

2020

California Department of
Financial Protection and Innovation

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

Report Required by Financial Code Section 23026

PROTECTING CONSUMERS
FOSTERING TRUST & INNOVATION

DFPI
DEPARTMENT OF FINANCIAL
PROTECTION & INNOVATION



DEPARTMENT OF FINANCIAL
PROTECTION & INNOVATION

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EXECUTIVE SUMMARY

The Department of Financial Protection and Innovation 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 lender a personal check for \$300 or less. Also called “cash advances” or “deferred deposits,” the lender gives the consumer the money, minus an agreed upon fee. By law, the fee cannot exceed 15 percent of the amount of the personal check and the lender then defers depositing the consumer’s check for a specific period, not to exceed 31 days. Starting in 2005, the Department began regulation of payday loans to provide greater regulatory oversight and guarantee that consumers have the disclosures necessary to make informed decisions. The COVID-19 pandemic had a significant impact on the state and national economy and likely played a role in the decline in payday lending activity in California. There is evidence that the decrease in payday activity correlates with COVID-19 relief efforts. While there are a number of factors in the decrease, they likely include the distribution of stimulus checks, loan forbearances, and growth in alternative financing options.

The annual report and survey data in this report is unaudited and covers licensees’ activities in calendar year 2020. The report also provides historical data back to 2011.

Key Findings

- California’s payday lenders made almost 6.1 million loans in 2020, worth \$1.68 billion. **These represent a 40 percent decline from 2019 totals.**
- In 2020, **more than 1.1 million individual customers took out payday loans**, a 30 percent decline from 2019 total.
- Almost **61.8 percent of licensees reported serving customers who received government assistance.**
- Subsequent loans by the same borrower accounted for **69 percent of the payday loans in 2020 and 78 percent of the aggregate dollar amount.**
- Of subsequent payday loans by the same borrower, **55 percent were made the same day the previous transaction ended.**
- Another **21 percent of payday loans were made one to seven days after the previous loan.**
- Respondent licensees collected \$250.8 million in fees on payday loans in 2020. Of that total, **66 percent – or \$164.7 million – came from customers who made seven or more transactions** during the year.

- For the year, **49 percent of payday loan customers had average annual incomes of \$30,000 or less, and 30 percent had average annual incomes of \$20,000 or less.**
- The number of payday loan customers referred by lead generators declined from 315,030 in 2019 to 98,555 in 2020, a **69 percent decrease.**
- Almost 16 percent of licensees made payday loans over the internet during 2020. However, **online payday loans accounted about one-third (2,066,113) of all payday loans.**
- About **41 percent of customers (460,458) took out payday loans over the internet.**
- In 2020, 277,130 consumers took out single payday loans, compared to 212,003 in 2019. Typically, consumers took 10 or more payday loans more than a single payday loan in the past.
- The use of cash to disburse funds to customers and receive payments from customers continued to decline in 2020. Measured in dollar amounts, **cash disbursements decreased from 75.2 percent in 2019 to 64 percent in 2020.**
- Other forms of disbursements, including wire transfers, bank cards, and debit cards, **climbed to 13.3 percent from 4.5 percent over the same period.** In 2020, **47 percent of customers' payments were made with cash, down from 55.4 percent in 2019.**
- Electronic transfers accounted for **25.2 percent of payments, compared to 23.5 percent in 2019.**

PART I: CONSOLIDATED ANNUAL REPORT BACKGROUND

In this report, the Department of Financial Protection and Innovation (DFPI) has compiled data submitted by licensed deferred deposit originators, better known as payday lenders, under the California Deferred Deposit Transaction Law (CDDTL). Financial Code section 23026 requires licensees to file with the DFPI Commissioner annual reports that provide information related to their lending activities under the program.

This report contains unaudited data provided by licensees for the calendar year ending Dec. 31, 2020. The numbers are statistical in nature.

As of Dec. 31, 2020, the DFPI licensed 150 payday lenders. Of those, 144 filed required annual reports in time to be included in this report, and four surrendered their licenses after Jan. 1, 2021. 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 DFPI's website at <https://dfpi.ca.gov/publications/payday-lenders-publications/>.

CDDTL Historical Data – Transactions

In 2020, the total dollar amount of payday loans decreased by 40 percent from the previous year, while the number of payday loans declined 40 percent. Table 1 also reflects a 30 percent drop from 2019 in the number of payday loan customers obtained. The average number of payday loans per customer has declined from 7.3 in 2010 to 5.4 in 2020.

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**
2020	\$1,683,782,792	6,084,959	1,128,342
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

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

** Repeat customers counted once

CDDTL Historical Data - Transactions (continued)

The average payday loan dollar amount decreased to \$246 in 2020. The average APR for payday loans decreased to 361 percent in 2020 from 369 percent in 2019.

Table 2: Transaction Analysis

Year	*Average dollar amount of payday loans	**Average annual percentage rate (APR)	Average number of days of payday loans
2020	\$246	361%	16
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

* 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.

CDDTL Historical Data - Returned Checks

From 2019 to 2020, the number of returned checks in payday loan transactions decreased by 48.2 percent. The number of returned checks as a share of total payday loans in 2020 decreased to 5.57 percent from 6.43 percent in 2019 and was at its lowest level since 2012.

Table 3: Returned Checks: Total Number and Dollar Amount

Year	Total number of returned checks	Total number as percentage	Total dollar amount	Total dollar amount as percentage
2020	338,888	5.57%	\$90,354,373	5.37%
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%

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

CDDTL Historical Data - Returned Checks (Continued)

From 2019 to 2020, the total dollar amount of returned checks recovered in payday loan transactions decreased 24.2 percent, to \$72.5 million. The number of recovered returned checks as a share of total payday loans in 2020 increased to 4.94 percent from 4.18 percent in 2019 and at its highest level since 2011.

Table 4: Returned Checks Recovered

Year	Total number of returned checks recovered**	Total number as percentage	Total dollar amount of returned checks recovered**	Total dollar amount as percentage
2020	300,321	4.94%	\$72,540,932	4.31%
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%

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

** Includes partial recoveries

CDDTL Historical Data - Returned Checks (Continued)

From 2019 to 2020, the number and dollar amount of returned checks charged off, meaning payday loans unlikely to be collected, decreased by 40.3 percent. The number of charged off returned checks as a share of total payday loans in 2020 remained at 2.6 percent, virtually the same as the prior year.

Table 5: Returned Checks Charged Off

Year	Total number of returned checks charged off**	Total number as percentage	Total dollar amount of returned checks charged off**	Total dollar amount as percentage
2020	158,285	2.60%	\$39,725,782	2.36%
2019*	265,258	2.61%	\$66,551,379	2.36%
2018*	265,034	2.59%	\$66,514,684	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%

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

** Includes partial balances

CDDTL Historical Data – Licensing

The information in Table 6 and Table 7 reflects licensing activity for calendar years 2011 through 2020. 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.

The information in Table 6 shows there has been a decline in the number of licensed locations. From 2019 to 2020, the number dropped by 430, or 27.72 percent. From 2011 to 2019, the number dropped by 568, or 26.81 percent.

Table 6: Licensed Locations

Year	Number
2020	1,121
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

Table 7: Applications Filed

Year	Long Form Applications Filed (License for the First Location)	Short Form Applications Filed (License for an Additional Business Location)	Total Applications Filed
2020	5	12	17
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

PART II: CONSOLIDATED INDUSTRY SURVEY BACKGROUND

In January 2021, the DFPI provided the *California Deferred Deposit Transaction Law – 2020 Industry Survey* to all licensed payday lenders. The DFPI conducts this survey pursuant to Financial Code section 23015.

The survey allows the Department to gather up-to-date information on transaction activities 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 2020 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

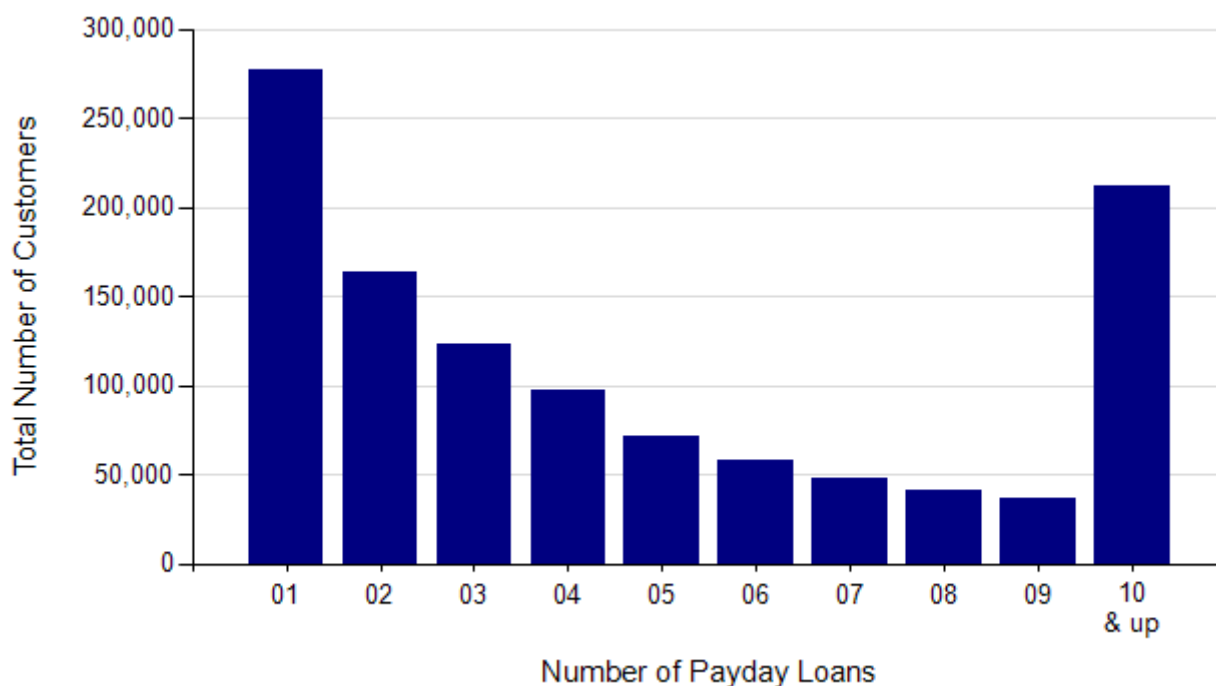
Some data included in this survey may not exactly match data in the annual report due to minor differences in the data reported by licensees (Part I of this report).

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 transactions during 2020. 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

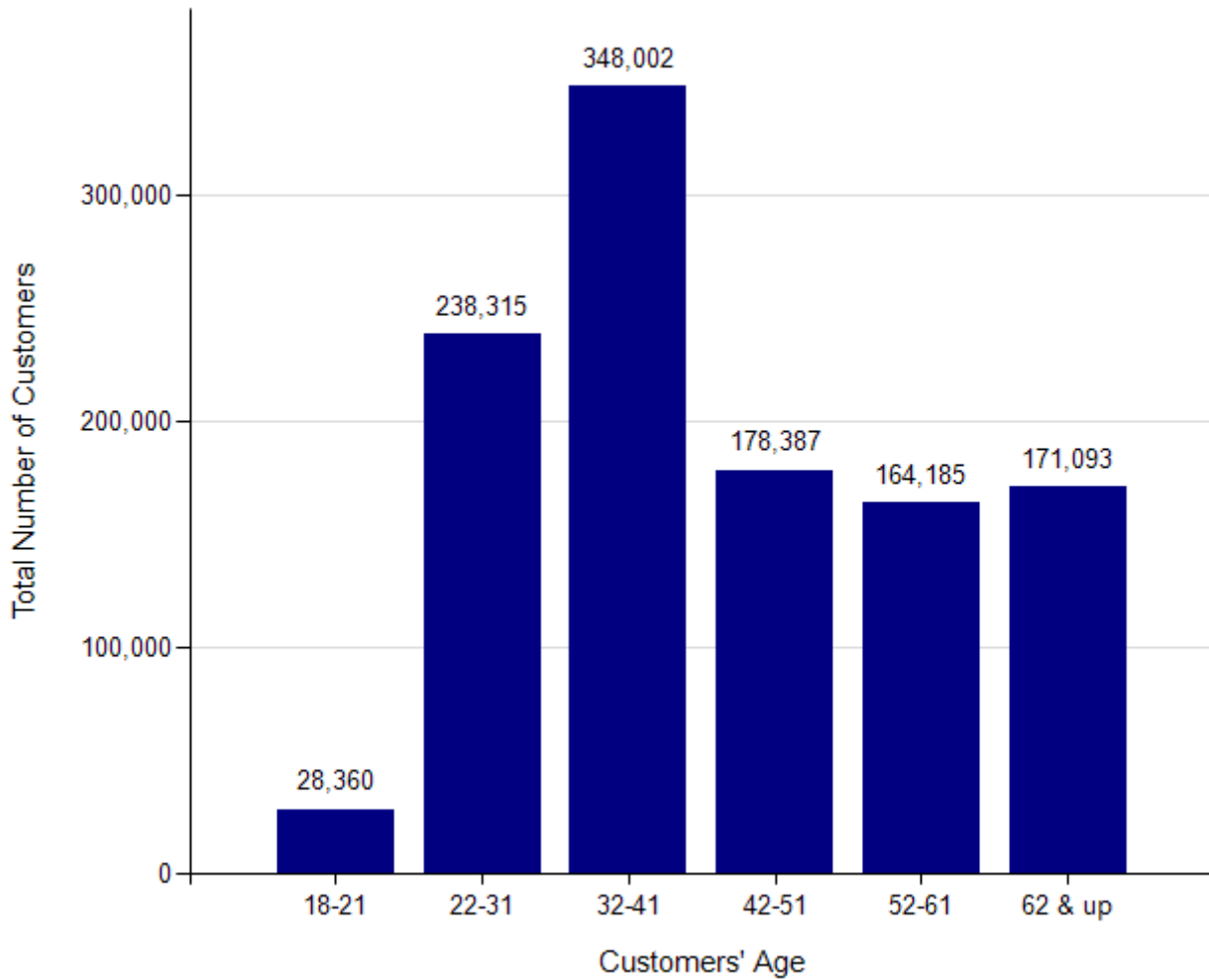


Question Number	1	2	3	4	5	6	7	8	9	10
Question Text	Obtained 1 Payday Loan	Obtained 2 Payday Loans	Obtained 3 Payday Loans	Obtained 4 Payday Loans	Obtained 5 Payday Loans	Obtained 6 Payday Loans	Obtained 7 Payday Loans	Obtained 8 Payday Loans	Obtained 9 Payday Loans	Obtained 10 or more Payday Loans
Totals	277,130	163,365	122,798	97,901	72,044	57,875	48,220	40,851	36,155	212,003

Customer Age

Chart 2: Number of Customers by Customers' Age

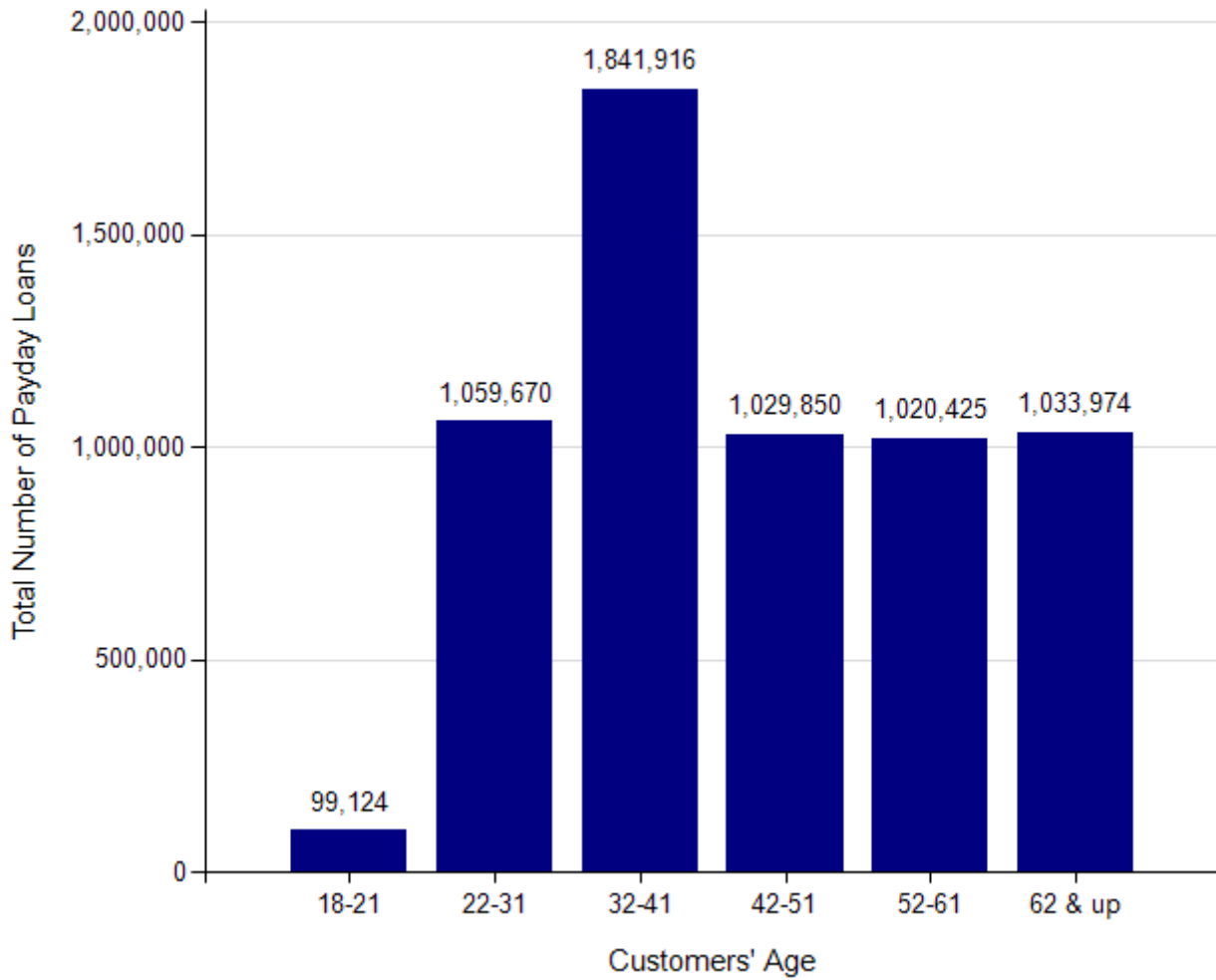
Source: Survey questions 12-17



Customer Age (continued)

Chart 3: Number of Transactions by Customers' Age

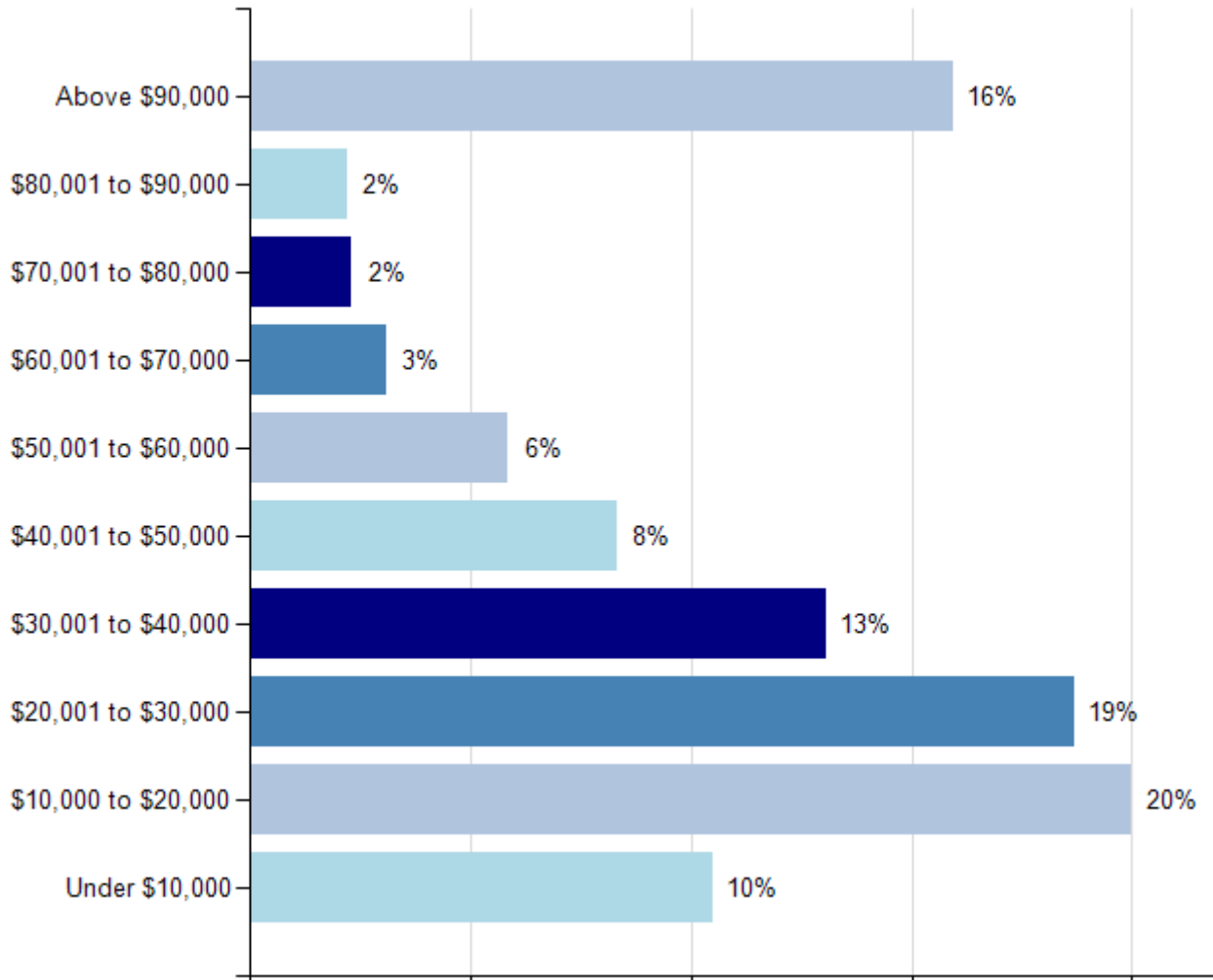
Source: Survey questions 19-24



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

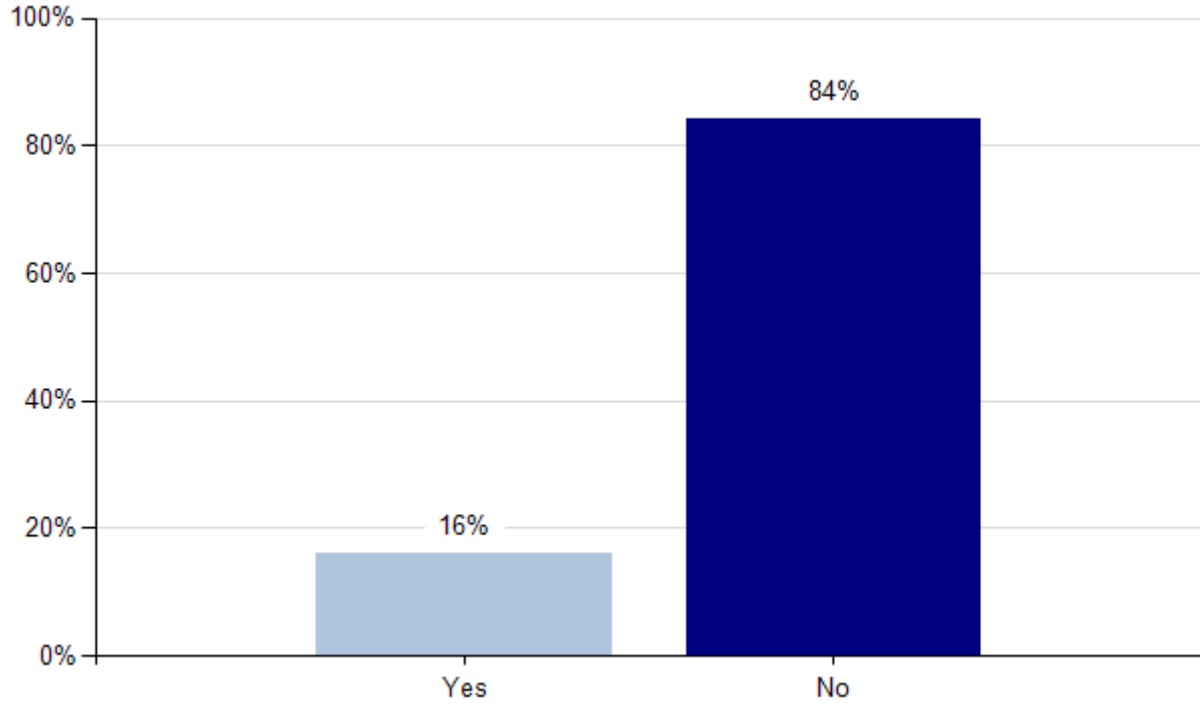


Table 8: Internet Transaction Volumes and Amounts

Source: Survey questions 38 – 40

	2020
Number of Customers	460,458
Number of Transactions	2,066,113
Transaction Amounts	\$564,290,701

Lead Generators

The number of payday loan customers referred by lead generators in 2020 decreased by 68.7 percent from 216,475 in 2019 to 98,555 in 2020.

Chart 6: Number of Payday Lenders Using Lead Generators

Source: Survey question 41

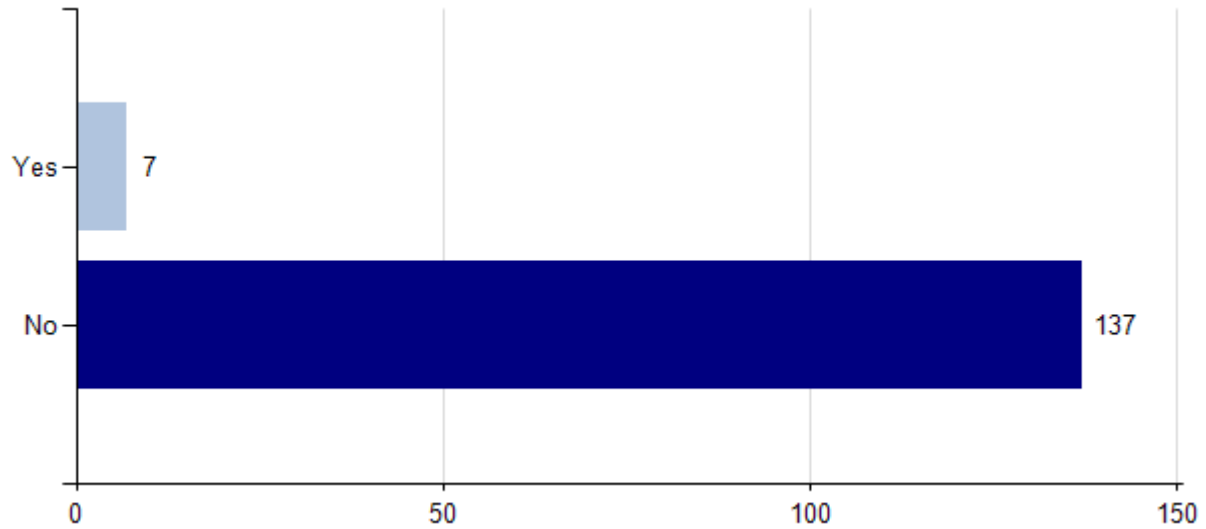


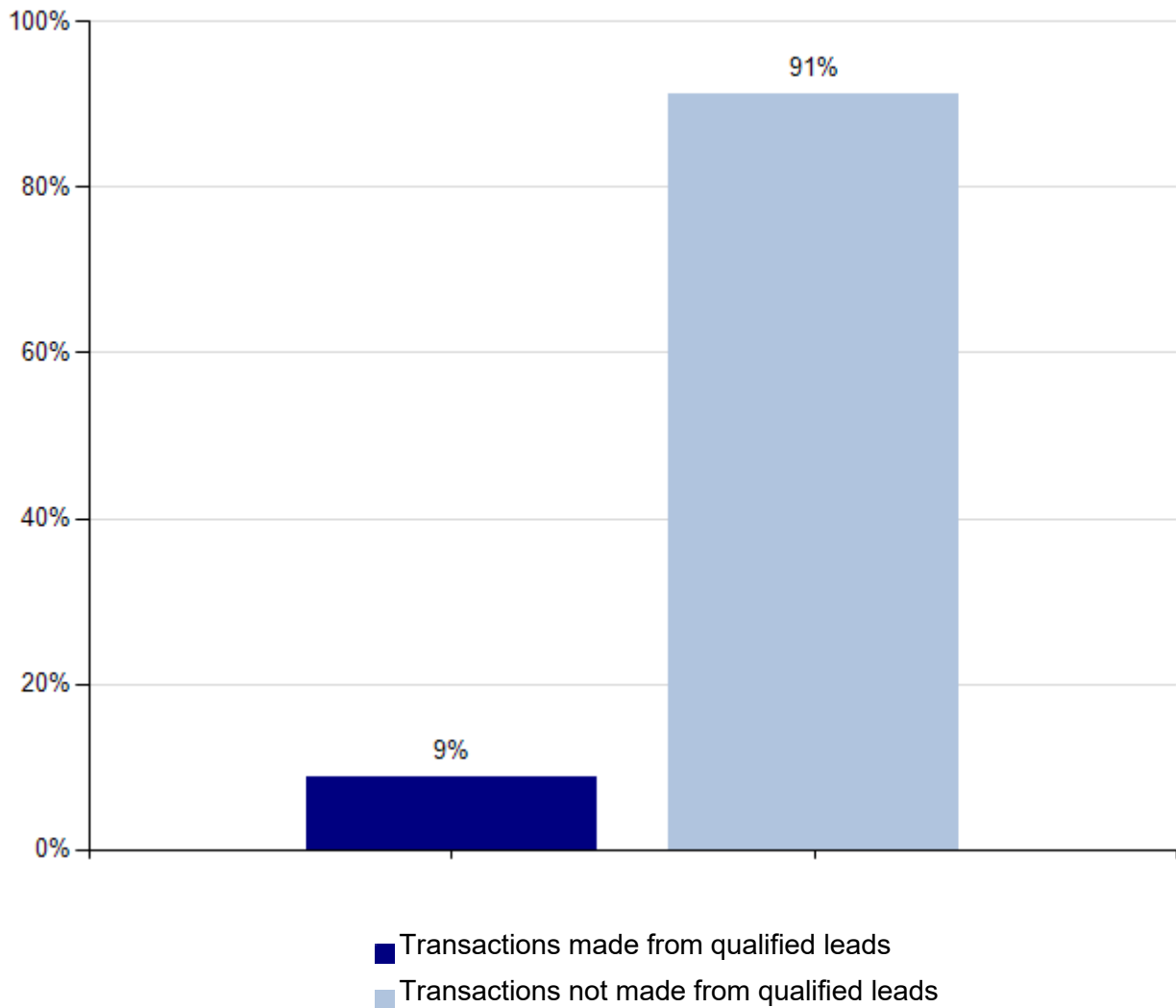
Table 9: Lead Generator Fees
Source: Survey questions 43 and 44

	2020
Fees Paid to Lead Generators	\$4,832,997
Number of Customers Who Made Payday Loans that Resulted from Leads	98,555

Lead Generators (continued)

Chart 7: Percentage of Qualified Leads Resulting in Transactions

Source: Survey question 43 & Annual Report question 3

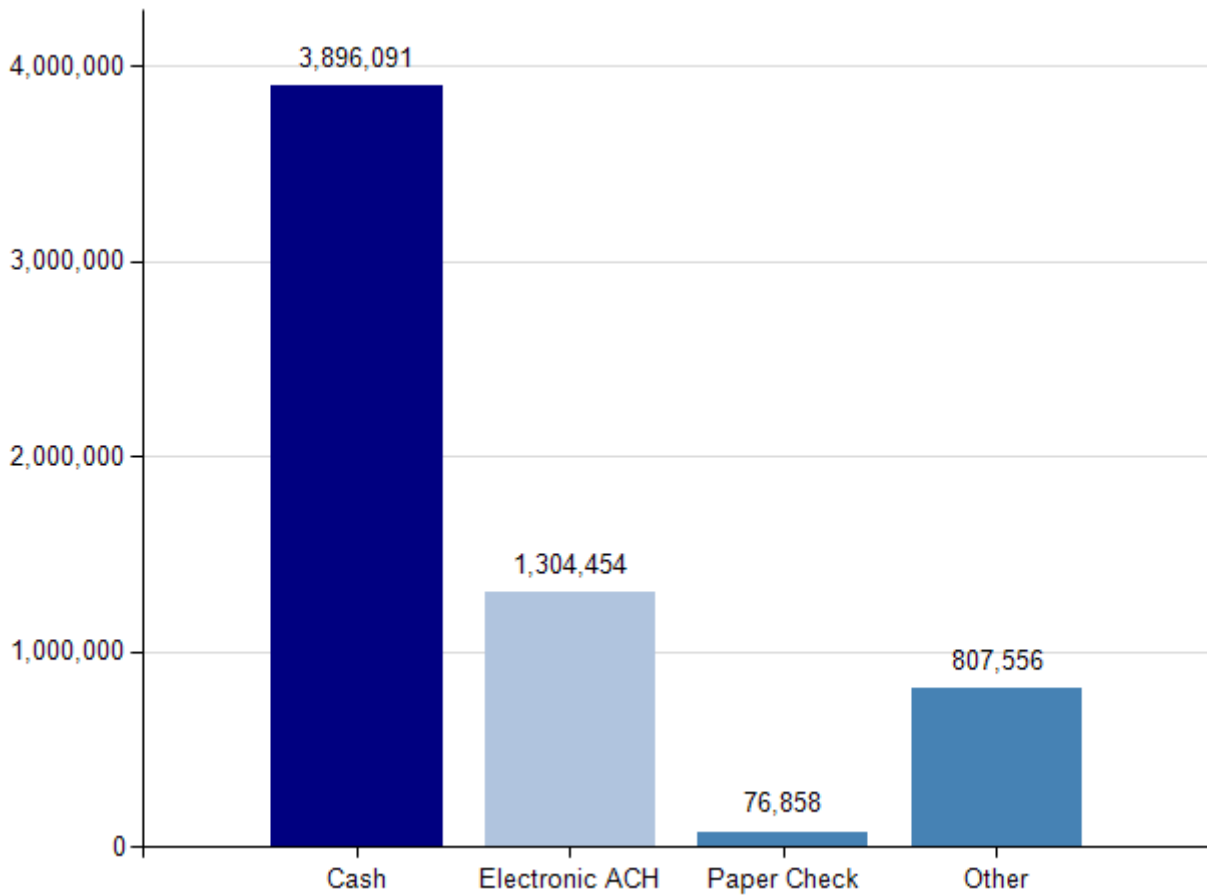


The number of payday loan customers referred by lead generators decreased to almost 9 percent in 2020, from 20 percent in 2019.

Disbursements to Customers

Chart 8: Number of Disbursements to Customers

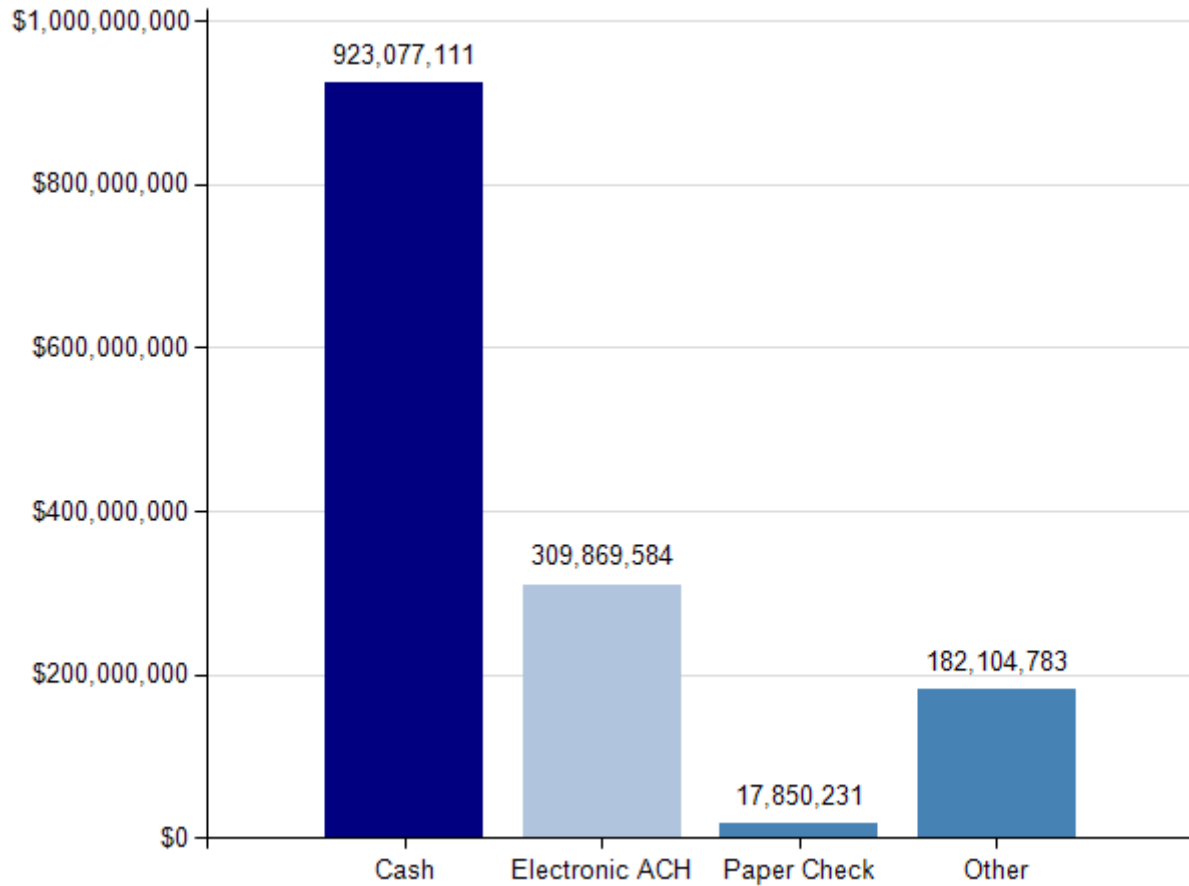
Source: Survey question 54



Of the disbursements above, Cash represented 64 percent; Electronic ACH, 21.4 percent; Paper Check, 1.3 percent; and Other, 13.3 percent.

Disbursements to Customers (continued)

Chart 9: Dollar Amount of Disbursements to Customers
Source: Survey question 55



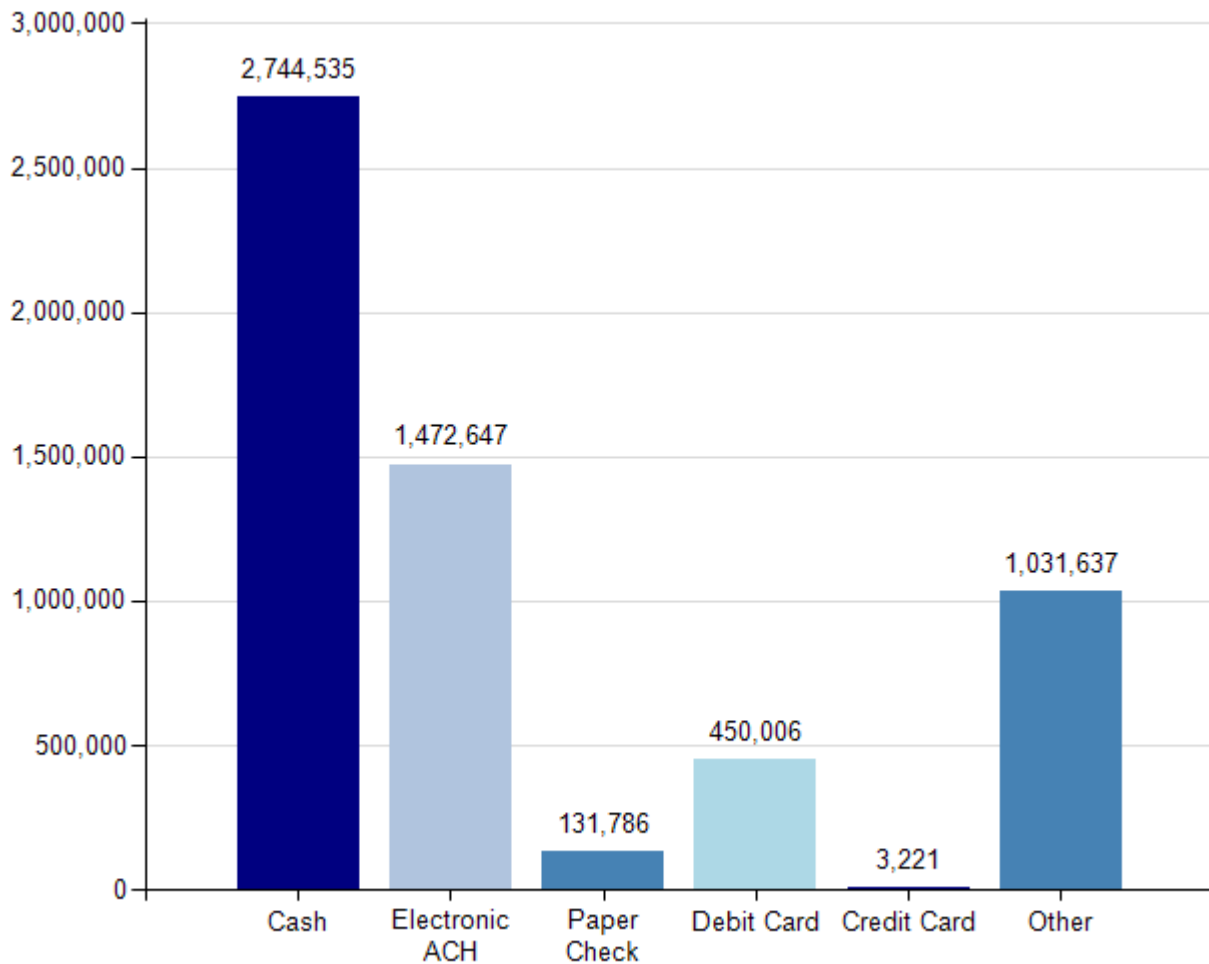
Of the disbursements above, Cash represented 64.4 percent; Electronic ACH, 21.6 percent; Paper Check, 1.3 percent; and Other, 12.7 percent.

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

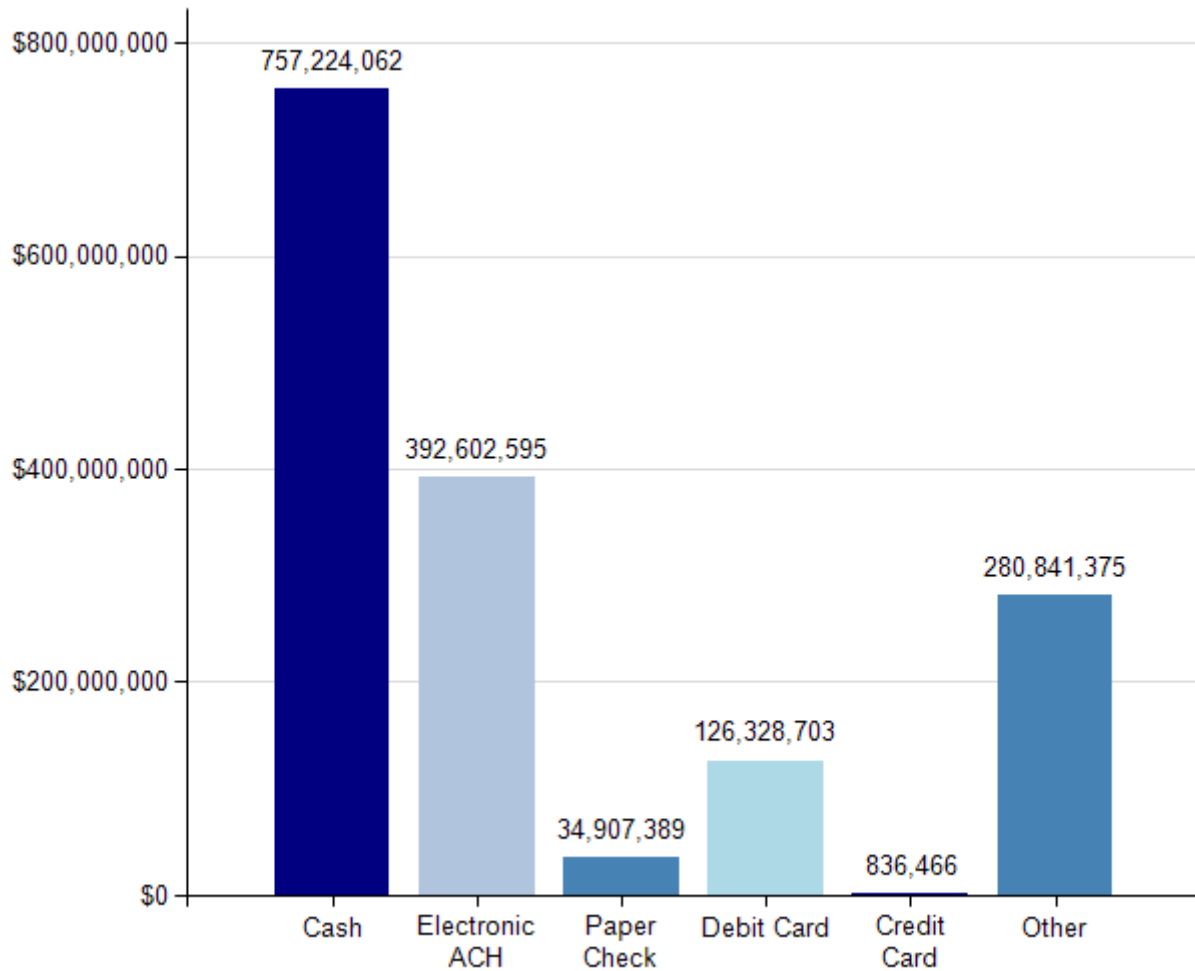


Cash accounted for 47 percent of customer payments; Electronic ACH, 25.2 percent; Paper Check, 2.3 percent; Debit Card, 7.7 percent; Credit Card, 0.1 percent; and Other, 17.7 percent.

Payments from Customers (continued)

Chart 11: Amount of Payments from Customers

Source: Survey question 59



Of the payments above, Cash represented 47.5 percent; Electronic ACH, 24.7 percent; Paper Check, 2.2 percent; Debit Card, 7.9 percent; Credit Card, 0.1 percent; and Other, 17.6 percent.

Payments from Customers (continued)

Chart 12: Percentage of Payday Lenders Offering Written Payment Plan
Source: Survey question 61

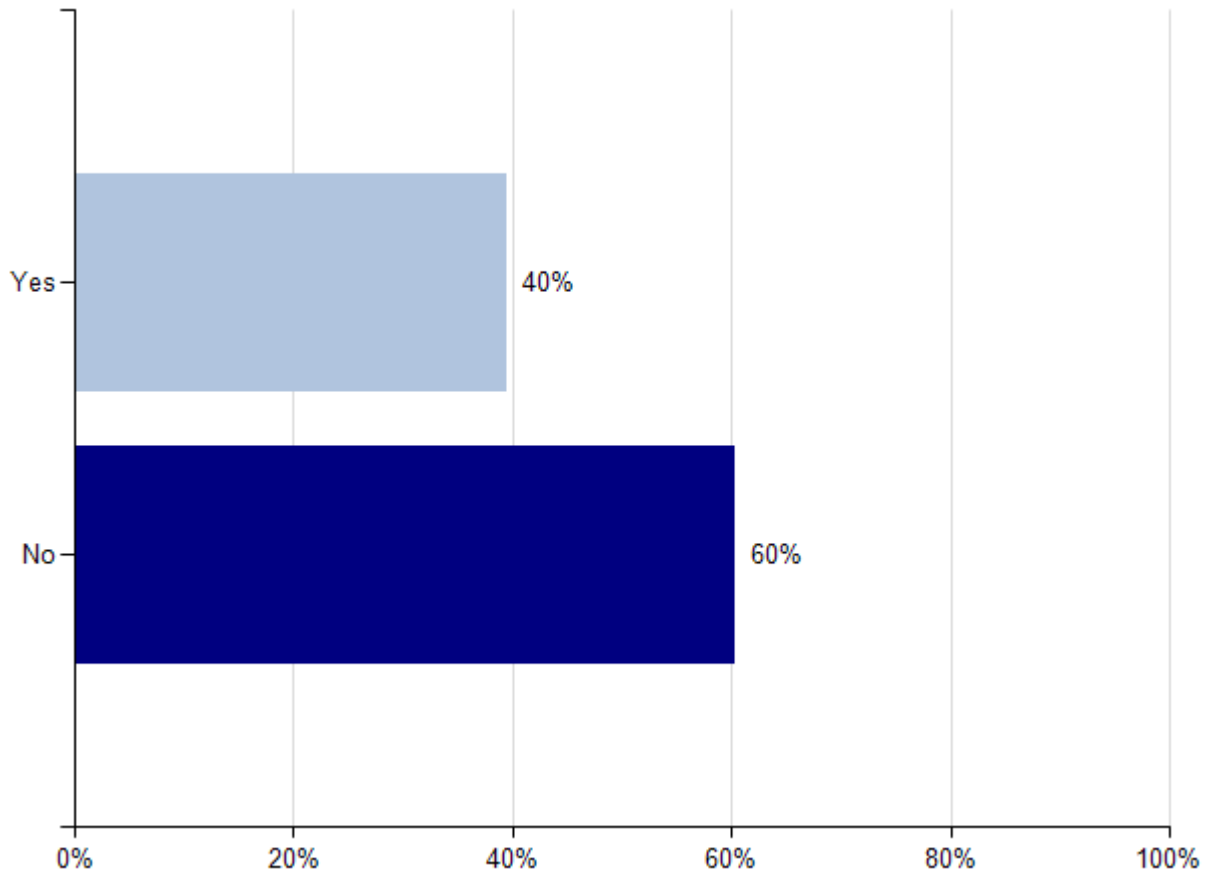


Table 10: Payment Plan Volumes for Repayment
Source: Survey questions 61 - 64

	2020
Total Dollar Amount of Outstanding Payment Plans	\$38,416,426
Total Number of Outstanding Payment Plans	180,286

Collections

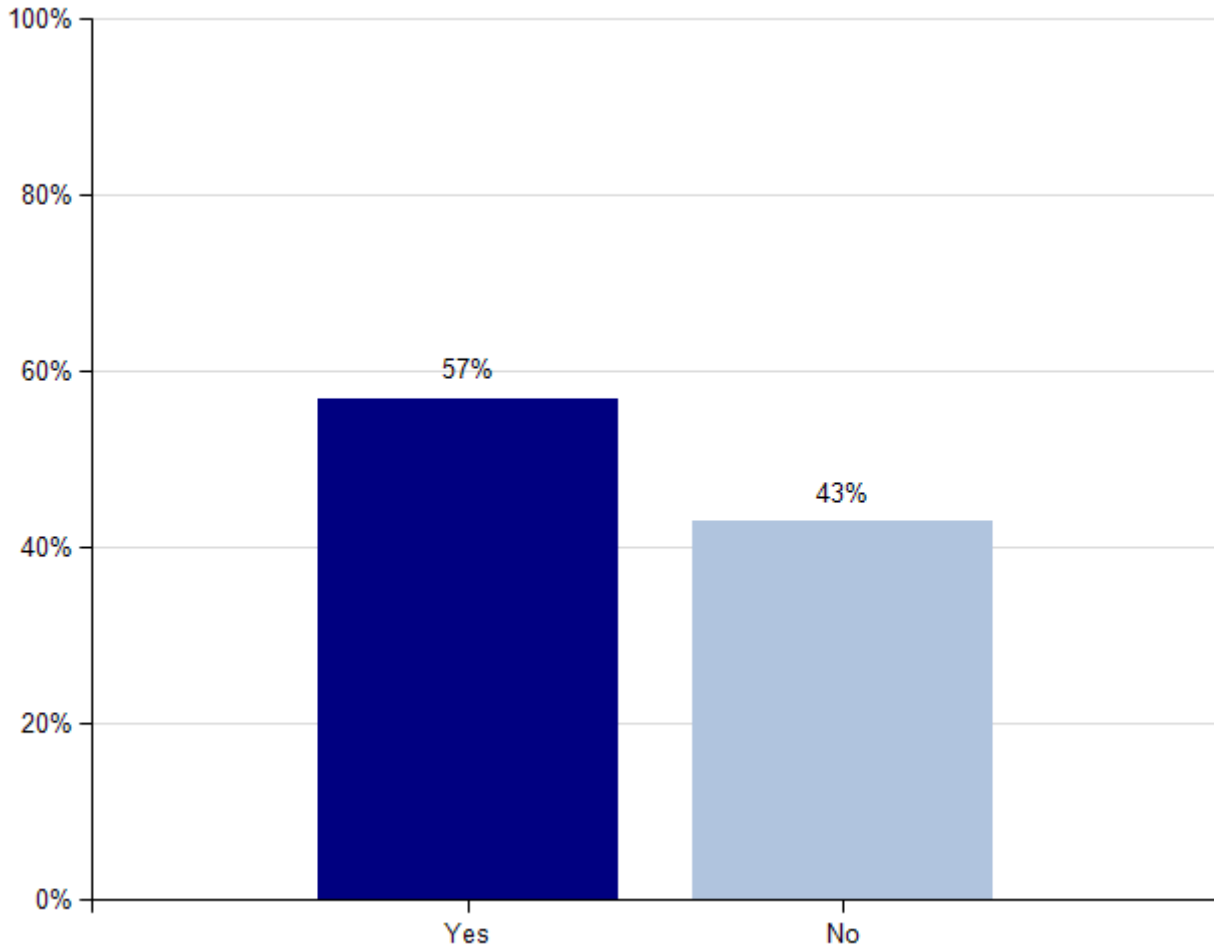
During the time period for which data was obtained for this report, the Department did not have jurisdiction over debt collectors. However, legislation passed in 2020 granted the Department supervision and enforcement authority over debt collectors starting in 2021.

The California Consumer Financial Protection Law (CCFPL) (Financial Code 90000-90019) was enacted on Sept. 25, 2020 and it conferred new authority to the Department to supervise and regulate “consumer financial products and services.” The CCFPL became effective on Jan. 1, 2021. Debt collectors squarely fall under that definition and are now subject to the Department’s supervisory jurisdiction. Debt collectors must also comply with the CCFPL’s general prohibition of unlawful, unfair, deceptive, or abusive acts or practices, which the Department enforces. In addition, the Debt Collection Licensing Act (Financial Code 100000-1000025) was enacted on Sept. 25, 2020. It requires debt collectors to be licensed by the Department.

Debt collectors must apply for licenses by Jan. 1, 2022, in order to continue doing business in California. Several other laws regulate the conduct of debt collection companies in California, including the federal Fair Debt Collection Practices Act and California's Rosenthal Fair Debt Collection Practices Act (Civil Code 1788-1788.33). The Department can enforce these laws pursuant to the CCFPL, which provides that the Department can enforce any California or federal “consumer financial law.”

Chart 13: Percentage of Licensees with In-House Collections

Source: Survey question 66



A total of 236,153 customers were not in a payment plan and paid in full as a result of in-house collection in 2020. Those customers accounted for 509,850 transactions. (Source: Survey questions 67 and 68)

The total dollar amount of 2020 transactions that were not in a payment plan and paid in full as a result of in-house collections was approximately \$131.9 million. (Source: Survey question 69)

Collections (continued)

Chart 14: Percentage of Licensees That Own Outside Collection Agency

Source: Survey question 70

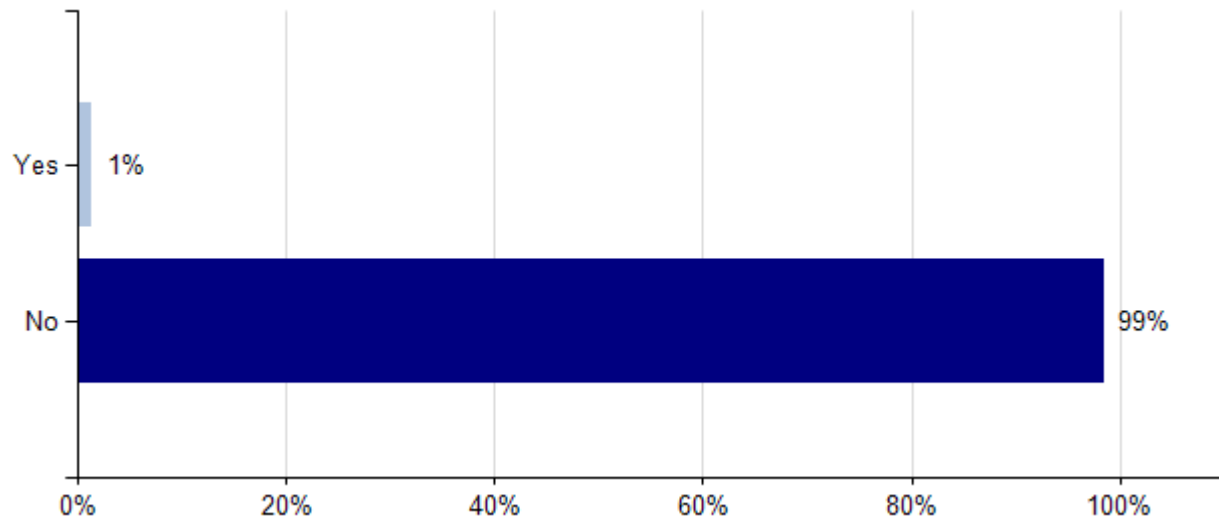
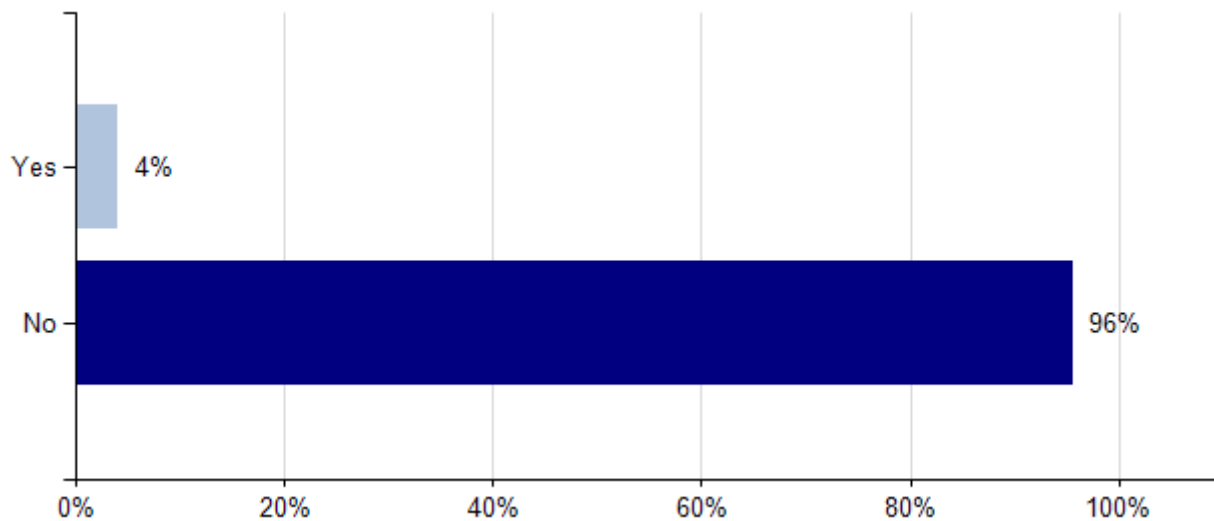


Chart 15: Percentage of Licensees Associated with Outside Collection Agency

Source: Survey question 71

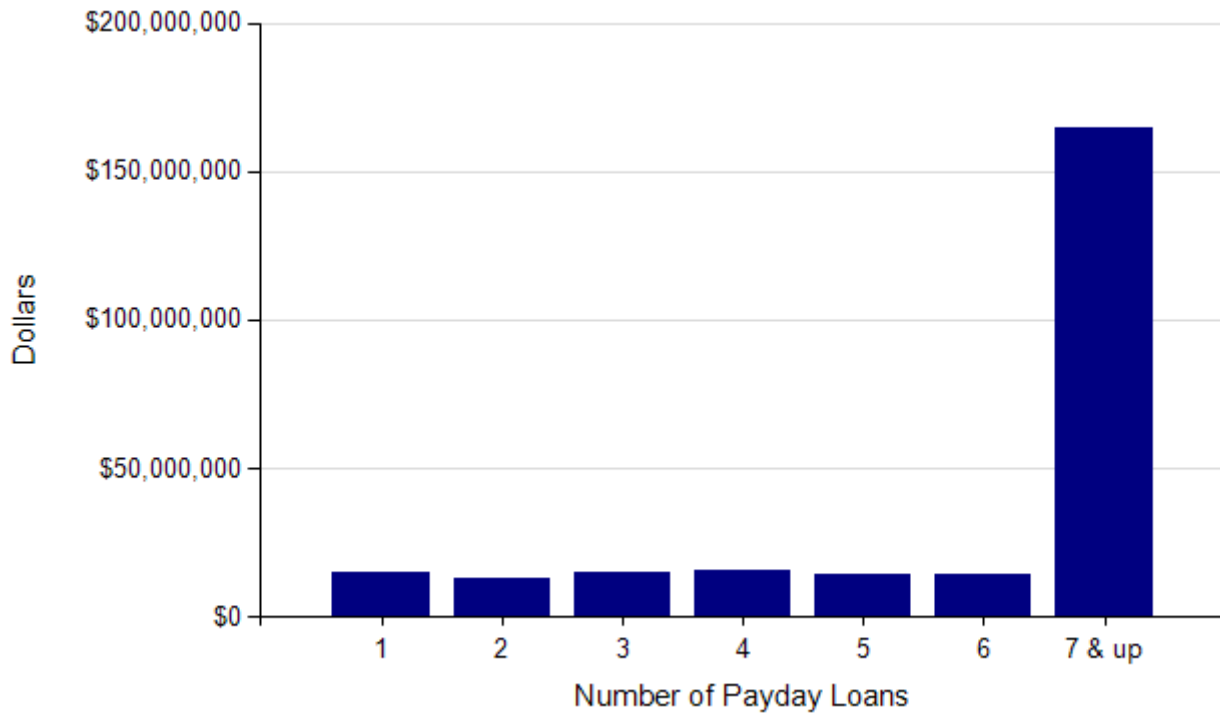


Fees

Respondent licensees collected \$250.8 million in fees on payday loans they originated in 2020. Of that total, 65.7 percent – or \$164.7 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

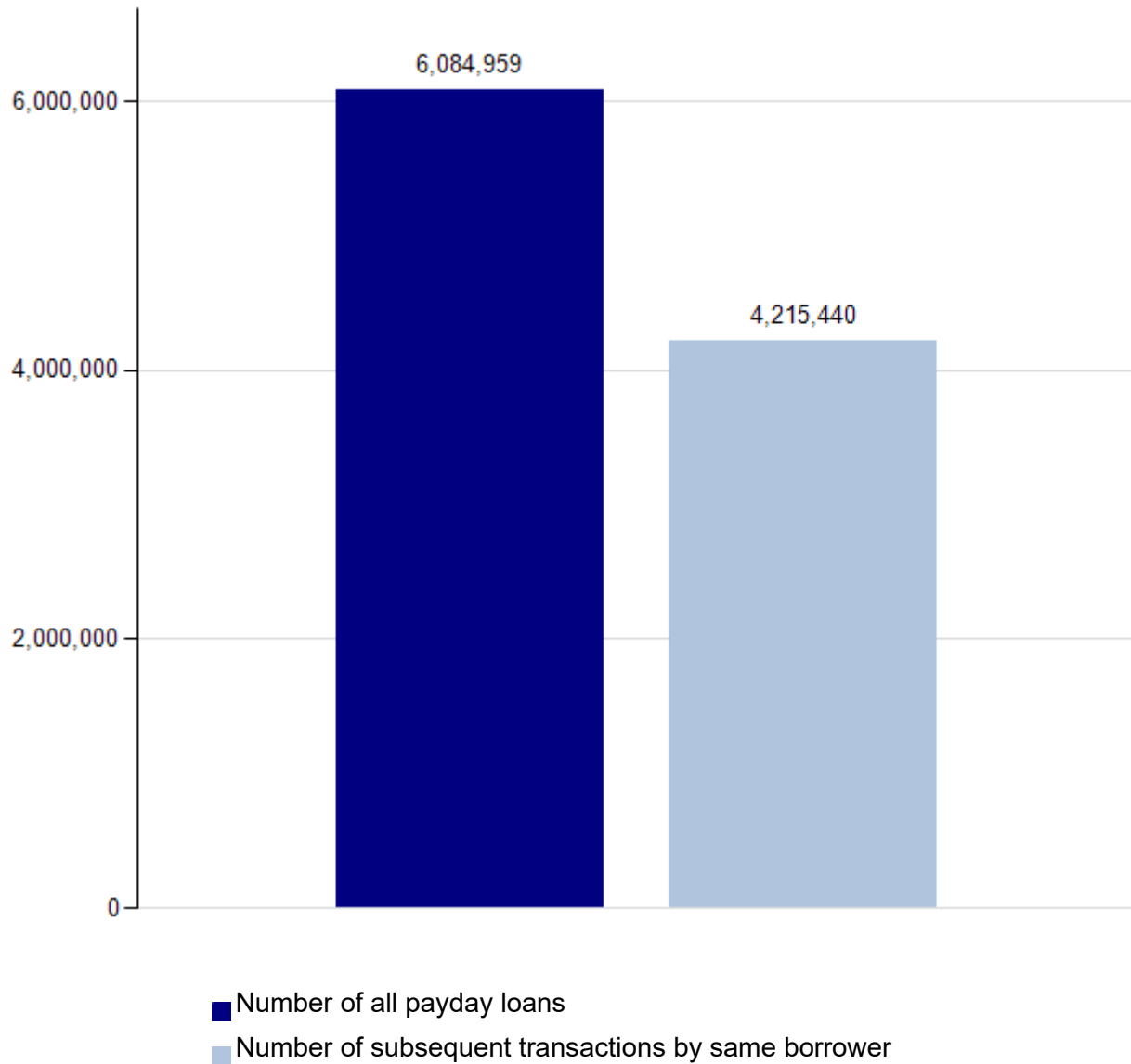


Question Number	75	76	77	78	79	80	81
Question Text	Transaction fees collected from customers who made 1 payday loan	Transaction fees collected from customers who made 2 payday loans	Transaction fees collected from customers who made 3 payday loans	Transaction fees collected from customers who made 4 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	\$14,733,396	\$12,818,151	\$14,658,323	\$15,680,572	\$14,361,850	\$13,854,258	\$164,709,127

Subsequent Customers

Chart 17: Subsequent Transactions by Same Borrower: Number

Source: Annual Report question 1 and Survey question 89



Of the 6.1 million payday loans reported for 2020, 69.3 percent were subsequent transactions by the same borrower.

Chart 18: Subsequent Transactions by Same Borrower: Dollar Amount

Source: Annual Report question 2 and Survey question 90

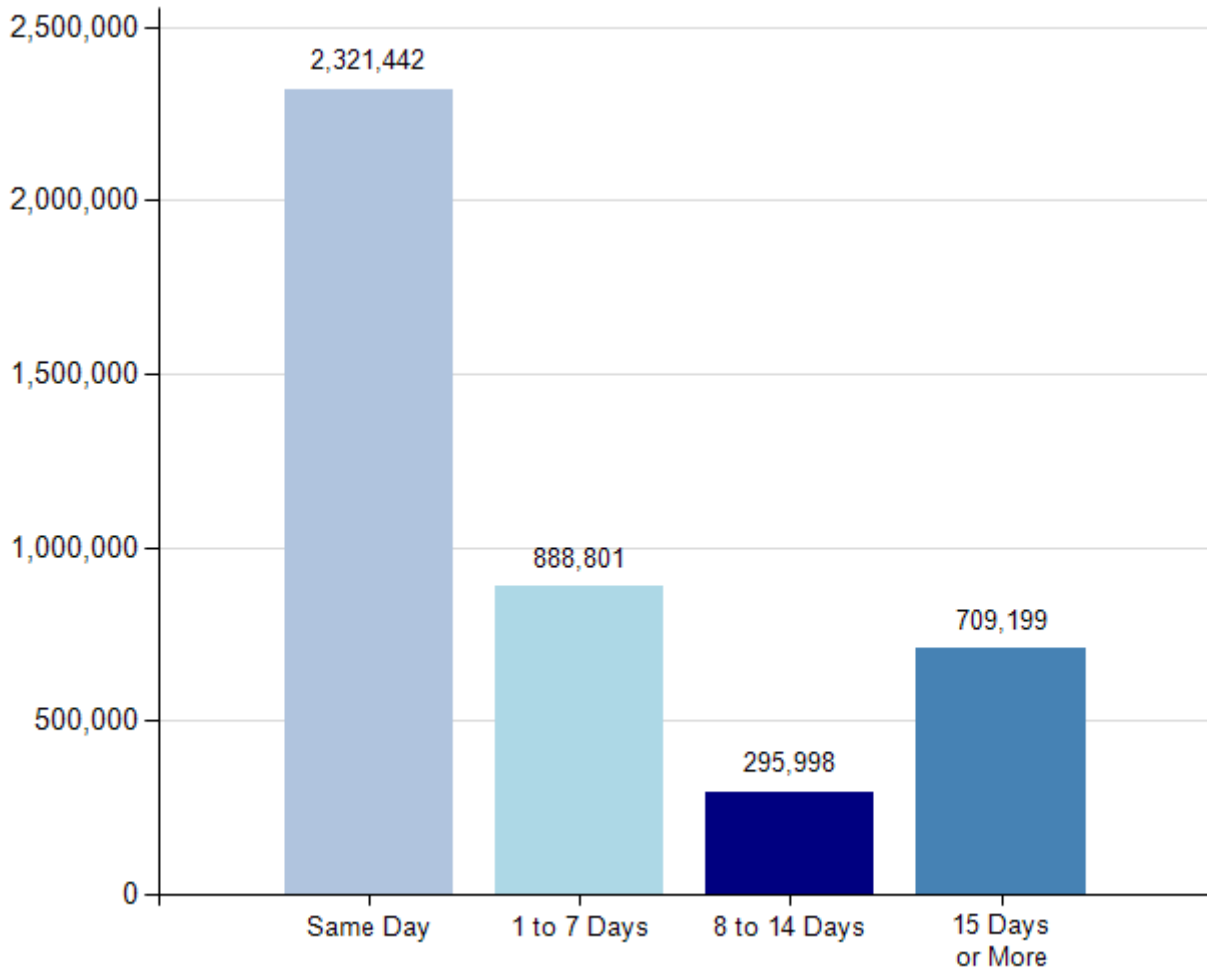


Of \$1.68 billion in payday loan transactions reported for 2020, 78 percent of the total dollar amount represented transactions with repeat borrowers.

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, 55.1 percent were made by the same borrowers on the same day the previous transaction closed; 21.1 percent were made one to seven days later; 7 percent were made eight to 14 days later; and 16.8 percent were made 15 days or more after the previous transaction closed. These percentages are based on 4.2 million subsequent transactions for which licensees provided the breakdown in Chart 19.

Customers Receiving Government Assistance

Loans Made to Customers Receiving Government Assistance

Almost 61.8 percent of licensees reported serving customers who received government assistance. Those customers accounted for 8.4 percent of all customers for those licensees. Almost 15 percent of licensees reported that more than 25 percent of their customers received government assistance. Table 11 reflects number of customers received government assistance in 2020.

Table 11: Number of Customers Receiving Government Assistance

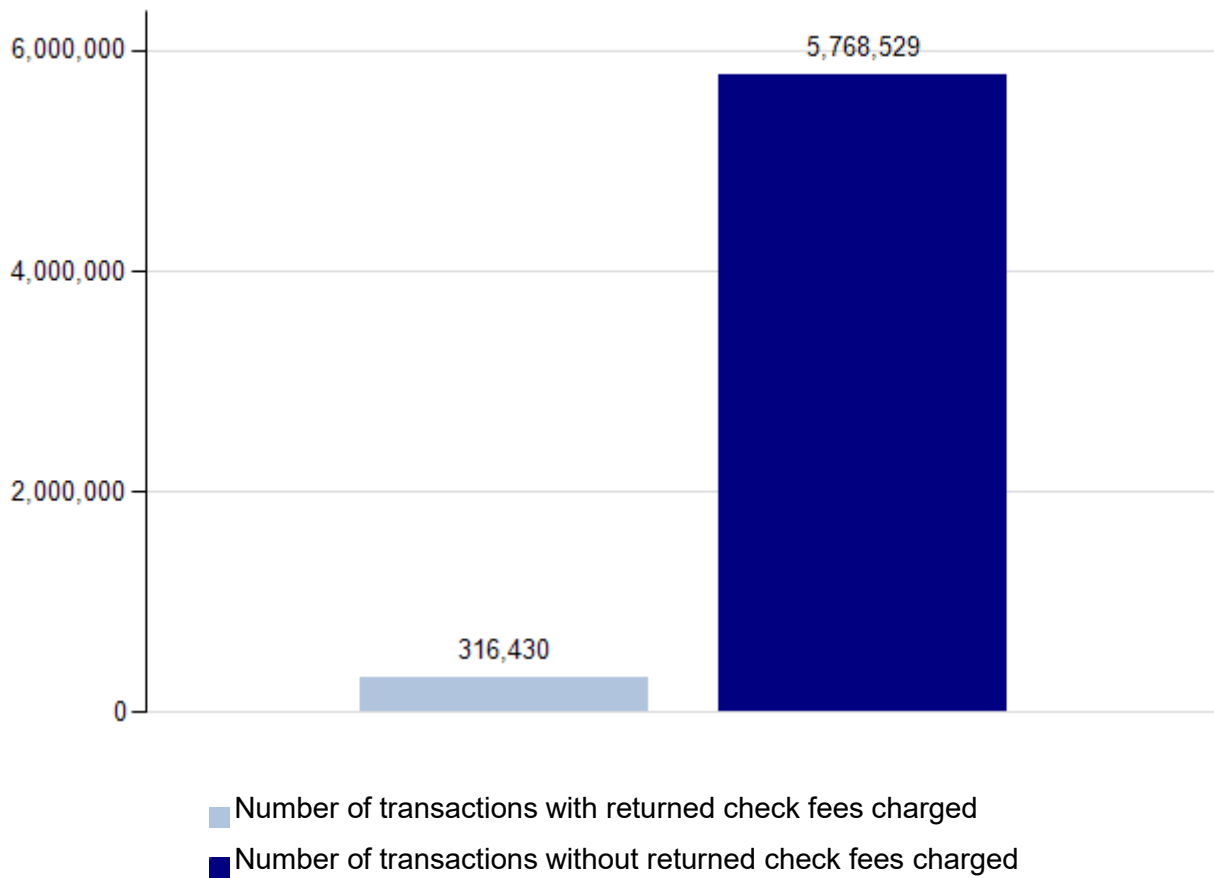
Source: Survey question 91 and Annual Report question 3

Number of customers receiving assistance	Number of licensees
94,298	89

Dishonored Checks (continued)

Chart 20: Payday Loan Transactions: Dishonored Check Volume

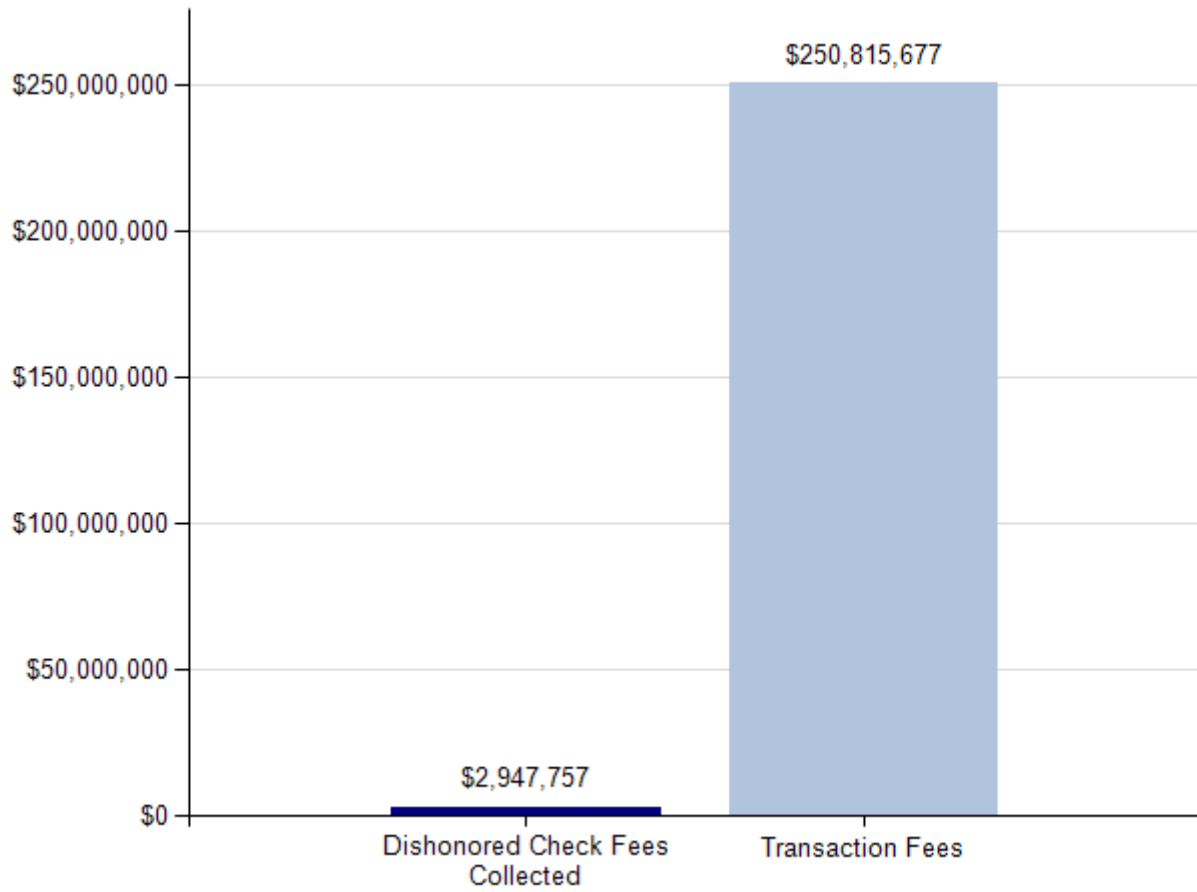
Source: Survey question 83 and Annual Report question 1



Of 6.1 million payday loan transactions in 2020, 5.2 percent or 316,430 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

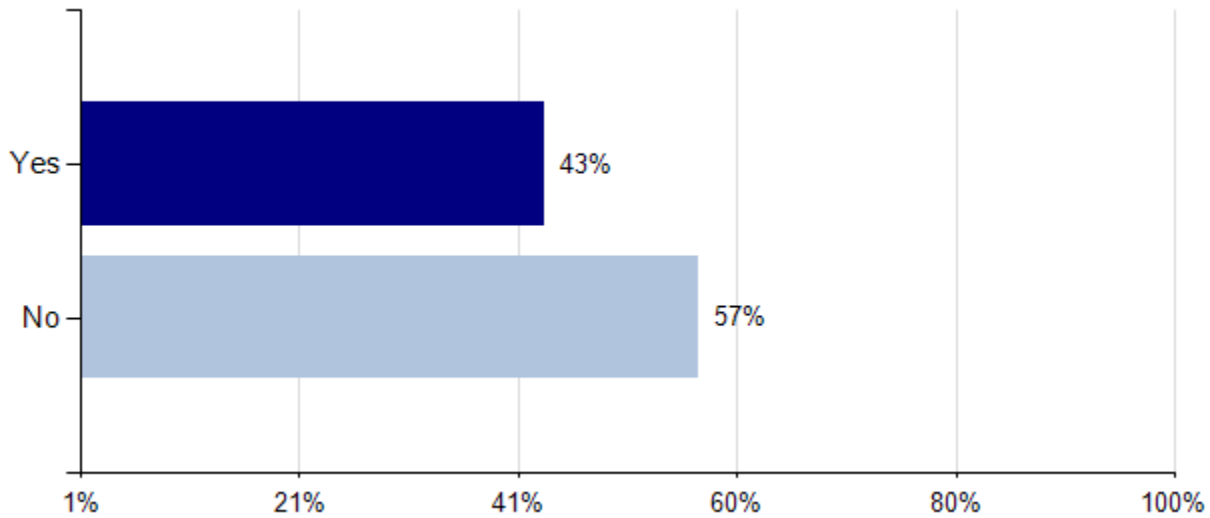
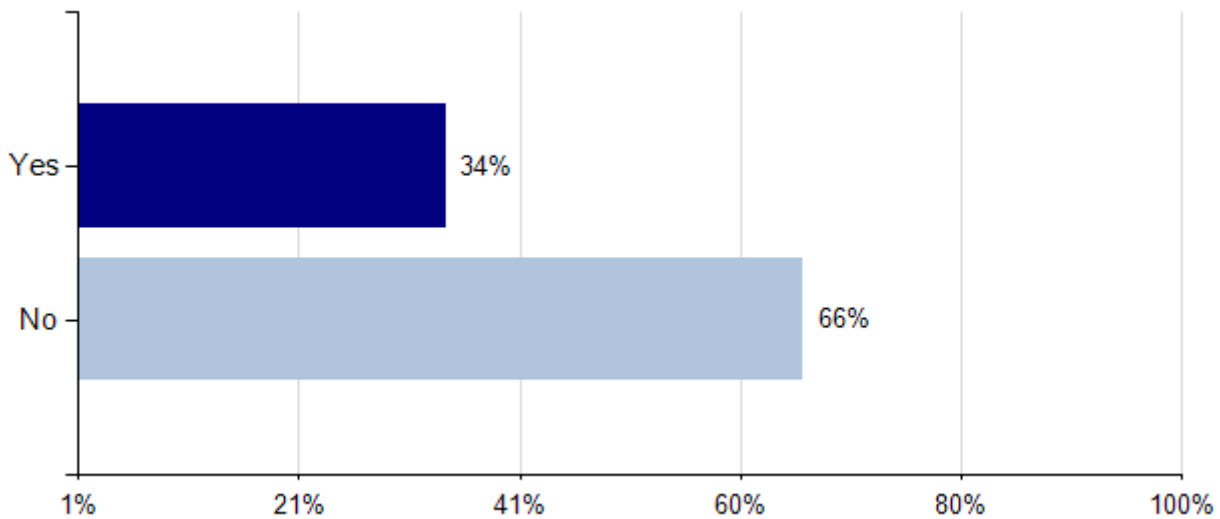


Chart 23: Percentage of Licensees with Dispute Arbitration Clause in Written Agreement That Prohibits Borrowers from Joining Class Action

Source: Survey question 93



Covered Borrowers

Report of Payday Loans to Active Military Servicemembers and Dependents

Almost 0.7 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 customer was one, and the customer made one transaction amounting to \$300. (Source: Survey questions 49-52)



DEPARTMENT OF FINANCIAL
PROTECTION & INNOVATION

California Department of Financial Protection and Innovation

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