

2021

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 2021. The report also provides historical data back to 2012.

Key Findings

- California’s payday lenders made more than 4.5 million loans in 2021, worth more than \$1.26 billion. **These represent a decline of 25.6 percent and 25 percent respectively from 2020 totals.**
- In 2021, **more than 700,000 individual customers took out payday loans**, a 30 percent decline from the 2020 total.
- Almost **57.4 percent of licensees reported serving customers who received government assistance.**
- Subsequent loans by the same borrower accounted for **72.3 percent of the payday loans in 2021 and 78.9 percent of the aggregate dollar amount.**
- Of subsequent payday loans by the same borrower, **44.1 percent were made the same day the previous transaction ended.**
- Another **24.5 percent of payday loans were made one to seven days after the previous loan repaid.**
- Responsive licensees collected \$187.7 million in fees on payday loans in 2021. Of that total, **69.6 percent – or \$130.6 million – came from customers who made seven or more transactions** during the year.

- For the year, **42 percent of payday loan customers had average annual incomes of \$30,000 or less, and 24 percent had average annual incomes of \$20,000 or less.**
- The number of payday loan customers referred by lead generators increased from 98,555 in 2020 to 109,486 in 2021, an **11 percent increase.**
- Almost 20 percent of licensees made payday loans over the internet during 2021. **Online payday loans accounted for about 45.2 percent (2,047,889) of all payday loans.**
- Approximately **52.7 percent of customers (416,090) took out payday loans over the internet.**
- In 2021, 199,115 consumers took out single payday loans compared to 167,636 consumers who took out 10 or more payday loans.
- The use of cash to disburse funds to customers and receive payments from customers continued to decline in 2021. Measured in dollar amounts, **cash disbursements decreased from 64.4 percent in 2020 to 53.7 percent in 2021.**
- Other forms of disbursements, including wire transfers, instant funding, and debit cards, **climbed to 27.4 percent from 12.7 percent over the same period.** In 2021, **34.6 percent of customers' payments were made with cash, down from 47 percent in 2020.**
- Electronic transfers accounted for **29.2 percent of customers' payments, compared to 25.2 percent in 2020.**

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 December 31, 2021. The numbers are statistical in nature.

As of December 31, 2021, the DFPI licensed 127 payday lenders. Of those, 122 filed required annual reports in time to be included in this report, and five surrendered their licenses after January 1, 2022.

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 2021, the total dollar amount of payday loans decreased by 25 percent from the previous year, while the number of payday loans declined 25.6 percent. Table 1 also reflects a 30 percent drop from 2020 in the number of payday loan customers obtained. The average number of payday loans per customer has declined from 6.9 in 2012 to 5.7 in 2021.

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**
2021	\$1,263,483,126	4,526,338	790,143
2020*	\$1,683,670,749	6,084,434	1,128,211
2019*	\$2,819,552,891	10,181,247	1,612,593
2018*	\$2,815,483,777	10,233,292	1,622,021
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

* 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 \$245 in 2021. The average APR for payday loans decreased to 353 percent in 2021 from 361 percent in 2020.

Table 2: Transaction Analysis

Year	*Average dollar amount of payday loans	**Average annual percentage rate (APR)	Average number of days of payday loans
2021	\$245	353%	16
2020	\$247	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

* 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 2020 to 2021, the number of returned checks in payday loan transactions increased by 17.8 percent. The number of returned checks as a share of total payday loans in 2021 increased to 8.82 percent from 5.57 percent in 2020 and was at its highest 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 of returned checks	Total dollar amount as percentage
2021	399,094	8.82%	\$114,449,735	9.05%
2020*	338,888	5.57%	\$90,354,373	5.36%
2019*	654,354	6.43%	\$176,818,609	6.27%
2018*	646,811	6.32%	\$177,150,764	6.29%
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%

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

CDDTL Historical Data - Returned Checks (Continued)

From 2020 to 2021, the total dollar amount of returned checks recovered in payday loan transactions decreased 4.7 percent, to \$69.15 million. The number of recovered returned checks as a share of total payday loans in 2021 increased to 5.90 percent from 4.94 percent in 2020 and at its highest level since 2012.

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
2021	267,096	5.90%	\$69,150,595	5.47%
2020*	300,321	4.94%	\$72,540,932	4.31%
2019*	425,567	4.18%	\$95,672,481	3.39%
2018*	417,985	4.08%	\$90,526,804	3.22%
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%

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

** Includes partial recoveries

CDDTL Historical Data – Checks Charged Off (Continued)

From 2020 to 2021, the number and dollar amount of checks charged off, meaning payday loans unlikely to be collected, decreased by 40.4 and 38.7 percent respectively. The number of charged off checks as a share of total payday loans in 2021 decreased to 2.08 percent.

Table 5: Checks Charged Off

Year	Total number of checks charged off**	Total number as percentage	Total dollar amount of checks charged off**	Total dollar amount as percentage
2021	94,335	2.08%	\$24,340,705	1.93%
2020*	158,285	2.60%	\$39,725,782	2.36%
2019*	265,258	2.61%	\$66,483,174	2.36%
2018*	264,946	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%

* 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 2012 through 2021. 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 2020 to 2021, the number dropped by 287, or 25.6 percent. From 2012 to 2020, the number dropped by 979, or 46.6 percent.

Table 6: Licensed Locations

Year	Number
2021	834
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

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
2021	7	2	9
2020	6	12	18
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

PART II: CONSOLIDATED INDUSTRY SURVEY BACKGROUND

In January 2022, the DFPI provided the *California Deferred Deposit Transaction Law – 2021 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 2021 related to the following:

- Volume of transactions per customer
- Customer ages and income
- Internet transactions
- Lead generators
- Disbursements to customers
- Payments from customers
- Payment plans
- Collections
- Fees
- Subsequent transactions by the same borrower
- Transactions with customers who receive government assistance
- Dishonored checks
- Dispute arbitration
- Covered borrowers

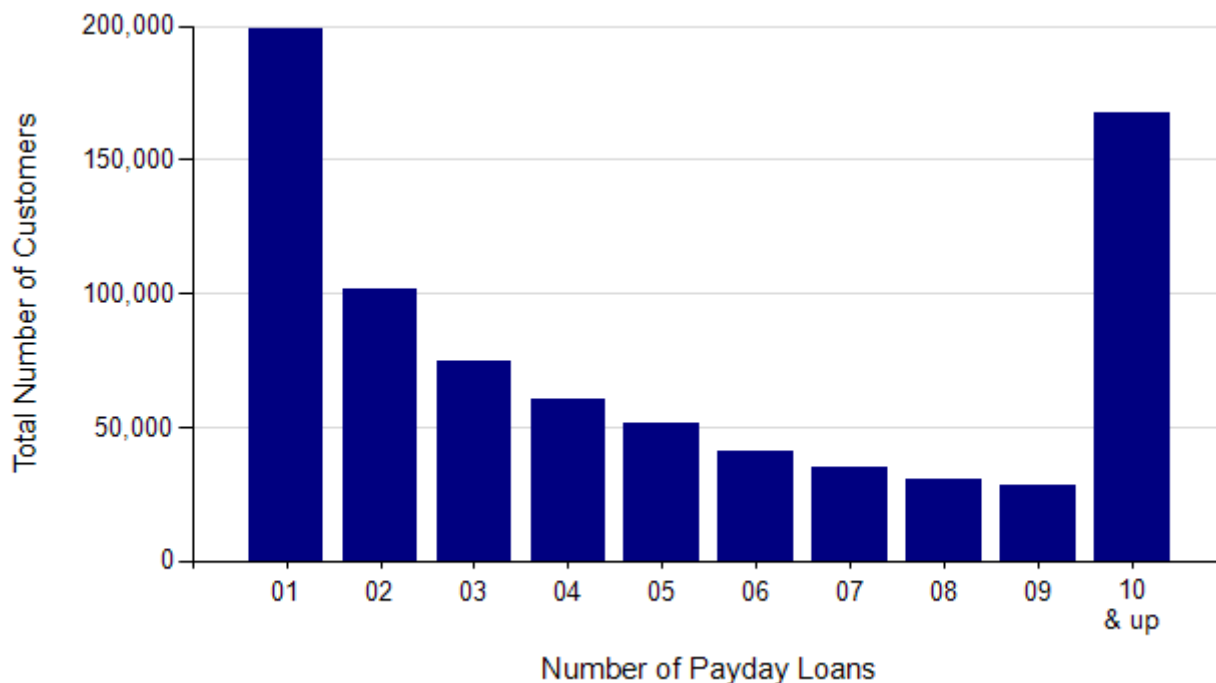
Some data included in this survey may not exactly match data in the annual report due to minor differences in the data reported by licensees (Part I of this report).

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 2021. 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

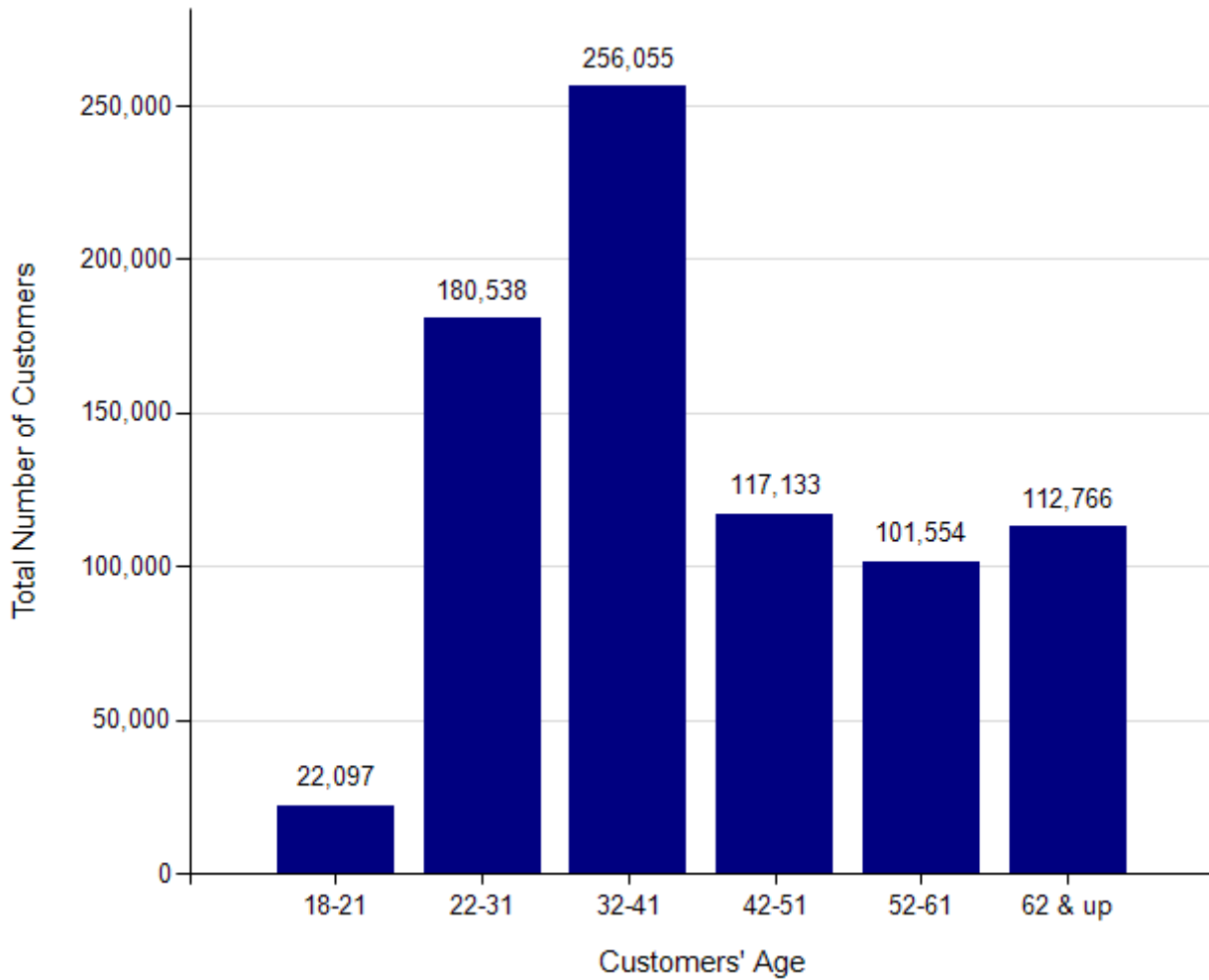


Question Number	1	2	3	4	5	6	7	8	9	10
Question Text	Obtained 1 Payday Loan	Obtained 2 Payday Loans	Obtained 3 Payday Loans	Obtained 4 Payday Loans	Obtained 5 Payday Loans	Obtained 6 Payday Loans	Obtained 7 Payday Loans	Obtained 8 Payday Loans	Obtained 9 Payday Loans	Obtained 10 or more Payday Loans
Totals	199,115	101,869	74,928	60,406	51,099	41,246	34,765	30,498	28,581	167,636

Customer Age

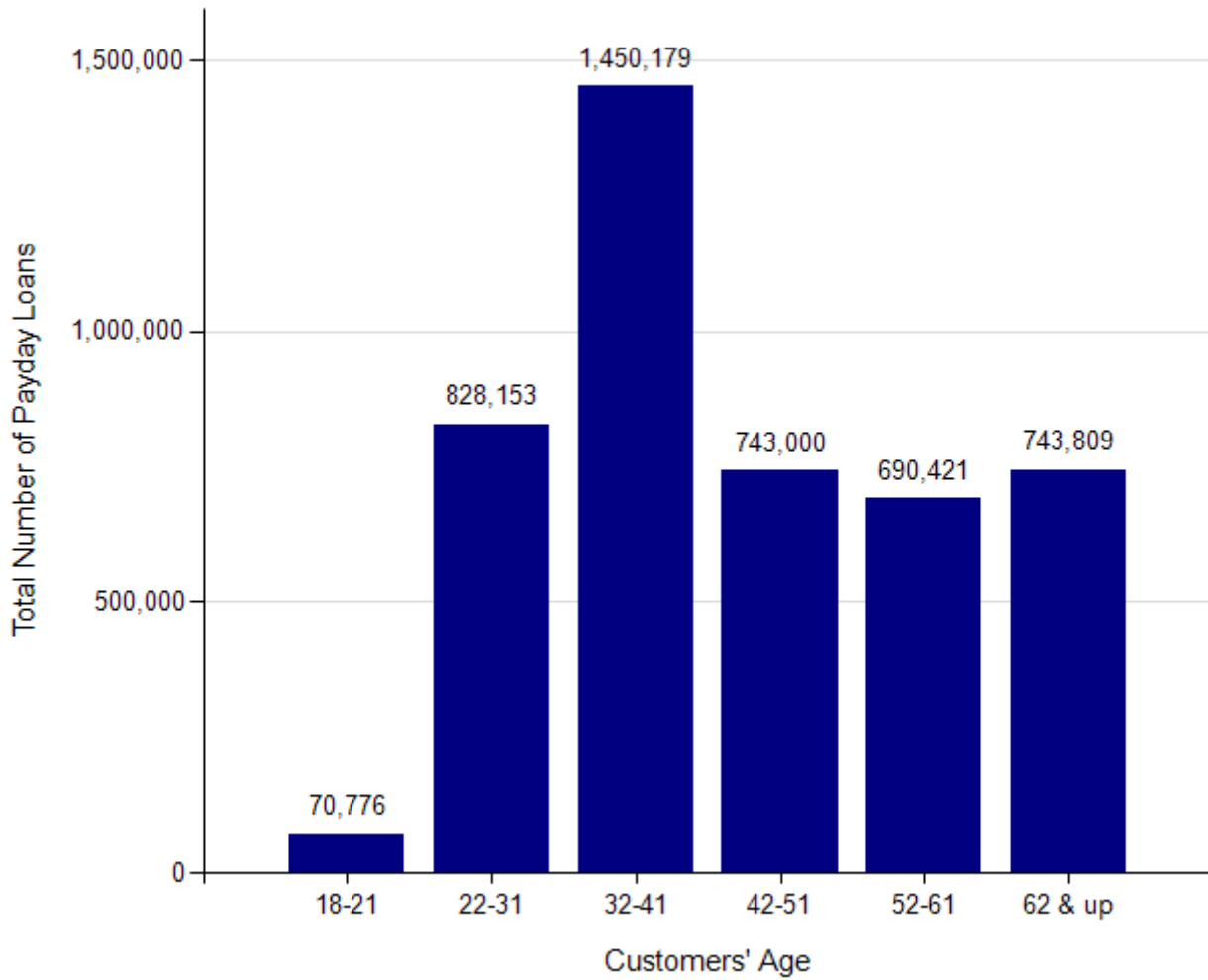
Chart 2: Number of Customers by Customers' Age

Source: Survey questions 12-17



Customer Age (continued)

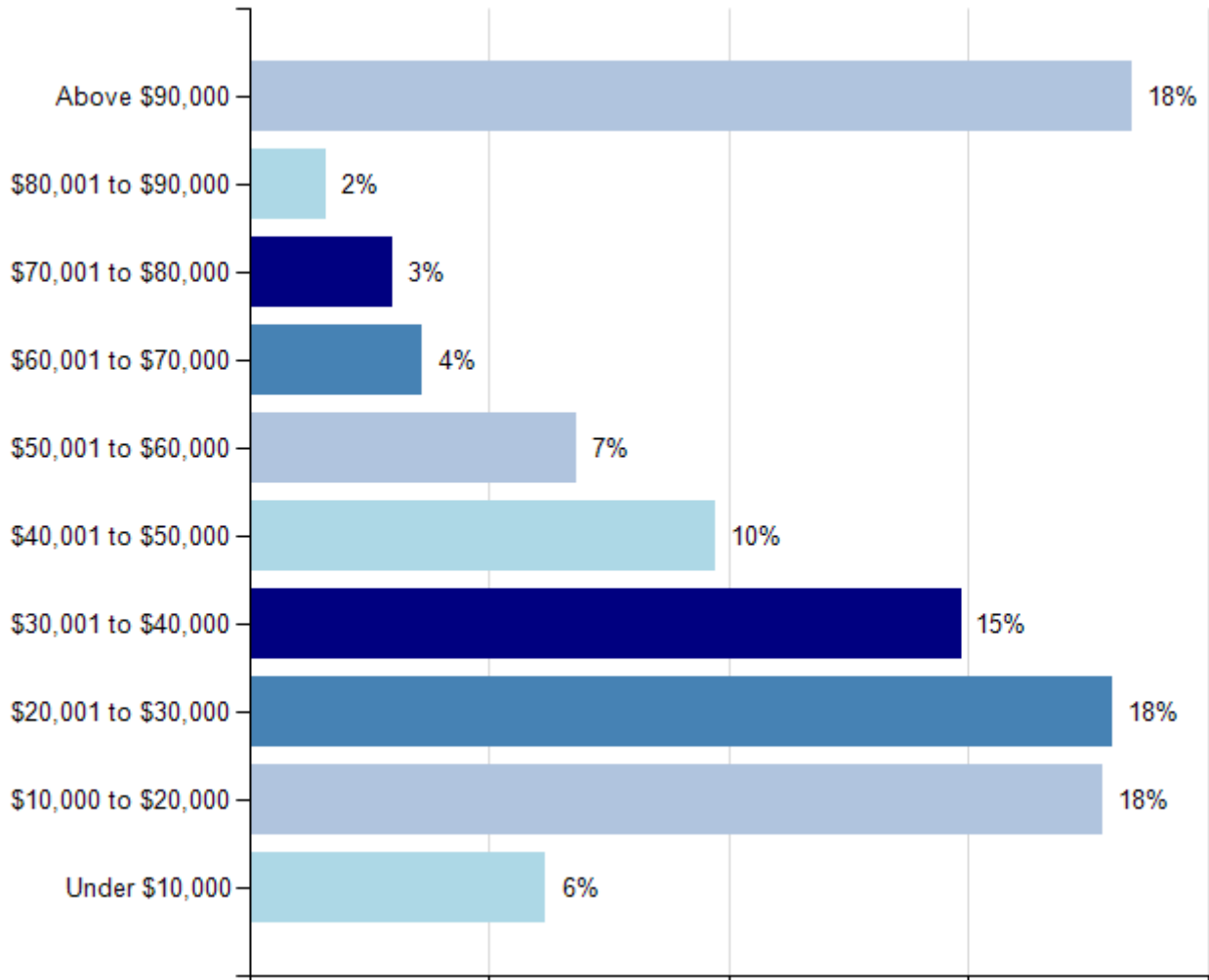
Chart 3: Number of Transactions by Customers' Age
Source: Survey questions 19-24



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

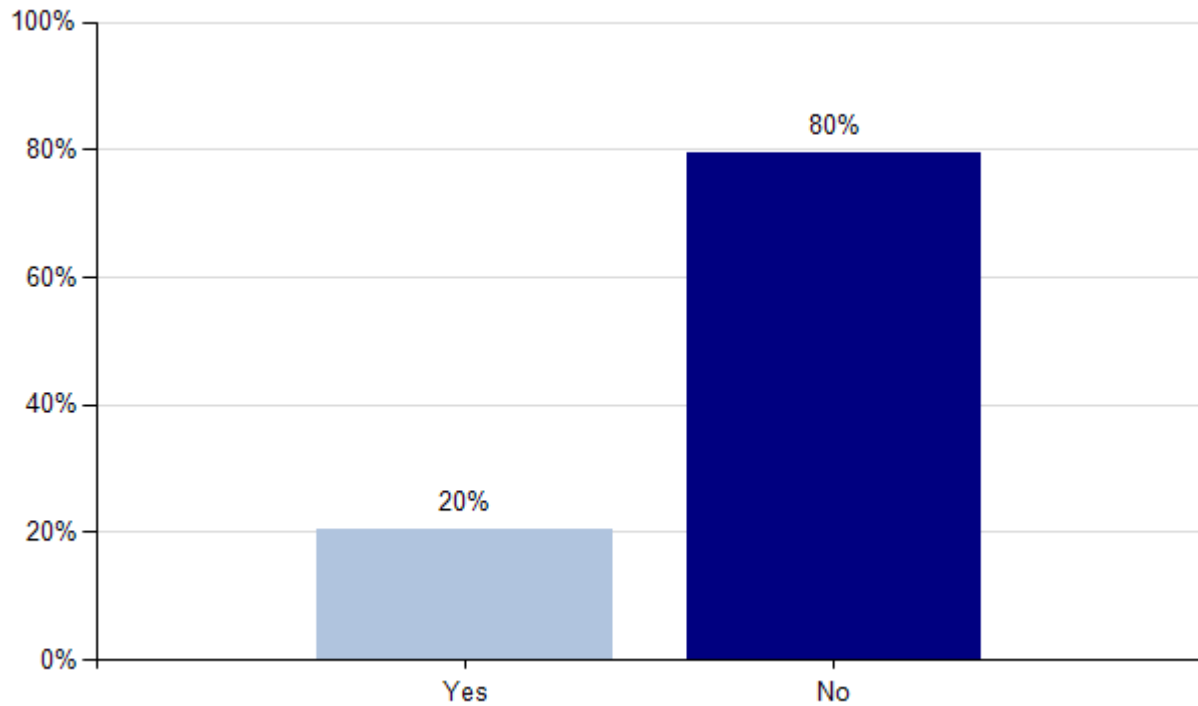


Table 8: Internet Transaction Volumes and Amounts

Source: Survey questions 38 – 40

	2021
Number of Customers	416,090
Number of Transactions	2,047,889
Transaction Amounts	\$549,240,837

Lead Generators

The number of payday loan customers referred by lead generators in 2021 increased by 11 percent from 98,555 in 2020 to 109,486 in 2021.

Chart 6: Number of Payday Lenders Using Lead Generators

Source: Survey question 41

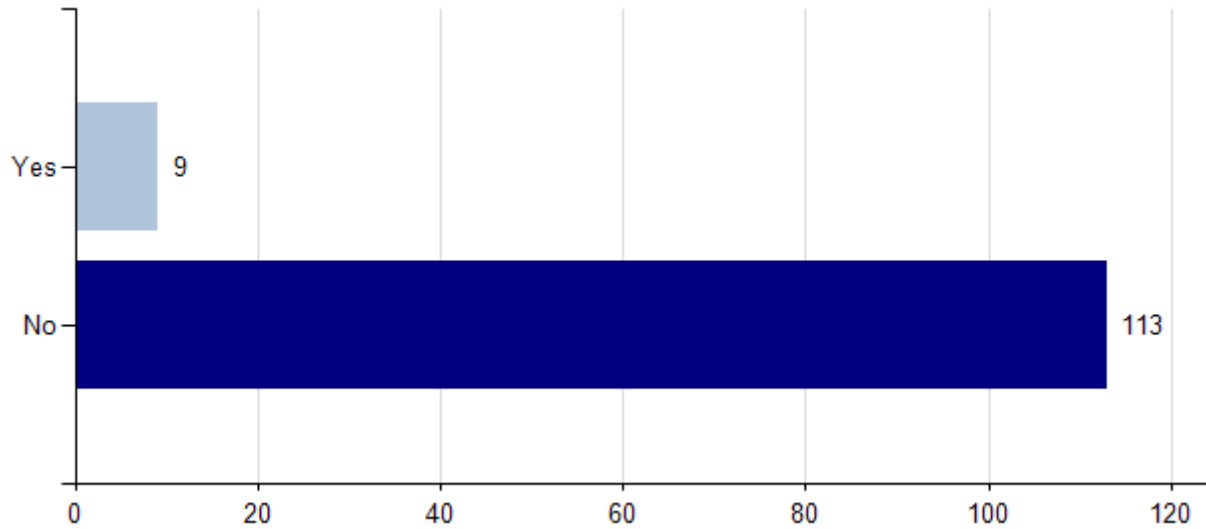


Table 9: Lead Generator Fees

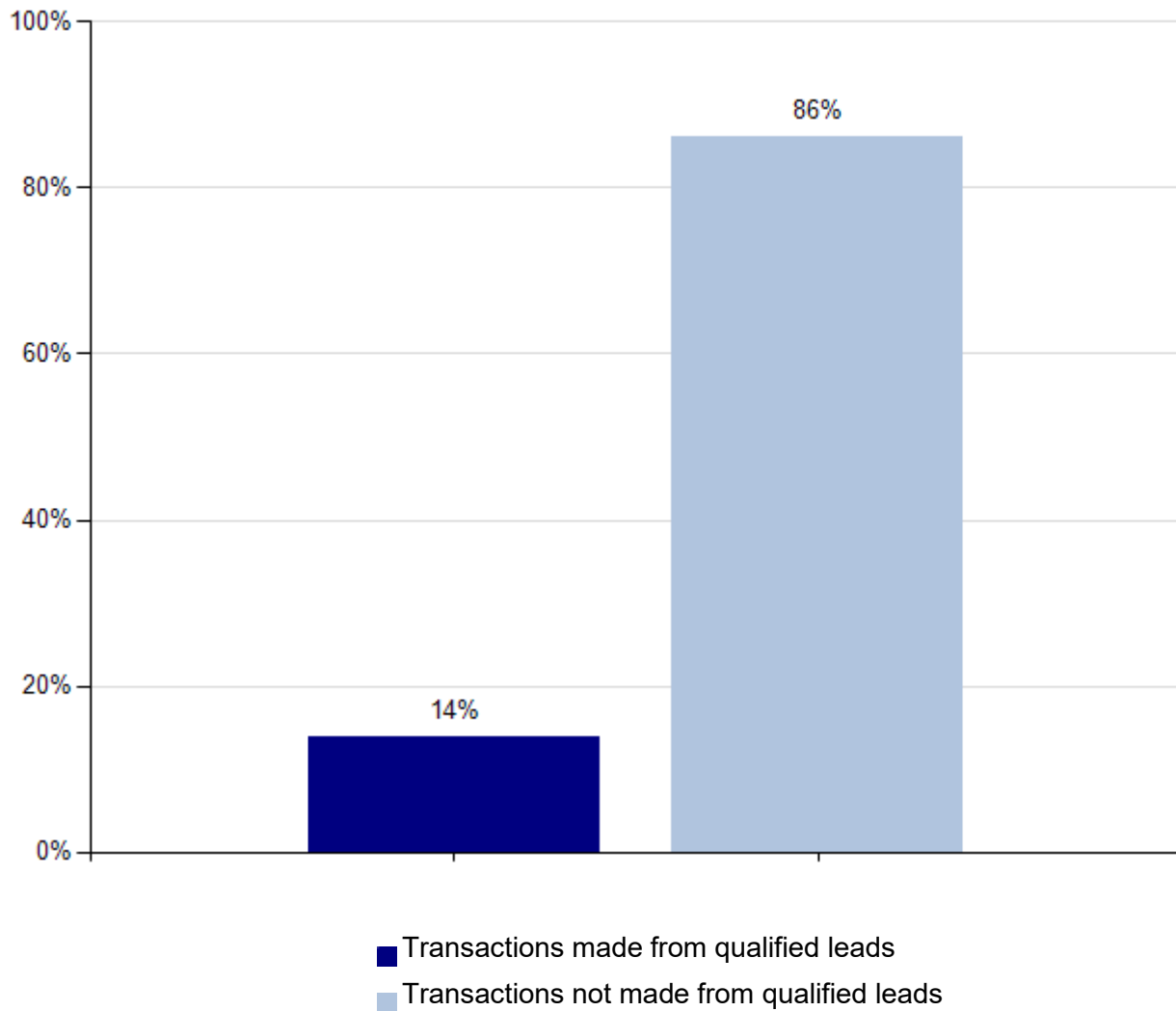
Source: Survey questions 43 and 44

	2021
Fees Paid to Lead Generators	\$4,706,867
Number of Customers Who Made Payday Loans that Resulted from Leads	109,486

Lead Generators (continued)

Chart 7: Percentage of Qualified Leads Resulting in Transactions

Source: Survey question 43 & Annual Report question 3

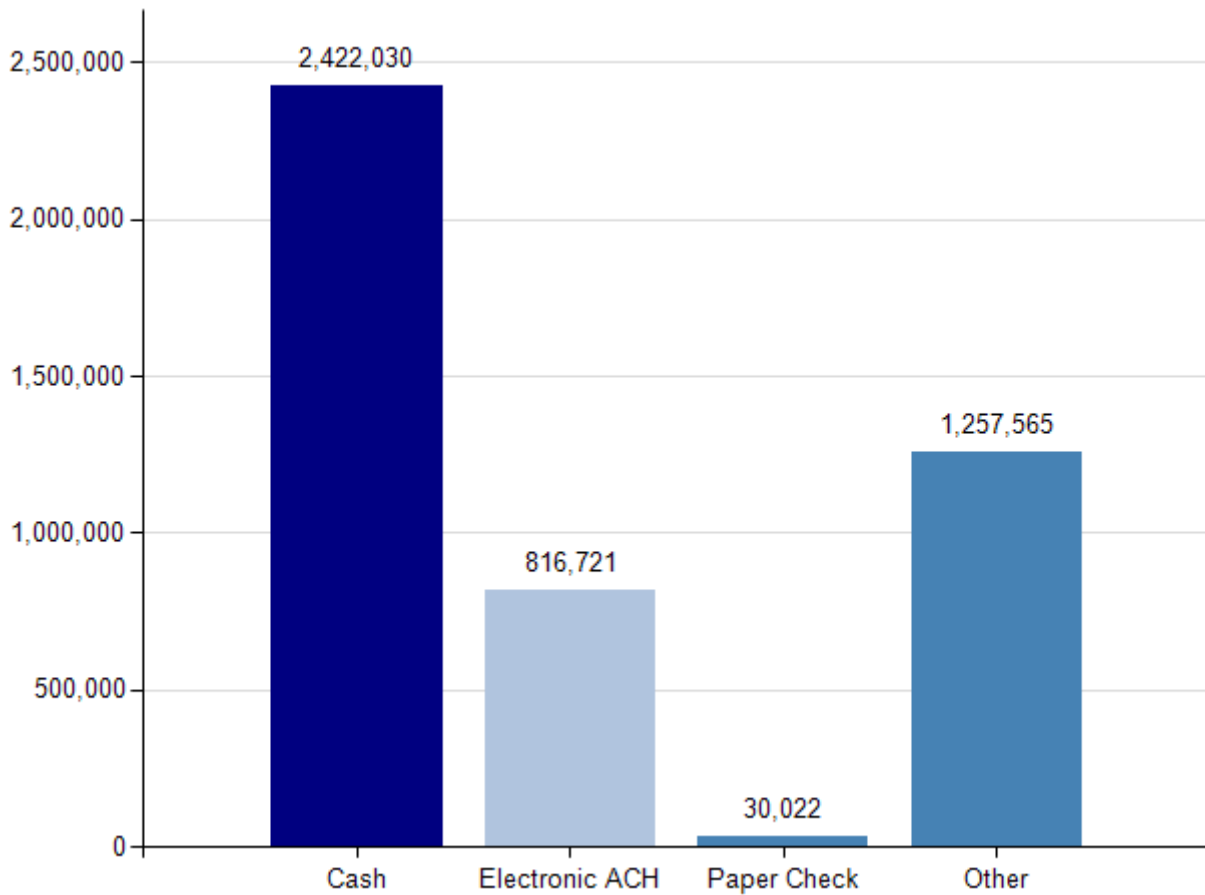


The number of payday loan customers referred by lead generators increased to almost 14 percent in 2021, from 9 percent in 2020.

Disbursements to Customers

Chart 8: Number of Disbursements to Customers

Source: Survey question 54

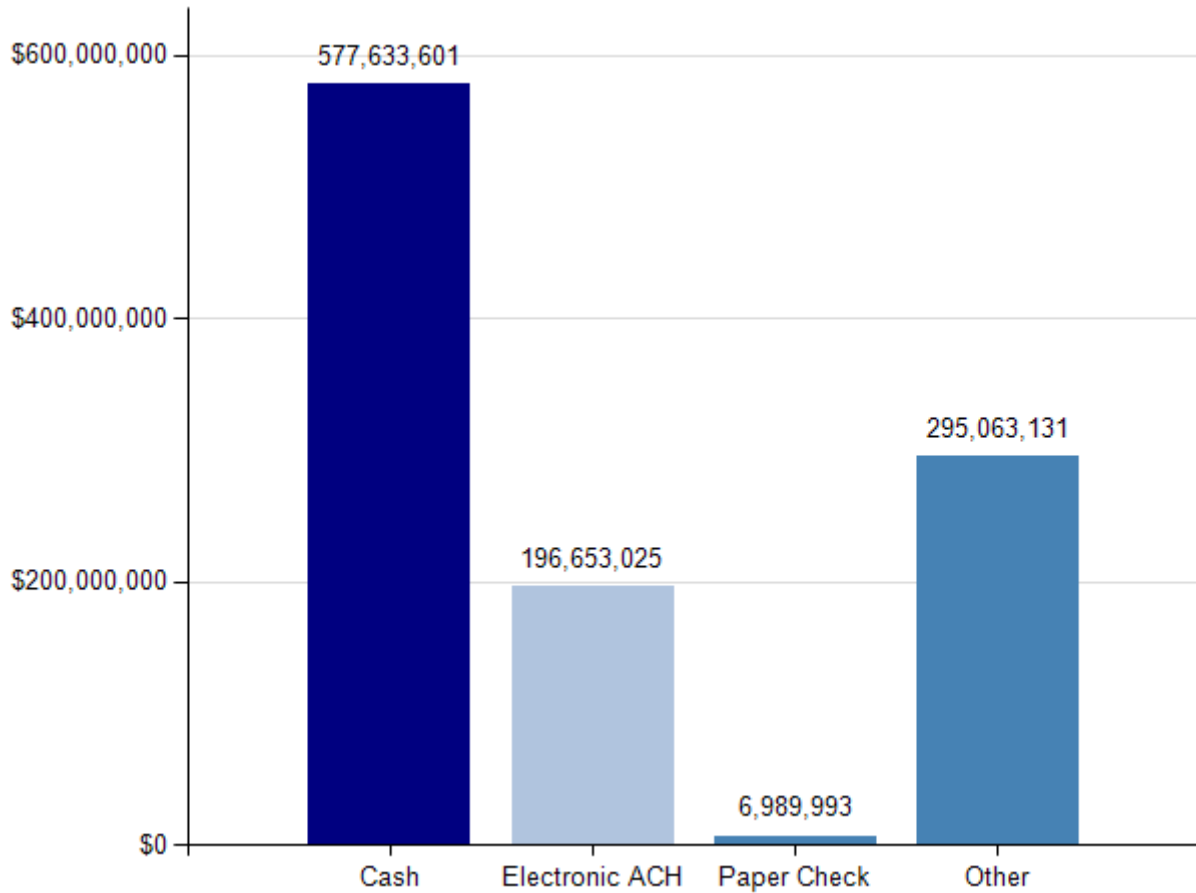


Of the disbursements above, Cash represented 53.5 percent; Electronic ACH, 18 percent; Paper Check, 0.7 percent; and Other, 27.8 percent.

The “other” category includes the following payment types as described by licensees: wire transfer, instant funding, and debit cards.

Disbursements to Customers (continued)

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



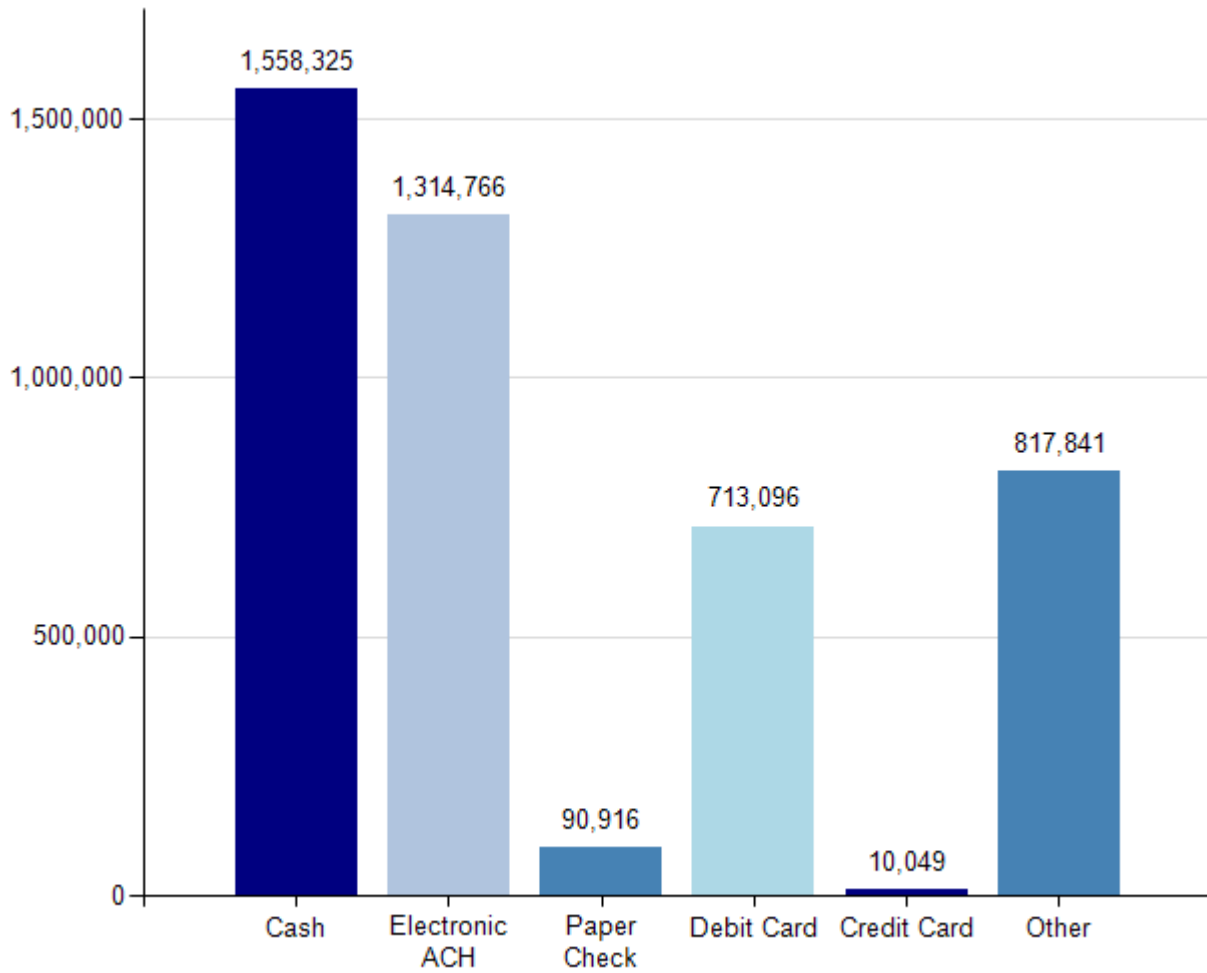
Of the disbursements above, Cash represented 53.7 percent; Electronic ACH, 18.3 percent; Paper Check, 0.6 percent; and Other, 27.4 percent.

The “other” category includes the following payment types as described by licensees: wire transfer, instant funding, and debit cards.

Payments from Customers

Chart 10: Number of Payments from Customers

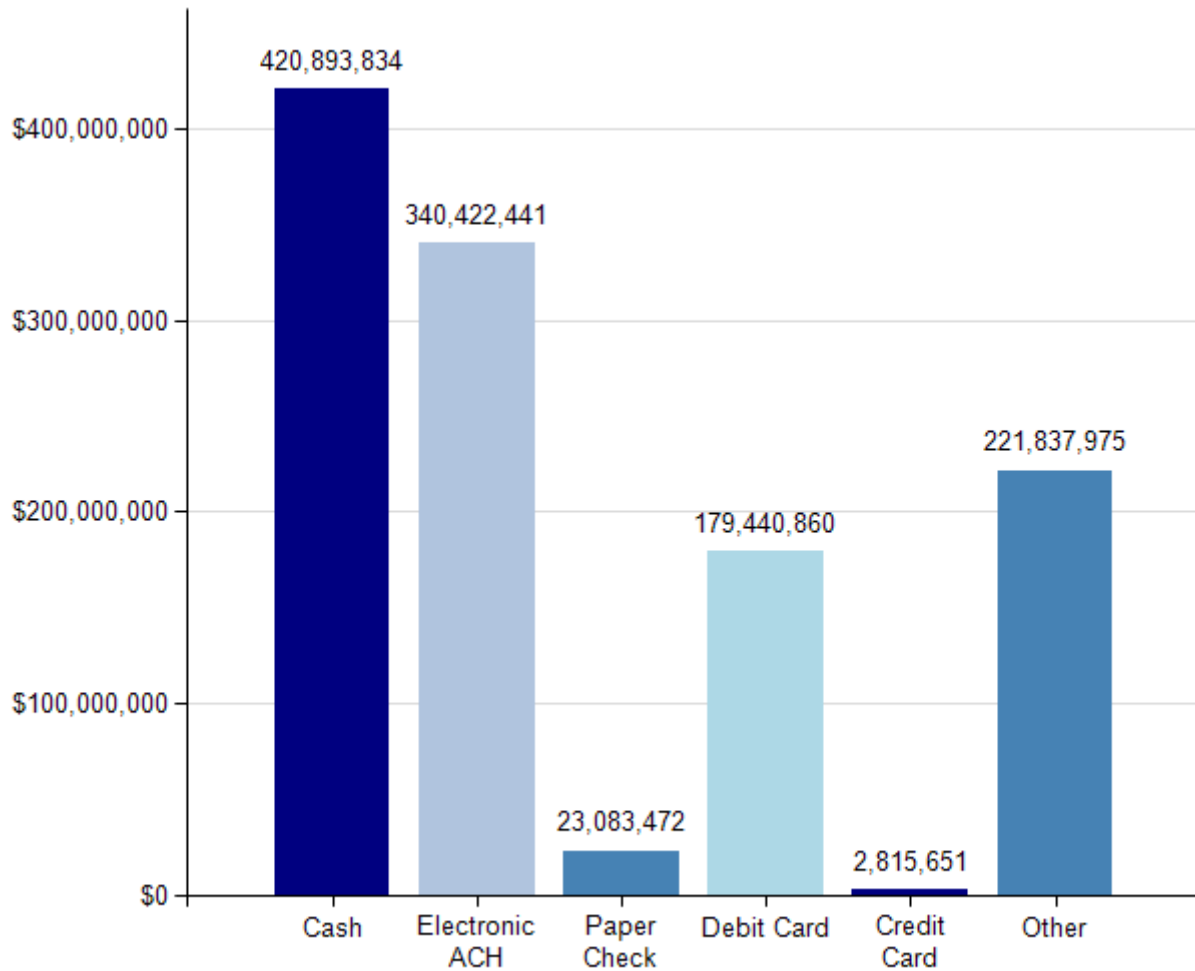
Source: Survey question 58



Cash accounted for 34.6 percent of customer payments; Electronic ACH, 29.2 percent; Paper Check, 2 percent; Debit Card, 15.8 percent; Credit Card, 0.2 percent; and Other, 18.2 percent.

Payments from Customers (continued)

Chart 11: Amount of Payments from Customers
Source: Survey question 59



Of the payments above, Cash represented 35.4 percent; Electronic ACH, 28.7 percent; Paper Check, 1.9 percent; Debit Card, 15.1 percent; Credit Card, 0.2 percent; and Other, 18.7 percent.

Payment Plans

Chart 12: Percentage of Payday Lenders Offering Written Payment Plan

Source: Survey question 61

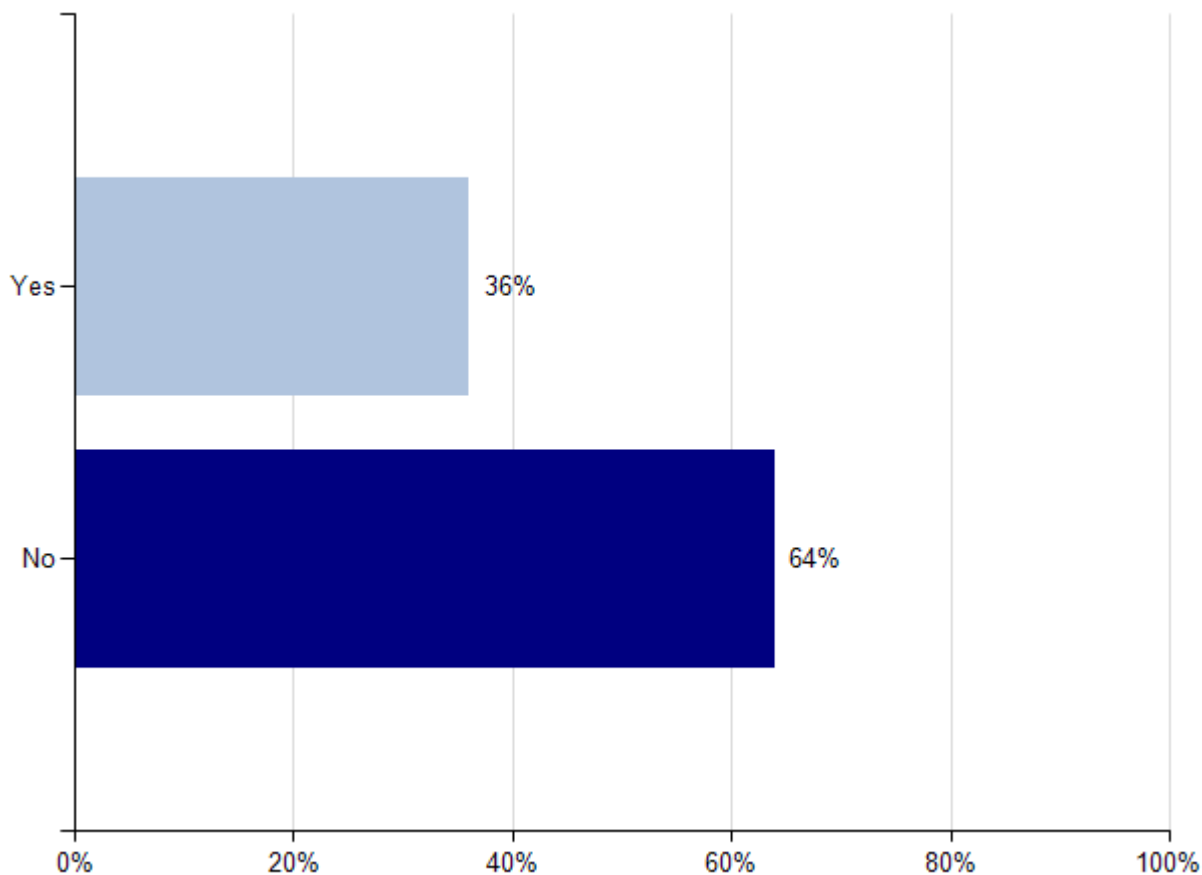


Table 10: Payment Plan Volumes for Repayment

Source: Survey questions 63 and 64

	2021
Total Dollar Amount of Payment Plans Arranged	\$41,458,252
Total Number of Payment Plans Arranged	195,491

Collections

During calendar year 2021, the time period for which data was obtained for this report, the Department was also expanding its regulation of debt collectors.

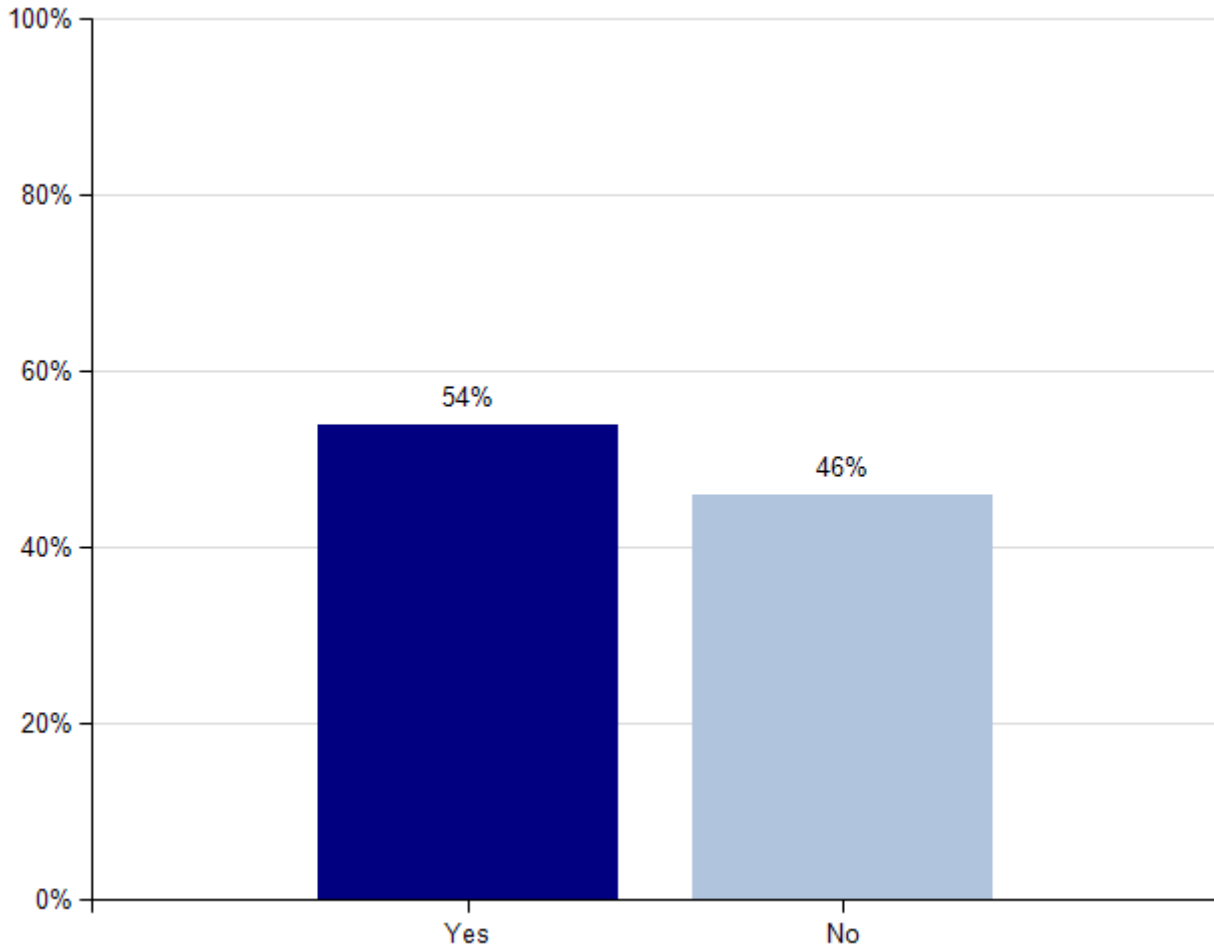
The California Consumer Financial Protection Law (CCFPL) (Financial Code sections 90000-90019) was enacted on September 25, 2020, conferring new authority to the Department to supervise and regulate “consumer financial products and services.” The CCFPL became effective on January 1, 2021. Debt collectors 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 sections 100000-1000025) was enacted on September 25, 2020, requiring debt collectors to be licensed by the Department.

Companies engaged in the business of debt collection are required to be licensed as of January 1, 2022, in order to continue doing business in California. Debt collectors may continue to do business while their licensing application is pending review by the Department. Several other laws regulate the conduct of debt collection companies in California, including the federal Fair Debt Collection Practices Act, California’s Rosenthal Fair Debt Collection Practices Act (Civil Code sections 1788-1788.33), and California’s Fair Debt Buying Practices Act (Civil Code sections 1788.50-1788.66). The Department can enforce these laws pursuant to the CCFPL, which provides that the Department can enforce any California or federal “consumer financial law.”

Collections (continued)

Chart 13: Percentage of Licensees with In-House Collections

Source: Survey question 66



A total of 251,852 customers were not in a payment plan and paid in full as a result of in-house collection in 2021. Those customers accounted for 960,034 transactions. (Source: Survey questions 67 and 68)

The total dollar amount of 2021 transactions that were not in a payment plan and paid in full as a result of in-house collections was approximately \$236 million. (Source: Survey question 69)

Collections (continued)

Chart 14: Percentage of Licensees That Own Outside Collection Agency

Source: Survey question 70

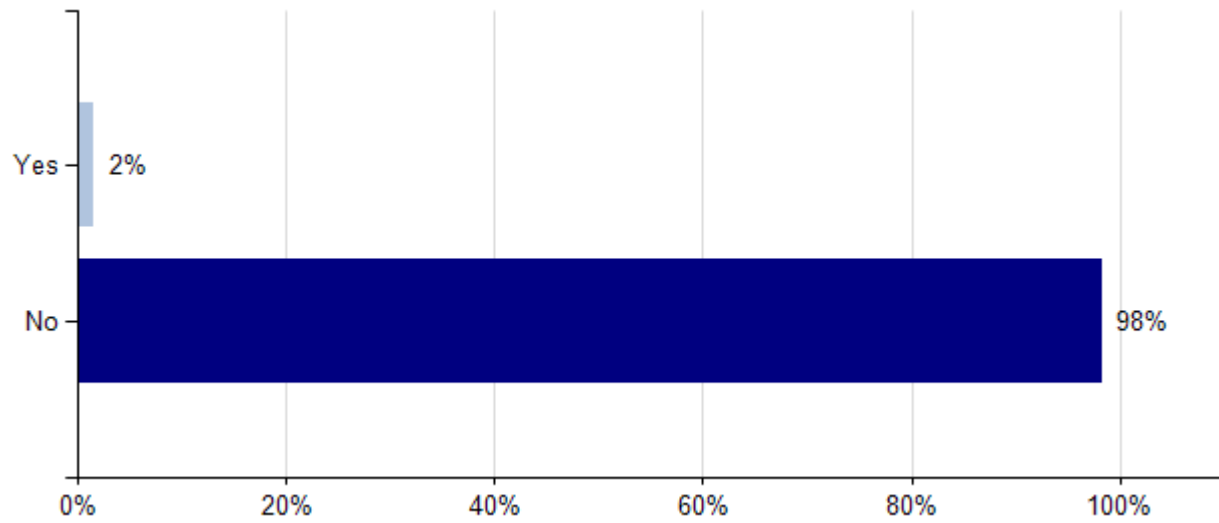
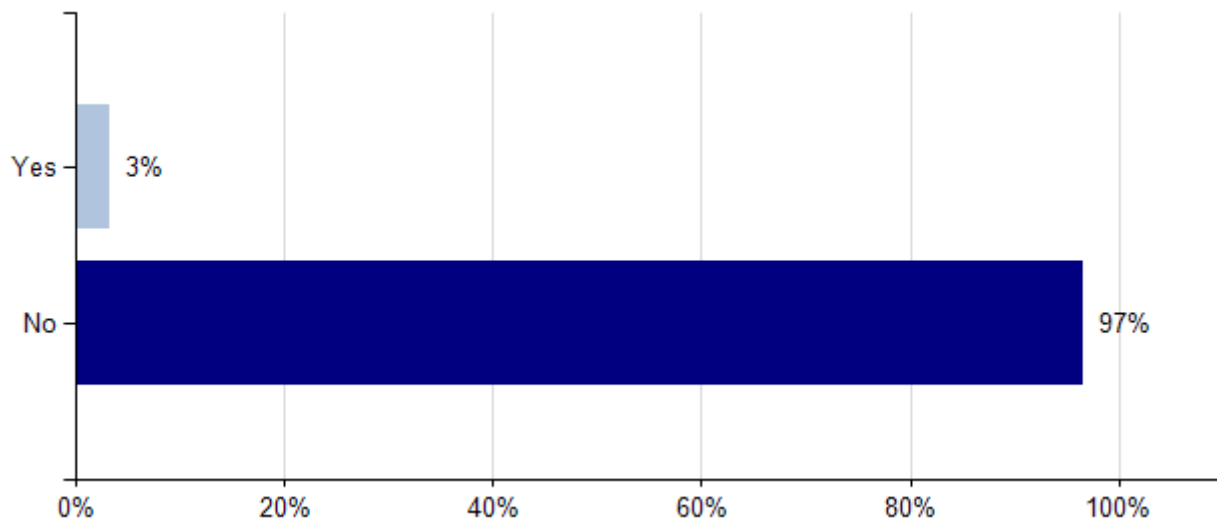


Chart 15: Percentage of Licensees Associated with Outside Collection Agency

Source: Survey question 71

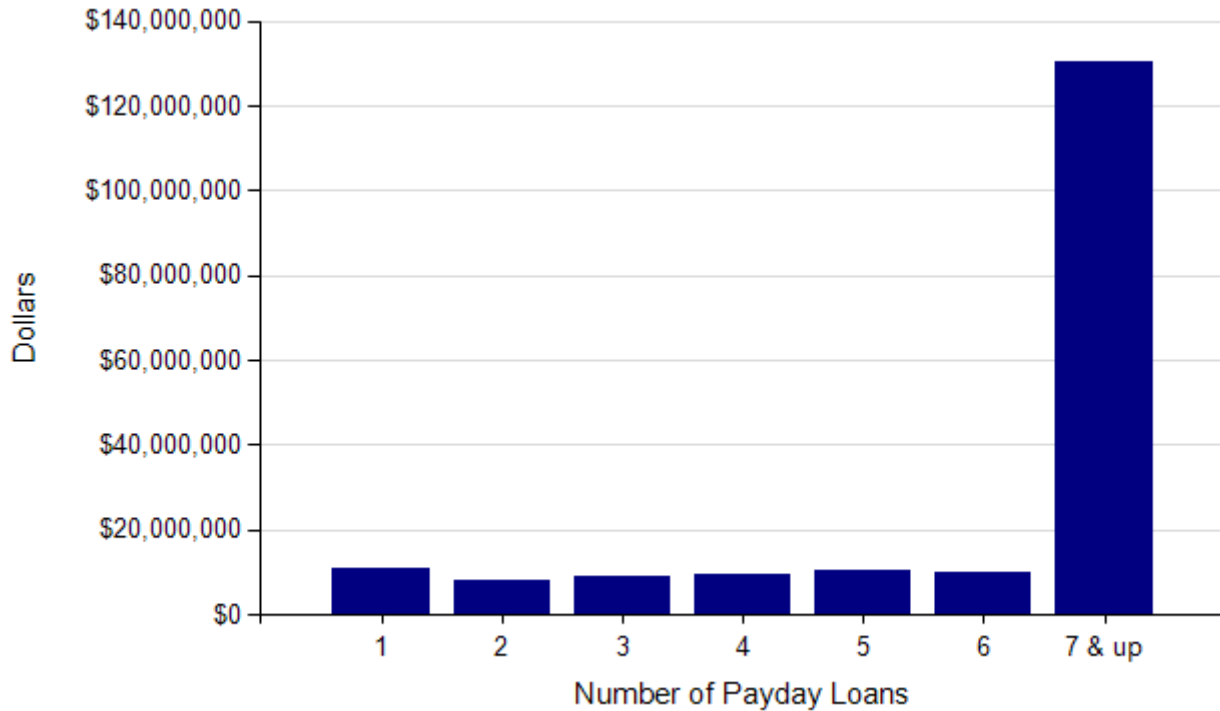


Fees

Responsive licensees collected \$187.7 million in fees on payday loans they originated in 2021. Of that total, 69.6 percent – or \$130.6 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

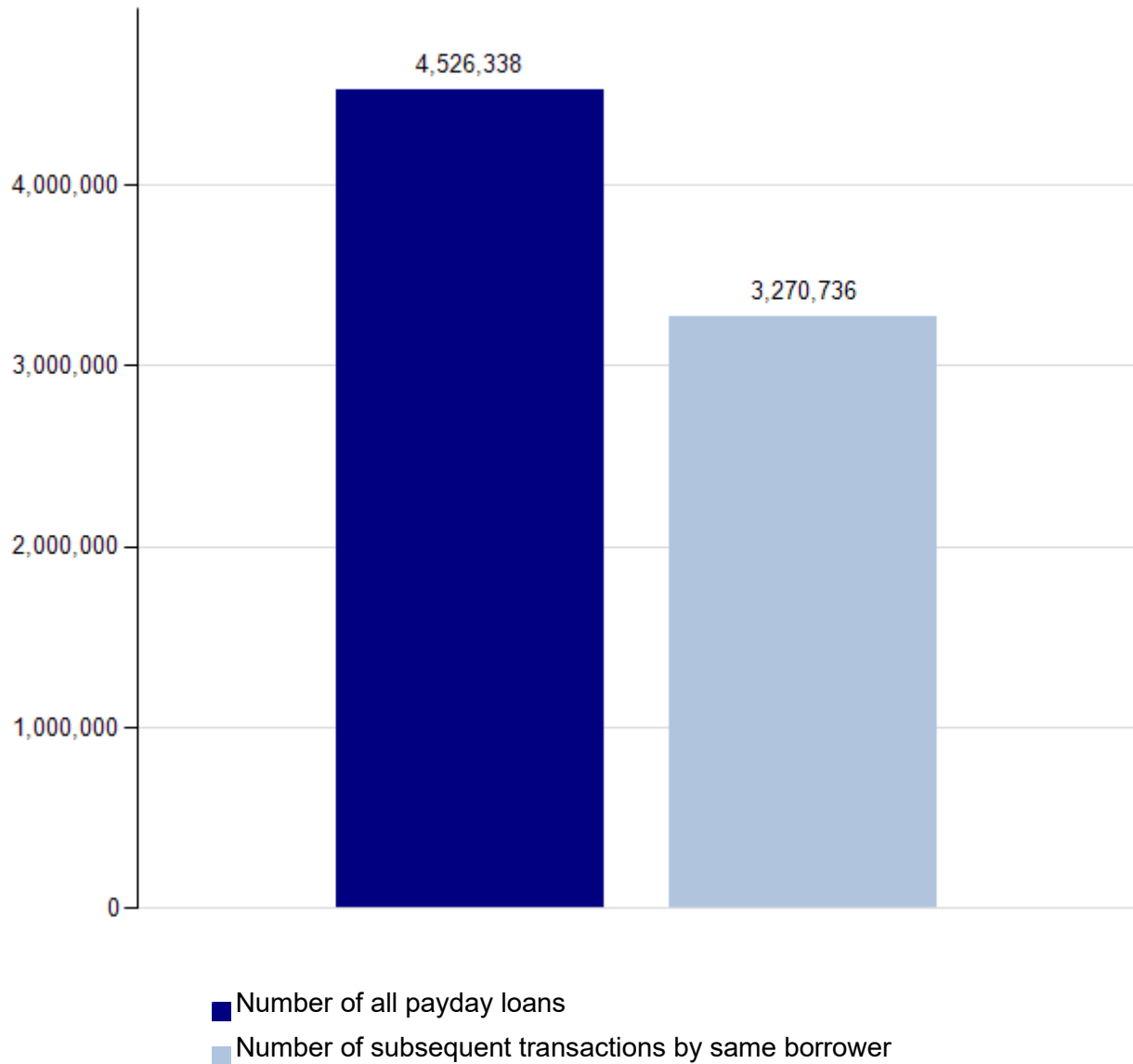


Question Number	75	76	77	78	79	80	81
Question Text	Transaction fees collected from customers who made 1 payday loan	Transaction fees collected from customers who made 2 payday loans	Transaction fees collected from customers who made 3 payday loans	Transaction fees collected from customers who made 4 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	\$10,718,416	\$7,823,118	\$8,805,298	\$9,563,354	\$10,194,312	\$10,040,269	\$130,573,464

Subsequent Customers

Chart 17: Subsequent Transactions by Same Borrower: Number

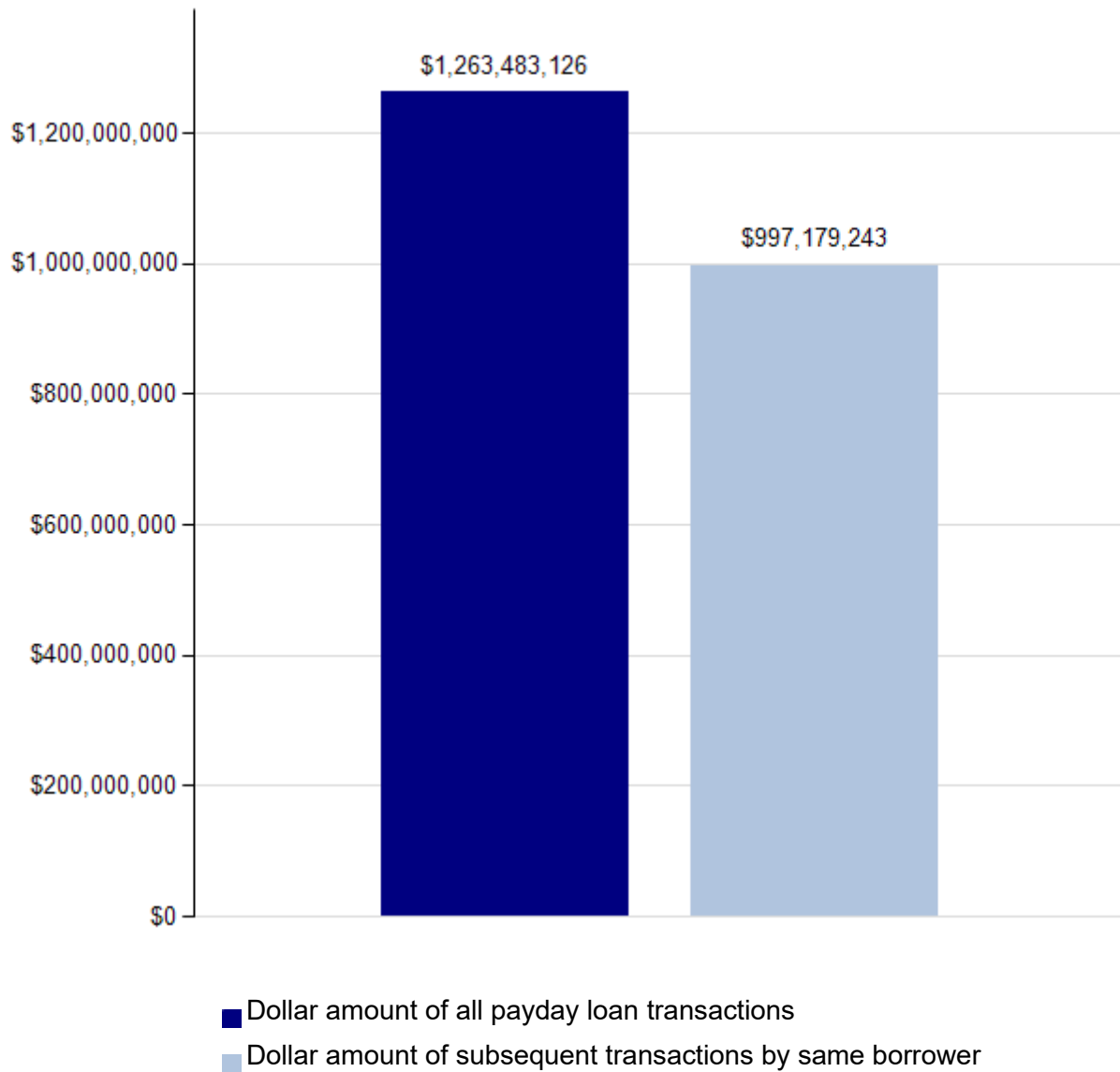
Source: Annual Report question 1 and Survey question 89



Of the 4.5 million payday loans reported for 2021, 72.3 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

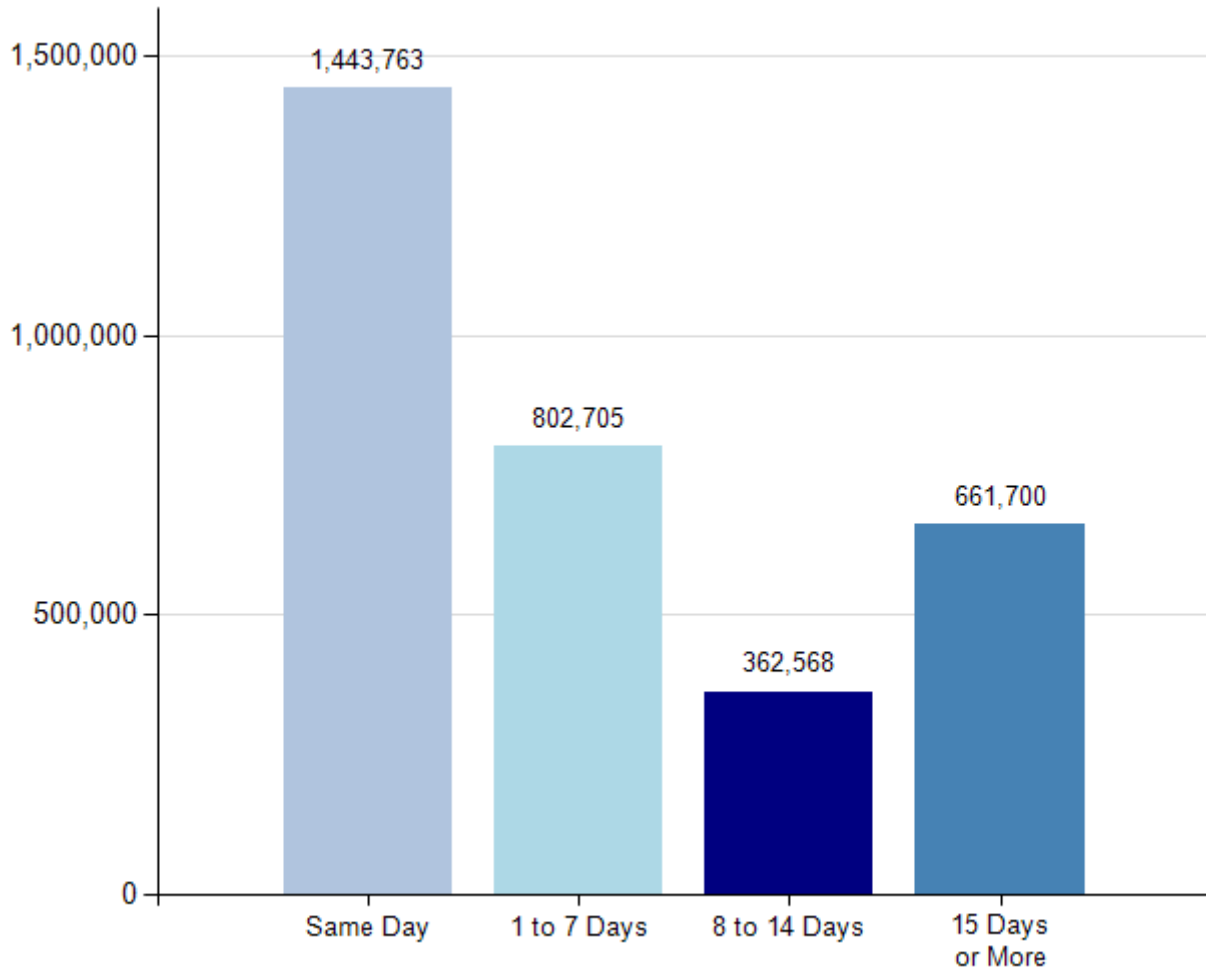


Of \$1.26 billion in payday loan transactions reported for 2021, 78.9 percent of the total dollar amount represented transactions with repeat borrowers.

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, 44.1 percent were made by the same borrowers on the same day the previous transaction closed; 24.5 percent were made one to seven days later; 11.1 percent were made eight to 14 days later; and 20.2 percent were made 15 days or more after the previous transaction closed. These percentages are based on 3.27 million subsequent transactions for which licensees provided the breakdown in Chart 19.

Customers Receiving Government Assistance

Loans Made to Customers Receiving Government Assistance

Almost 57.4 percent of licensees reported serving customers who received government assistance. Those customers accounted for 11.1 percent of all customers (790,143). Almost 14 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 2021.

Table 11: Number of Customers Receiving Government Assistance

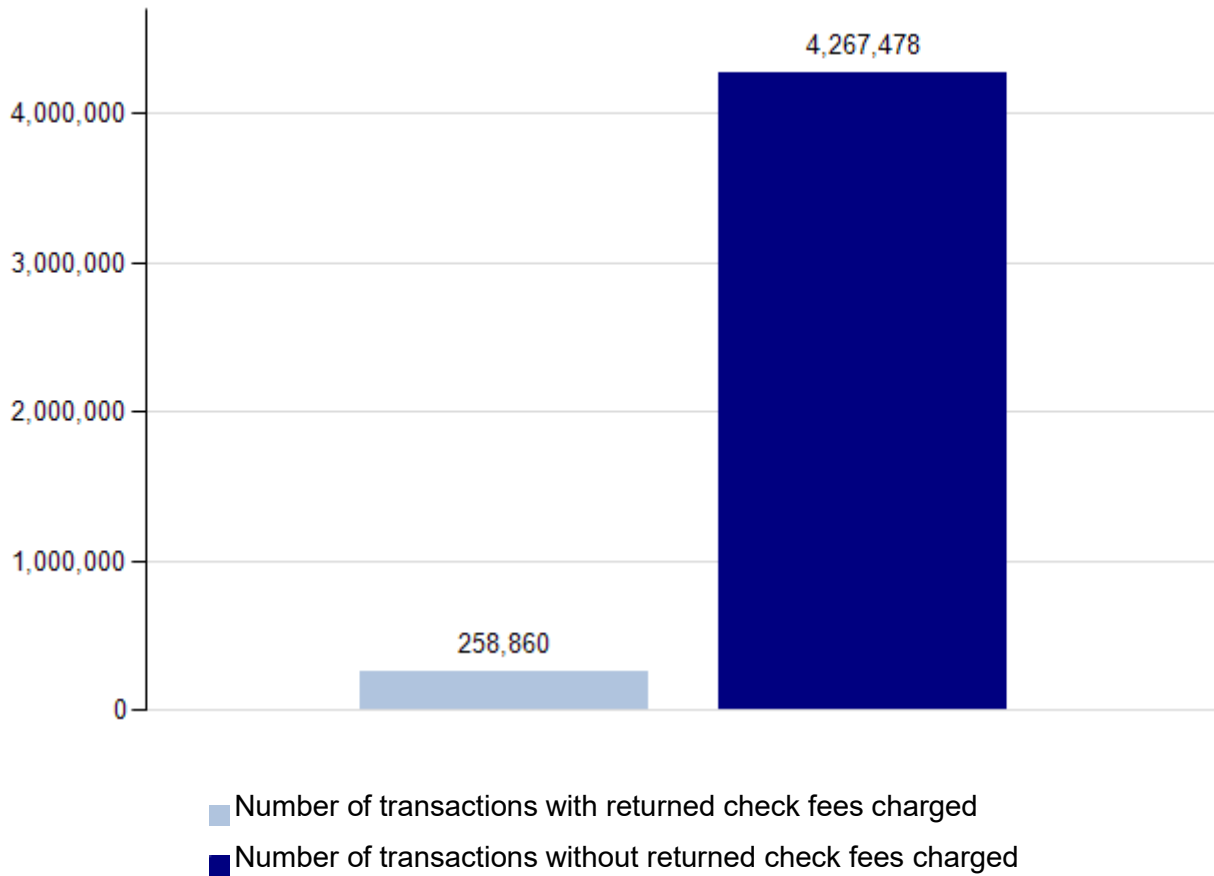
Source: Survey question 91 and Annual Report question 3

Number of customers receiving assistance	Number of licensees
87,939	70

Dishonored Checks

Chart 20: Payday Loan Transactions: Dishonored Check Volume

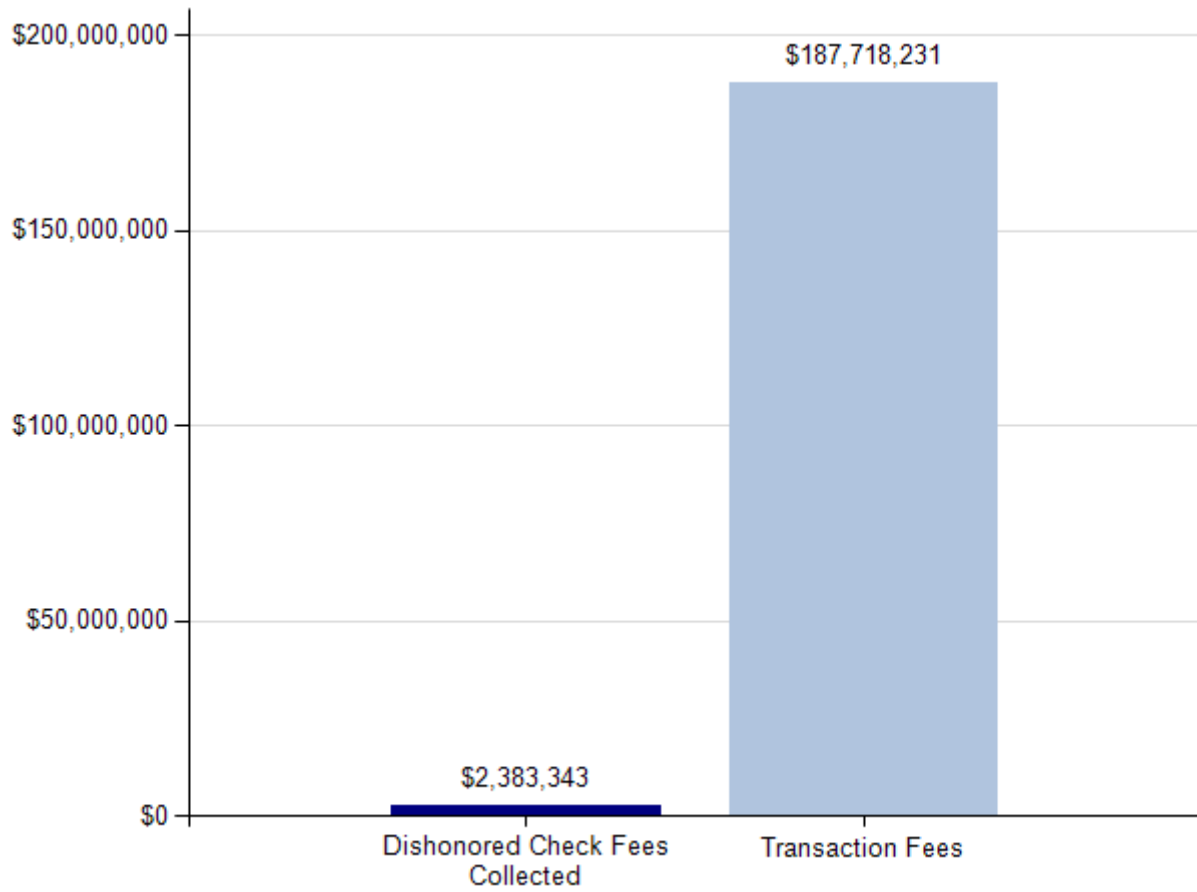
Source: Survey question 83 and Annual Report question 1



Of 4.5 million payday loan transactions in 2021, 5.7 percent or 258,860 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

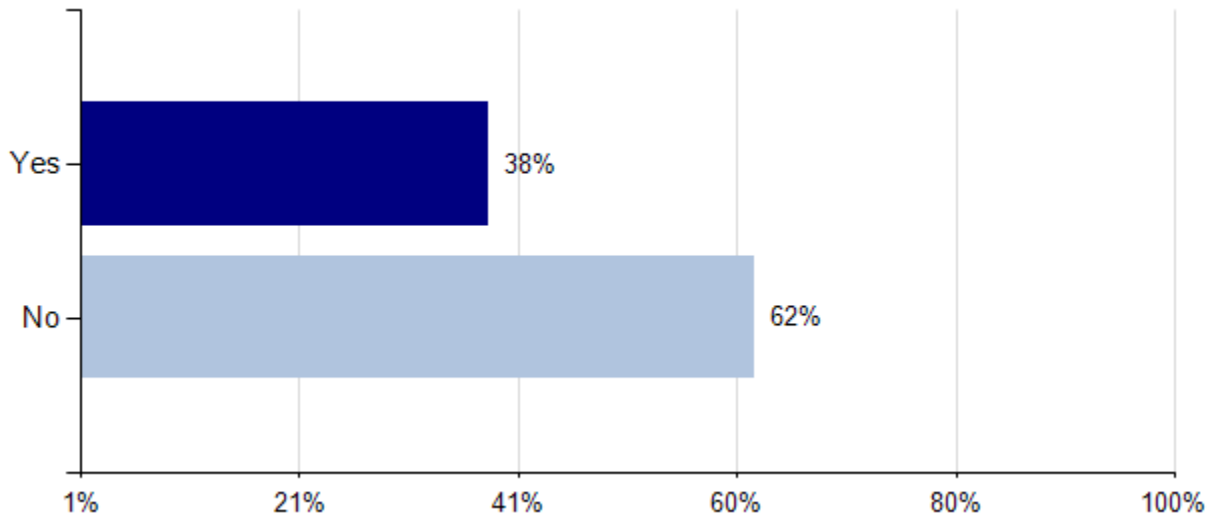
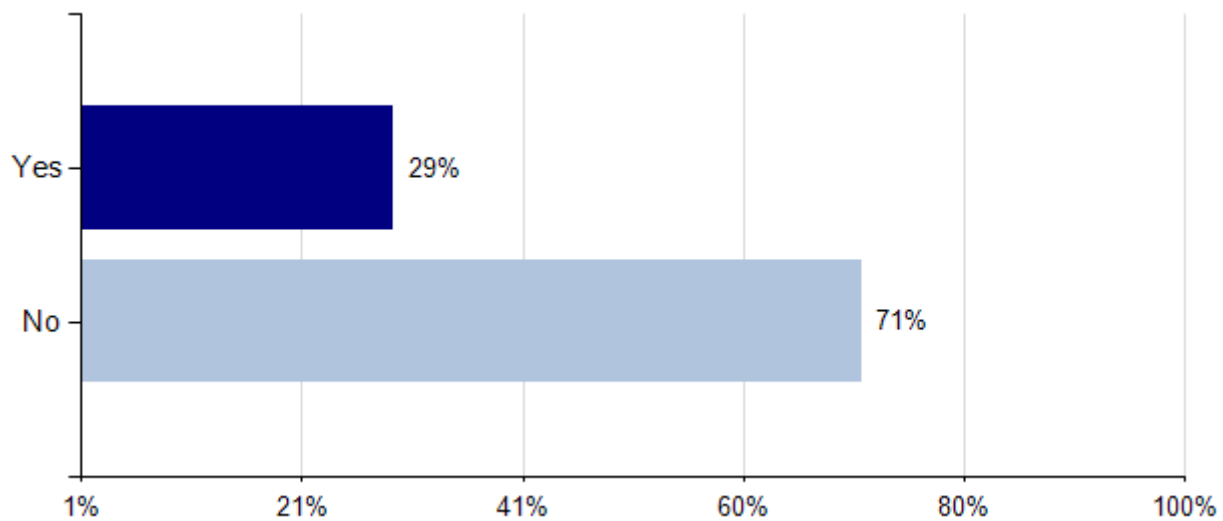


Chart 23: Percentage of Licensees with Dispute Arbitration Clause in Written Agreement That Prohibits Borrowers from Joining Class Action

Source: Survey question 93



Covered Borrowers

Report of Payday Loans to Active Military Servicemembers and Dependents

Almost 1.6 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 were five, and the customers made five transaction amounting to \$1,255. (Source: Survey questions 49-52)



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