



2019

California Department of Business Oversight

Annual Report of Payday Lending Activity
Under the California Deferred Deposit Transaction Law

Report Required by Financial Code Section 23026



Lourdes M. Castro Ramírez, Secretary
Business, Consumer Services and Housing Agency

Manuel P. Alvarez
Commissioner of Business Oversight

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

Mona Elsheikh, Deputy Commissioner
Financial Services

TABLE OF CONTENTS

Executive Summary	1
Part I: Consolidated Annual Report	
Background	3
A. Historical Data - Transactions.....	4
B. Historical Data - Returned Checks.....	6
C. Historical Data - Licensing	9
Part II: Consolidated Industry Survey	
Background	10
A. Volume of Transactions per Customer	11
B. Customer Age.....	12
C. Customer Income	14
D. Internet Transactions.....	15
E. Lead Generators.....	16
F. Disbursements to Customers.....	18
G. Payments from Customers.....	20
H. Collections.....	23
I. Fees	25
J. Subsequent Transactions by Same Borrower	26
K. Loans Made to Customers Receiving Government Assistance	29
L. Dishonored Checks.....	30
M. Dispute Arbitration	32
N. Covered Borrowers	33

EXECUTIVE SUMMARY

The Department of Business Oversight licenses and regulates deferred deposit originators, better known as payday lenders, pursuant to the California Deferred Deposit Transaction Law (CDDTL).

In a payday loan transaction, the consumer provides the originator or lender a personal check for \$300 or less. The lender gives the consumer the money, minus an agreed upon fee. The fee cannot exceed 15 percent of the amount of the personal check. The lender then defers depositing the consumer's check for a specific period, which cannot exceed 31 days.

The annual report and survey data in this report is unaudited and covers licensees' activities in calendar year 2019. The report also provides historical data back to 2010.

Highlights from the 2019 annual report and industry survey include:

- Size of the payday loan industry in California
 - California's payday lenders made almost 10.2 million loans.
 - These loans were worth \$2.8 billion.
 - More than 1.6 million individual customers took out payday loans.
 - Note: The three figures above varied by less than 1 percent from 2018 totals.
 - The average dollar amount and average length of payday loans in 2019 remained unchanged at \$250 and 17 days, respectively.
 - Payday loans charged an average annual percentage rate (APR) of 369 percent in 2019, a decline from 376 percent in 2018.
- Subsequent loans
 - The number of customers who obtained 10 or more payday loans in 2019 exceeded the number of those who obtained just one – 411,641 compared to 378,157.
 - Subsequent loans by the same borrower accounted for 75 percent of the payday loans in 2019 and 82 percent of the aggregate dollar amount.
 - Of subsequent payday loans by the same borrower, 57.6 percent were made the same day the previous transaction ended. Another 19 percent were made one to seven days after the previous loan.
 - The average number of payday loans per customer held steady at 6.3 from 2018 to 2019, although the average has declined from the 7.3 since 2010.
 - Respondent licensees collected \$418.4 million in fees on payday loans in 2019. Of that total, 71.3 percent – \$298.5 million – came from customers who made seven or more transactions during the year.

- Borrower income levels
 - For the year, 48 percent of payday loan customers had average annual incomes of \$30,000 or less, and 29 percent had average annual incomes of \$20,000 or less.
- Where consumers obtain payday loans
 - The number of licensed locations declined 5.7 percent from 2018 and has dropped 27.7 percent from 2010. At the end of 2019, the DBO supervised 168 payday loan licensees at 1,551 locations.
 - The number of payday loan customers referred by lead generators increased 15.5 percent from 272,753 in 2018 to 315,030 in 2019. The number of payday loan customers referred by lead generators also grew from 17 percent to 20 percent of all payday loan customers.
 - Almost 14 percent of licensees made payday loans over the internet during 2019. However, online payday loans accounted for 24.9 percent (2,531,327) of all payday loans, and 30.8 percent of customers (497,303) took out payday loans over the internet.
- Use of cash and other methods of payment
 - The use of cash to disburse funds to customers and receive payments from customers continued to decline in 2019. Measured in dollar amounts, cash disbursements decreased to 75 percent from 76.8 percent of all disbursements in 2018, while “other” forms of disbursements, including wire transfers, bank cards, and debit cards, climbed to 4.6 percent from 1.2 percent. In 2019, 55.5 percent of customers’ payments were made with cash, down from 60.7 percent in 2018. Electronic transfers accounted for 23.5 percent of payments, compared to 21.5 percent in 2018.
- Returned checks and dispute resolution
 - Borrowers’ checks were returned unpaid in 6.43 percent of all payday loans in 2019, a slight increase from 6.32 percent in 2018. The dollar amount of returned checks, as a percentage of the total dollar amount of all payday loans, declined slightly to 6.27 percent from 6.31 percent in 2018.
 - The number of charged off returned checks as a share of total payday loans in 2019 remained at 2.6 percent, the same as 2018. The dollar amount of charged off returned checks as a percentage of the total dollar amount of all payday loans also remained the same at 2.36 percent.
 - With respect to dispute resolution, 45.3 percent of respondent licensees have clauses in their written agreements that require arbitration, and 31.5 percent have arbitration clauses that prohibit customers from joining class actions.

PART I: CONSOLIDATED ANNUAL REPORT

BACKGROUND

In this report, the Department of Business Oversight (DBO) has compiled data submitted by licensed deferred deposit originators, better known as payday lenders, under the California Deferred Deposit Law (CDDTL). The licensees submitted the data pursuant to Financial Code section 23026.

Financial Code section 23026 states:

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.*

This report contains unaudited data provided by licensees for the calendar year ending December 31, 2019. The numbers are statistical in nature.

As of December 31, 2019, the DBO licensed 168 payday lenders. Of those, 159 filed required annual reports in time to be included in this report, and seven surrendered their licenses after January 1, 2020. Data from two licensees is not included, however the omission does not materially affect the integrity of the data compiled in this composite report.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided, and percentages may not precisely reflect the absolute figures.

This report and prior years' reports can be found on the DBO's website at <https://dbo.ca.gov/payday-lenders-publications/>.

CDDTL Historical Data - Transactions

Table 1: Total Dollar Amount and Number of Transactions

Year	Total dollar amount of payday loans	Total number of payday loans	Total number of individual customers who obtained payday loans (repeat customers counted once)
2019	\$2,819,552,891	10,181,247	1,612,593
2018*	\$2,817,530,720	10,240,894	1,622,969
2017*	\$2,940,236,402	10,734,226	1,688,719
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

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

- In 2019, the total dollar amount of payday loans increased slightly by 0.07 percent from the previous year, while the number of payday loans declined 0.6 percent. Table 1 also reflects a 0.6 percent drop from 2018 in the number of payday loan customers. The average number of payday loans per customer has declined from 7.3 in 2010 to 6.3 in 2019.

CDDTL Historical Data - Transactions (continued)

Table 2: Transaction Analysis

Year	*Average dollar amount of payday loans	** Average annual percentage rate (APR)	Average term (in days) of payday loans
2019	\$250	369%	17
2018	\$250	376%	17
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

* 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 payday loan dollar amount remained \$250 in 2019, the same as 2018. The average APR for payday loans decreased to 369 percent in 2019 from 376 percent in 2018.

CDDTL Historical Data - Returned Checks

Table 3: Returned Checks: Total Number and Dollar Amount

Year	Total number of returned checks in payday loan transactions	Total number of returned checks in payday loan transactions as percentage of total number of payday loans	Total dollar amount of returned checks in payday loan transactions	Total dollar amount of returned checks in payday loan transactions as percentage of total dollar amount of payday loans
2019	654,354	6.43%	\$176,818,609	6.27%
2018*	647,069	6.32%	\$177,785,694	6.31%
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%

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

- From 2018 to 2019, the number of returned checks in payday loan transactions increased by 1.1 percent.

CDDTL Historical Data - Returned Checks (Continued)

Table 4: Returned Checks Recovered

Year	Total number of returned checks recovered (includes partial recoveries) in payday loan transactions	Total number of returned checks in payday loan transactions recovered (includes partial recoveries) as percentage of total number of payday loans	Total dollar amount of returned checks recovered (includes partial recoveries) in payday loan transactions	Total dollar amount of returned checks in payday loan transactions recovered (includes partial recoveries) as percentage of total number of payday loans
2019	425,567	4.18%	\$95,672,481	3.39%
2018	418,155	4.08%	\$90,553,602	3.21%
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%

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

- From 2018 to 2019, the total dollar amount of returned checks recovered in payday loan transactions increased 5.7 percent, to \$95.7 million.

CDDTL Historical Data - Returned Checks (Continued)

Table 5: Returned Checks Charged Off

Year	Total number of returned checks charged off (includes partial balances) in payday loan transactions	Total number of returned checks charged off (including partial balances) in payday loan transactions as percentage of total number of payday loans	Total dollar amount of returned checks charged off (includes partial balances) in payday loan transactions	Total dollar amount of returned checks charged off (including partial balances) in payday loan transactions as percentage of total dollar amount of payday loans
2019	265,258	2.61%	\$66,483,174	2.36%
2018*	265,034	2.59%	\$66,551,379	2.36%
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%

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

- From 2018 to 2019, the number of returned checks recovered increased slightly by 0.08 percent while the dollar amount of returned checks charged off decreased by 0.1 percent.

CDDTL Historical Data - Licensing

The information in Table 6 and Table 7 reflects licensing activity for calendar years 2010 through 2019. 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.

Table 6: Licensed Locations

Year	Number
2019	1,551
2018	1,645
2017	1,705
2016	1,854
2015	1,969
2014	2,014
2013	2,058
2012	2,100
2011	2,119
2010	2,144

- The information in Table 6 shows there has been a steady decline in the number of licensed locations. From 2010 to 2019, the number dropped by 593, or 27.7 percent.

Table 7: Applications Filed

Year	Long Form Applications Filed	Short Form Applications Filed	Total Applications Filed
2019	11	6	17
2018	20	61	81
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

PART II: CONSOLIDATED INDUSTRY SURVEY

BACKGROUND

In January 2020, the DBO provided the *California Deferred Deposit Transaction Law – 2019* Industry Survey to all licensed payday lenders. The DBO conducts this survey pursuant to Financial Code section 23015.

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 payday lenders, as well as potential consumer risks. The industry survey collected information on licensees' activities in calendar year 2019 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
- Covered borrowers

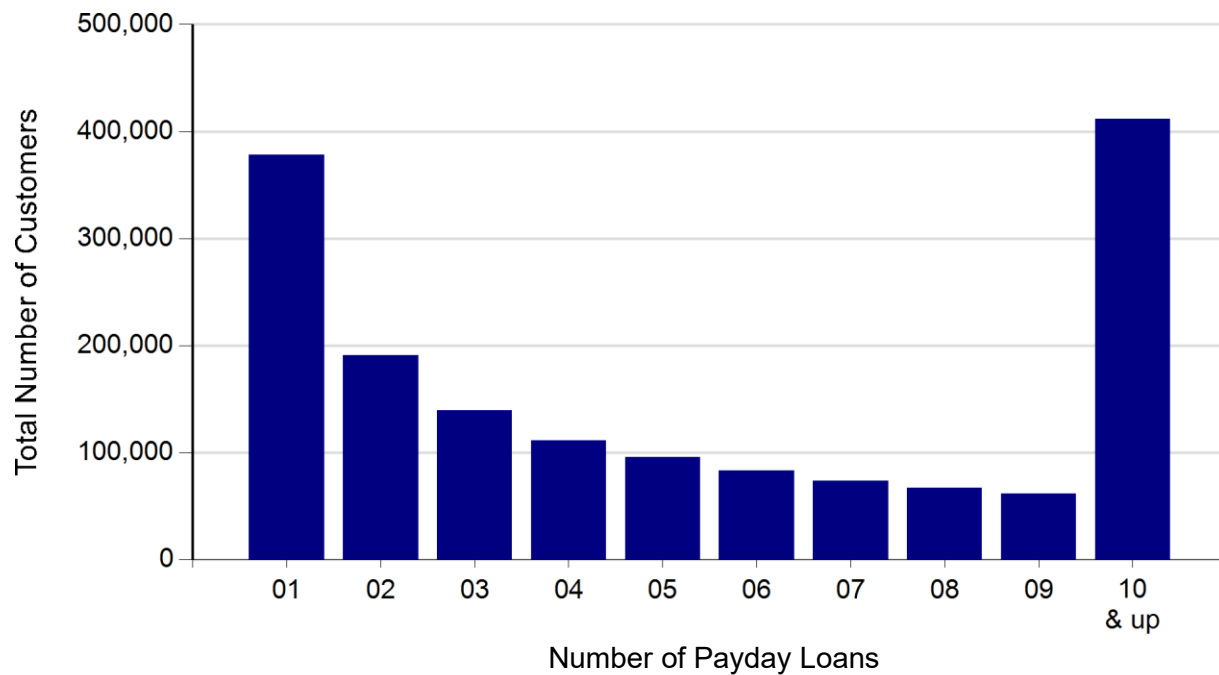
Some data included in this survey may not exactly match data in the annual report due to minor differences in the data reported by licensees (Part I of this report).

Payday Loan Transaction Volumes Per Customer

- Questions one through ten of the survey asked licensees to report the number of customers who obtained a specified number of payday loan transactions during 2019. Chart 1 provides the aggregated response data for each question.

Chart 1: Total Number of Customers by Number of Transactions

Source: Survey questions 1-10

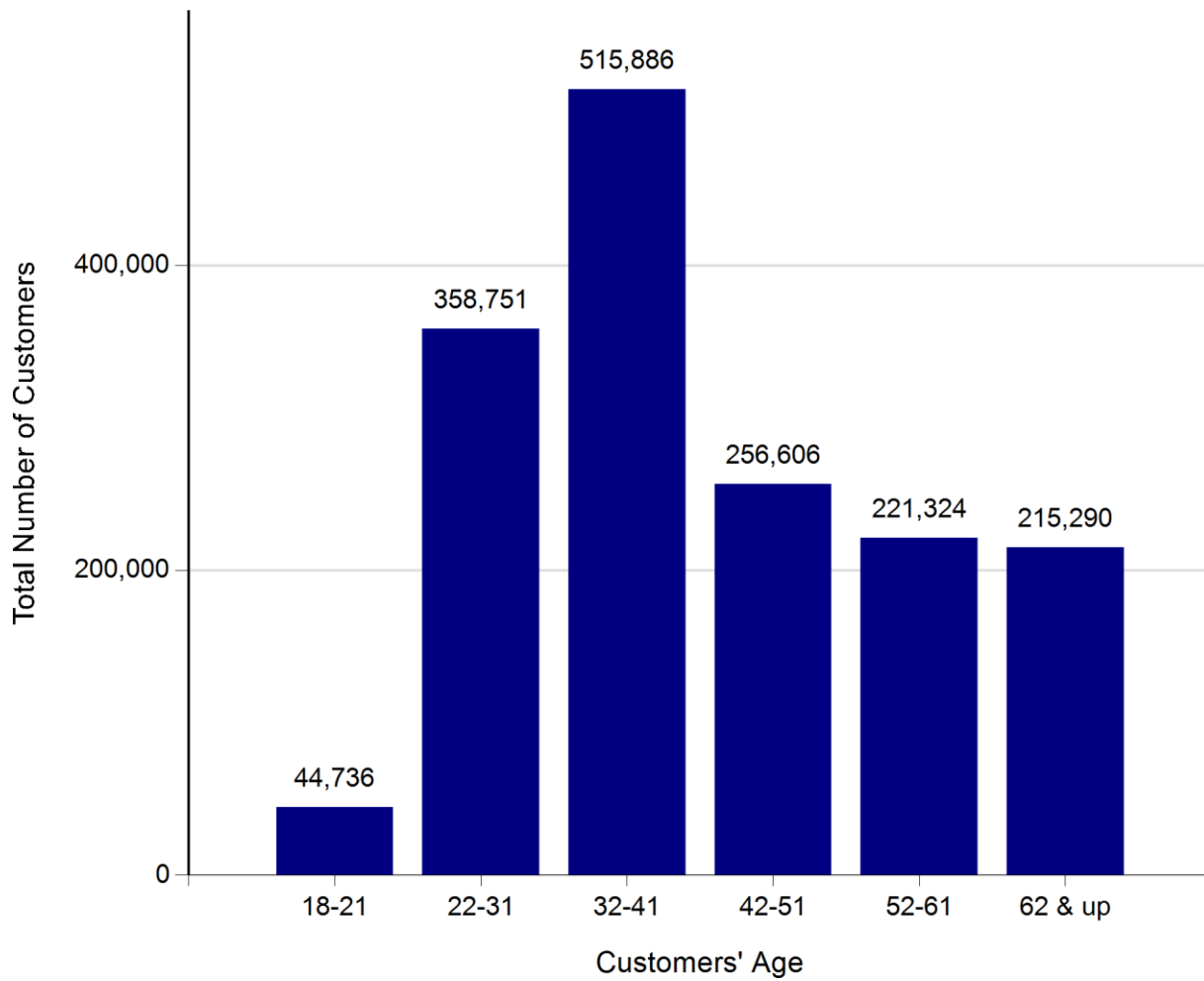


Question Number	1	2	3	4	5	6	7	8	9	10
Question Text	Obtained 1 payday loan	Obtained 2 payday loans	Obtained 3 payday loans	Obtained 4 payday loans	Obtained 5 payday loans	Obtained 6 payday loans	Obtained 7 payday loans	Obtained 8 payday loans	Obtained 9 payday loans	Obtained 10 or more payday loans
Totals	378,157	190,971	139,538	111,590	95,611	83,071	73,349	66,951	61,714	411,641

Customer Age

Chart 2: Number of Customers by Customers' Age

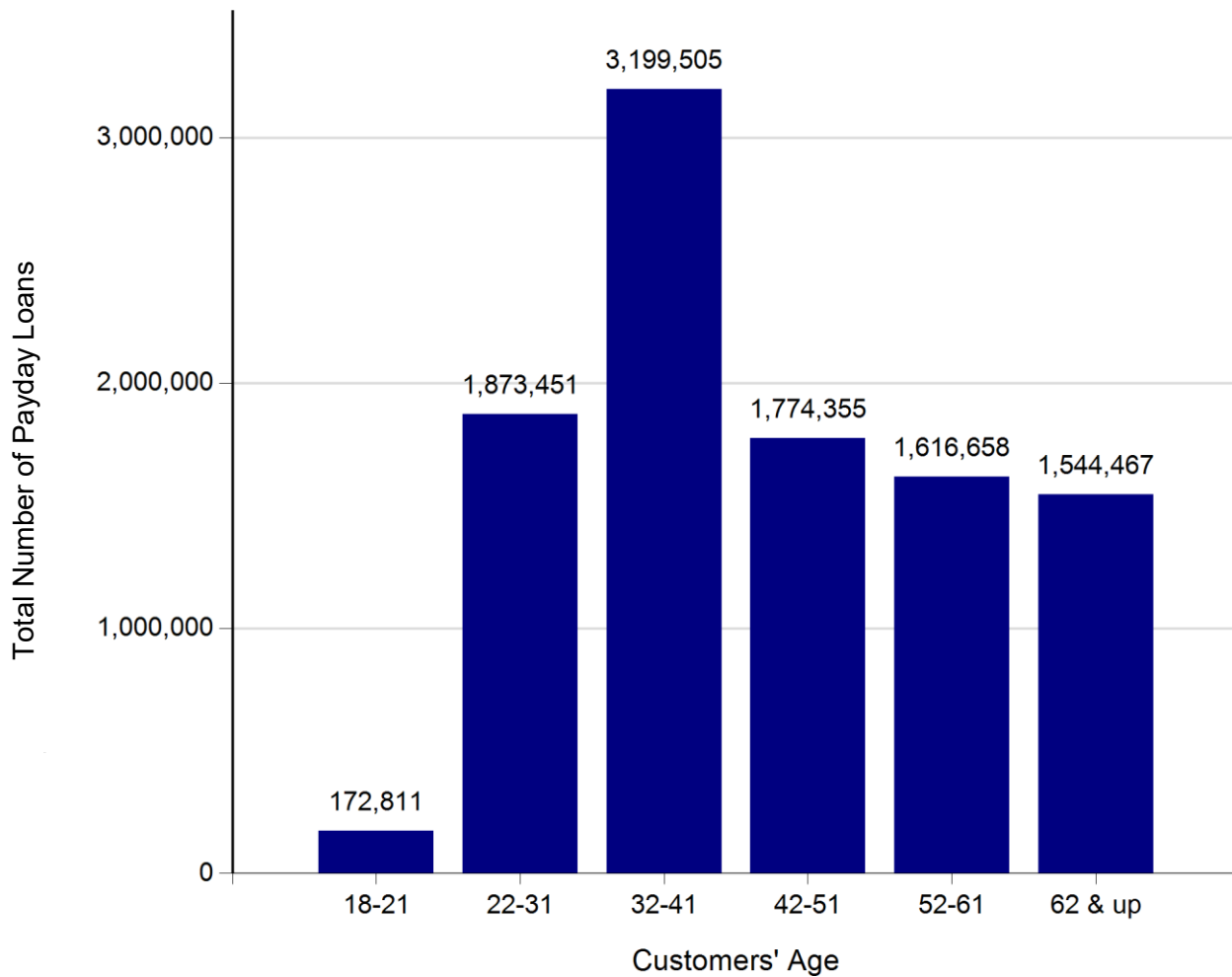
Source: Survey questions 12-17



Customer Age (continued)

Chart 3: Number of Transactions by Customers' Age

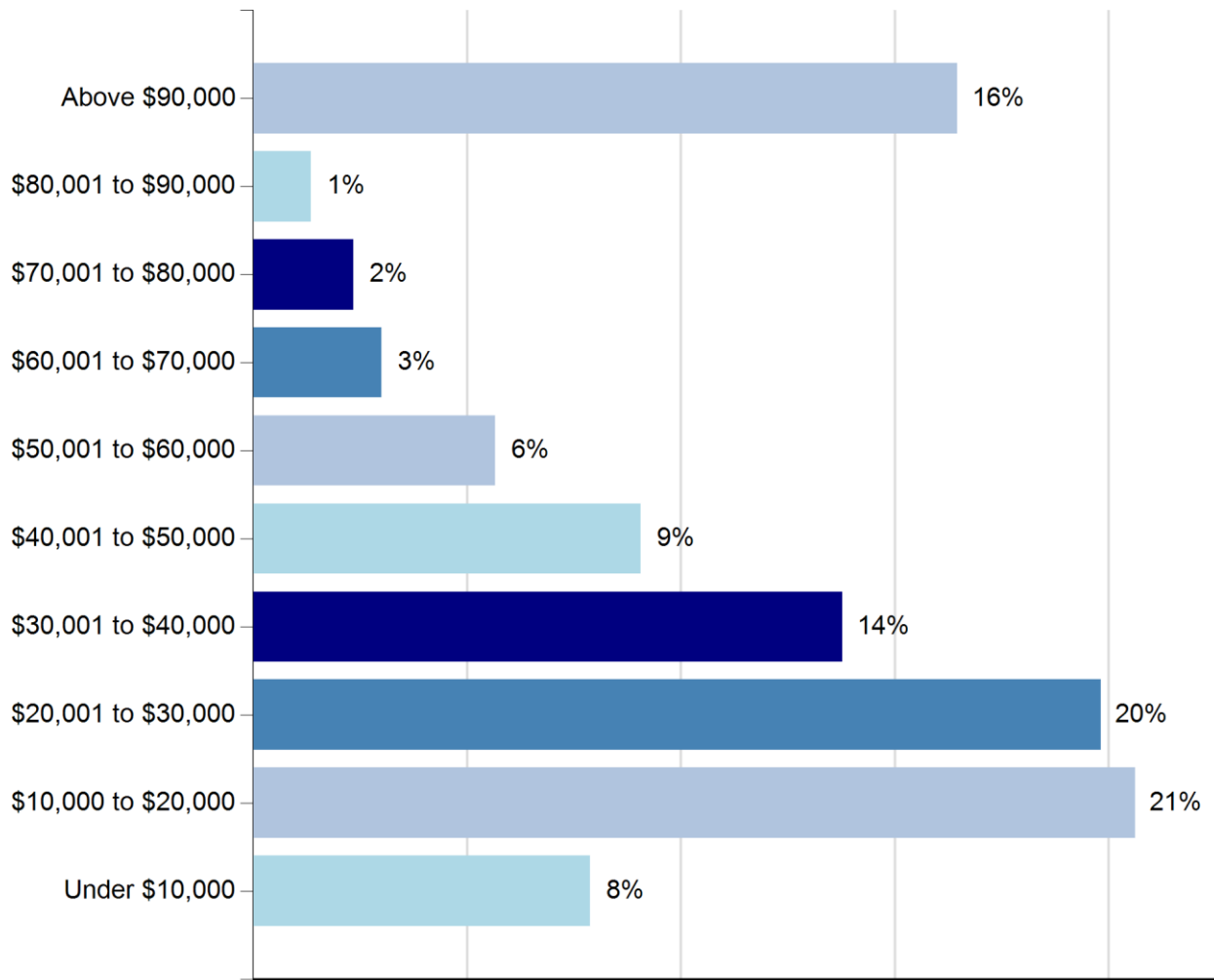
Source: Survey questions 19-24



Customer Income

Chart 4: Average Annual Income

Source: Survey questions 26-35



Internet Transactions

Chart 5: Percentage of Payday Lenders Conducting Transactions on Internet

Source: Survey question 37

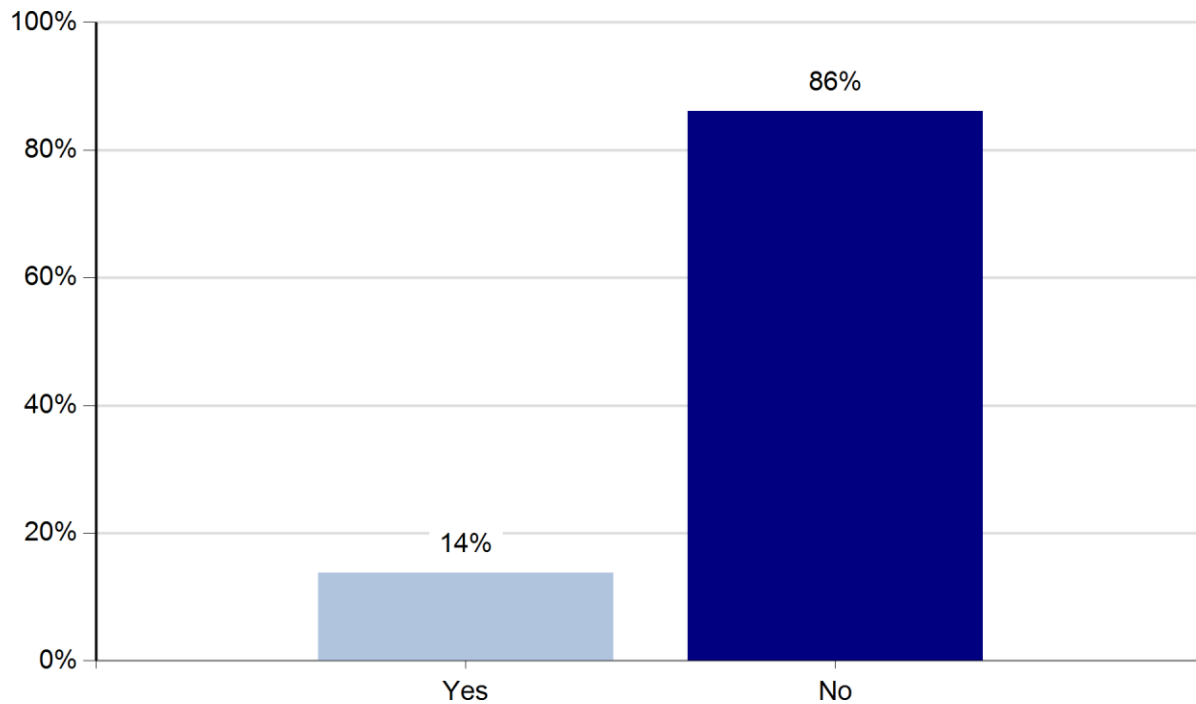


Table 8: Internet Transaction Volumes and Amounts

Source: Survey questions 38 – 40

	2019
Number of Customers	497,303
Number of Transactions	2,531,327
Transaction Amounts	\$703,070,664

Lead Generators

Chart 6: Number of Payday Lenders Using Lead Generators

Source: Survey question 41

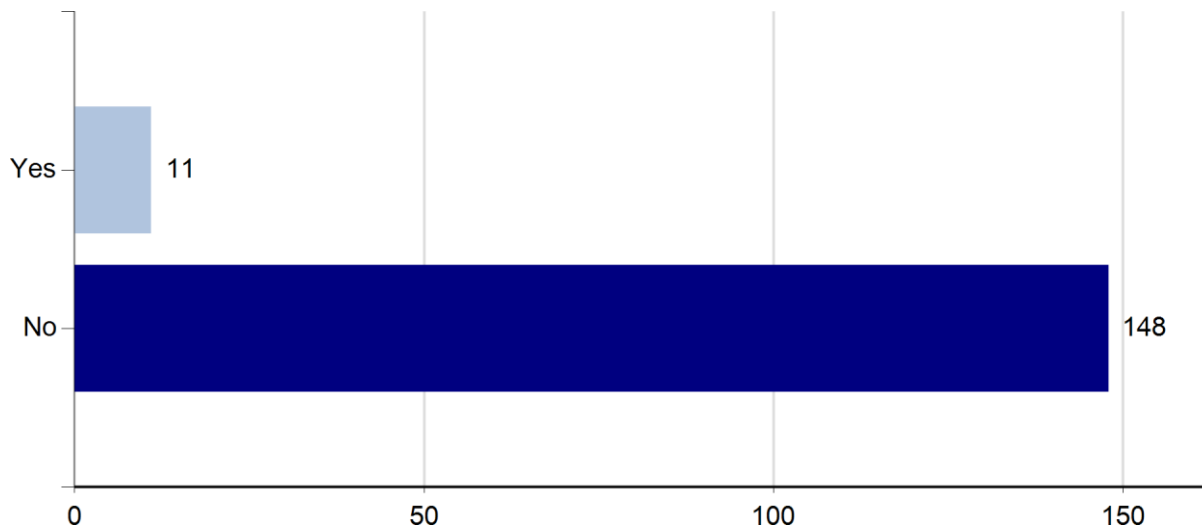


Table 9: Lead Generator Fees
Source: Survey questions 43 and 44

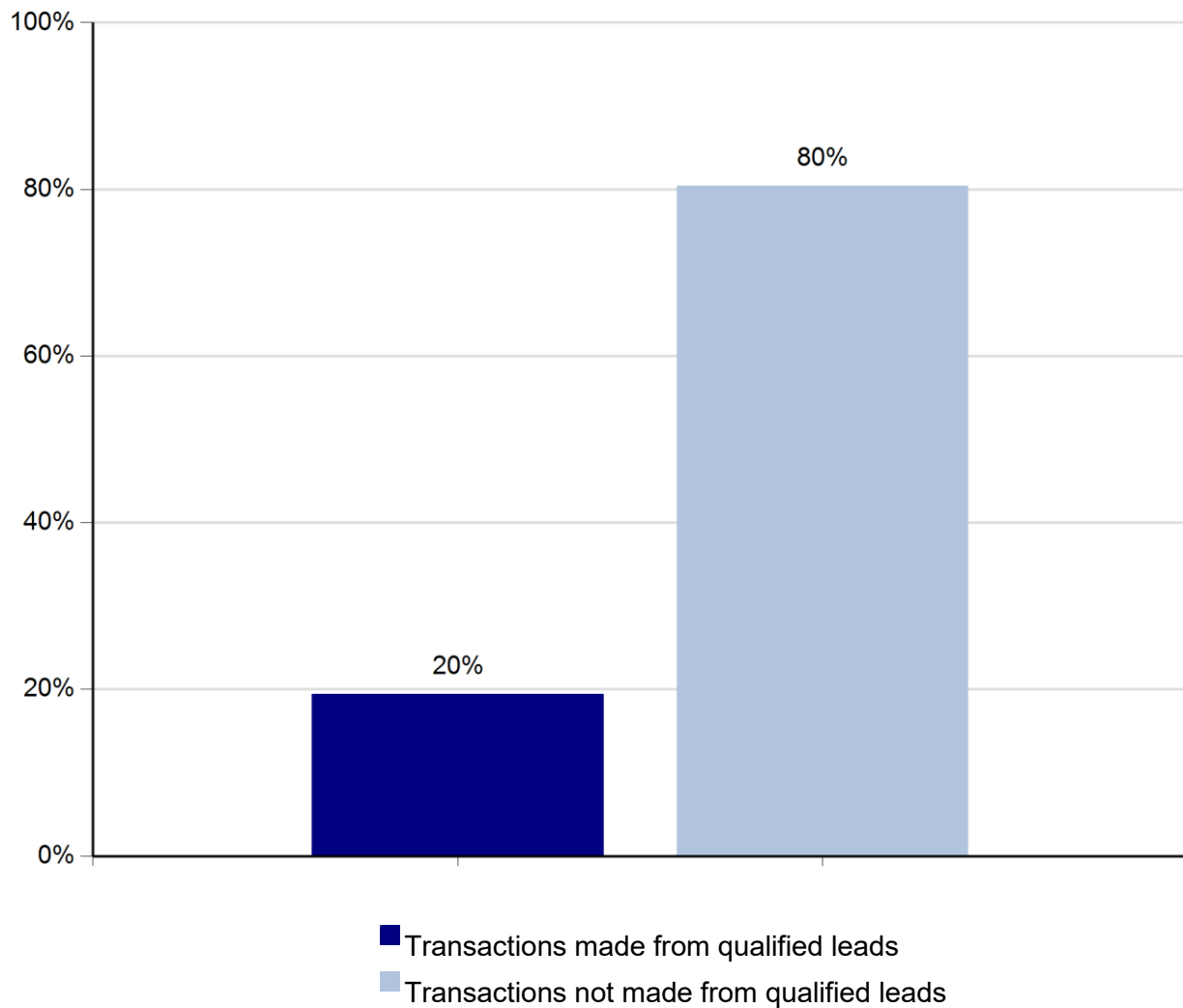
	2019
Fees Paid by Licensees to Lead Generators	\$10,047,992
Number of Customers Who Made Payday Loans that Resulted from Leads	315,030

- The number of payday loan customers referred by lead generators in 2019 increased by 42,277 or 15.5 percent from 2018, to 315,030.

Lead Generators (continued)

Chart 7: Percentage of Qualified Leads Resulting in Transactions

Source: Survey question 43 & Annual Report question 3

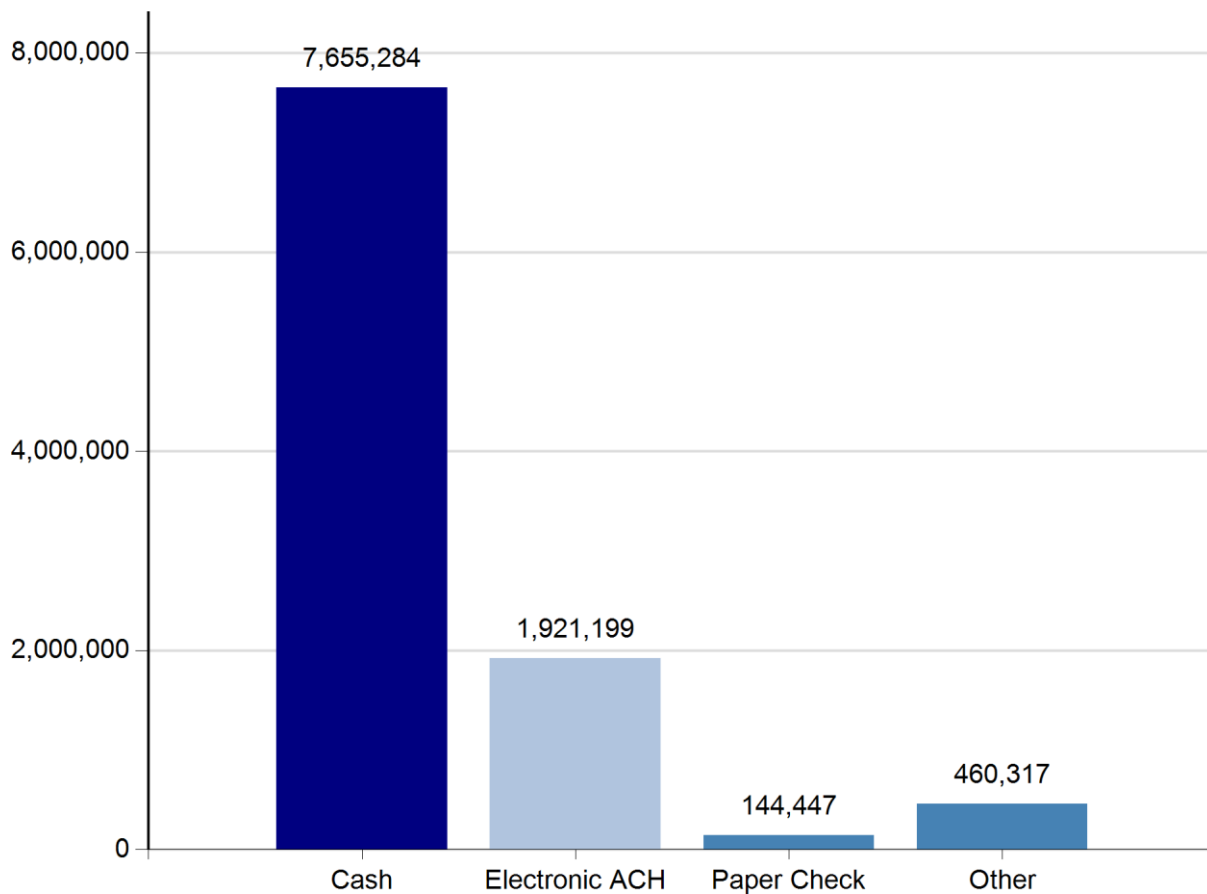


- The number of payday loan customers referred by lead generators increased to almost 20 percent in 2019, from 17 percent in 2018. Just 6 percent of those who obtained loans were referred by lead generators in 2017.

Disbursements to Customers

Chart 8: Number of Disbursements to Customers

Source: Survey question 54

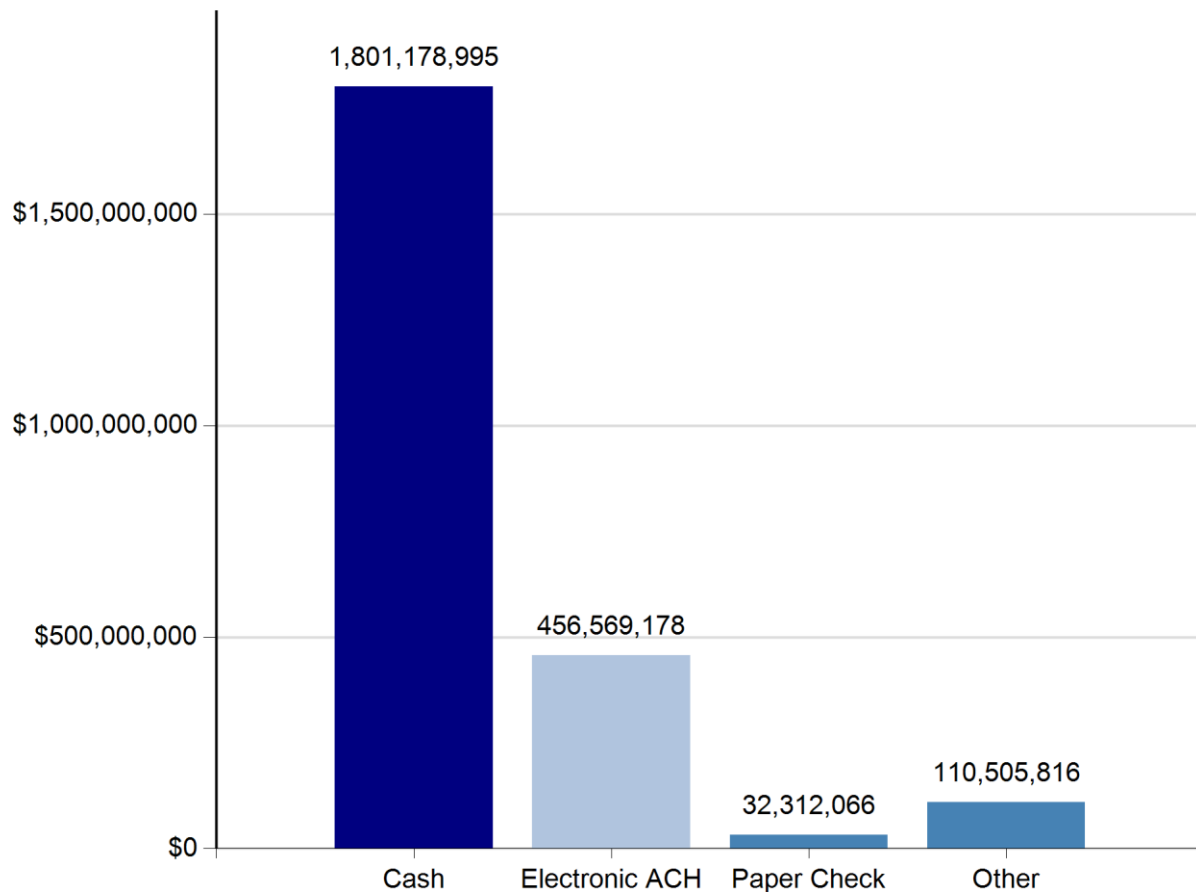


- Of the disbursements above, Cash represented 75.2 percent; Electronic ACH, 18.9 percent; Paper Check, 1.4 percent; and Other, 4.5 percent.

Disbursements to Customers (continued)

Chart 9: Dollar Amount of Disbursements to Customers

Source: Survey question 55

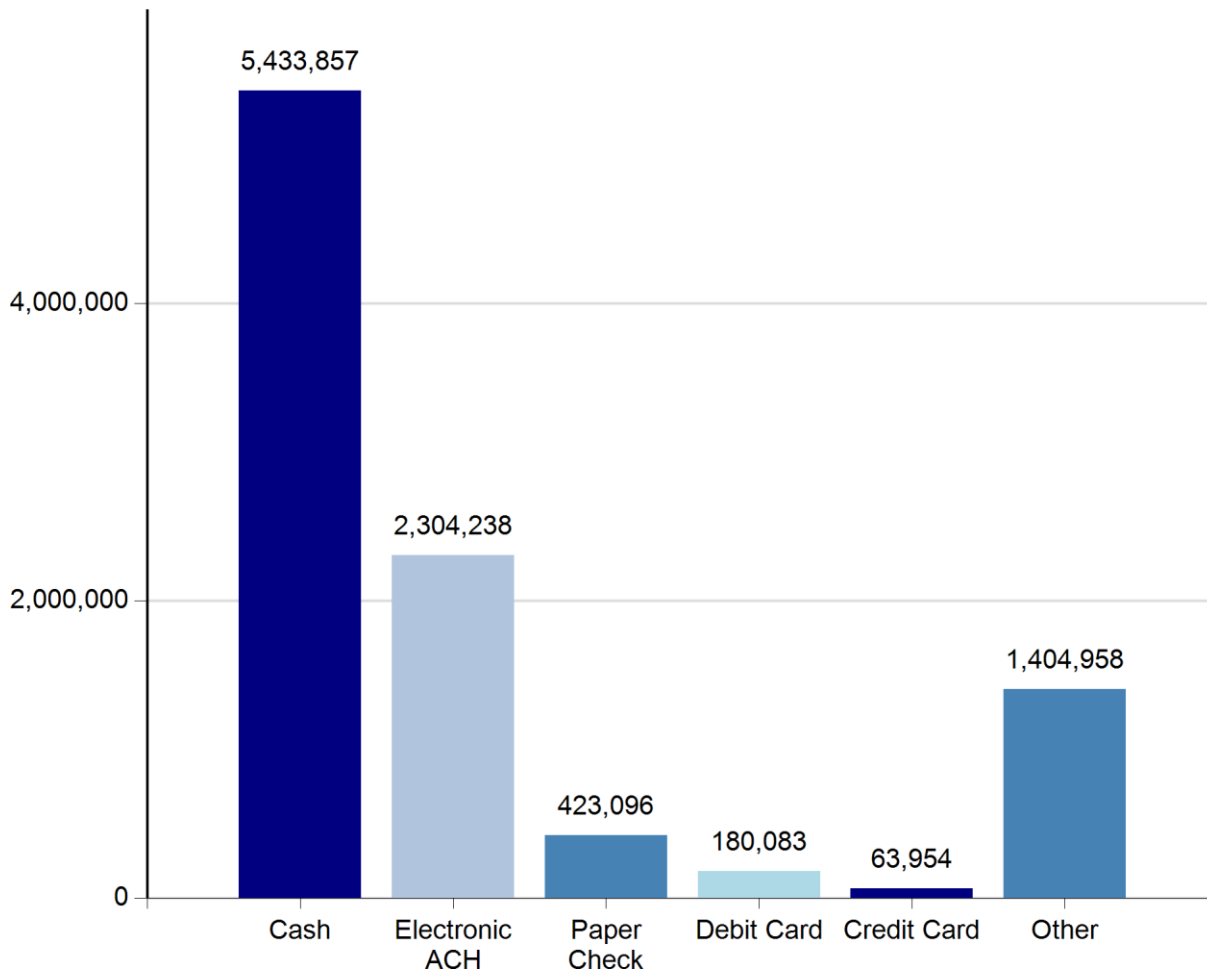


- Of the disbursements above, Cash represented 75 percent; Electronic ACH, 19 percent; Paper Check, 1.4 percent; and Other, 4.6 percent.
- The “other” category includes the following payment types as described by licensees: wire transfer, bank cards, and debit cards

Payments from Customers

Chart 10: Number of Payments from Customers

Source: Survey question 58

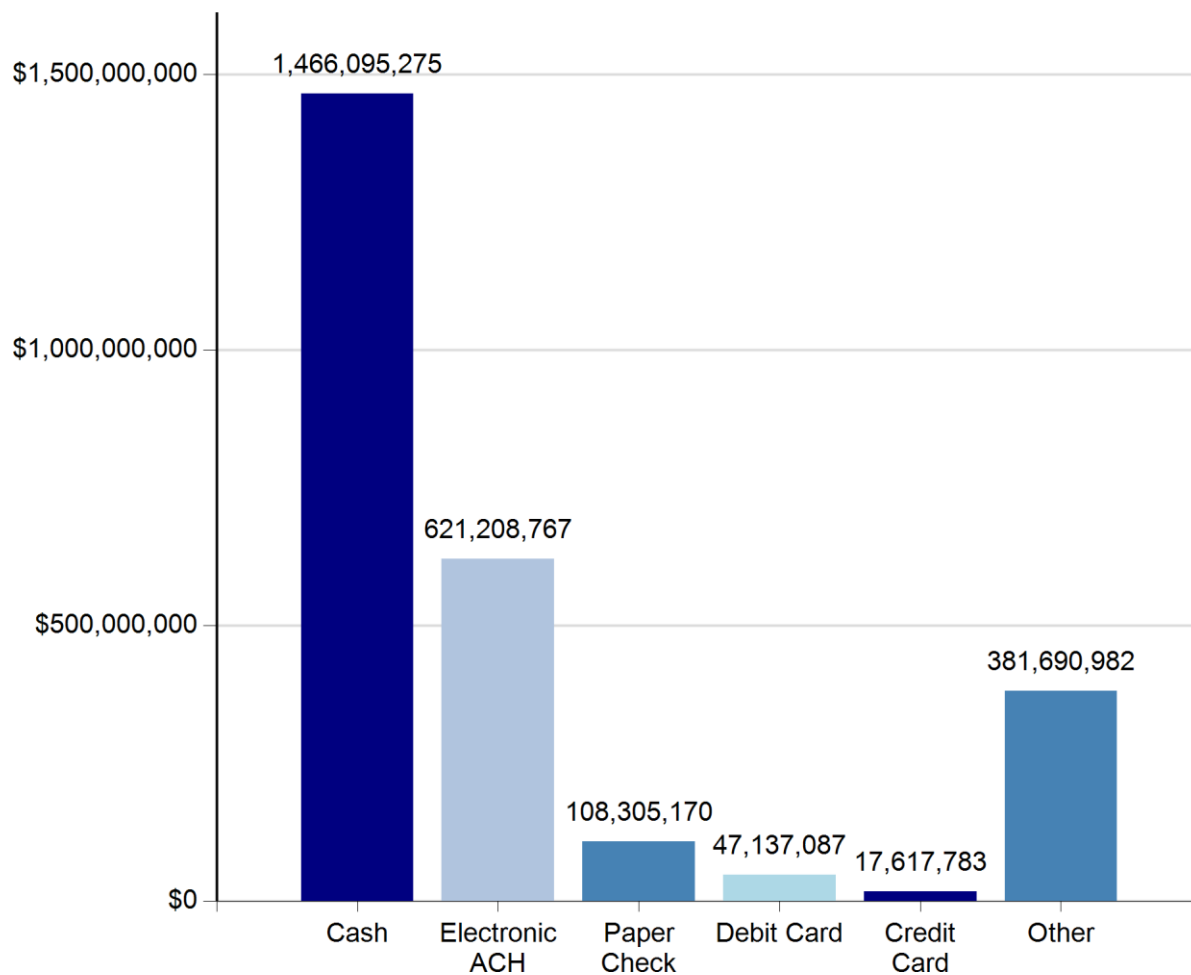


- Cash accounted for 55.4 percent of customer payments; Electronic ACH, 23.5 percent; Paper Check, 4.3 percent; Debit Card, 1.8 percent; Credit Card, 0.7 percent; and Other, 14.3 percent.

Payments from Customers (continued)

Chart 11: Amount of Payments from Customers

Source: Survey question 59



- Of the payments above, Cash represented 55.5 percent; Electronic ACH, 23.5 percent; Paper Check, 4.1 percent; Debit Card, 1.8 percent; Credit Card, 0.7 percent; and Other, 14.4 percent.

Payments from Customers (continued)

Chart 12: Percentage of Payday Lenders Offering Written Payment Plan

Source: Survey question 61

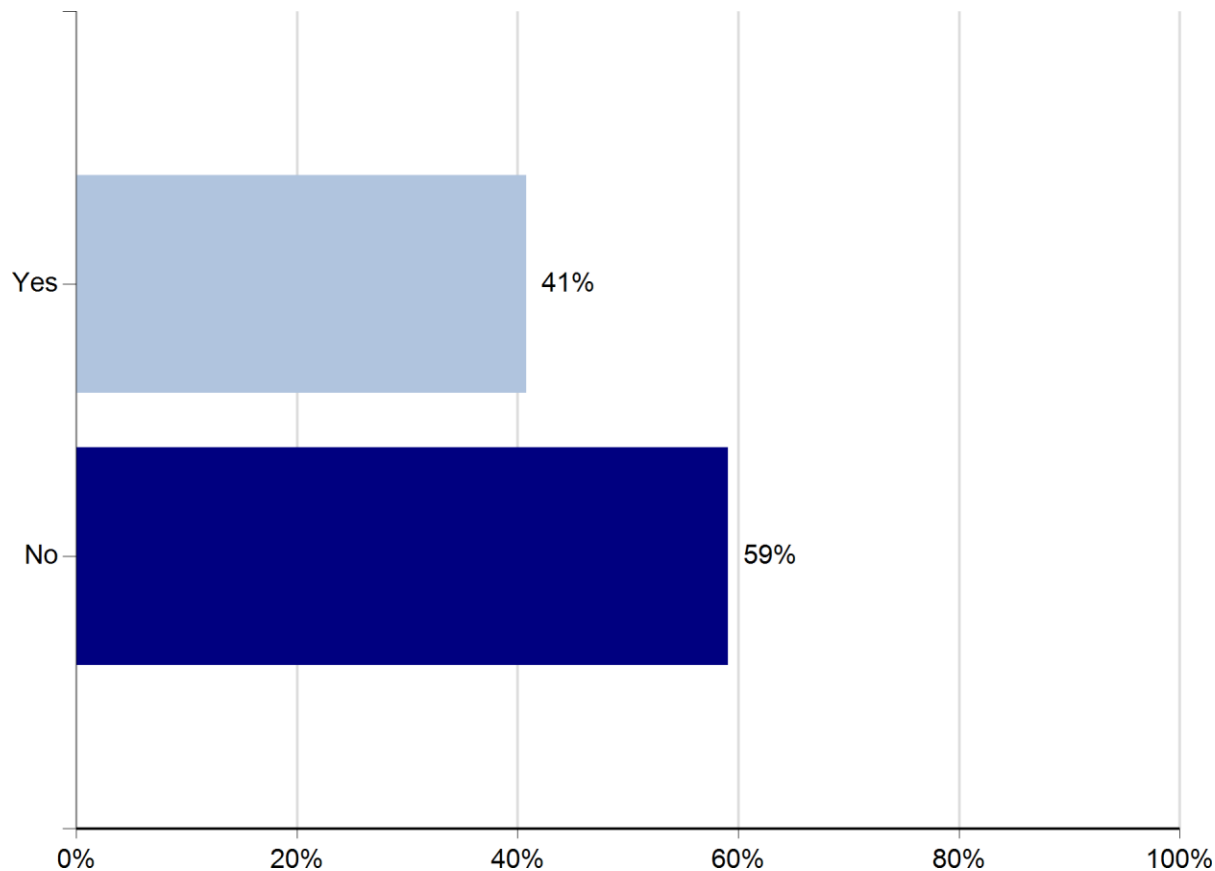


Table 10: Payment Plan Volumes for Repayment

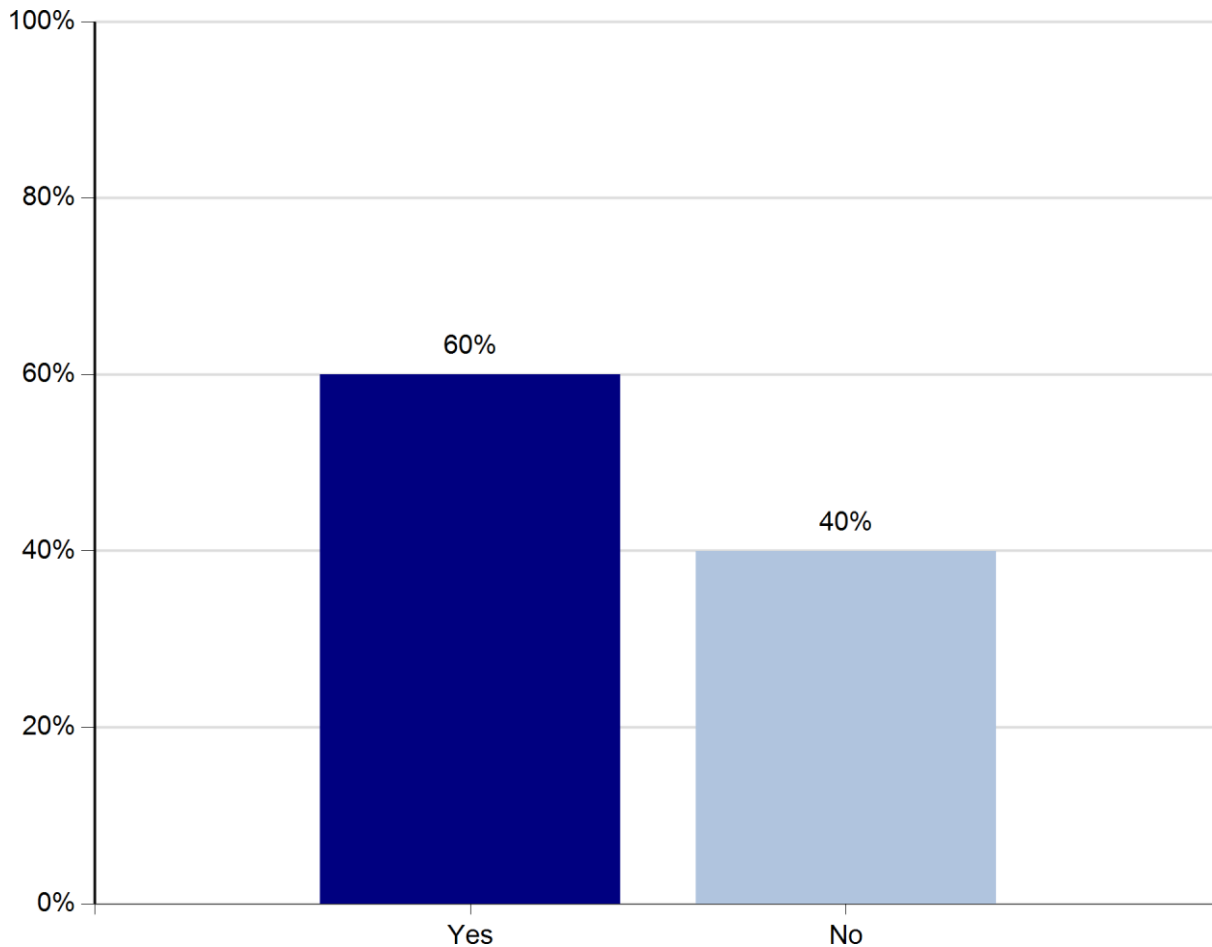
Source: Survey questions 61 - 64

2019	
Total Dollar Amount of Outstanding Payment Plans	\$34,412,103
Total Number of Outstanding Payment Plans	123,308

Collections

Chart 13: Percentage of Licensees with In-House Collections

Source: Survey question 66



- A total of 294,798 customers were not in a payment plan and paid in full as a result of in-house collection in 2019. Those customers accounted for 667,325 transactions. (Source: Survey questions 67 and 68)
- The total dollar amount of 2019 transactions that were not in a payment plan and paid in full as a result of in-house collections was approximately \$171.6 million. (Source: Survey question 69)
- Collection agencies are required to have a local business license 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)

Chart 14: Percentage of Licensees That Own Outside Collection Agency

Source: Survey question 70

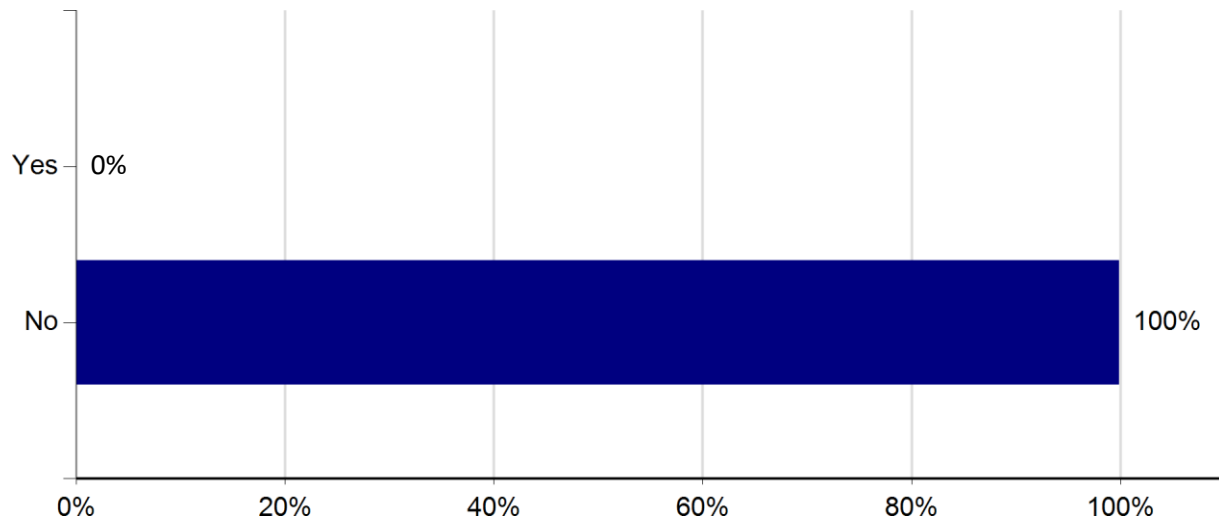
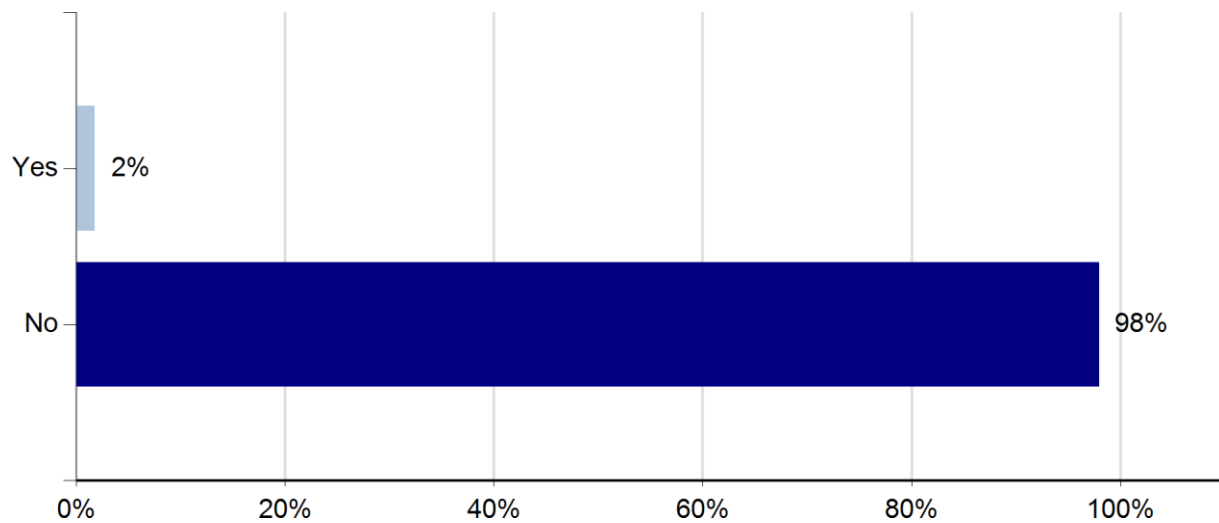


Chart 15: Percentage of Licensees Associated with Outside Collection Agency

Source: Survey question 71

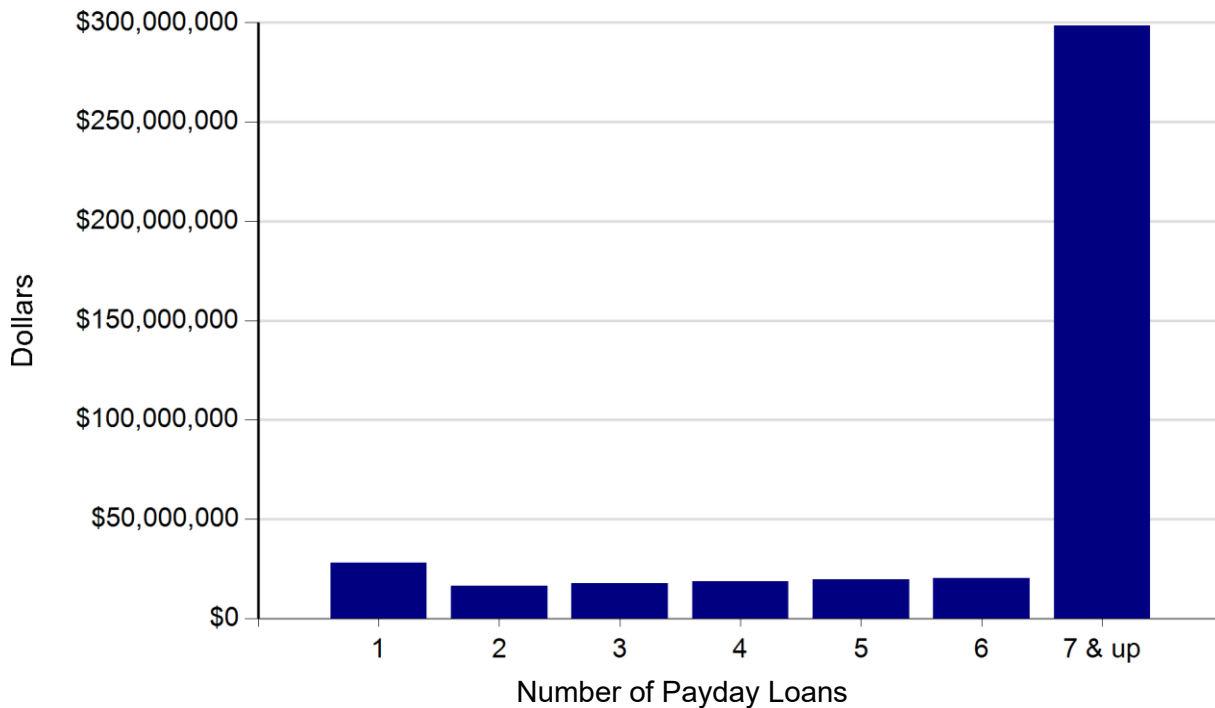


Fees

Respondent licensees collected \$418.4 million in fees on payday loans they originated in 2019. Of that total, 71.3 percent – \$298.5 million – came from customers who took out seven or more payday loans during the year.

Chart 16: Payday Loan Transaction Fees per Financial Code section 23036(a)

Source: Survey questions 75-81

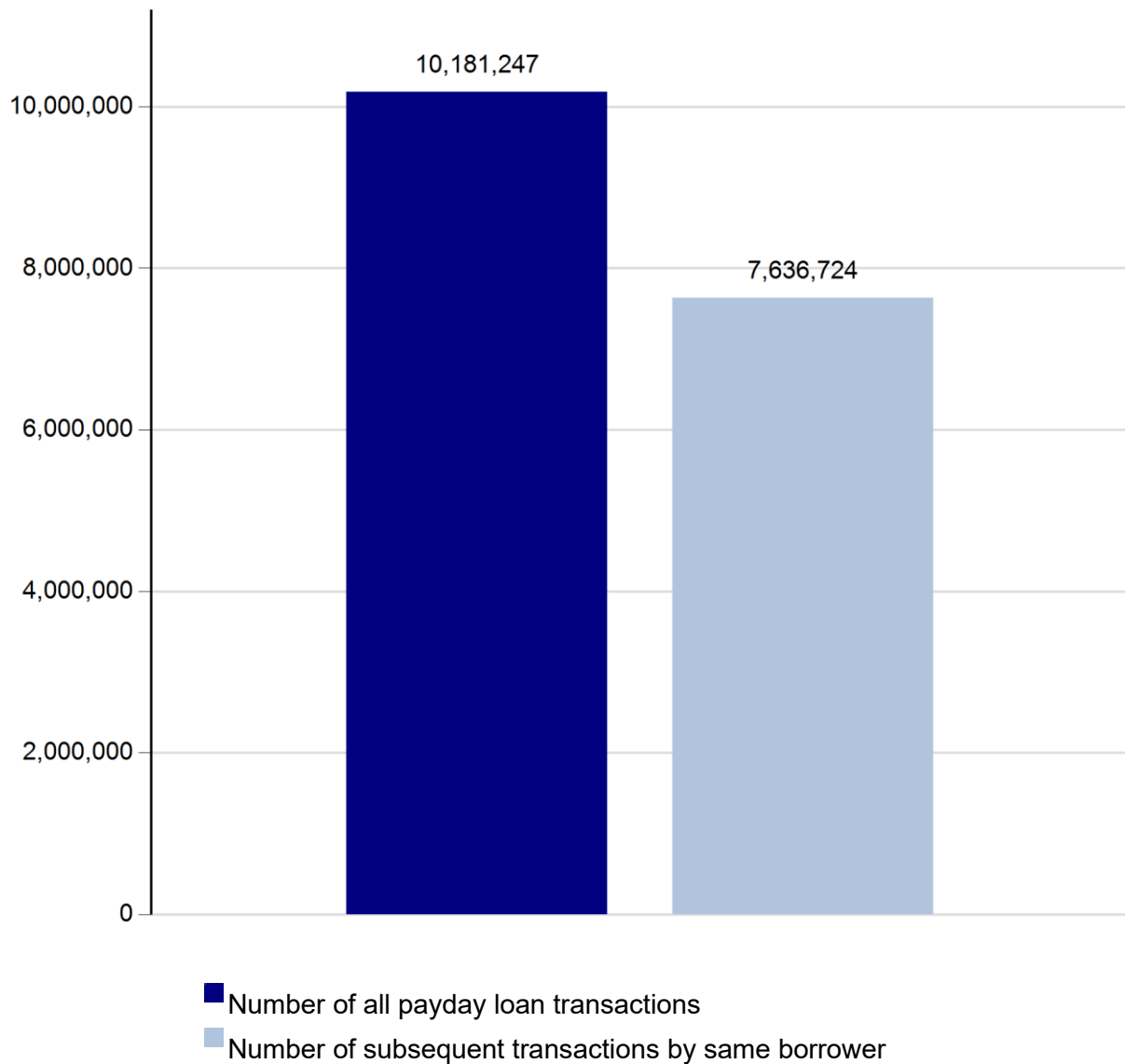


Question Number	75	76	77	78	79	80	81
Question Text	Transaction fees collected from customers who made 1 payday loan	Transaction fees collected from customers who made 2 payday loans	Transaction fees collected from customers who made 3 payday loans	Transaction fees collected from customers who made 4 payday loans	Transaction fees collected from customers who made 5 payday loans	Transaction fees collected from customers who made 6 payday loans	Transaction fees collected from customers who made 7 or more payday loans
Totals	\$27,865,007	\$16,321,499	\$17,555,581	\$18,471,894	\$19,587,858	\$20,188,766	\$298,456,697

Subsequent Customers

Chart 17: Subsequent Transactions by Same Borrower: Number

Source: Annual Report question 1 and Survey question 89

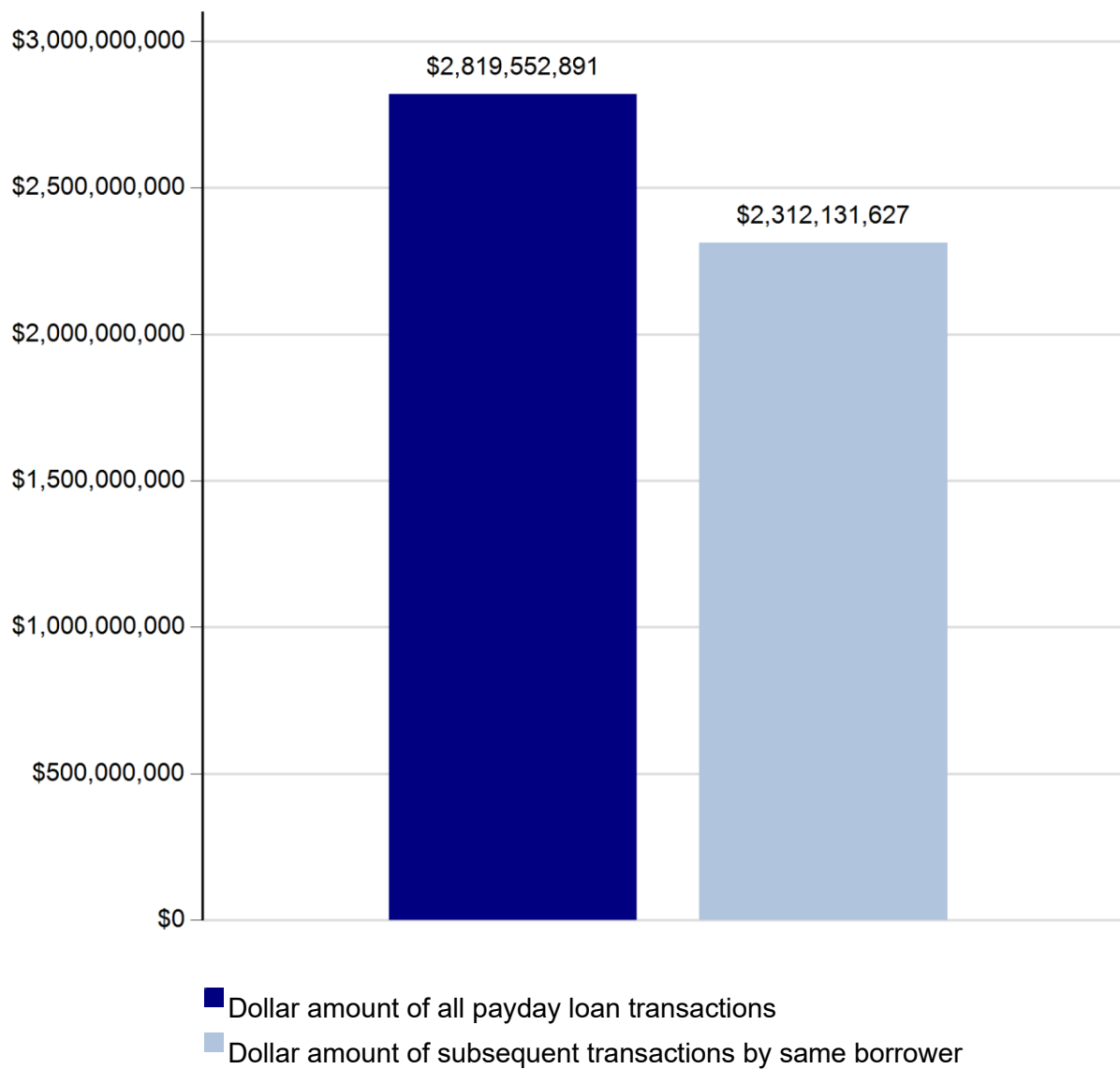


- Of the 10.2 million payday loans reported for 2019, 75 percent were subsequent transactions by the same borrower.

Subsequent Customers (continued)

Chart 18: Subsequent Transactions by Same Borrower: Dollar Amount

Source: Annual Report question 2 and Survey question 90

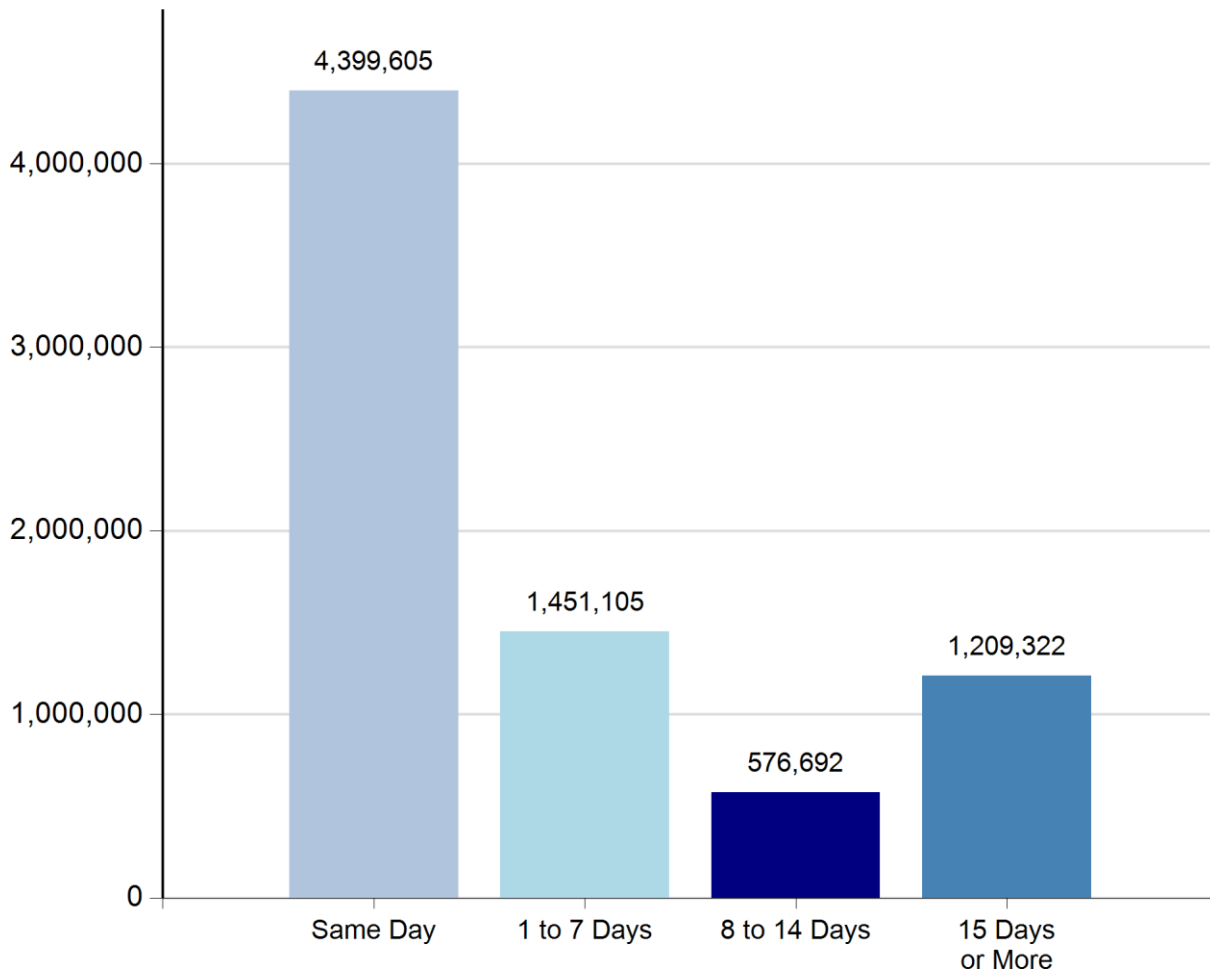


- Of \$2.82 billion in payday loan transactions reported for 2019, 82 percent of the total dollar amount represented transactions with repeat borrowers.

Subsequent Customers (continued)

Chart 19: Subsequent Transactions by Same Borrowers: Days Between Transactions by Volume

Source: Survey questions 85 - 88



- Of subsequent payday loan transactions, 57.6 percent were made by the same borrowers on the same day the previous transaction closed; 19 percent were made one to seven days later; 7.6 percent were made eight to 14 days later; and 15.8 percent were made 15 days or more after the previous transaction closed. These percentages are based on 7.6 million subsequent transactions for which licensees provided the breakdown in Chart 19.

Customers Receiving Government Assistance

Loans Made to Customers Receiving Government Assistance

Almost 60.4 percent of licensees reported serving customers who received government assistance. Those customers accounted for 7.5 percent of all customers for those licensees. Table 11 is a breakdown of customers receiving government assistance.

Table 11: Percentage of Customers Receiving Government Assistance

Source: Survey question 91 and Annual Report question 3

Percentage of customers receiving assistance	Number of licensees
Less than 26%	146
26% to 51%	12
51% and above	1

Dishonored Checks

Chart 20: Payday Loan Transactions: Dishonored Check Volume

Source: Survey question 83 and Annual Report question 1

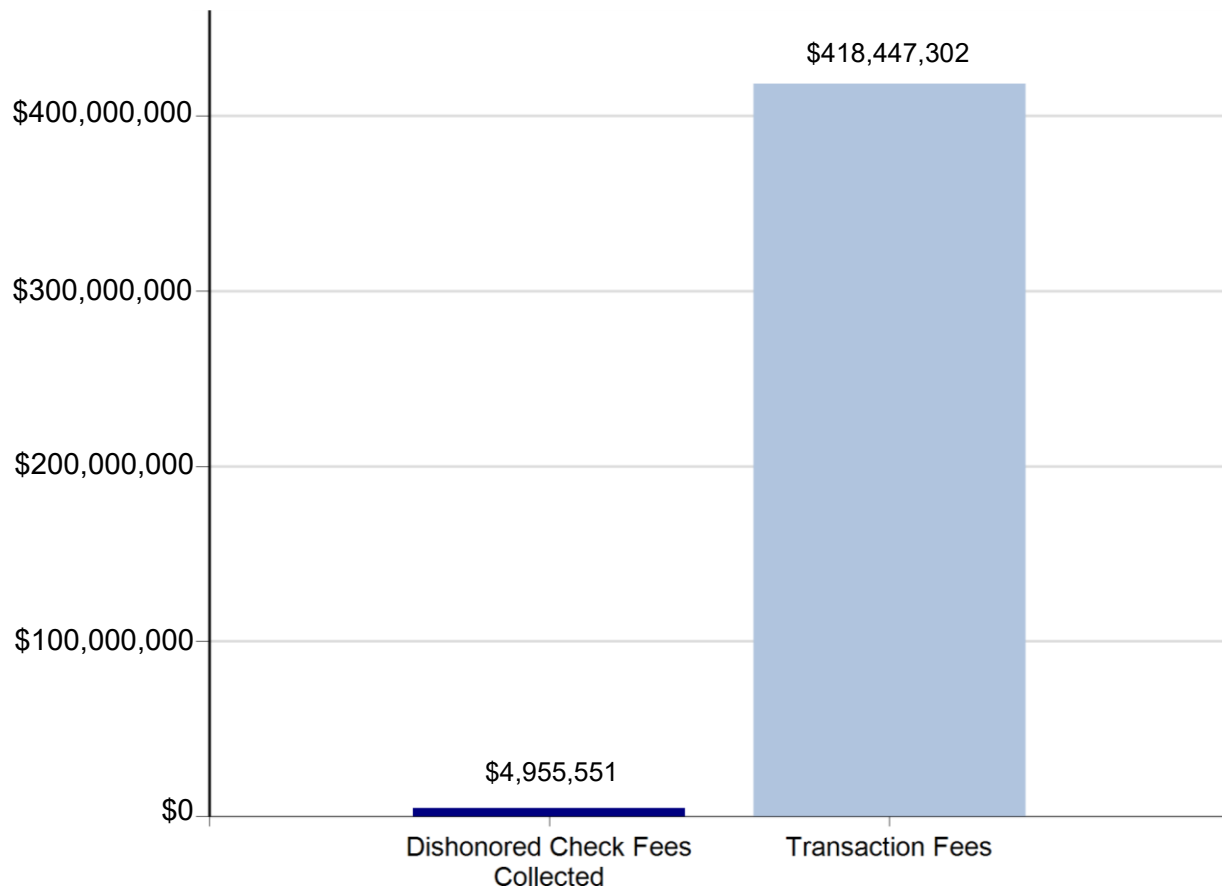


- Of 10.2 million payday loan transactions in 2019, 6.2 percent or nearly 630,000 resulted in dishonored check fees.

Dishonored Checks (continued)

Chart 21: Dishonored Check Fees vs. Transaction Fees

Source: Survey questions 82 and 84



Dispute Arbitration

Chart 22: Percentage of Licensees with Dispute Arbitration Clause in Written Agreement

Source: Survey question 92

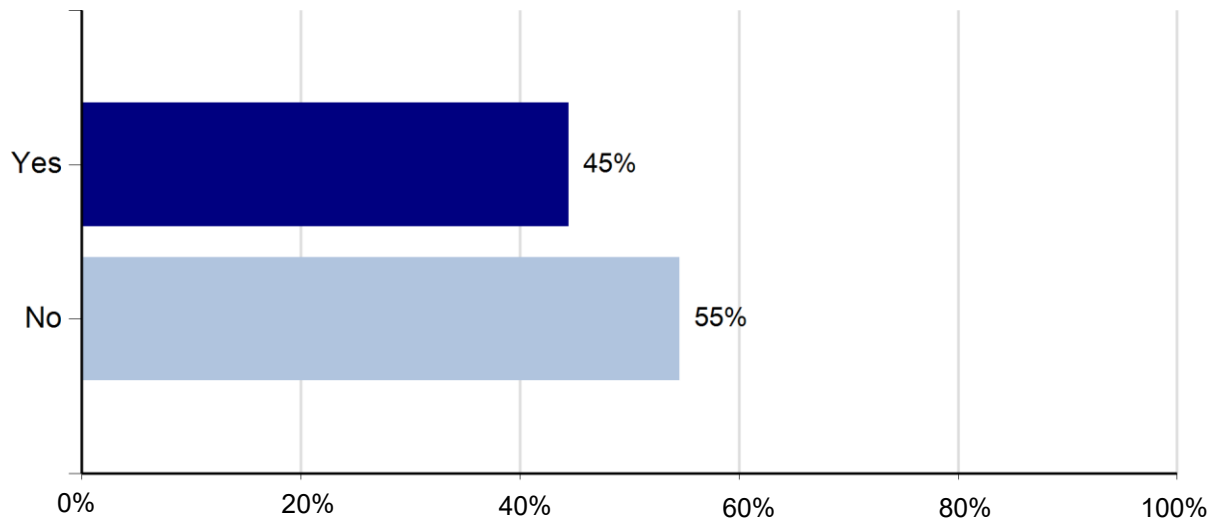
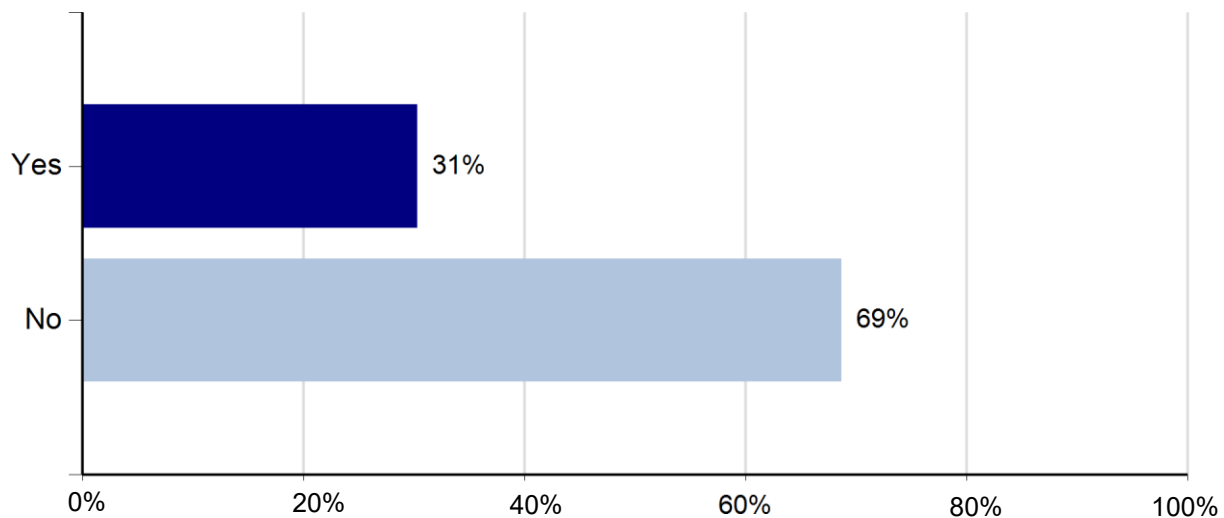


Chart 23: Percentage of Licensees with Dispute Arbitration Clause in Written Agreement That Prohibits Borrowers from Joining Class Action

Source: Survey question 93



Covered Borrowers

Report of Payday Loans to Active Military Servicemembers and Dependents

Almost 1.3 percent of reporting licensees indicated they had customers who were “covered borrowers,” which include active members of the military and their dependents. The total number of such customers was five, and those customers made six unique transactions amounting to \$1,553. (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