STATE OF CALIFORNIA
Department of Financial Protection and Innovation
GOVERNOR Gavin Newsom · ACTING COMMISSIONER CHRISTOPHER S. SHULTZ

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DFPI Report Shows Changes in Consumer Lending, Decrease in PACE Program

COVID-19 pandemic and other factors likely cause of shift in trends

SACRAMENTO – A new report from the Department of Financial Protection and Innovation (DFPI) shows a sharp decrease in some types of consumer loans and an increase in others, underscoring a change in consumer behavior likely impacted by a number of factors, including the global COVID-19 pandemic, an injection of state and federal financial assistance, and an increase in the reporting of alternative financing products.

The 2020 annual report released today includes unaudited data compiled from finance lenders, brokers, and PACE program administrators licensed under the California Financing Law.

"While the report shows some significant changes in consumer lending activity, we don't have the necessary data to make conclusions about the dips and surges we're seeing in lending products," said DFPI Acting Commissioner Christopher S. Shultz. "What we do know is that consumer behavior likely changed as a result of myriad factors, including state and federal cash assistance, moratoriums on student loan payments, rental and mortgage relief assistance related to the pandemic, and favorable interest rates for the real estate market. The report also includes new data from the Buy Now, Pay Later industry."

The total number of consumer loans originated by finance lenders, excluding Buy Now, Pay Later (BNPL) products, decreased overall by 41 percent to 1,005,094 from 1,707,651 in 2019. However, the total principal amount of such consumer loans, excluding BNPL, increased by 94.8 percent over the same period, to $111 billion from $57 billion. The increase in principal amount is likely due to the increase in originations of consumer loans secured by real estate, which increased in number by 117.2 percent to 261,777 from 120,519 in 2019.

Overall, with BNPL included, finance lenders originated almost 12 million consumer loans in 2020, a 530 percent increase over 2019. The top six buy now pay later lenders accounted for 10,924,547, or 91 percent, of the total consumer loans originated in 2020.

BNPL loans are an increasingly common type of short-term financing that allows consumers to make purchases and pay for them at a future date, often interest-free. Sometimes referred to as point-of-sale installment loans, BNPL products are becoming a popular payment option. The report shows a surge in BNPL unsecured consumer loans reported to the DFPI. This product has grown in recent years and has come under the DFPI regulatory umbrella.

The Department has been a leader in the oversight of BNPL loan products, announcing settlements in late 2019 and early 2020 with Quadpay, Sezzle and Afterpay. The three companies agreed to refund roughly $1.9 million in fees to consumers after it was concluded they structured their products to evade regulation. Today, these firms are licensed lenders with the state and must consider consumers' ability to repay loans, are subject to rate and fee caps, and must respond to consumer complaints.

Property Assessed Clean Energy (PACE) programs

This report contains the second year of reporting on Property Assessed Clean Energy (PACE) financing and PACE program administrators and indicates a decline in statewide PACE activity.

- The total number of PACE assessment contracts funded and originated in 2020 was 10,129, representing an 18 percent decrease since 2019. The total value of assessment contracts funded by PACE program administrators was $332,517,305, a decrease of 8 percent since 2019.

- PACE program administrators reported a 30 percent decrease in gross income since 2019. In 2020, the aggregated total fees and other charges assessed to property owners, including interest, was $82.5 million, representing a decrease of 1 percent since 2019.

All these findings are available in the 2020 report, which provides a snapshot of consumer lending, rates, consumer complaints, and other data elements for calendar year 2020. The licensees submitted the data for the calendar year ending Dec. 31, 2020.

In addition to finance lenders, brokers, and PACE program administrators, 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, residential mortgage lenders, nonbank installment lenders, payday 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 agencies, debt-relief companies, and more.

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