



STATE OF CALIFORNIA

Department of Financial Protection and Innovation

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For Immediate Release

August 5, 2021

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California DFPI Enters Groundbreaking Consent Order with NY-Based Income Share Agreements Servicer

Department to License First ISA Servicer Under California Student Loan Servicing Act

SACRAMENTO – The California Department of Financial Protection and Innovation (DFPI) today announced it had [signed a landmark agreement](#) with New York-based Meratas, Inc., a company that partners with educational institutions to offer students Income Share Agreements or ISAs to finance post-secondary education and training.

The agreement reflects the Department’s decision to treat these private financing products as student loans for the purpose of the California Student Loan Servicing Act (SLSA). The move represents a significant first step toward providing greater oversight of the ISA industry.

“Today’s action shows we are taking significant steps to better protect California student borrowers,” said DFPI Senior Deputy Commissioner Suzanne Martindale, whose Consumer Financial Protection Division oversees the student loan servicing law. “Regulating income share agreements like student loans levels the playing field and creates a fair marketplace that protects all consumers.”

The agreement between DFPI and Meratas is believed to be the first of its kind to subject an ISA servicer to state licensing and regulation. Regulating an ISA servicer under the SLSA better protects California students by ensuring the company submits to regular examinations and communicates honestly and fairly with borrowers, amongst many other protections.

ISAs are increasingly used by private, for-profit companies offering post-secondary education and nonprofit training programs. Under an ISA, a student agrees to repay a school a fixed percentage of the student’s future gross income after graduation, but only if the student is employed and making above an agreed-upon amount.

Meratas voluntarily applied for a license in April of this year, which led to the agreement. The agreement provides that the Department will issue the company a conditional license under SLSA.

For years, some ISA issuers have contended that state and federal lending laws are inapplicable to ISAs, and students who finance education under ISAs did not enjoy the same regulatory protections as other

borrowers. The DFPI expects to clarify requirements for ISA providers and servicers through future rulemaking.

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

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