



2013

**California Department of Business Oversight
Annual Report:
Operation of Deferred Deposit Originators
Licensed under the California
Deferred Deposit Transaction Law**



California Department of
Business Oversight

**2013 Annual Report: Operation of Deferred Deposit Originators Licensed
under the California Deferred Deposit Transaction Law**

STATE OF CALIFORNIA
EDMUND G. BROWN JR., Governor

BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY
DEPARTMENT OF BUSINESS OVERSIGHT

JAN LYNN OWEN
CALIFORNIA COMMISSIONER of BUSINESS OVERSIGHT

Financial Services Division
California Deferred Deposit Transaction Law

Kathleen Partin, Deputy Commissioner
Frankie B. Hornick, Special Administrator



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OCTOBER 2014
LOS ANGELES

EXECUTIVE SUMMARY

The California Deferred Deposit Transaction Law (CDDTL), which became effective on January 1, 2003, shifted the responsibility for licensing and regulating persons engaged in the business of deferred deposit transactions from the Department of Justice to the Department of Corporations, now the Department of Business Oversight (“Department”). Pursuant to statute, the Department annually provides this report containing unaudited information provided by persons and companies licensed by the Department to conduct deferred deposit transaction business in California.

A deferred deposit transaction, commonly known as a payday loan, is a transaction whereby a person defers depositing a customer’s personal check until a specific date, pursuant to a written agreement for a fee, up to 31 days. The maximum transaction amount a consumer can receive in a deferred deposit transaction is \$300. Data reported by the licenses for this report indicates the average dollar amount of deferred deposit transactions made in 2013 was \$260 and the average length of a transaction was 17 days.

In 2013, the Department licensed 2,058 California Deferred Deposit Transaction licenses, who made \$3.1 billion in transactions to 1.7 million individual customers. While payday lending remains consistent in California, there has been a decrease of 18 percent in the number of licensed locations since 2006.

With the continued demand for deferred deposit transactions by Californians, the Department’s continued focus is to ensure a fair and secure financial services marketplace by enforcing the state’s laws and to provide resources to Californians to make informed financial decisions.



INTRODUCTION

The Department of Business Oversight has compiled data submitted by deferred deposit originators, commonly known as “payday lenders,” licensed under the California Deferred Deposit Transaction Law (CDDTL), required by Section 23026 of the Financial Code. 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. The licensee's annual report shall be kept confidential pursuant to Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code and any regulations adopted thereunder. 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 has also included related information, such as the number of licenses issued, filed, and surrendered.

The California Deferred Deposit Transaction Law defines a "deferred deposit originator" as any person who offers, originates or makes a deferred deposit transaction.



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This report is based on unaudited data presented by licensees and submitted in a format prescribed by the Department of Business Oversight. Please note the data contained herein is primarily statistical in nature. To assist in comparing data from prior years, certain statistical data is included in the charts on pages 8 through 14.

In 2013, deferred deposit originators made more than 12.1 million transactions to more than 1.7 million individual customers, totaling more than \$3.1 billion.

Data in this report is presented from 2006 onward because the Deferred Deposit Transaction Law became effective on December 31, 2004, and full year data was first collected for the 2006 calendar year.

CDDTL HISTORICAL DATA

REPORTED LICENSEES AS OF	NUMBER
December 31, 2013	2,058
December 31, 2012	2,100
December 31, 2011	2,119
December 31, 2010	2,144
December 31, 2009	2,187
December 31, 2008	2,385
December 31, 2007	2,403
December 31, 2006	2,493

The information on this table shows that there is a steady decline in the number of California Deferred Deposit Transaction licenses. From 2006 to 2013, the number of licensees has decreased by 435, an 18 percent decrease.



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TRANSACTIONS

Total Dollar Amounts and Number of Transactions

	2006	2007	2008	2009	2010	2011	2012	2013
Total dollar amount of Deferred Deposit transactions made	\$2,553,427,572	\$2,969,905,917	\$3,092,592,282	\$3,088,358,316	\$3,125,299,157	\$3,276,629,497	\$3,229,018,352	\$3,165,667,707
Total number of Deferred Deposit transactions made	10,048,422	11,152,466	11,841,014	11,784,798	12,092,091	12,427,810	12,255,026	12,163,832
Total number of individual unique customers who obtained Deferred Deposit transactions (repeat customers counted once)	1,432,844	1,609,680	1,665,019	1,567,188	1,646,700	1,738,219	1,768,501	1,779,471

The table on this page reflects the total dollar amount and total number of deferred deposit transactions made from 2006 to 2013.

In 2013, the total dollar amount of transactions made decreased by 1.96 percent from the previous year and the total number of transactions made decreased by 0.74 percent. The table also reflects an increase in deferred deposit transaction customers by 0.62 percent from the previous year.



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CDDTL TRANSACTION ANALYSIS

	2006	2007	2008	2009	2010	2011	2012	2013
*Average dollar amount of Deferred Deposit transactions made	\$254	\$266	\$261	\$262	\$258	\$263	\$263	\$260
Minimum dollar amount of Deferred Deposit transactions made	\$10	\$10	\$6	\$8	\$4	\$12	\$6	\$3
Maximum dollar amount of Deferred Deposit transactions made	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300
**Average Annual Percentage Rate (APR)	429%	424%	416%	414%	414%	411%	411%	408%
Average Number of days of Deferred Deposit transactions	16	16	17	17	17	17	17	17

* Maximum transaction amount is \$300 per statute.

**APR is calculated using the average method, in which all APR's reported are divided by the number of licensees. This methodology yields an "average" APR of 408 percent.



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Chart 1: Total Dollar Amount of Transactions

Dollar amount of deferred deposit transactions

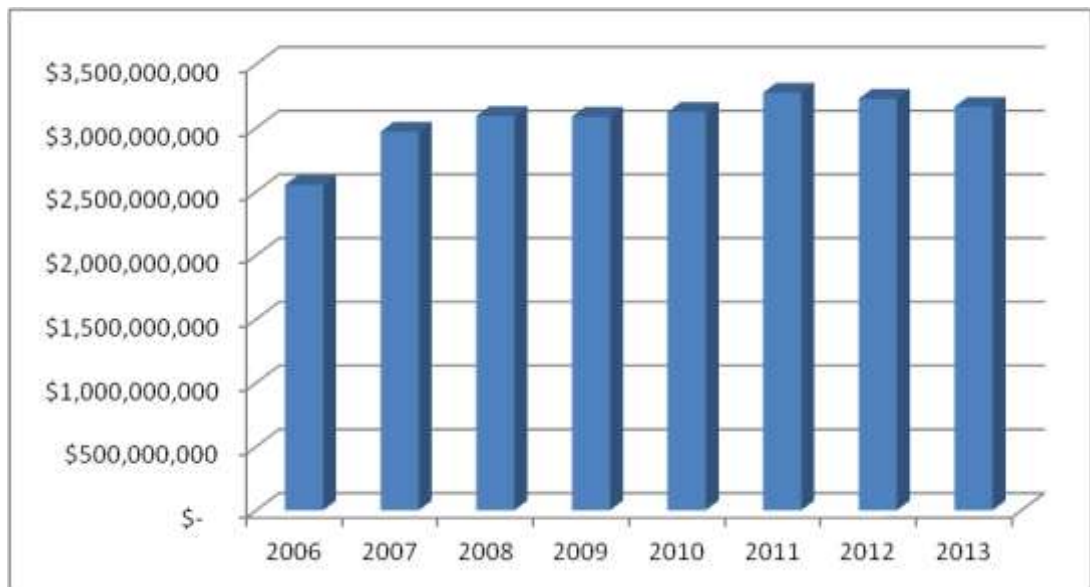


Chart 2: Total Number of Transactions

Number of deferred deposit transactions

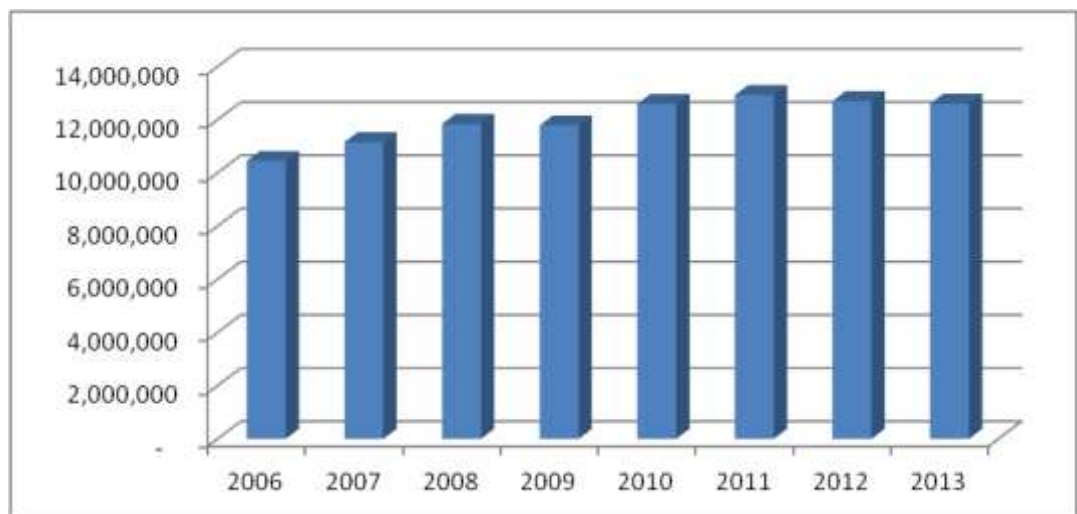
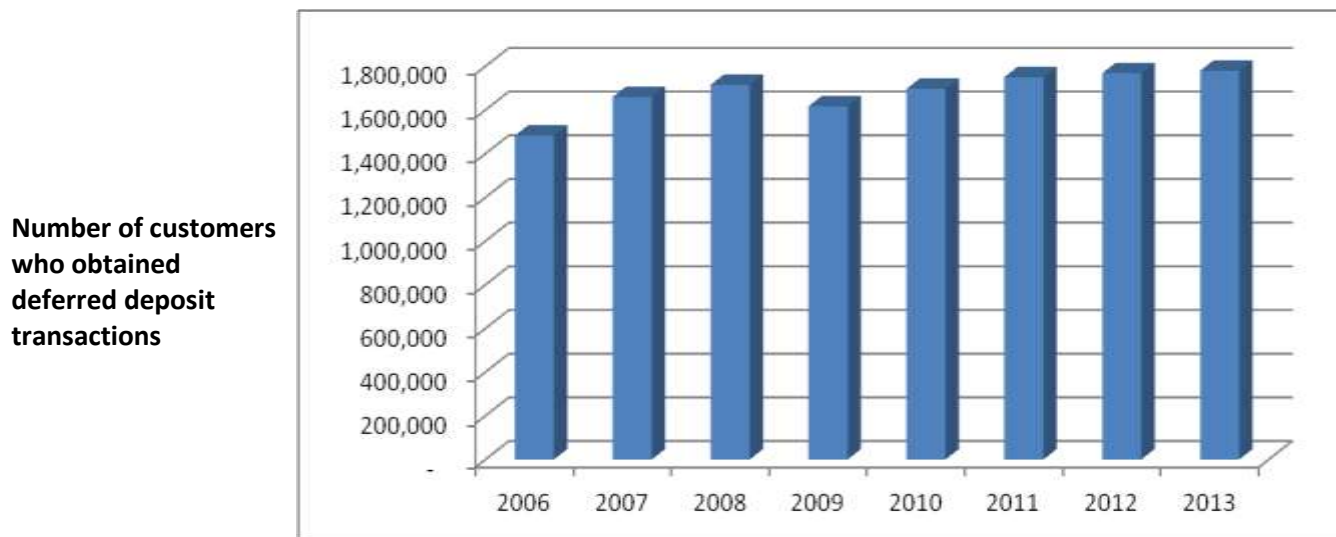


Chart 3: Total Number of Deferred Deposit Transaction Customers



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**RETURNED CHECKS
Total of Returned Checks**

	2006	2007	2008	2009	2010	2011	2012	2013
Total number of returned checks from Deferred Deposit transactions made	751,117	823,594	816,605	677,616	931,735	931,387	674,648	706,214
Percentage of total number of returned checks to total number of Deferred Deposit transactions made	7.47%	7.38%	6.90%	5.75%	7.71%	7.49%	5.51%	5.81%
Total dollar amount of returned checks from Deferred Deposit transactions made	\$186,031,613	\$213,050,882	\$214,887,020	\$178,369,234	\$239,593,849	\$246,769,462	\$180,460,466	\$191,816,906
Percentage of total dollar amount of returned checks to total dollar amount of Deferred Deposit transactions made	7.29%	7.17%	6.95%	5.78%	7.67%	7.53%	5.59%	6.06%

The table on this page captures transaction data for returned checks. There was a 4.68 percent increase in the total number of returned checks of deferred deposit transactions from 2012 to 2013.



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Returned Checks Recovered

	2006	2007	2008	2009	2010	2011	2012	2013
Total number of returned checks from Deferred Deposit transactions recovered (includes partial recoveries)	520,756	492,405	522,157	432,284	674,470	642,069	389,312	370,812
Percentage of total number of returned checks from Deferred Deposit transactions recovered (includes partial recoveries) to total number of Deferred Deposit transactions made	5.18%	4.42%	4.41%	3.67%	.58%	5.17%	3.18%	3.05%
Total dollar amount of returned checks recovered (includes partial recoveries)	\$106,441,869	\$115,002,061	\$120,316,378	\$98,998,954	\$164,196,162	\$160,480,858	\$92,394,261	\$88,276,576
Percentage of total dollar amount of returned checks recovered (including partial recoveries) to total dollar amount of Deferred Deposit transactions made	4.17%	3.87%	3.89%	3.21%	5.25%	4.90%	2.86%	2.79%

The table on this page captures transaction data for returned checks recovered as reported by licensees. There was a 4.75 percent decrease in the total number of returned checks recovered from 2012 to 2013.



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Returned Checks Charged Off

	2006	2007	2008	2009	2010	2011	2012	2013
Total number of checks charged off (includes partial balances charged off)	307,697	355,804	321,555	280,233	180,020	285,555	289,982	336,780
Percentage of total number of checks charged off (including partial balances) to total number of Deferred Deposit transactions made	3.06%	3.19%	2.72%	2.38%	2.32%	2.30%	2.37%	2.77%
Total dollar amount of Deferred Deposit transactions charged off (includes partial balances charged off)	\$74,825,909	\$85,683,626	\$81,783,721	\$72,023,747	\$70,937,735	\$72,367,689	\$73,647,144	\$88,390,920
Percentage of total dollar amount of checks charged off (including partial balances charged off) to total dollar amount of Deferred Deposit transactions made	2.93%	2.89%	2.64%	2.33%	2.27%	2.21%	2.28%	2.79%

This table captures returned check data for the total number, total dollar and percentages.



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Chart 4: Total Amount of Returned Checks

Dollar amount of returned checks

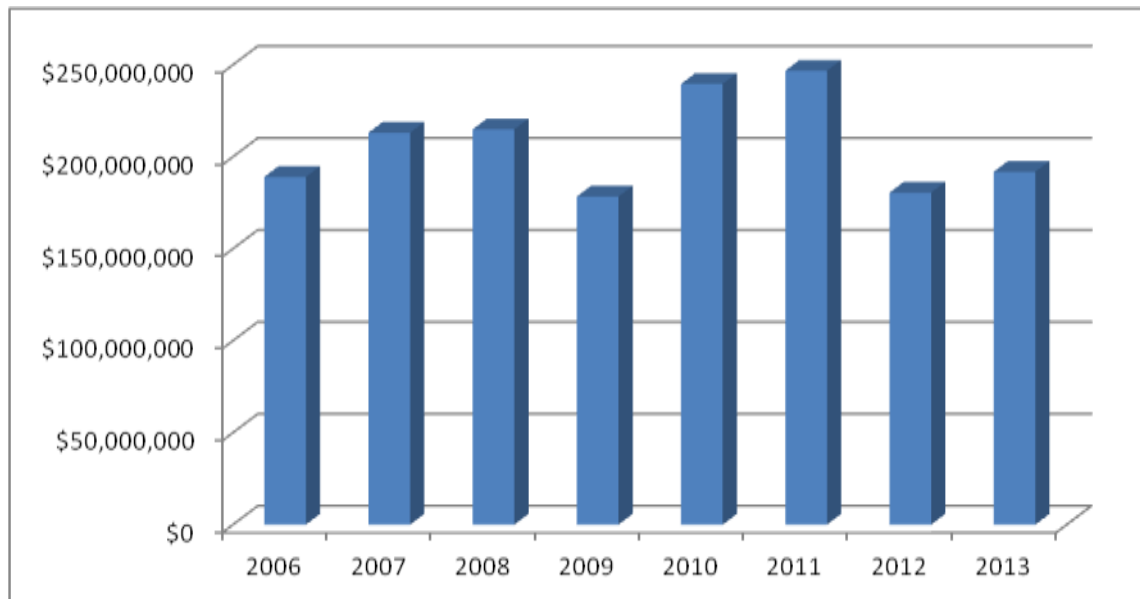


Chart 5: Total Dollar Amount of Returned Checks Recovered

Dollar amount of returned checks recovered

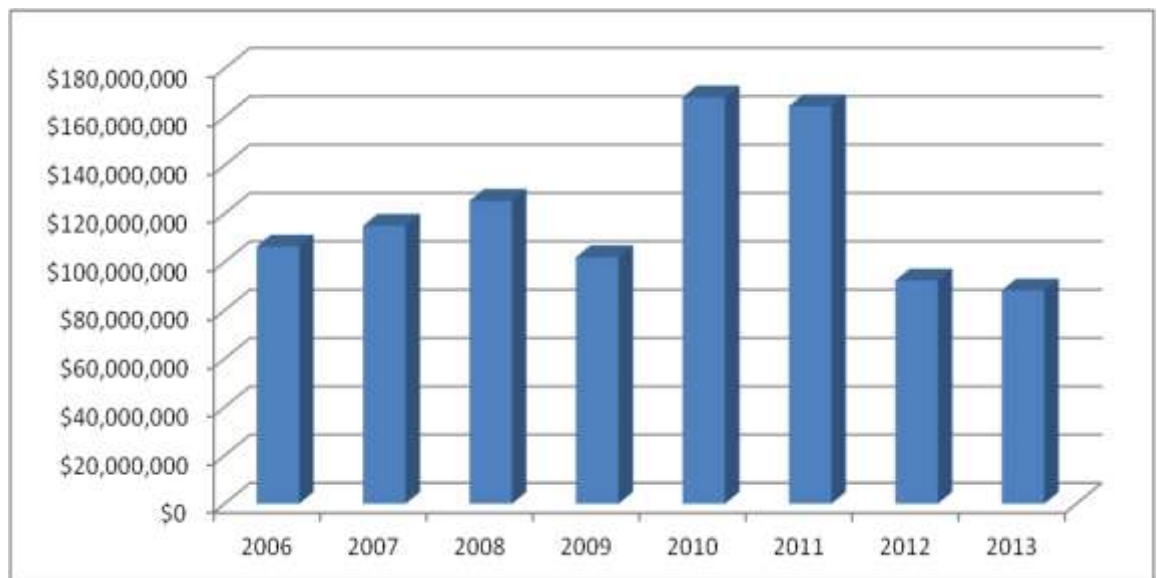
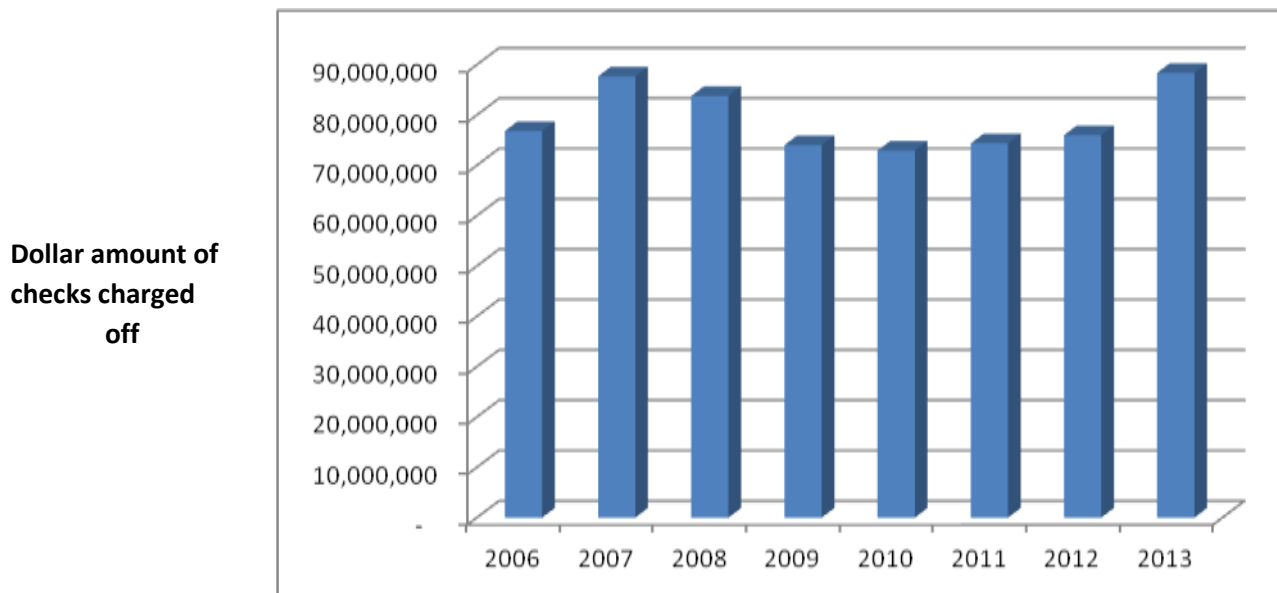


Chart 6: Total Dollar Amount of Checks Charged Off



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LICENSING

The information below reflects the licensing activity for the calendar years 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013. The long form application refers to the first license a person applies for under the California Deferred Deposit Transaction Law (CDDTL) and 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 are withdrawn at the request of the applicant. To assist in comparing the licensing data from prior years, the total license applications filed, total number of licenses surrendered, and total number of licenses issued is included in the charts on pages 18 and 19.

Licensing Historical Data

	2006	2007	2008	2009	2010	2011	2012	2013
Long Form Applications Filed	116	69	56	53	33	32	29	38
Short Form Applications Filed	256	251	197	47	123	48	61	67
Total Applications Filed	372	320	253	100	156	80	90	105

Long Form Applications Denied	2	0	0	0	0	0	0	1
Short Form Applications Denied	0	2	3	1	0	0	0	0
Total Applications Denied	2	2	3	1	0	0	0	1



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Licensing Historical Data

	2006	2007	2008	2009	2010	2011	2012	2013
Long Form Applications Abandoned	8	8	3	3	2	1	1	0
Short Form Applications Abandoned	1	0	20	0	1	0	0	0
Total Applications Abandoned	9	8	23	3	3	1	1	0

Long Form Applications Withdrawn	3	1	6	3	1	4	1	0
Short Form Applications Withdrawn	4	15	10	1	5	0	0	1
Total Applications Withdrawn	7	16	16	4	6	4	1	1

Long Form Licenses Surrendered	79	93	68	64	54	31	31	34
Short Form Licenses Surrendered	188	272	154	216	104	75	67	94
Total Licenses Surrendered	267	365	222	280	158	106	98	128



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Licensing Historical Data

	2006	2007	2008	2009	2010	2011	2012	2013
Long Form Licenses Revoked	14	26	12	19	16	15	2	1
Short Form Licenses Revoked	8	6	6	6	6	0	0	0
Total Licenses Revoked	22	32	18	25	22	15	2	1

Long Form Licenses Issued	96	72	56	50	29	29	19	22
Short Form Licenses Issued	241	236	165	57	111	58	61	50
Total Licenses Issued	337	308	221	107	140	87	80	72



Chart 7: CDDTL Licensed Locations

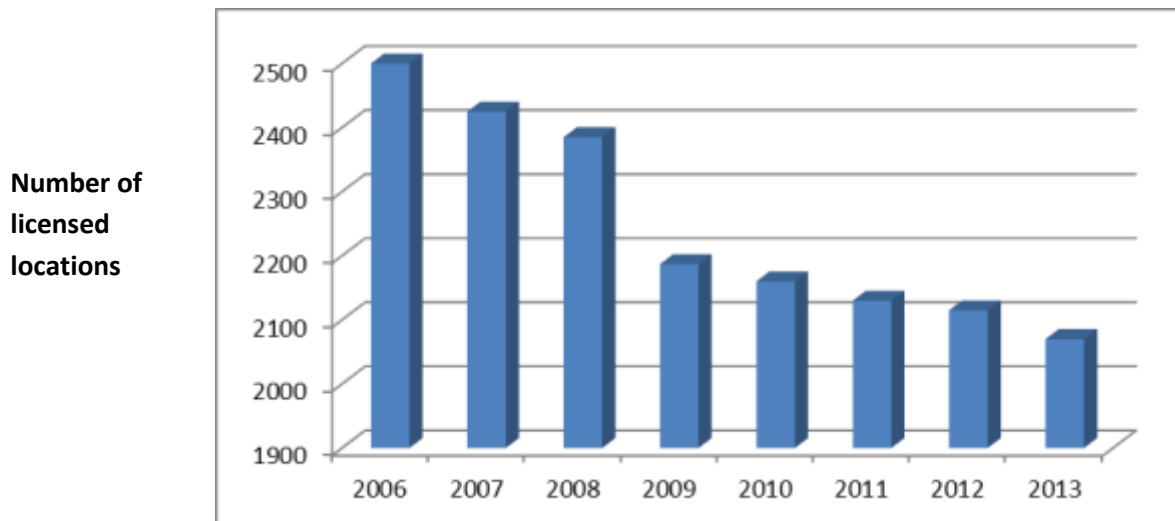


Chart 8: Number of License Application Filed

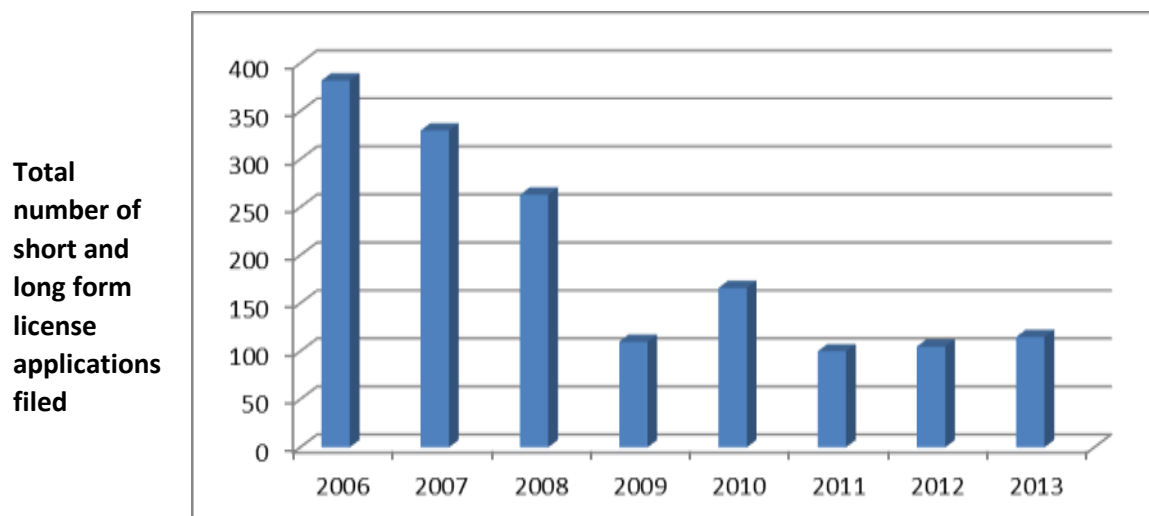


Chart 9: Total Number of Short and Long Form Licenses Surrendered

Total number of short and long form licenses surrendered

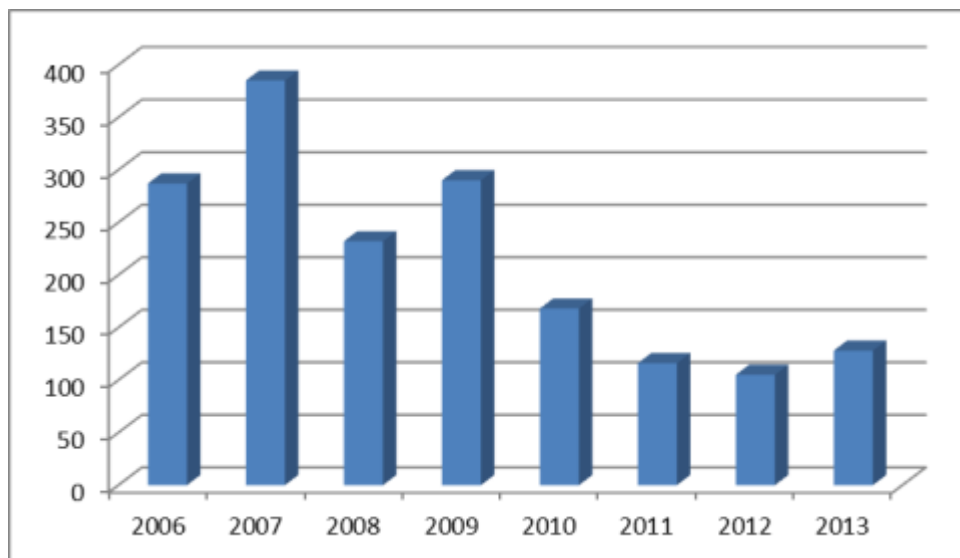
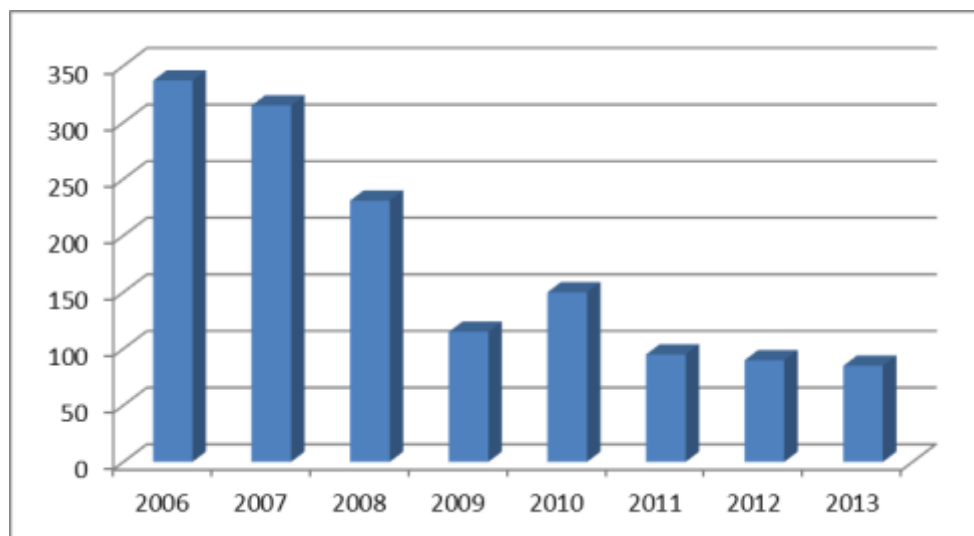


Chart 10: Total Number of Licenses Issued

Total number of short and long form licenses issued



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CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT
Toll-Free 1-866-275-2677
TTY 1-800-735-2922
Online www.dbo.ca.gov

Sacramento Offices:

1515 K Street, Suite 200
Sacramento, CA 95814-4052

San Diego Offices:

1350 Front Street, Room 2034
San Diego, CA 92101-3697

7575 Metropolitan Dr., Ste. 108
San Diego, CA 92108

Los Angeles Offices:

320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

300 S. Spring Street, Ste. 15513
Los Angeles, CA 90013-1259

San Francisco Offices:

One Sansome Street, Suite 600
San Francisco, CA 94104-4448

45 Fremont Street, Ste. 1700
San Francisco, 94105-2219

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