 1.59 percent; Debit Card, 0.05 percent; Credit Card, 0 percent; and Other, 0.3 percent.

Payments from Customers

Number of Payments from Customers

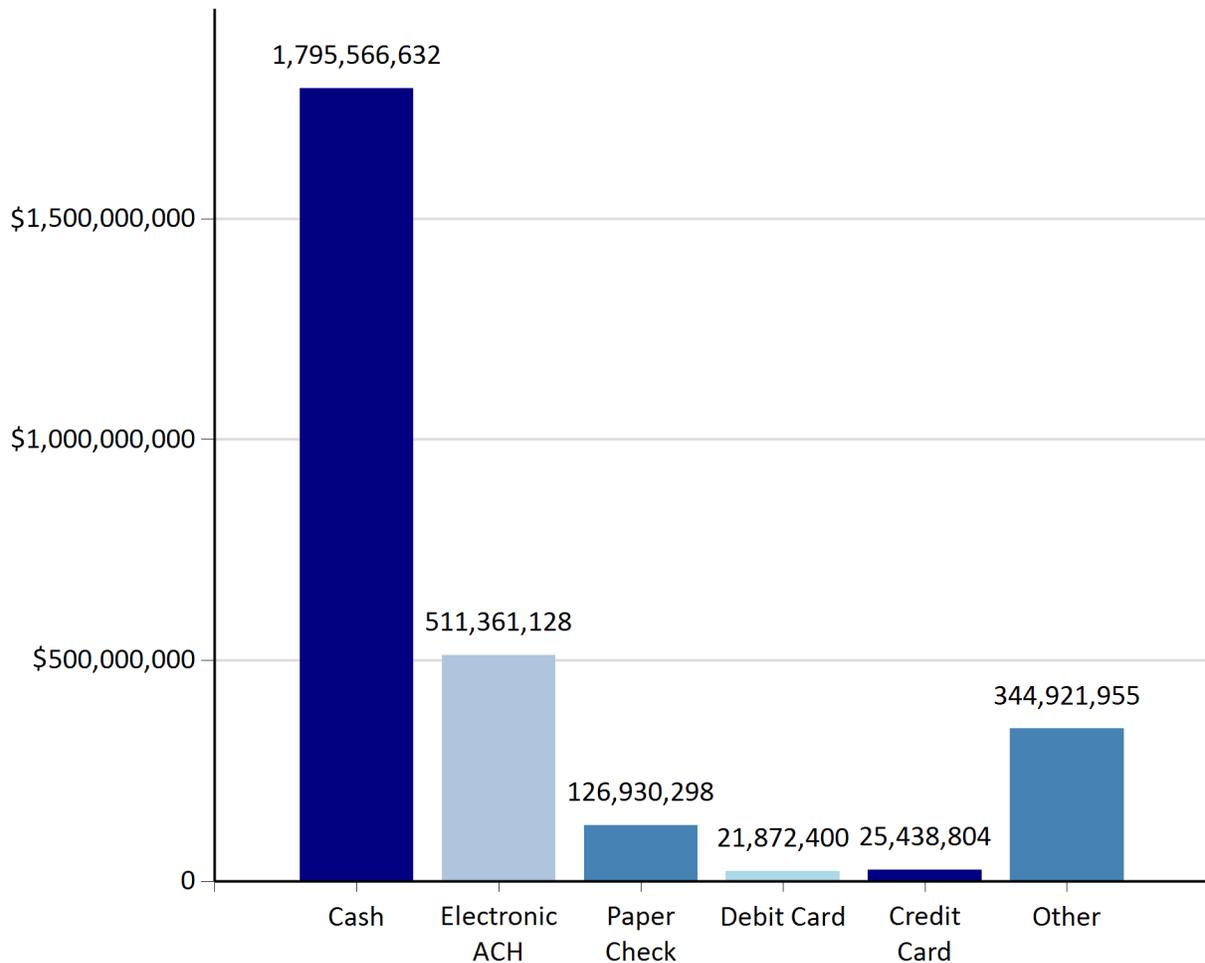
Source: Survey question 58



- Cash accounted for 61.7 percent of customer payments; Electronic ACH, 20 percent; Paper Check, 4.55 percent; Debit Card, 0.8 percent; Credit Card, 0.89 percent; and Other, 12.07 percent.

Payments from Customers (continued)

Amount of Payments from Customers
Source: Survey question 59

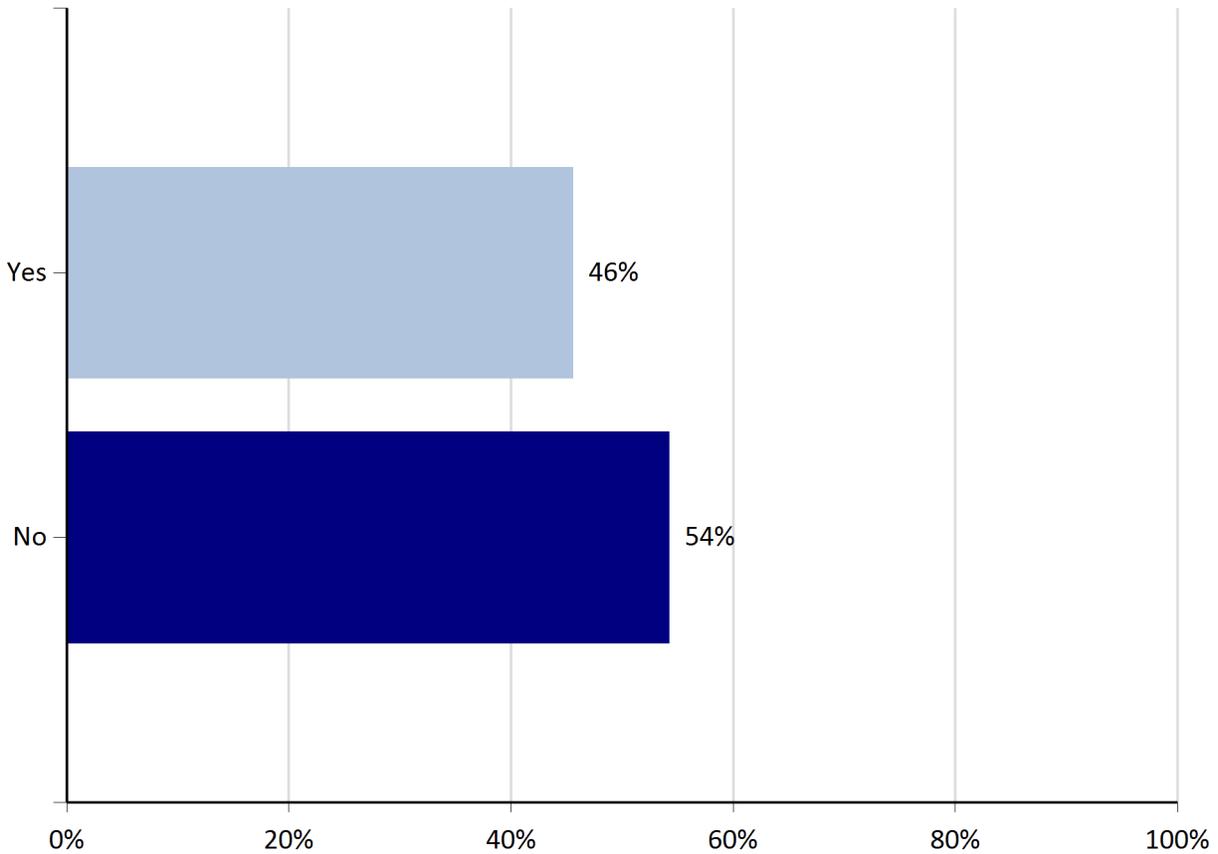


- Of the payments above, Cash represented 63.5 percent; Electronic ACH, 18.09 percent; Paper Check, 4.5 percent; Debit Card, 0.8 percent; Credit Card, 0.9 percent; and Other, 12.2 percent.

Payments from Customers (continued)

Percentage of Payday Lenders Offering Written Payment Plan

Source: Survey question 61



Payment Plan Volumes and Days for Repayment

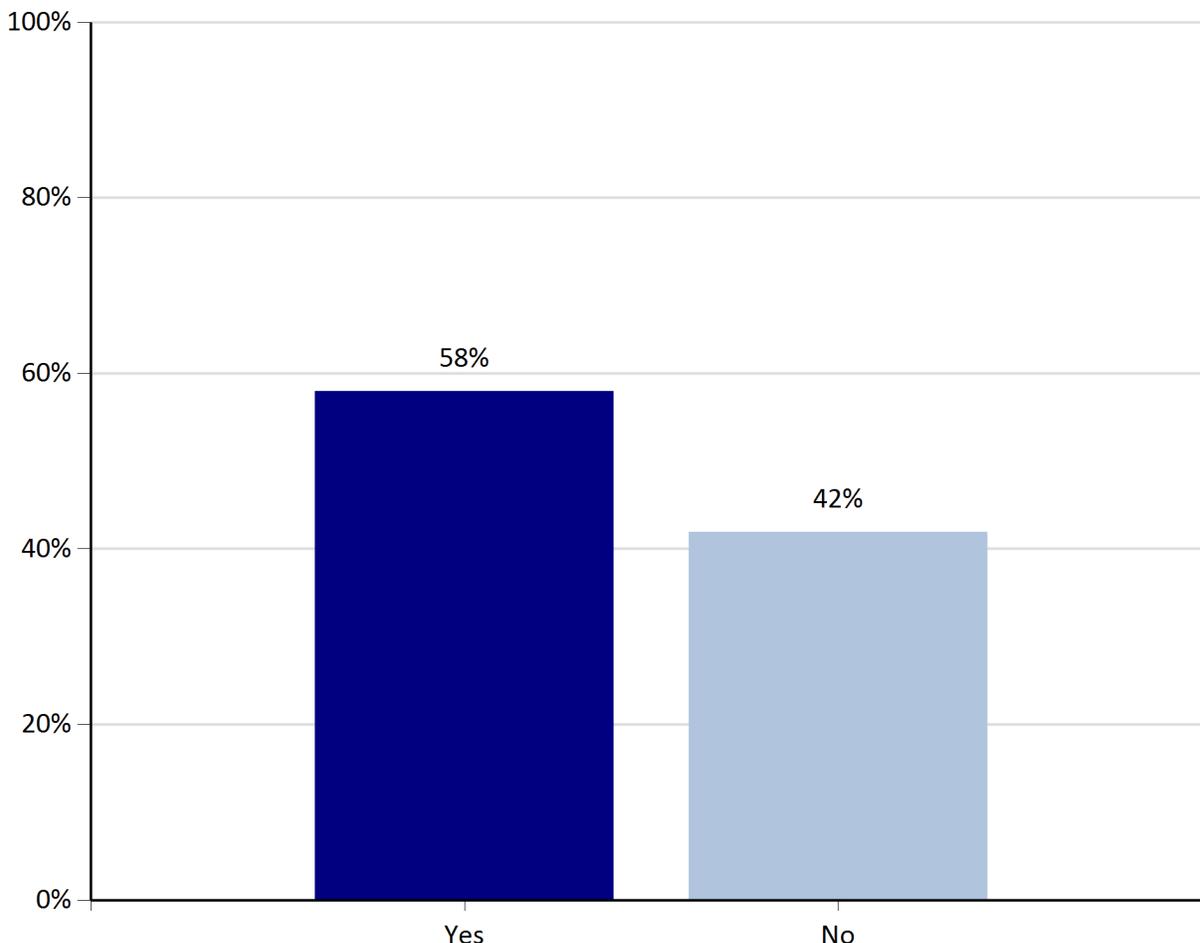
Source: Survey questions 61 - 64

| | 2017 |
|--|--------------|
| Total Dollar Amount of Outstanding Payment Plans | \$27,336,404 |
| Total Number of Outstanding Payment Plans | 102,604 |
| Average Maximum Days for Repayment | 208 |

Collections

Percentage of Licensees with In-House Collections

Source: Survey question 66

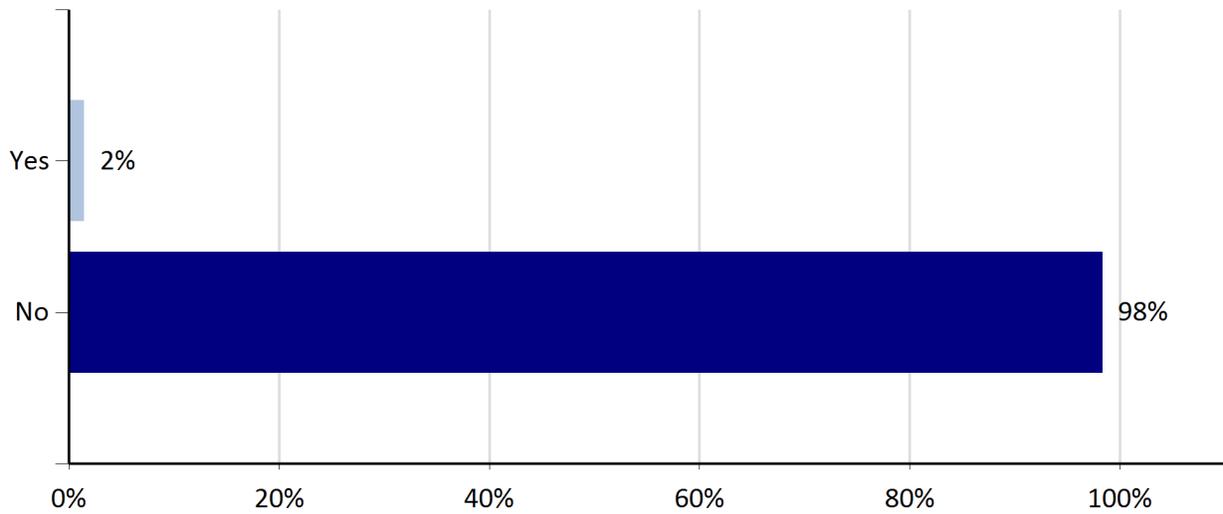


- The total of 242,396 customers were not in a payment plan and paid in full as a result of in-house collection in 2017. Those customers accounted for 545,286 transactions. (Source: Survey questions 67 and 68)
- The total dollar amount of transactions in 2017 that were not in a payment plan and paid in full as a result of in-house collections was approximately \$835,788,811. (Source: Survey question 69)
- Collection agencies are required to have a local business license to operate and are not licensed by the DBO. Several laws regulate debt collection companies in California, including the Fair Debt Collection Practices Act, administered by the Federal Trade Commission, and California's Rosenthal Fair Debt Collection Practices Act (Civil Code 1788-1788.33), which is enforced by the California Attorney General.

Collections (continued)

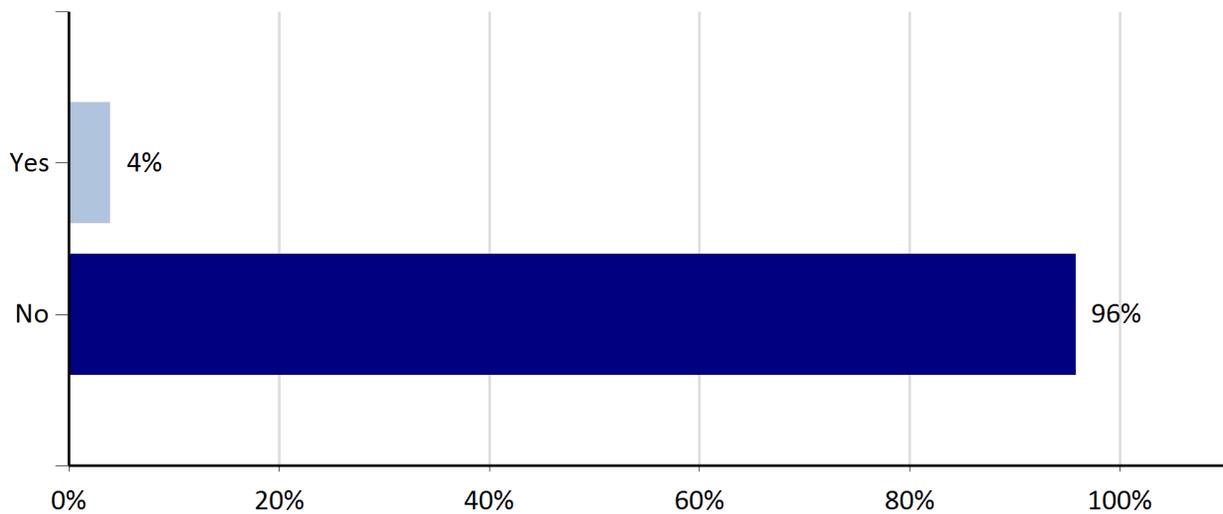
Percentage of Licensees That Own Outside Collection Agency

Source: Survey question 70



Percentage of Licensees Associated with Outside Collection Agency

Source: Survey question 71



Summary Report:
California Deferred Deposit Transaction Law – Annual Report and Industry Survey

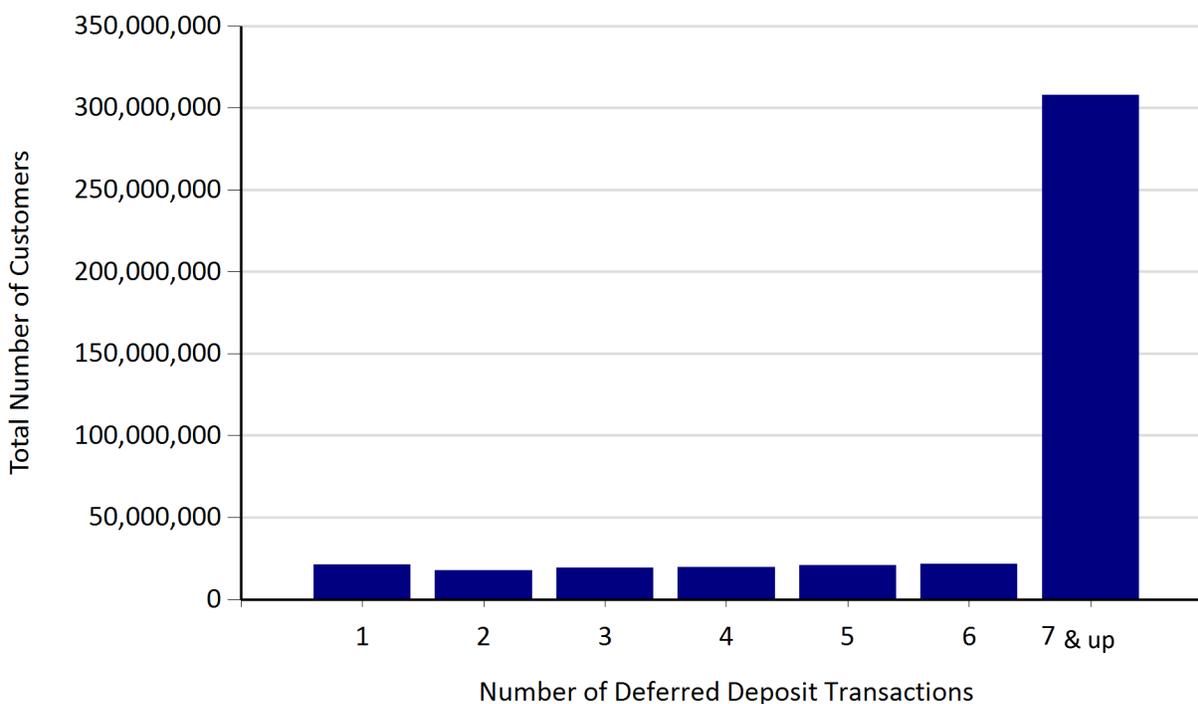
Fees

Respondent licensees collected \$436.4 million in fees on deferred deposit transactions originated in 2017. Of that total, 70.55 percent – \$307,847,639 – came from customers who made seven or more transactions during the year.

Approximately 1.9 percent of the total transaction fees reported were not included in data for subsequent fee-related questions due to difficulty in obtaining the breakdown of data from some licensees.

Deferred Deposit Transaction Fees per Financial Code section 23036(a)

Source: Survey questions 76-82

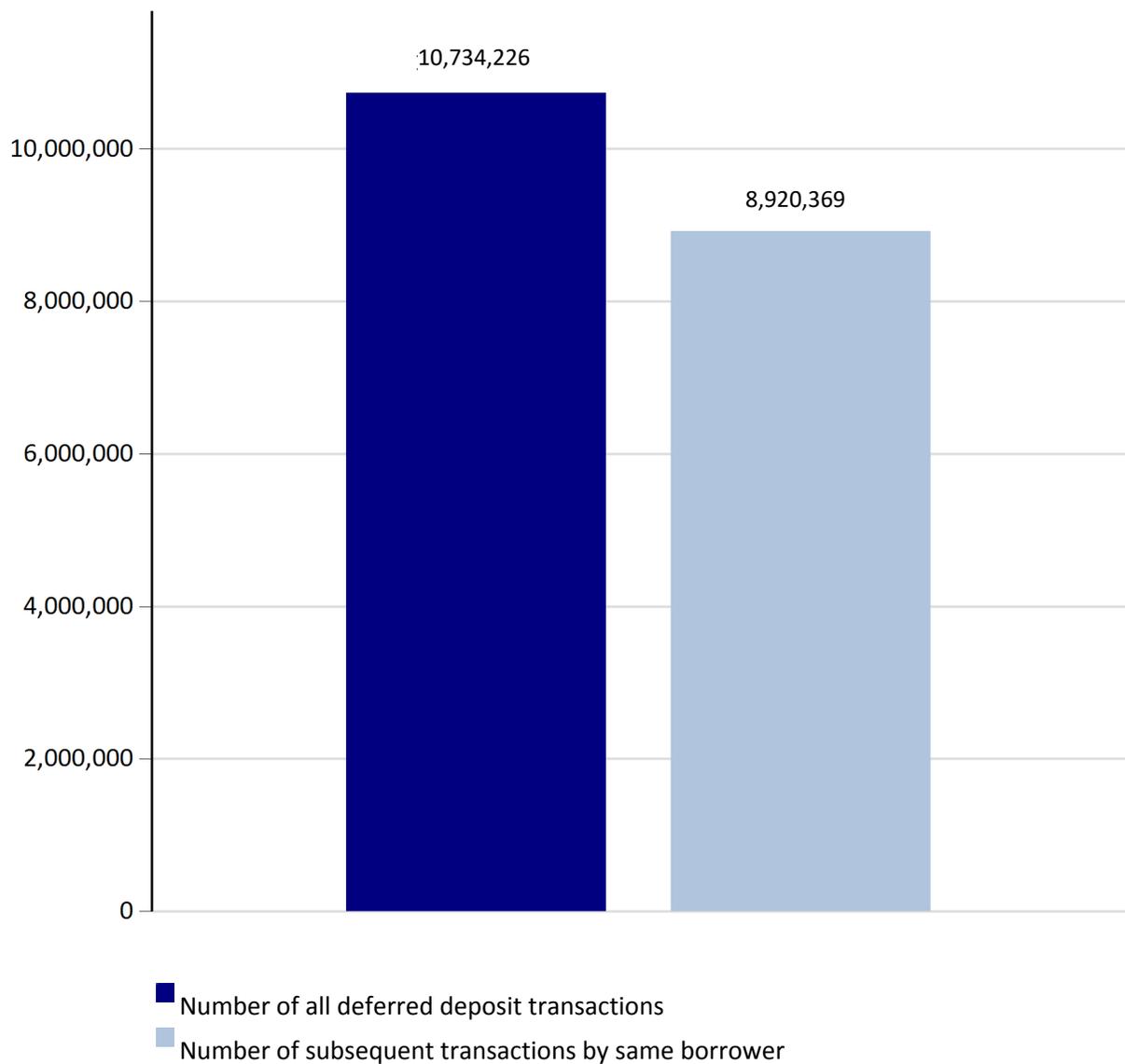


| Question Number | 76 | 77 | 78 | 79 | 80 | 81 | 82 |
|-----------------|---|--|--|--|--|--|--|
| Question Text | Transaction fees collected from customers who made 1 deferred deposit transaction | Transaction fees collected from customers who made 2 deferred deposit transactions | Transaction fees collected from customers who made 3 deferred deposit transactions | Transaction fees collected from customers who made 4 deferred deposit transactions | Transaction fees collected from customers who made 5 deferred deposit transactions | Transaction fees collected from customers who made 6 deferred deposit transactions | Transaction fees collected from customers who made 7 or more deferred deposit transactions |
| Totals | \$21,258,198 | \$17,737,516 | \$19,179,595 | \$19,666,493 | \$20,840,056 | \$21,568,393 | \$307,847,639 |

Subsequent Customers

Subsequent Transactions by Same Borrower: Number

Source: Survey questions 83 and 84

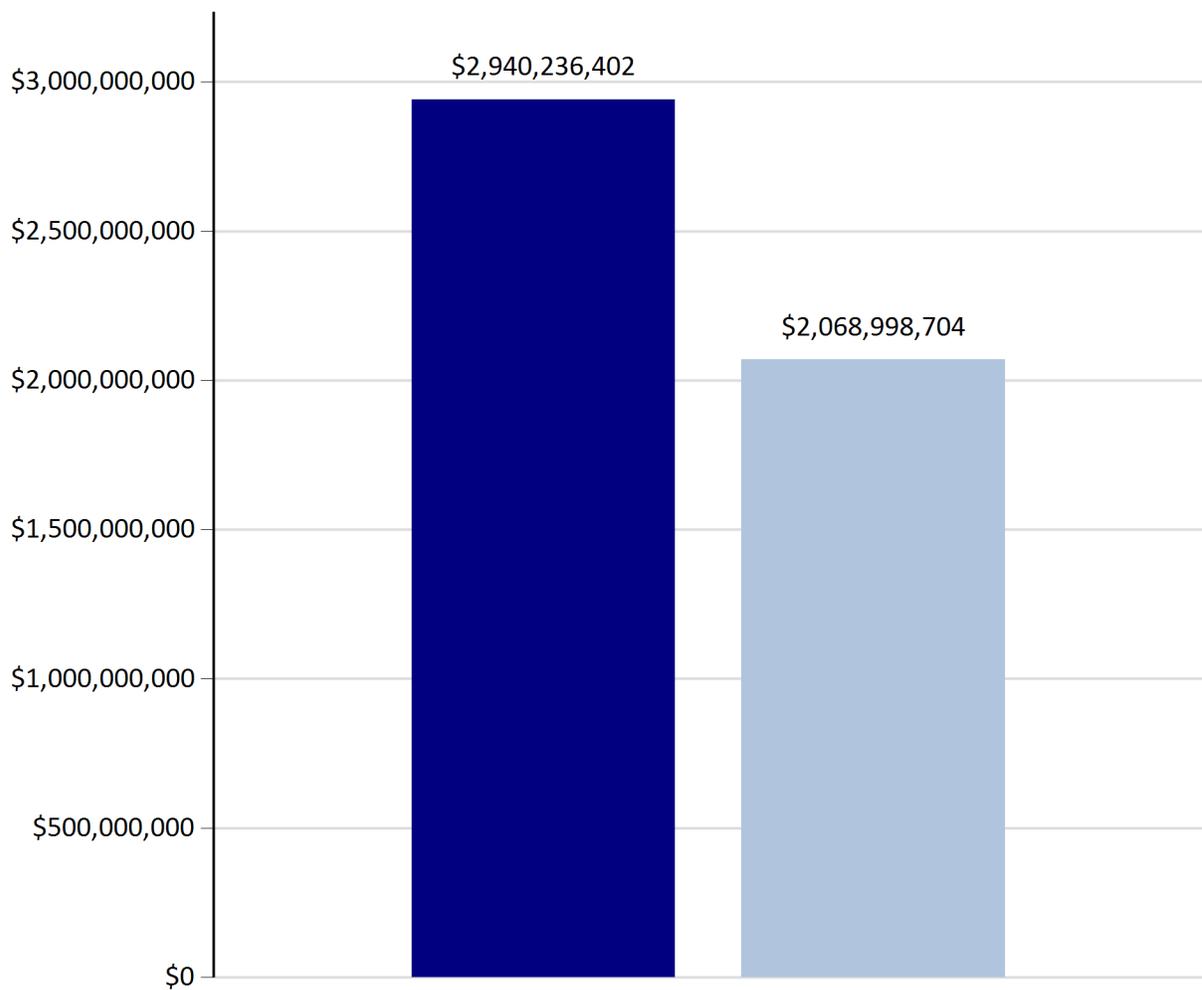


- Of the 10.7 million deferred deposit transactions reported for 2017, 83 percent were subsequent transactions made by the same borrower.

Subsequent Customers (continued)

Subsequent Transactions by Same Borrower: Dollar Amount

Source: Survey questions 85 and 86



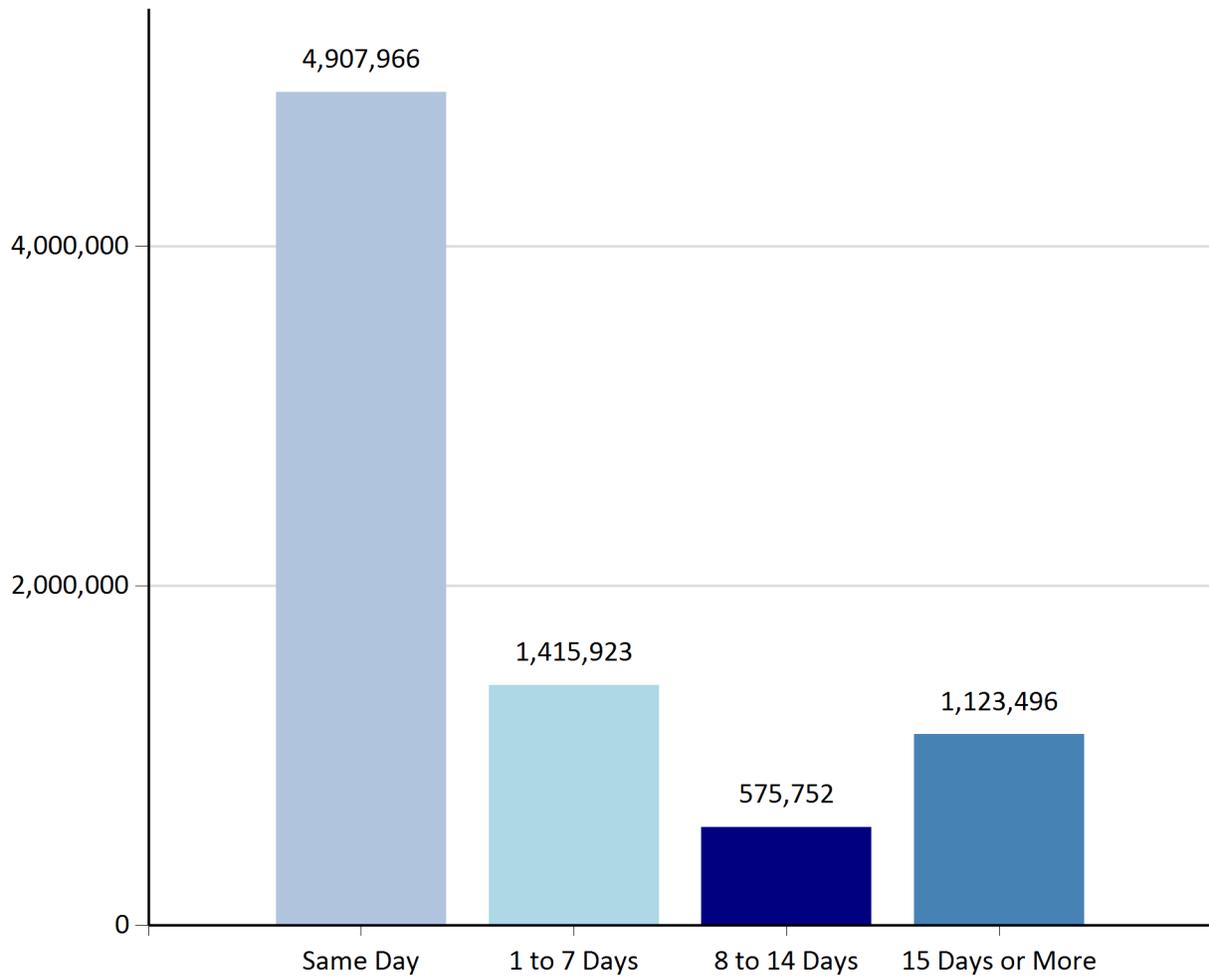
- Dollar amount of all deferred deposit transactions
- Dollar amount of subsequent transactions by same borrower

- Of \$2.94 billion in deferred deposit transactions reported for 2017, 70 percent of total dollar amount represented transactions with repeat borrowers.

Subsequent Customers (continued)

Subsequent Transactions by Same Borrowers: Days Between Transactions by Volume

Source: Survey questions 87 - 90



- Of subsequent deferred deposit transactions, 61 percent were made by the same borrowers on the same day the previous transaction closed; 18 percent were made 1 to 7 days later; 7 percent were made 8 to 14 days later, and 14 percent were made 15 days or more after the previous transaction closed. These percentages are based on 8 million subsequent transactions for which licensees provided the above breakdown.

Customers Receiving Government Assistance

Loans Made to Customers Receiving Government Assistance

Forty-nine (49) percent of licensees reported serving customers who received government assistance. Those customers accounted for 7 percent of all customers for those licensees. The table below is a breakdown of customers receiving government assistance.

Percentage of Customers Receiving Government Assistance

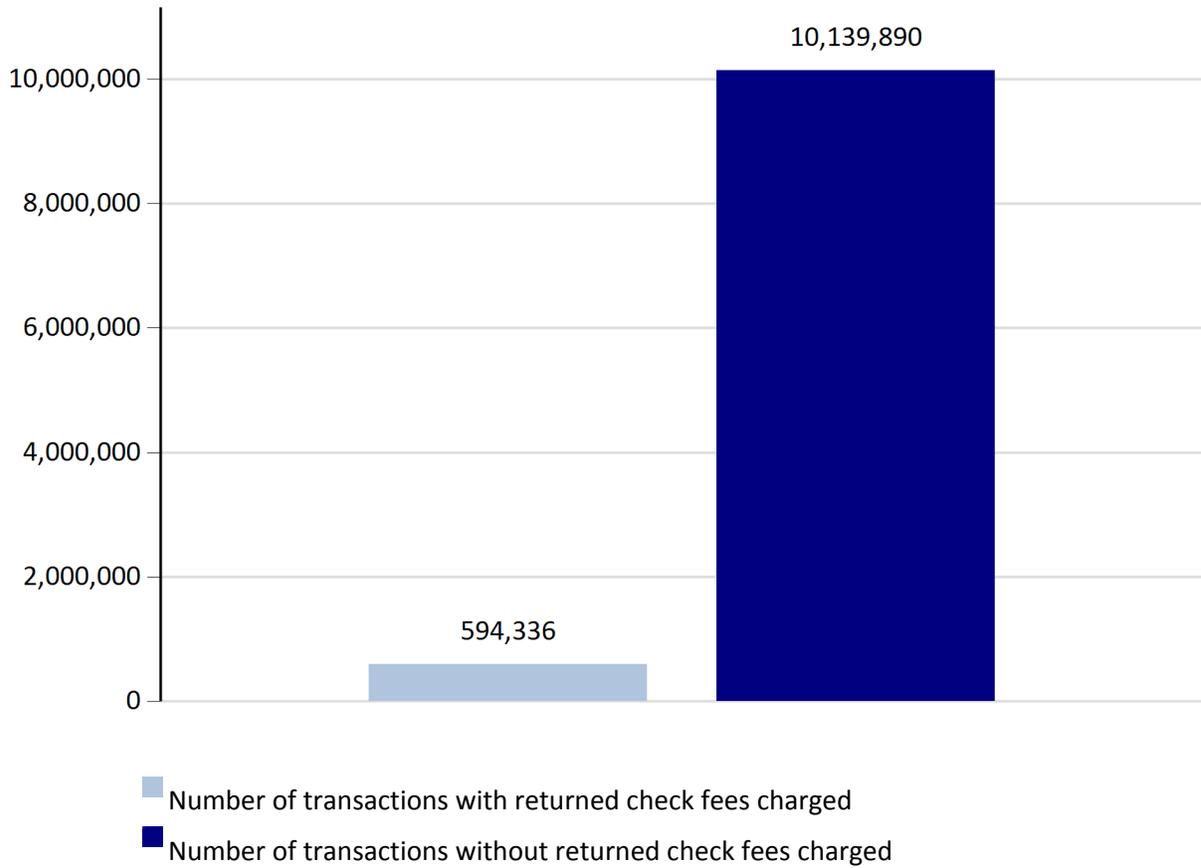
Source: Survey questions 92 and 93

| Percentage of customers receiving assistance | Number of licensees |
|---|----------------------------|
| 0% to 25% | 182 |
| 26% to 51% | 12 |
| 51 % and above | 3 |

Dishonored Checks

Deferred Deposit Transactions: Dishonored Check Volume

Source: Survey question 94 and Annual Report question 1

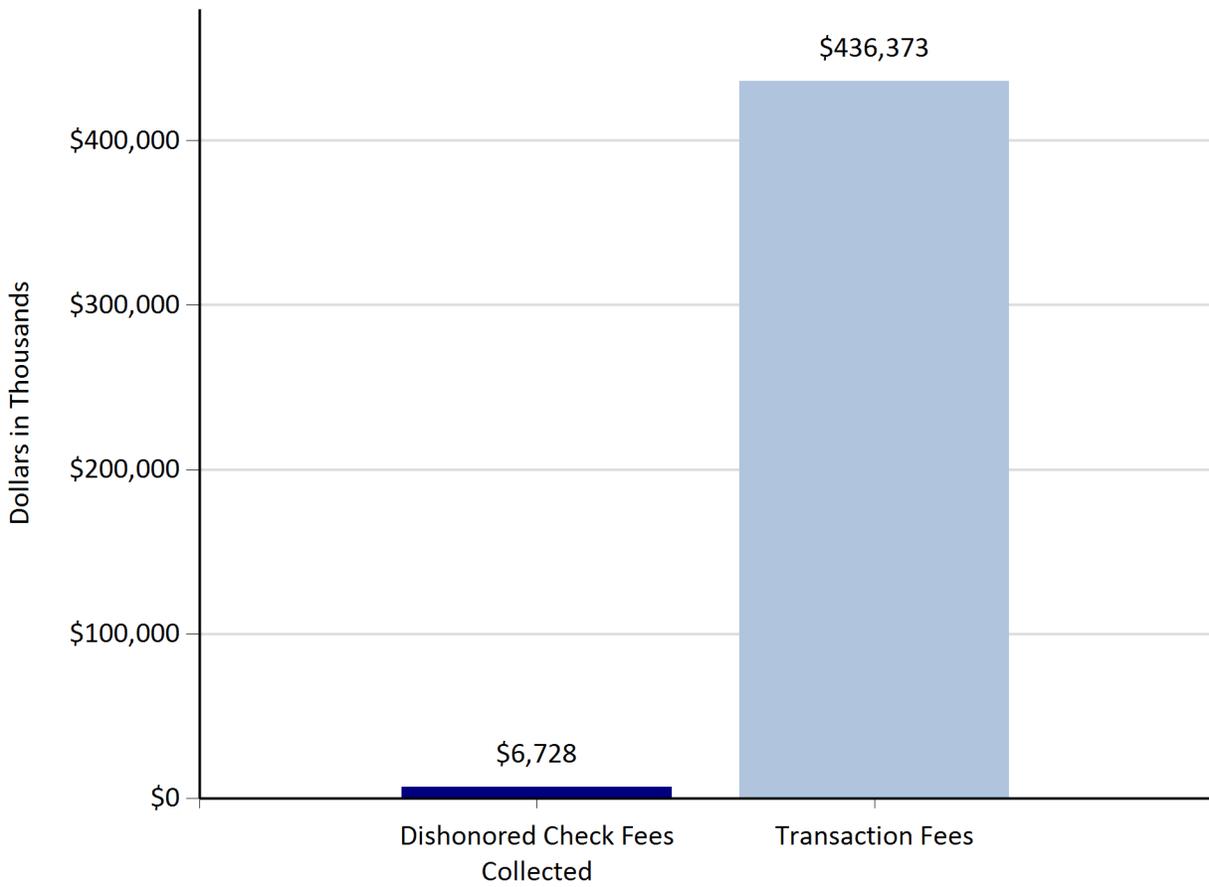


- Of 10.7 million deferred deposit transactions in 2017, 5.5 percent resulted in dishonored check fees.

Dishonored Checks (continued)

Dishonored Check Fees vs. Transaction Fees

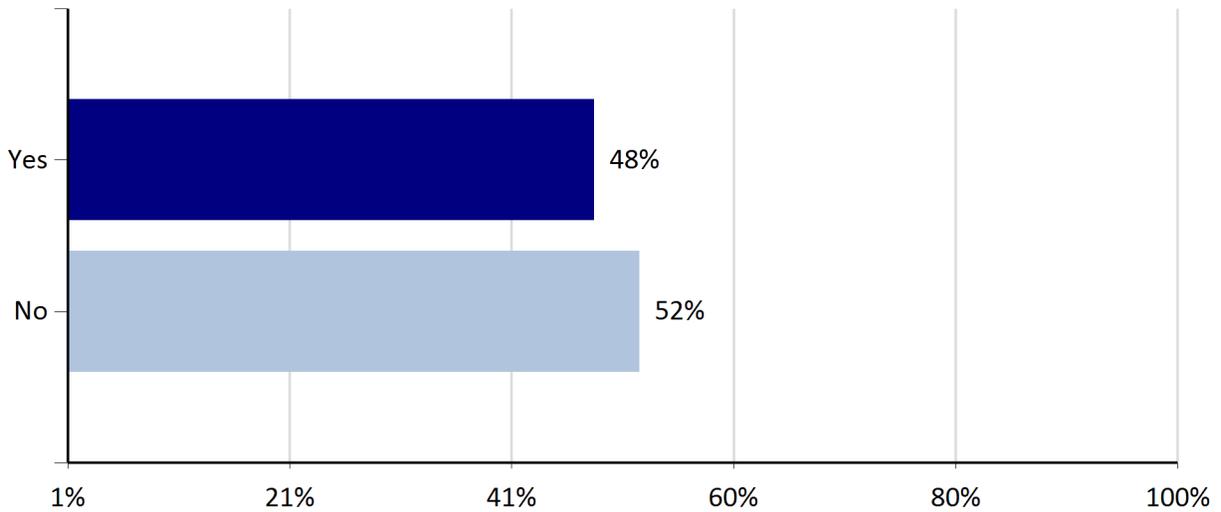
Source: Survey questions 75 and 95



Dispute Arbitration

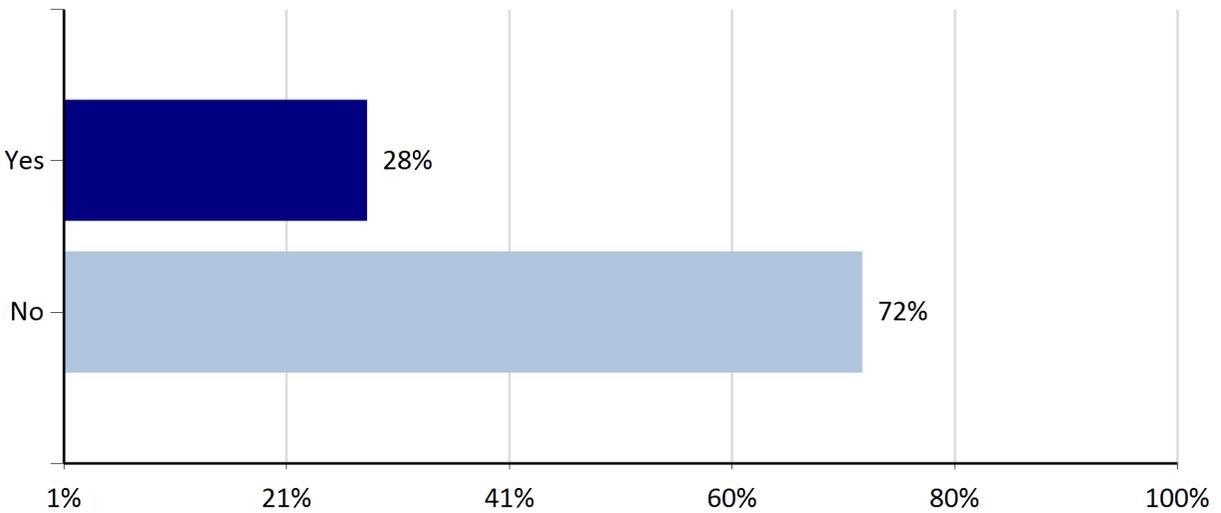
Percentage of Licensees with Dispute Arbitration Clause in Written Agreement

Source: Survey question 96



Percentage of Licensees with Dispute Arbitration Clause in Written Agreement That Prohibits Borrowers from Joining Class Action

Source: Survey question 97



Active Military Customers

Report of Active Military Customers

Less than 1% of reporting licensees indicated they had customers in active military service. The total number of customers was 252, and those customers made 760 unique transactions amounting to \$214,628. (Source: Survey questions 49-52)



California Department of Business Oversight

Toll-Free 1-866-275-2677

TTY 1-800-735-2922

Online www.dbo.ca.gov

To obtain additional copies of this report, please visit our website or call our toll-free number.

A blank copy of the 2017 Annual Report and Industry Survey can be found on the DBO website at http://www.dbo.ca.gov/Licensees/Payday_Lenders/Publications.asp