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DFPI Report Shows California Payday Loan Activity Significantly Declines Amid Pandemic

SACRAMENTO – During an historic pandemic, California's payday lenders made fewer than 6.1 million loans in 2020, representing a 40 percent decline in loans from 2019 and a 30 percent decline in customers compared to 2019, according to the 2020 Annual Report of Payday Lending Activity Under the California Deferred Deposit Transaction Law (CDDTL). Payday loans are also down by half in terms of dollar volume since 2011.

"This report offers tremendous insight into payday loan activity in California," said Department of Financial Protection and Innovation (DFPI) Acting Commissioner Christopher S. Shultz. "Payday loans are believed to have decreased during the pandemic for a number of reasons that may include factors such as stimulus checks, loan forbearances, and growth in alternative financing options. We continue to closely monitor all financial products marketed to those in desperate financial need."

Key findings include:

- The total dollar amount of payday loans in 2020 was $1.68 billion, down from almost $3.28 billion in 2011.
- Almost 61.8 percent of licensees reported serving customers who received government assistance.
- 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.
- 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.

Other key findings contained in the report indicate an increasing reliance on electronic transactions and non-cash financial products:

- Almost 16 percent of licensees made payday loans over the Internet during 2020. Online payday loans accounted about one-third (2,066,113) of all payday loans. This represents about 41 percent of customers (460,458) who took out payday loans over the Internet.

- 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.

Also significant is that the number of payday loan customers referred by lead generators declined from 315,030 in 2019 to 98,555 in 2020, representing a 69 percent decrease. There has also been a decline in the number of licensed payday lending locations. According to the report, from 2019 to 2020, the number dropped by 430, or 27.7 percent.

The DFPI compiled data is submitted by licensed deferred deposit originators, better known as payday lenders. This report contains data provided by licensees for the calendar year ending Dec. 31, 2020. In 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. The annual report may be viewed or downloaded from the DFPI website along with the other 2020 reports: the Annual Report of Non-Profits Providing Zero-Interest Consumer Loans, the Annual Report of Activity Under Small Dollar Loan Pilot Program, and others.

In addition to payday lenders, the DFPI licenses and regulates state-chartered banks and credit unions, commodities and investment advisers, money transmitters, mortgage servicers, the offer and sale of securities and franchises, broker-dealers, nonbank installment lenders, Property Assessed Clean Energy (PACE) program administrators, student-lending servicers, escrow companies, debt collectors, rent-to-own contractors, credit repair companies, consumer credit reporting companies, debt-relief companies, and more.

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