2022

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

**Lourdes M. Castro Ramírez, Secretary**

Business, Consumer Services and Housing Agency

**Clothilde V. Hewlett, Commissioner**

Department of Financial Protection and Innovation

**Gregory Young, Senior Deputy Commissioner**

Division of Corporations and Financial Institutions

**Mona Elsheikh, Deputy Commissioner**

Financial Services

Published July 2023

# TABLE OF CONTENTS

# 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 regulating payday loans to provide greater oversight and guarantee that consumers have the disclosures necessary to make informed decisions.

Since 2020, the COVID-19 pandemic had a significant impact on the state and national economy and there was a decline in payday lending activity in California during 2020 and 2021. Previous reports showed that the decrease in payday activity correlated with COVID-19 relief efforts, including the distribution of stimulus checks, loan forbearances, and growth in alternative financing options. The rebound in activity in payday loans reflected in this report is likely due to the economic recovery following relaxation of COVID-19 restrictions. In 2022, California’s payday lenders made 18 percent more loans, representing a 19 percent increase over 2021. The number of individual customers rose nearly 14 percent.

The annual report and survey data in this report is unaudited and covers licensees’ activities in calendar year 2022. The report also provides historical data back to 2013.

## Key Findings

- California’s payday lenders made more than 5.3 million loans in 2022, worth more than $1.51 billion. **These transactions represent an increase of 18.4 percent and 19.2 percent, respectively, from 2021 totals.** Payday lending in 2022 rebounded to near 2020 levels after a drop in 2021.

- In 2022, **more than 900,000 individual customers took out payday loans**, a 13.9 percent increase from the 2021 total.

- Nearly **61.9 percent of licensees reported serving customers who received government assistance.**

- Subsequent loans by the same borrower accounted for **69.2 percent of the payday loans in 2022 and 79.5 percent of the aggregate dollar amount**.

- Of subsequent payday loans by the same borrower, **almost 40 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 charged $224.2 million in fees on payday loans in 2022. Of that total, **71.6 percent – or $160.5 million – came from customers who made seven or more transactions** during the year.

- For the year, **34 percent of payday loan customers had average annual incomes of $30,000 or less**, **and 19 percent had average annual incomes of $20,000 or less.**

- The number of payday loan customers referred by lead generators **increased 7.4 percent**, from 109,486 in 2021 to 117,559 in 2022.

- Almost 22 percent of licensees made payday loans over the internet during 2022. **Online payday loans accounted for 48.7 percent (2,607,942) of all payday loans**.

- Approximately **55.3 percent of customers (497,777) took out payday loans over the internet.**

- In 2022, 217,104 consumers took out single payday loans, while 202,921 consumers 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 2022. Measured in dollar amounts, **cash disbursements decreased from 53.7 percent in 2021 to 46.5 percent in 2022.**

- Other forms of disbursements, including wire transfers, instant funding, Zelle, Venmo, and debit cards, **climbed to 35.6 percent from 27.4 percent in 2022.** Twenty-nine **percent of customers' payments were made with cash, down from 34.6 percent in 2021**.

- Electronic transfers accounted for **26 percent of customers' payments, compared to 29.2 percent in 2021**.

# 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 annual reports that provide information related to their lending activities under the program with the DFPI Commissioner.

This report contains unaudited data provided by licensees for the calendar year ending December 31, 2022.

As of December 31, 2022, the DFPI licensed 109 payday lenders. Of those, 104 filed required annual reports in time to be included in this report, four surrendered their licenses after January 1, 2023, and one licensee did not surrender or file the annual 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 dfpi.ca.gov/publications/payday-lenders-publications.

## CDDTL Historical Data – Transactions

In 2022, the total dollar amount of payday loans increased by 19.2 percent, the number of payday loans increased 18.4 percent, and the number of payday loans obtained increased13.9 percent increase compared to 2021. The average number of payday loans per customer has declined from 6.84 in 2013 to 5.95 in 2022.

**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** |
|---|---|---|---|
| **2022** | $1,506,009,181 | 5,359,132 | 900,334 |
| **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 |

** 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 increased to $251 in 2022. The average annual percentage rate (APR) for payday loans increased to 364 percent in 2022 from 353 percent in 2021.

**Table 2: Transaction Analysis**

| **Year** | *Average dollar amount of payday loans | **Average annual percentage rate (APR) | Average number of days of payday loans |
|---|---|---|---|
| **2022** | $251 | 364% | 16 |
| **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 |

** 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 2021 to 2022, returned checks in payday loan transactions increased by 38.5 percent. Returned checks as a share of total payday loans in 2022 increased to 10.32 percent from 8.82 percent in 2021, the highest level recorded in the past 10 years.

**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 |
|---|---|---|---|---|
| **2022** | 552,902 | 10.32% | $161,518,725 | 10.72% |
| **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% |

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

## CDDTL Historical Data – Returned Checks (Continued)

From 2021 to 2022, the total dollar amount of returned checks recovered in payday loan transactions increased 47.7 percent, to approximately $102.14 million. Recovered returned checks as a share of total payday loans in 2022 increased to 7.17 percent from 5.90 percent in 2021, the highest level recorded in the past 10 years.

**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 |
|---|---|---|---|---|
| **2022** | 384,461 | 7.17% | $102,139,777 | 6.78% |
| **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% |

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

## CDDTL Historical Data – Returned Checks (Continued)

From 2021 to 2022, both the number and the dollar amount of checks charged off (or payday loans unlikely to be collected), increased by 21.7 and 21.8 percent, respectively. The number of charged-off checks as a share of total payday loans in 2022 increased to 2.14 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 |
|---|---|---|---|---|
| **2022** | 114,789 | 2.14% | $29,645,942 | 1.97% |
| **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% |

** 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 2013 through 2022. 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 2021 to 2022, the number dropped by 115, or 13.8 percent. From 2013 to 2022, the number dropped by 1,339, or 65.1 percent.

**Table 6: Licensed Locations**

| Year | Number |
|---|---|
| **2022** | 719 |
| **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 |

**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 |
|---|---|---|---|
| **2022** | 9 | 5 | 14 |
| **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 |

# PART II: CONSOLIDATED INDUSTRY SURVEY
# BACKGROUND

In January 2023, the DFPI provided the *California Deferred Deposit Transaction Law – 2022 Industry Survey* to all licensed payday lenders. The DFPI conducts this survey pursuant to Financial Code section 23015.

The survey allows the Department 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 2022 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
- Returned checks
- Dispute arbitration
- Covered borrowers

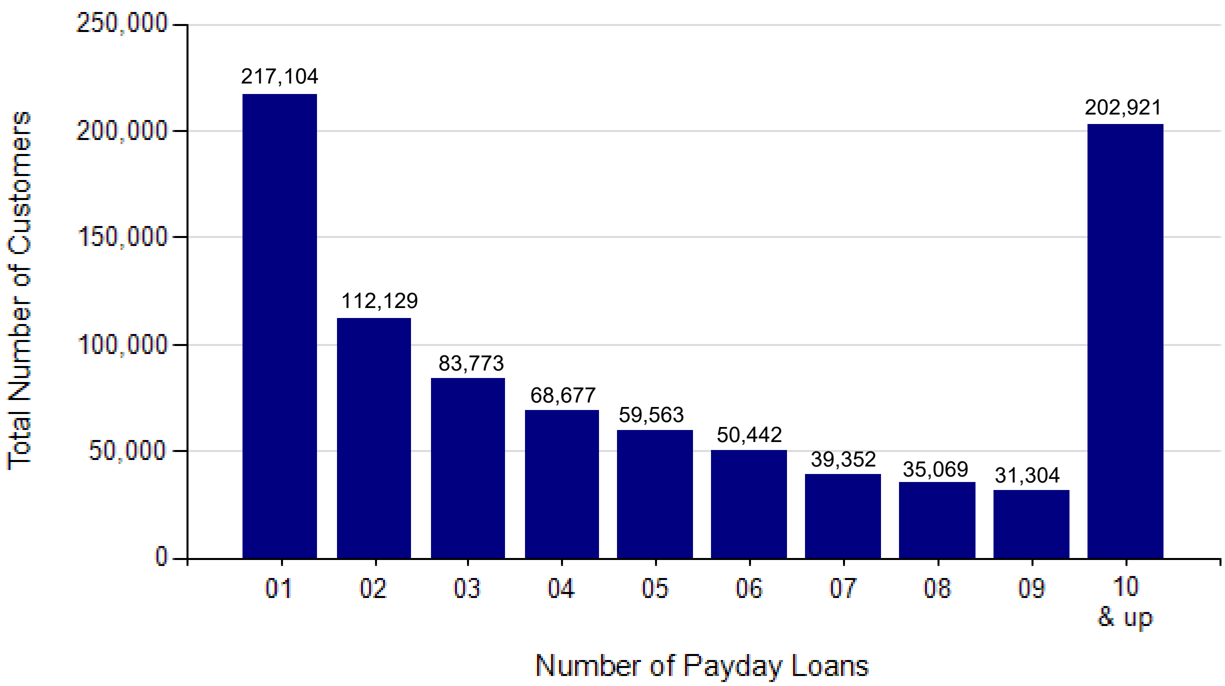
Some data provided in the survey results may not exactly match data in the annual report (Part I of this report).

## Payday Loan Transaction Volumes Per Customer

Questions one through 10 of the survey asked licensees to report the number of customers who obtained a specified number of transactions during 2022. Chart 1 provides the aggregated response data for each question.

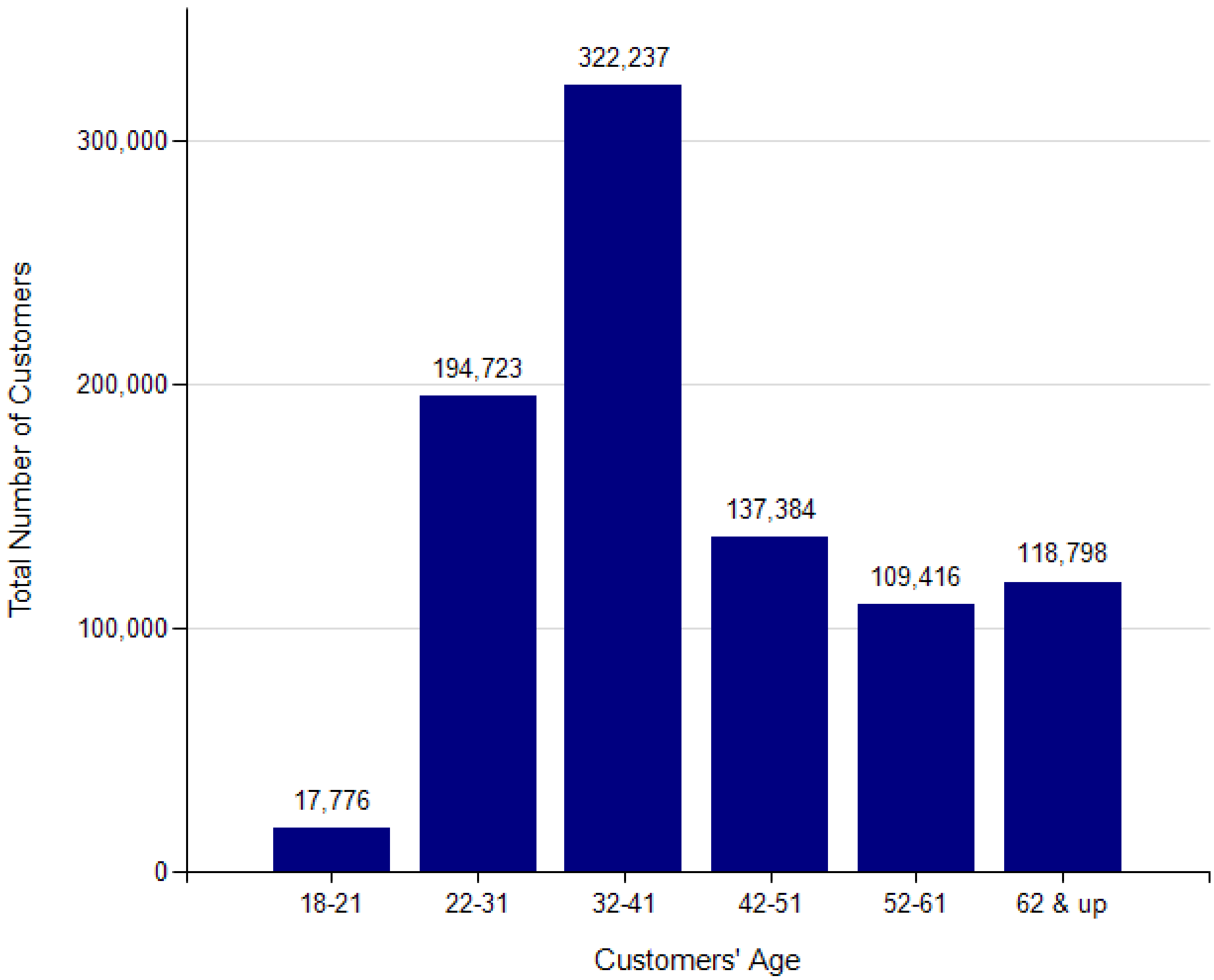
**Chart 1: Total Number of Customers by Number of Transactions**

*Source: Survey questions 1-10*



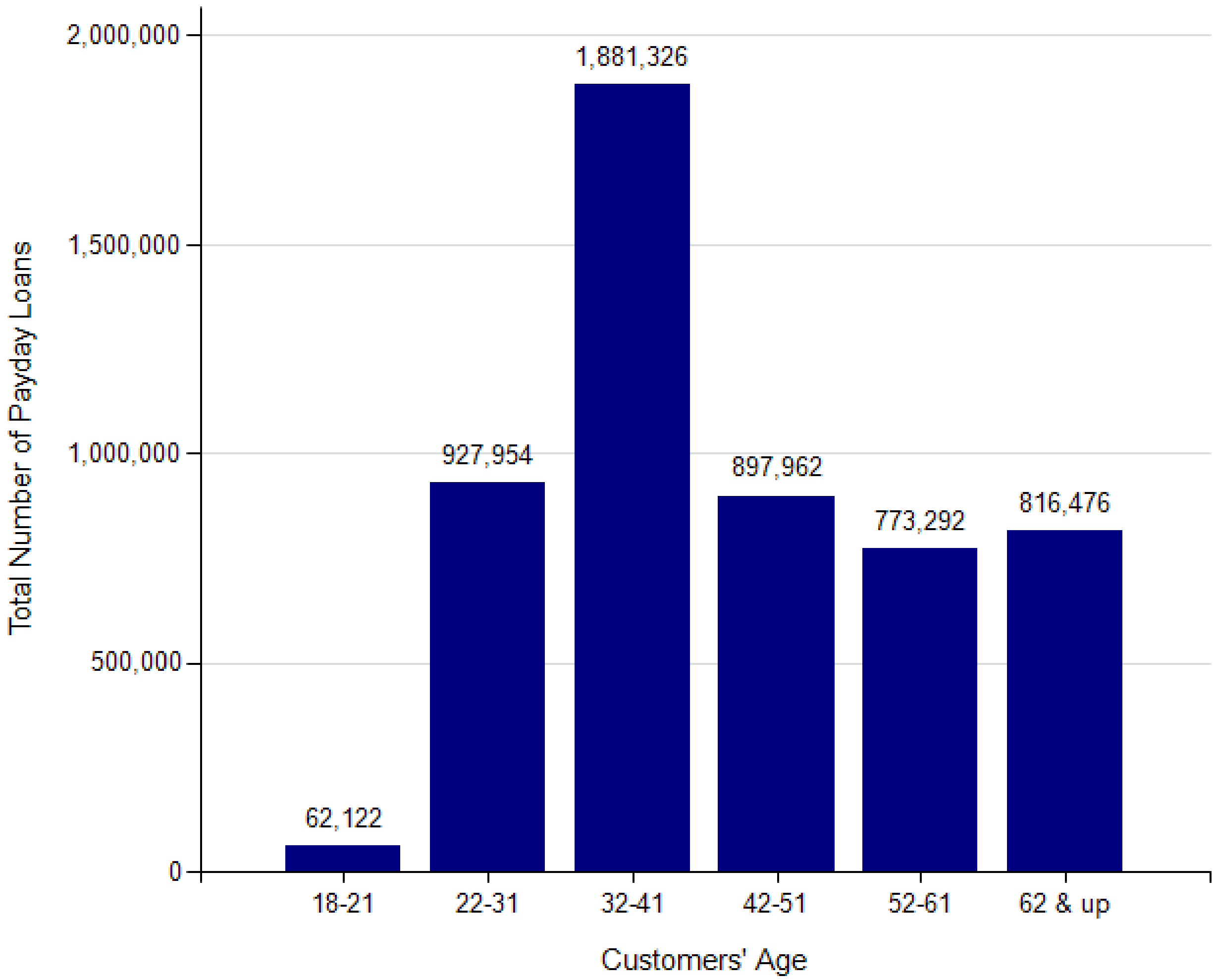
## Customer Age

**Chart 2: Number of Customers by Customers' Age**
*Source: Survey questions 12-17*



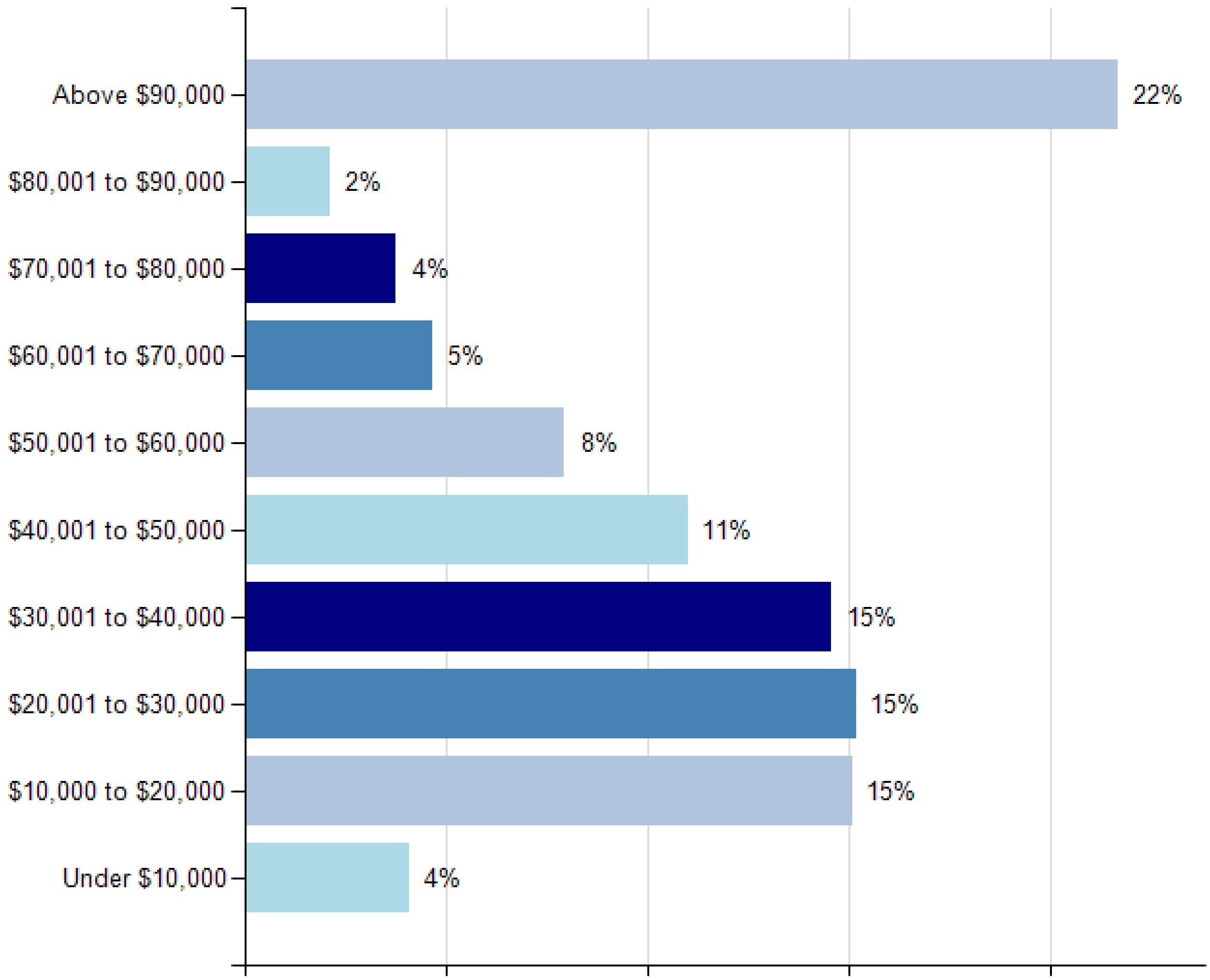
## Customer Age (continued)

**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*

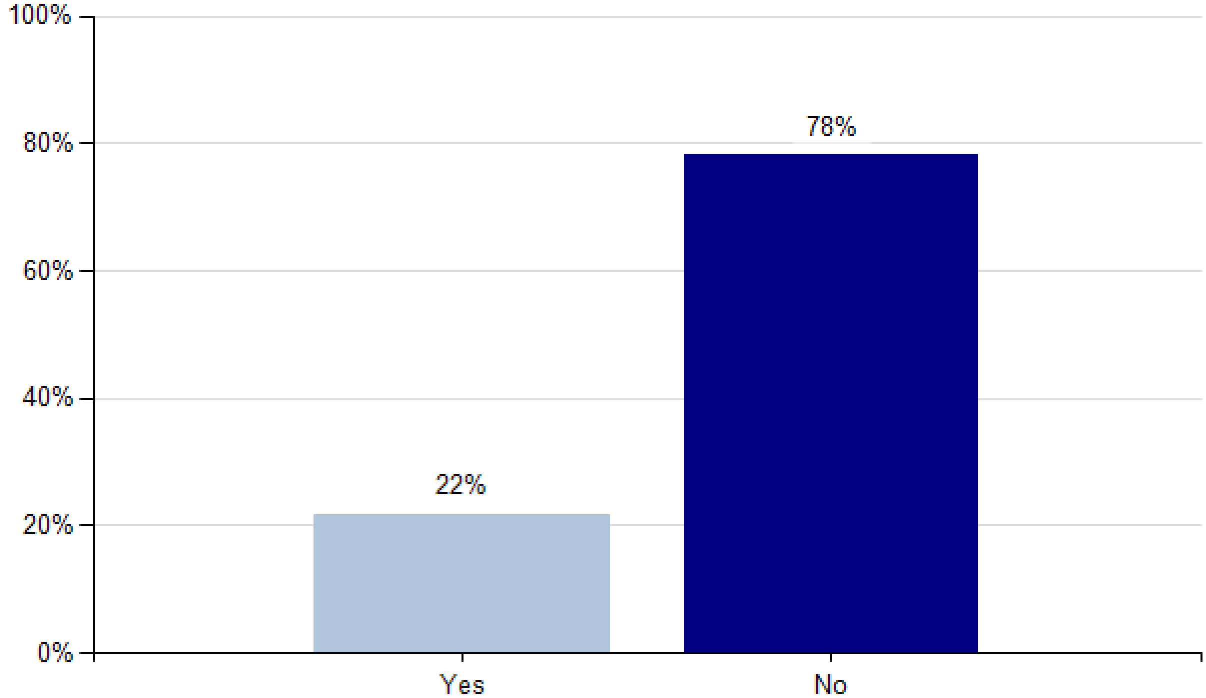



**Table 8: Internet Transaction Volumes and Amounts**
*Source: Survey questions 38 – 40*

| | 2022 |
|---|---|
| Number of Customers | 497,777 |
| Number of Transactions | 2,607,942 |
| Transaction Amounts | $709,474,125 |

## Lead Generators

The number of payday loan customers referred by lead generators in 2022 increased from 109,486 in 2021 to 117,559 in 2022.

**Chart 6: Number of Payday Lenders Using Lead Generators**
*Source: Survey question 41*

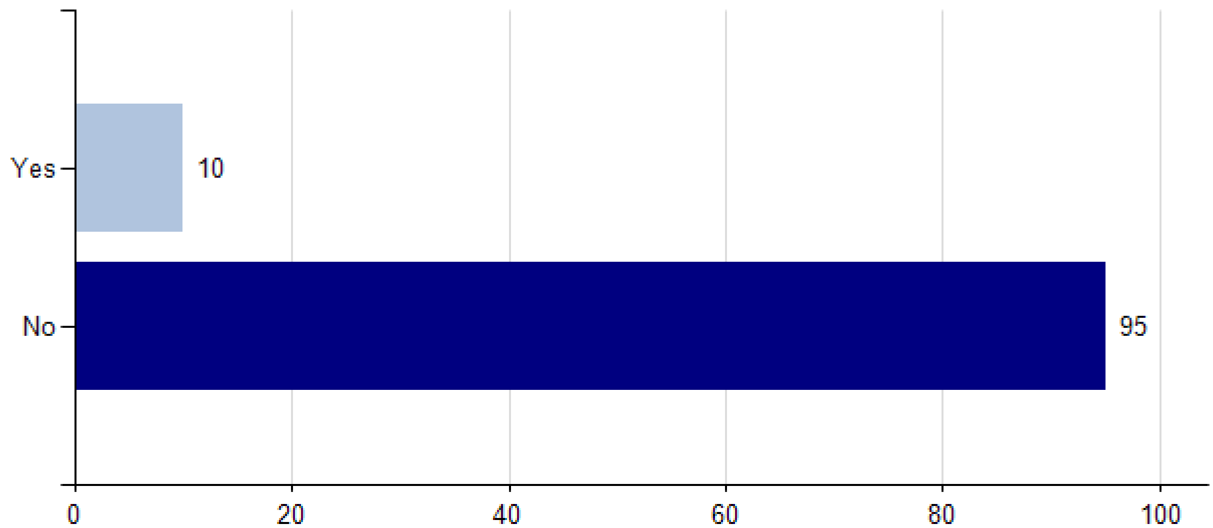
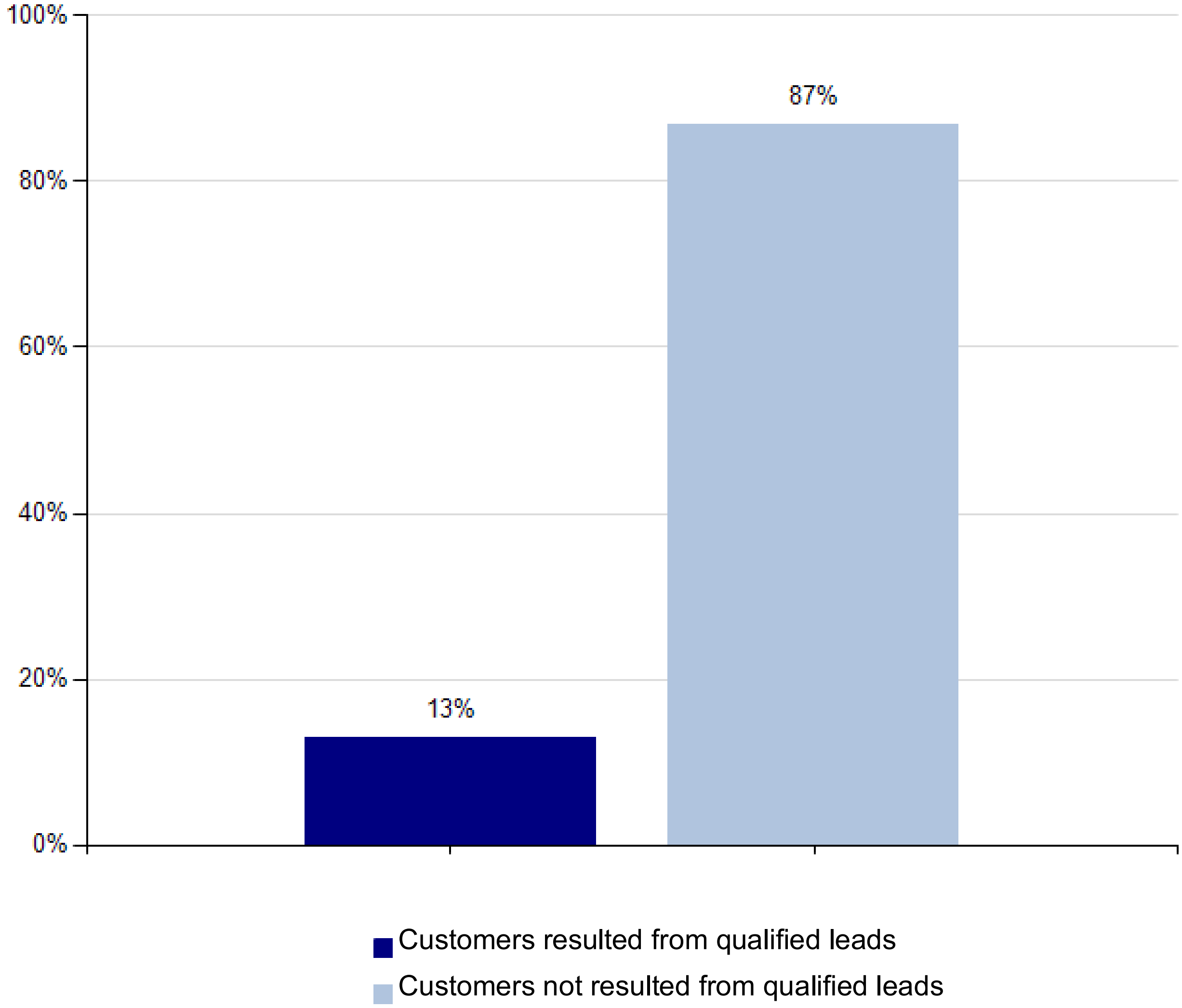



**Table 9: Lead Generator Fees**
*Source: Survey questions 43 and 44*

| | **2022** |
|---|---|
| Fees Paid to Lead Generators | $8,940,816 |
| Number of Customers Who Made Payday Loans that Resulted from Leads | 117,559 |

## Lead Generators (continued)

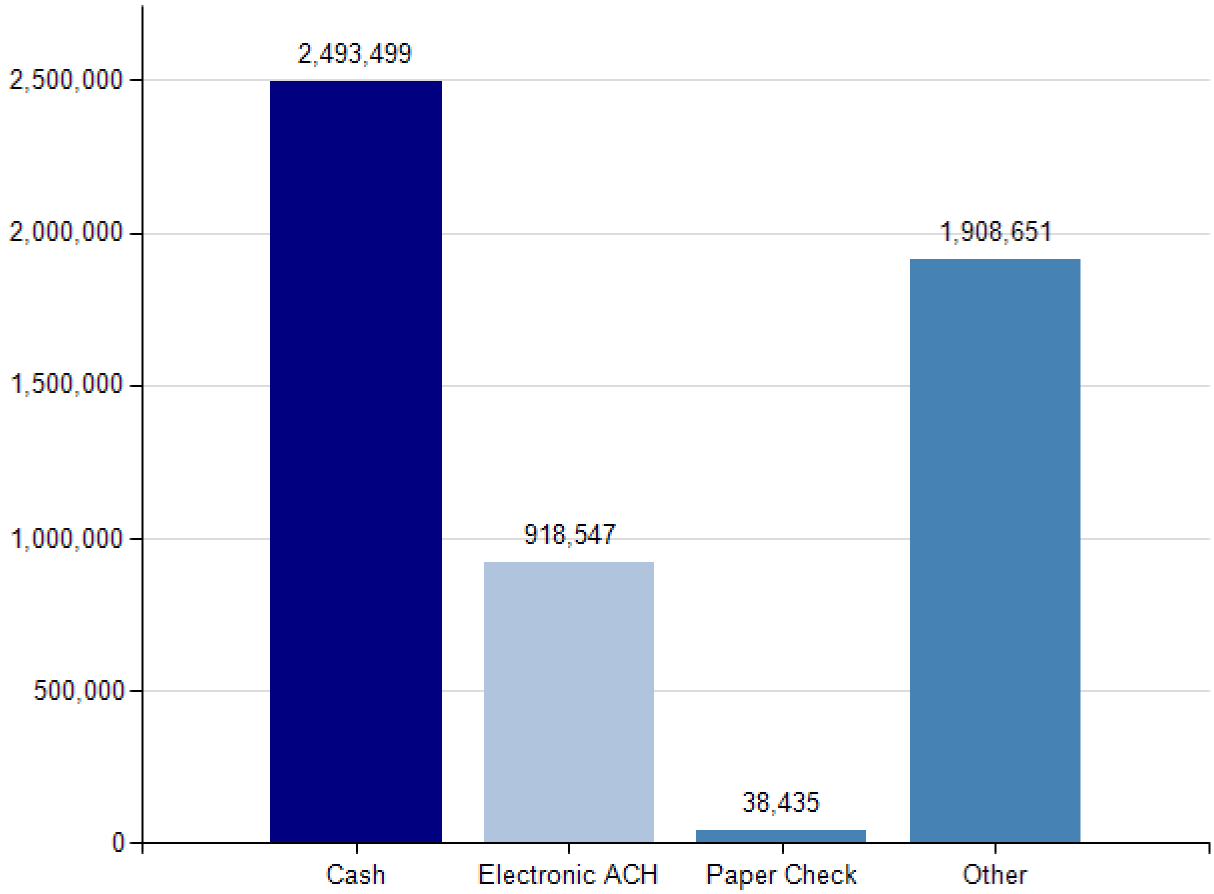
**Chart 7: Percentage of Qualified Leads Resulting in Transactions**
*Source: Survey question 43 & Annual Report question 3*




The number of customers resulted from qualified leads decreased to approximately13 percent in 2022 from 14 percent in 2021.

## Disbursements to Customers

**Chart 8: Number of Disbursements to Customers**
*Source: Survey question 54*

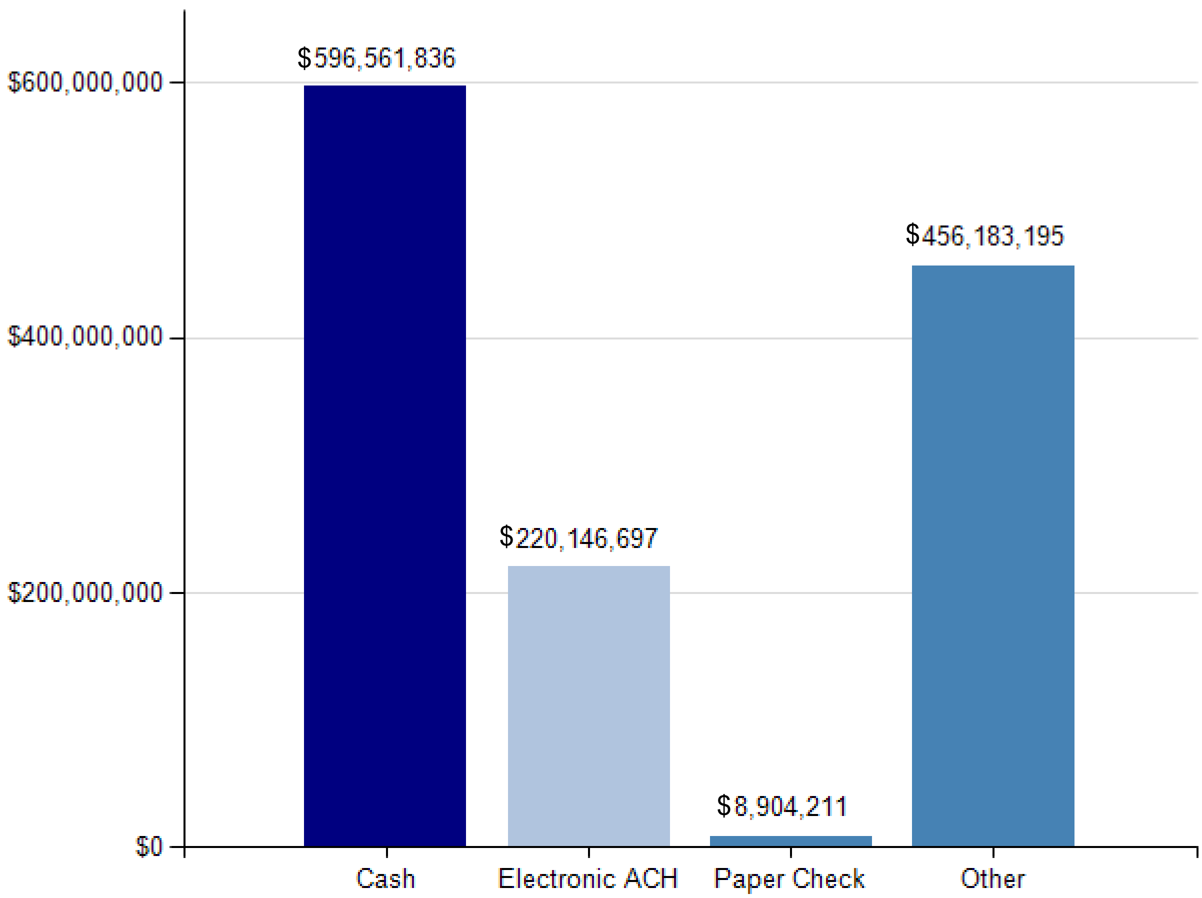



Of the disbursements above, cash represented 46.5 percent; electronic ACH, 17.1 percent; paper check, 0.7 percent; and other, 35.6 percent.

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

## Disbursements to Customers (continued)

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

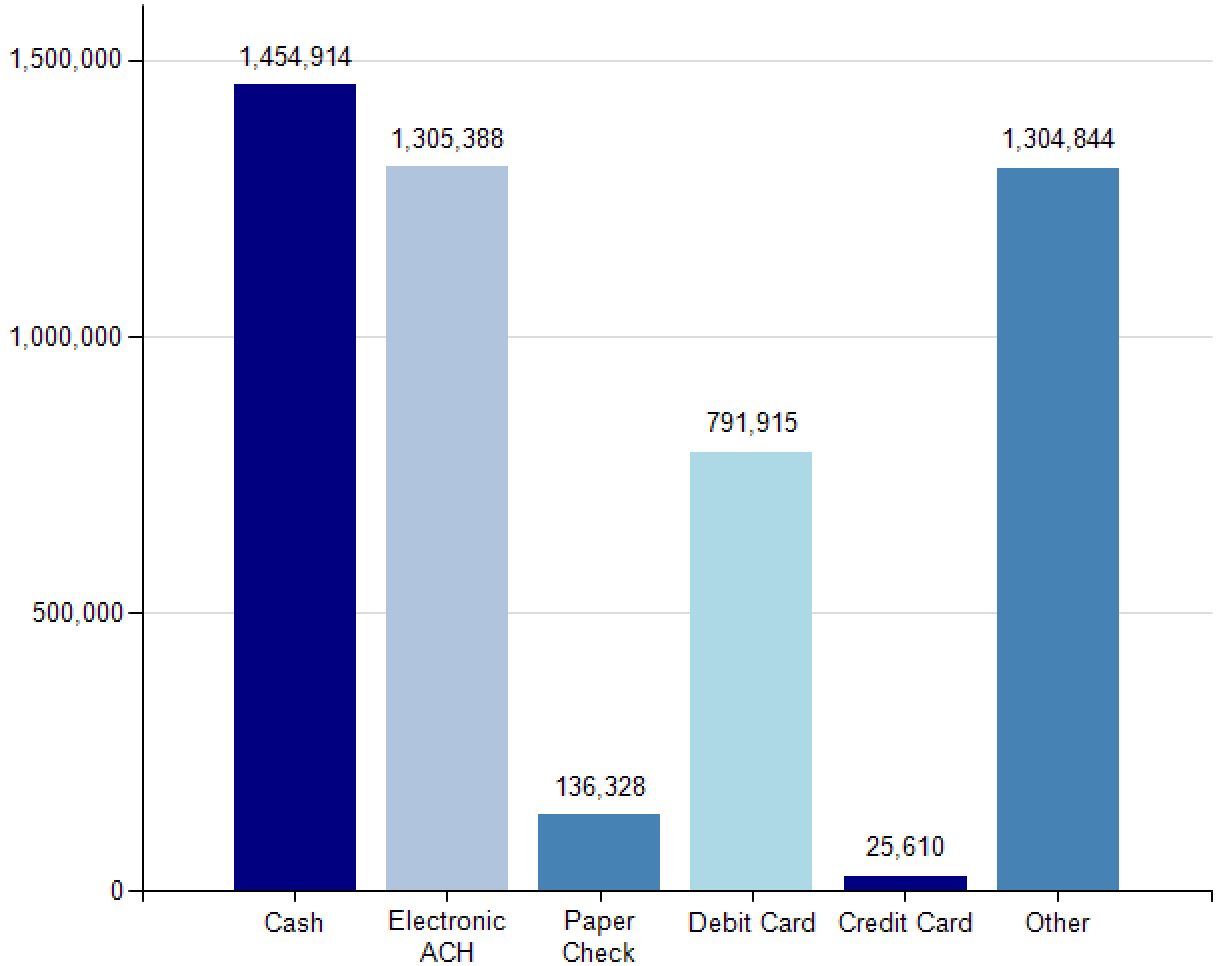



Of the disbursements above, cash represented 46.5 percent; electronic ACH, 17.2 percent; paper check, 0.7 percent; and other, 35.6 percent.

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

## Payments from Customers

**Chart 10: Number of Payments from Customers**
*Source: Survey question 58*

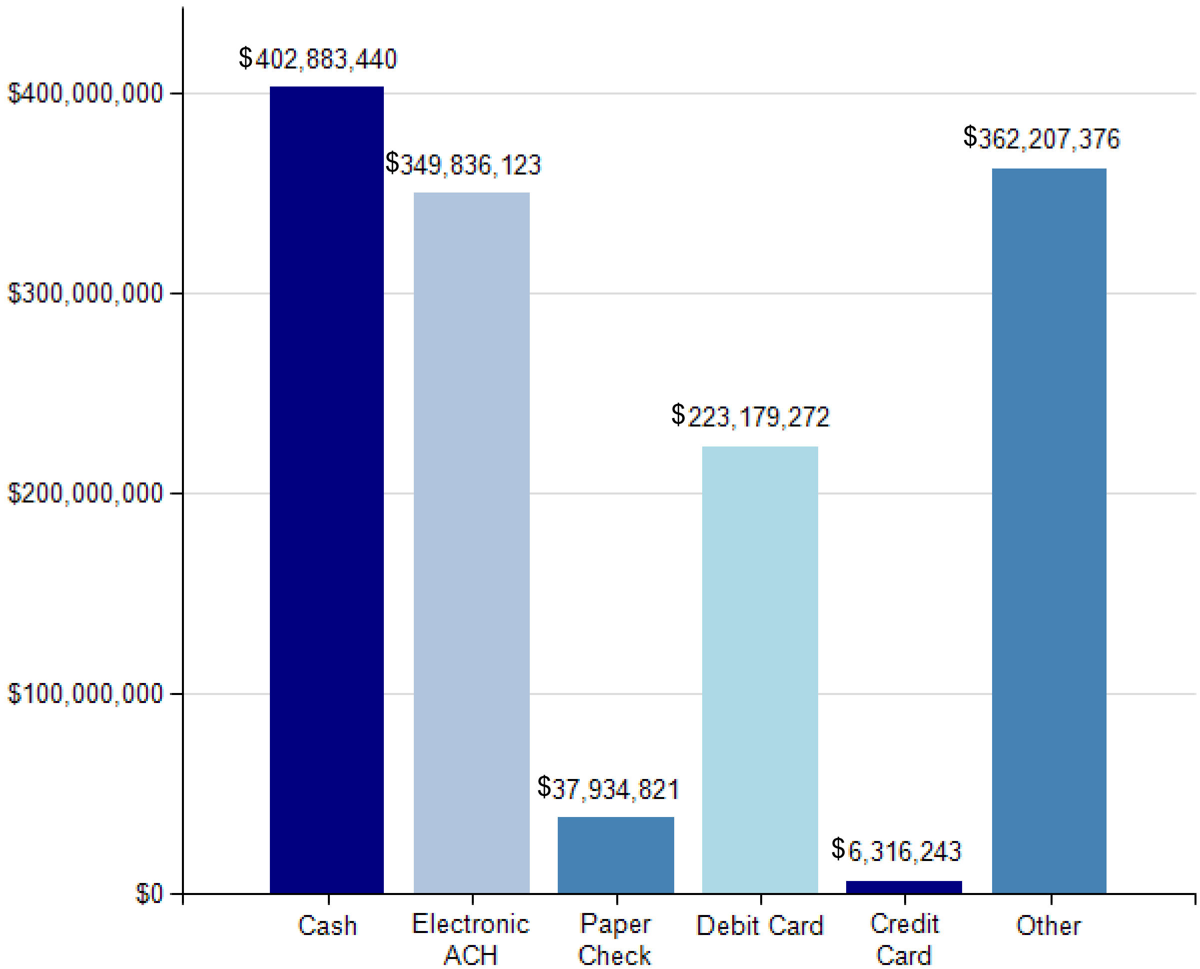



Cash accounted for 29 percent of customer payments; electronic ACH, 26 percent; paper check, 2.7 percent; debit card, 15.8 percent; credit card, 0.5 percent; and other, 26 percent.

The "other" category includes the following payment types as described by licensees: money order, Money Gram, Western Union, Zelle, Venmo, and debit cards.

## Payments from Customers (continued)

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




Of the payments above, cash represented 29.1 percent; electronic ACH, 25.3 percent; paper check, 2.7 percent; debit card, 16.1 percent; credit card, 0.5 percent; and other, 26.2 percent.

The “other” category includes the following payment types as described by licensees: money order, Money Gram, Western Union, Zelle, Venmo, and debit cards.

## Payment Plans

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

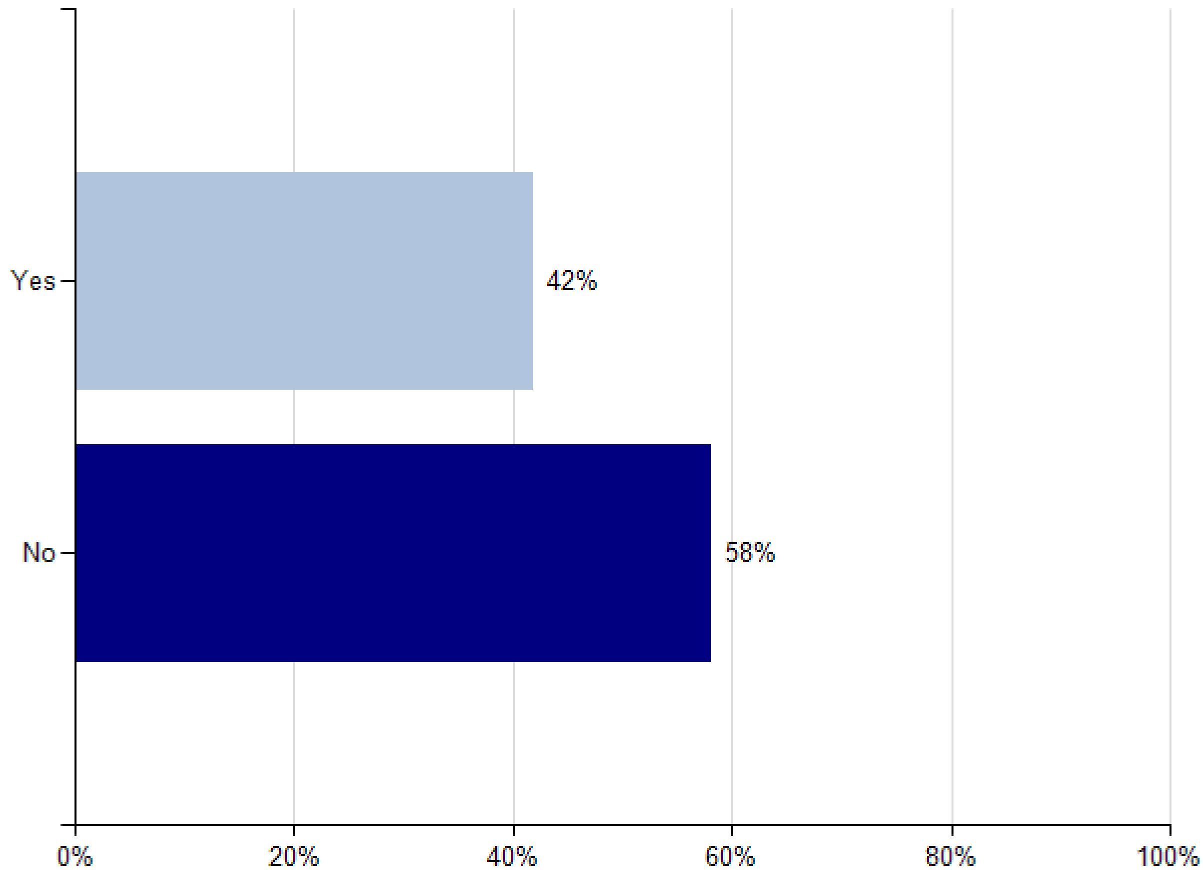



**Table 10: Payment Plan Volumes for Repayment**
*Source: Survey questions 63 and 64*

| | 2022 |
|---|---|
| Total Dollar Amount of Payment Plans Arranged | $52,416,387 |
| Total Number of Payment Plans Arranged | 224,163 |

## Collections

During calendar year 2022, the time period for which data was obtained for this report, the Department was also expanding its regulation of debt collectors.

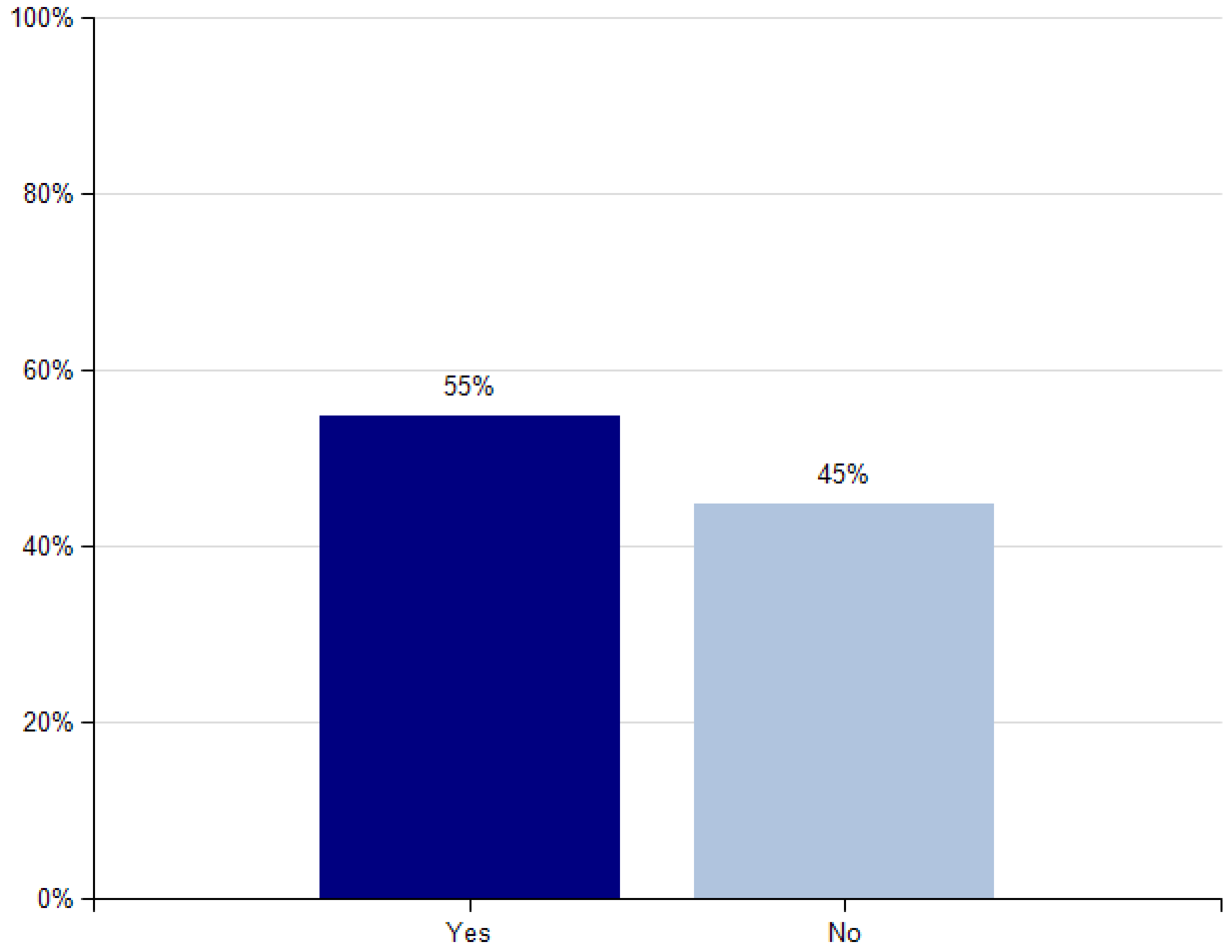
The California Consumer Financial Protection Law (CCFPL) (Financial Code sections 90000-90019) was enacted on September 25, 2020, conferring new authority to the Department to supervise and regulate “consumer financial products and services.” The CCFPL became effective on January 1, 2021. Debt collectors 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, to continue doing business in California. Debt collectors may continue to do business while their licensing application is pending review by the Department. The Department began issuing licenses on January 1, 2023, and is currently processing more than 1,000 applications.

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 236,112 customers were not in a payment plan and paid in full as a result of in-house collections in 2022. Those customers accounted for 920,146 transactions. (Source: Survey questions 67 and 68)

The total dollar amount of 2022 transactions that were not in a payment plan and paid in full as a result of in-house collections was approximately $230 million. (Source: Survey question 69)

## Collections (continued)

**Chart 14: Percentage of Licensees That Own Outside Collection Agency**
*Source: Survey question 70*

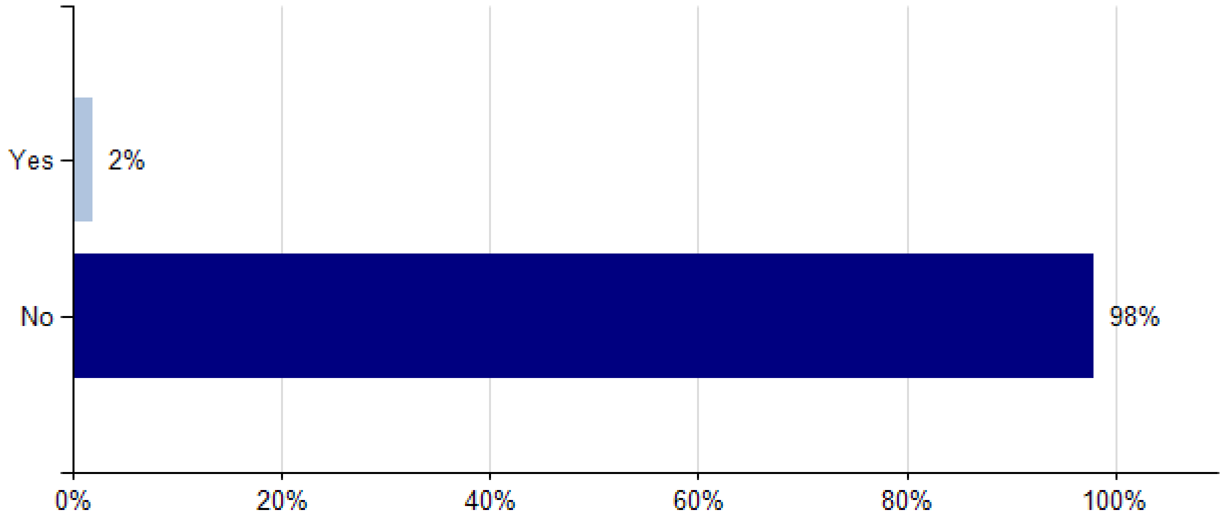
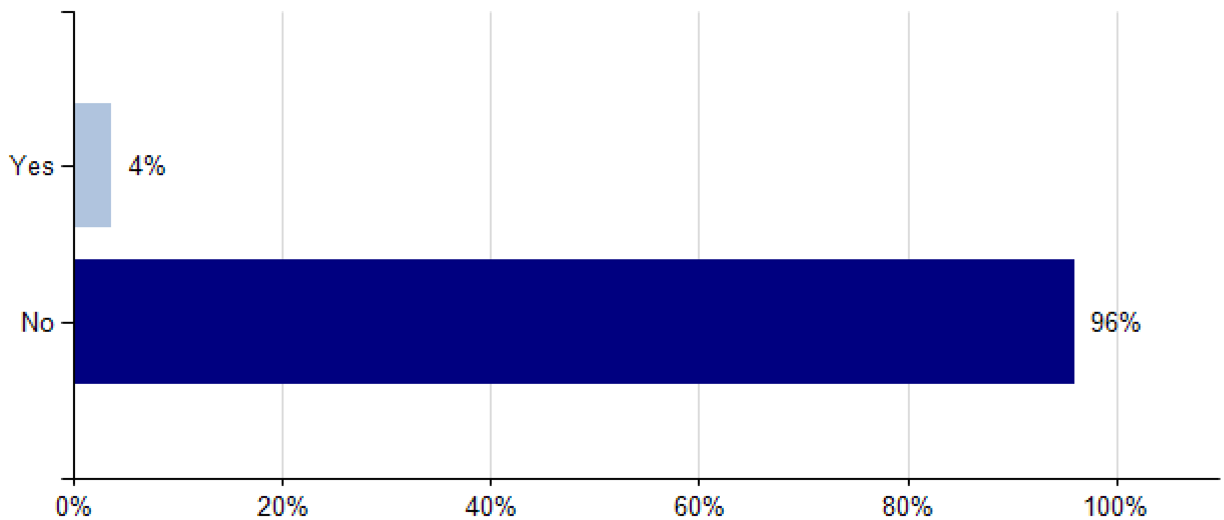


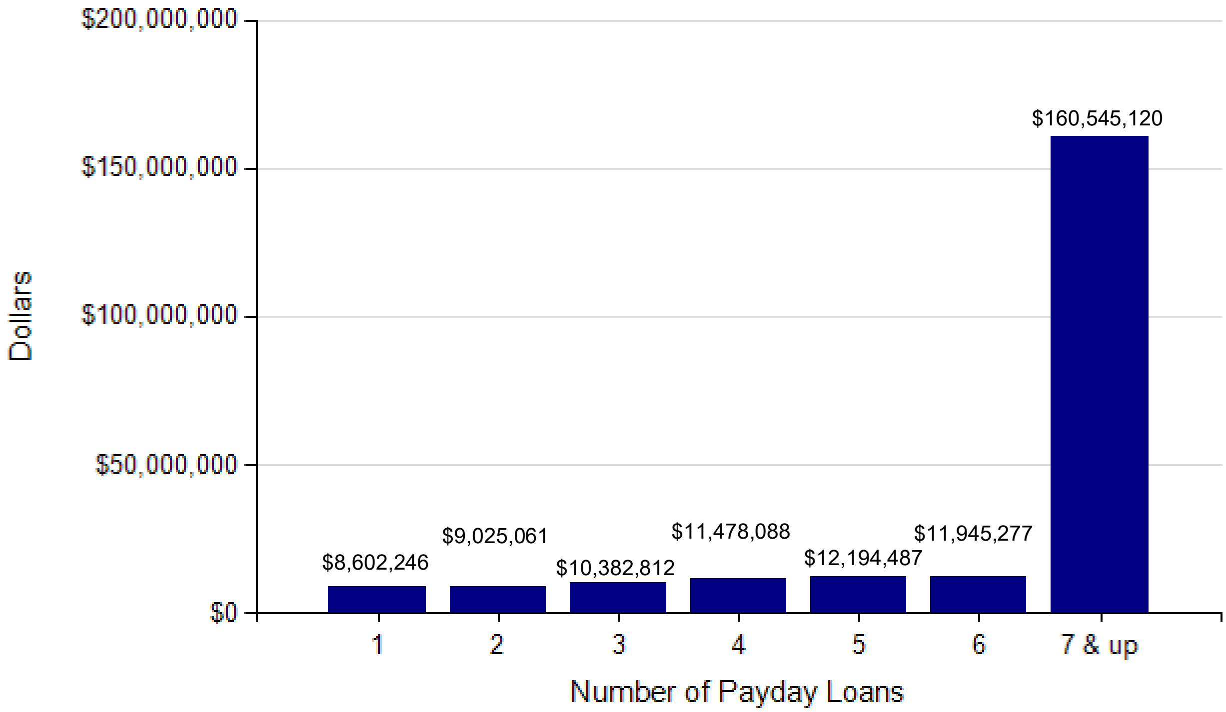

**Chart 15: Percentage of Licensees Associated with Outside Collection Agency**
*Source: Survey question 71*



## Fees

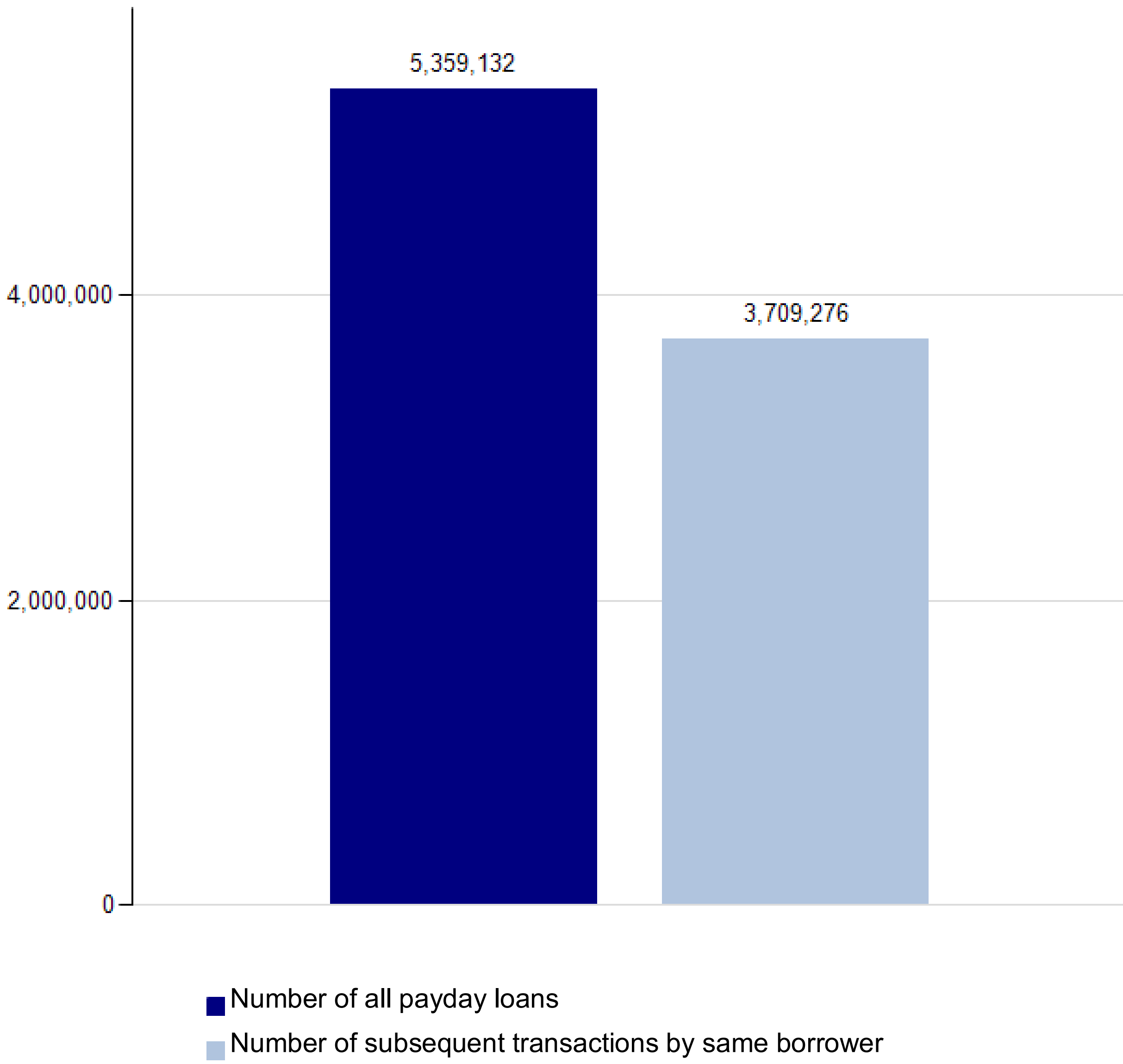
Responsive licensees charged $224.2 million in fees on payday loans they originated in 2022. Of that total, 71.6 percent – or $160.5 million – came from customers who took out seven or more payday loans during the year.

**Chart 16: Payday Loan Transaction Fees per Financial Code section 23036(a)**
*Source: Survey questions 75-81*



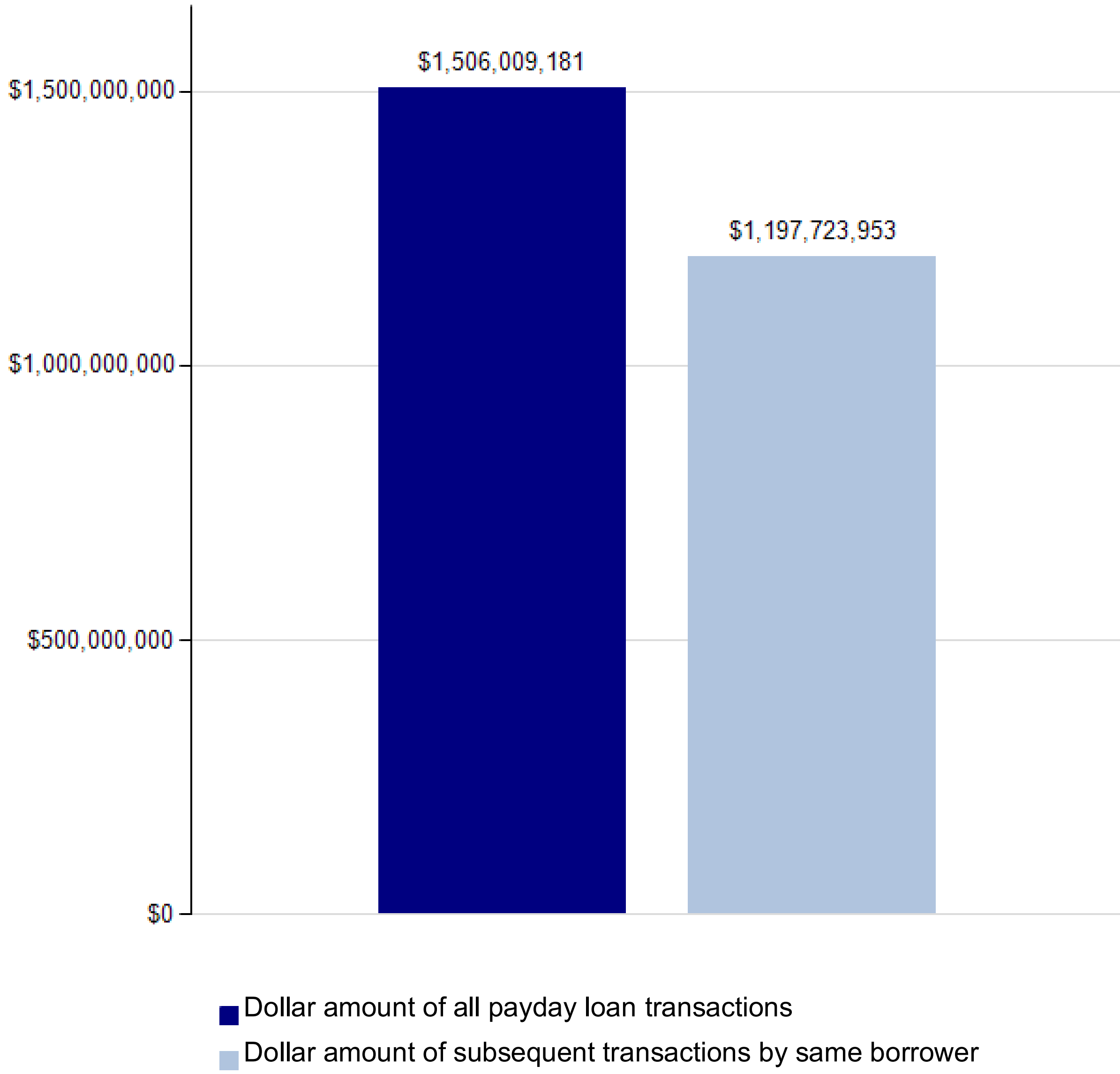
## Subsequent Customers

**Chart 17: Subsequent Transactions by Same Borrower: Number**
*Source: Annual Report question 1 and Survey question 89*




Of the 5.3 million payday loans reported for 2022, 69.2 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*

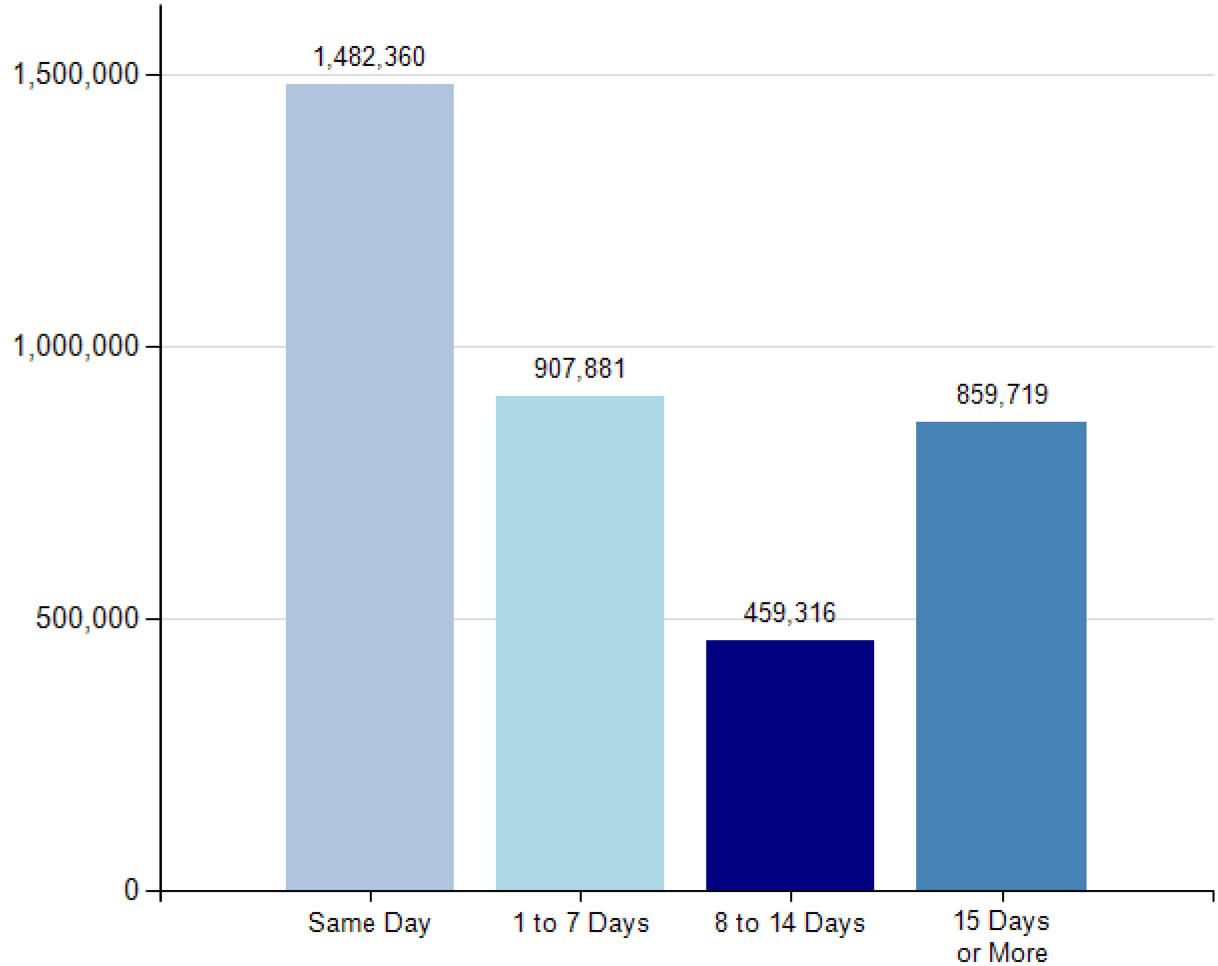



Of $1.51 billion in payday loan transactions reported for 2022, 79.5 percent of the total dollar amount represented transactions with repeat borrowers.

## 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, 40 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; 12.4 percent were made eight to 14 days later; and 23.2 percent were made 15 days or more after the previous transaction closed. These percentages are based on 3.71 million subsequent transactions for which licensees provided the breakdown in Chart 19.

## Customers Receiving Government Assistance

### Loans Made to Customers Receiving Government Assistance

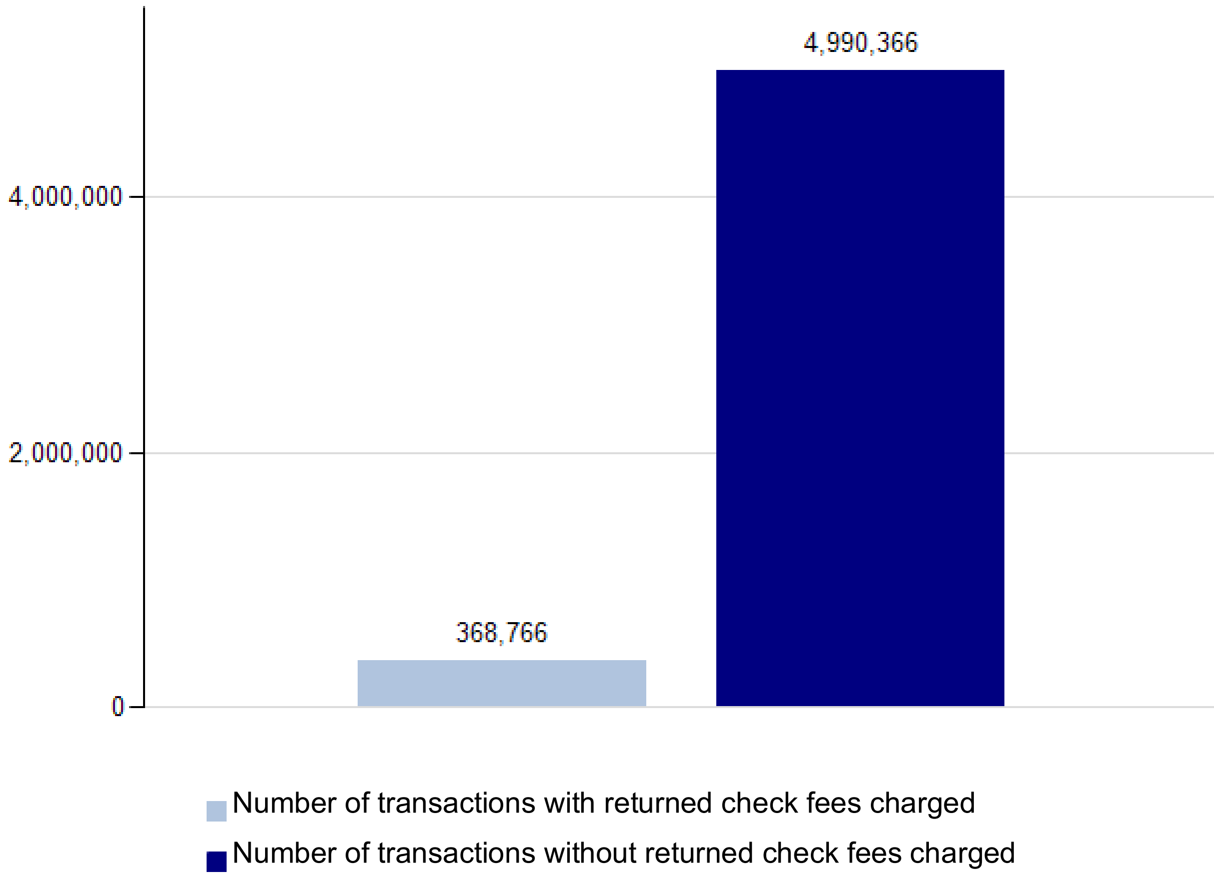
Nearly 61.9 percent of licensees reported serving customers who received government assistance. Those customers accounted for 10.4 percent of all customers (900,334). Approximately 11.4 percent of licensees reported that more than 25 percent of their customers received government assistance. Table 11 reflects number of customers that received government assistance in 2022.

**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 |
|---|---|
| 93,429 | 66 |

## Returned Checks

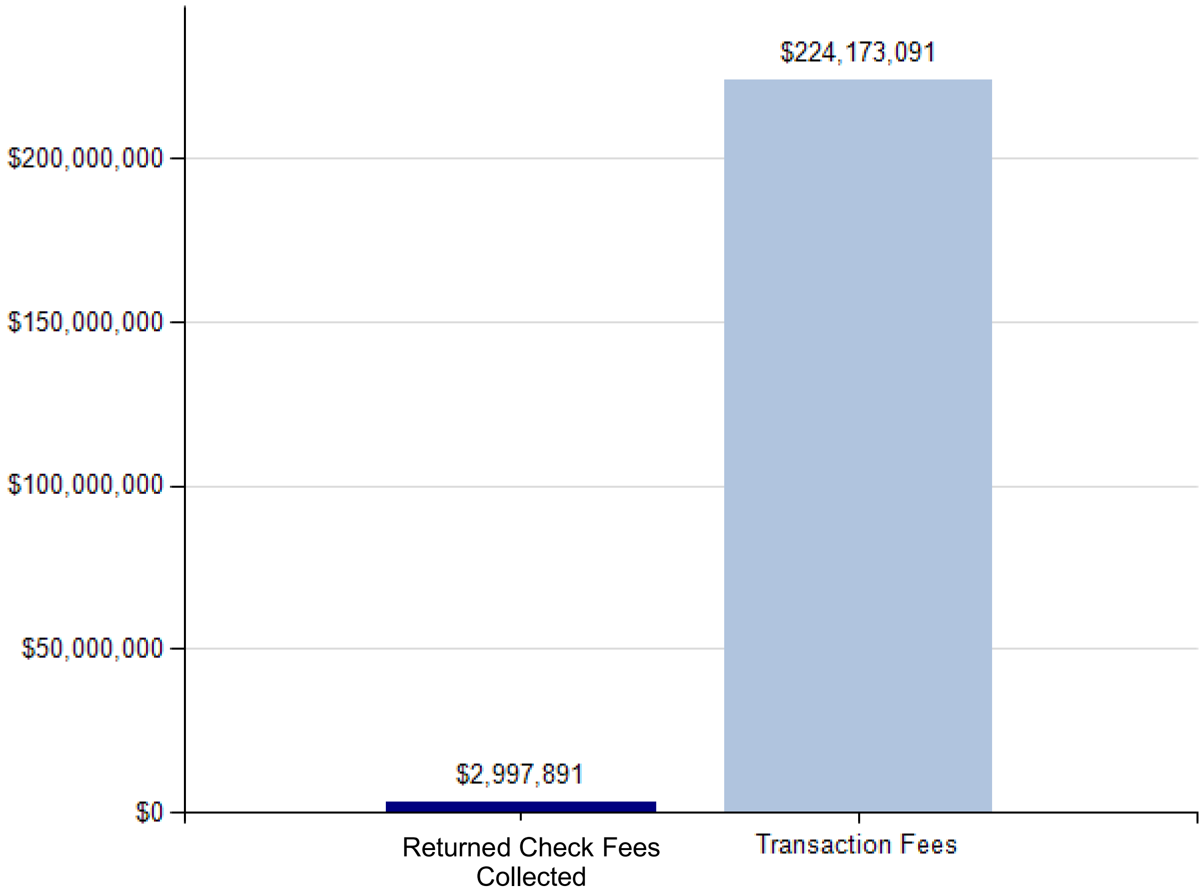
**Chart 20: Payday Loan Transactions: Returned Check Volume**
*Source: Survey question 83 and Annual Report question 1*




Of 5.3 million payday loan transactions in 2022, 368,766 (6.9 percent) resulted in returned check fees.

## Returned Checks (continued)

**Chart 21: Returned 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*

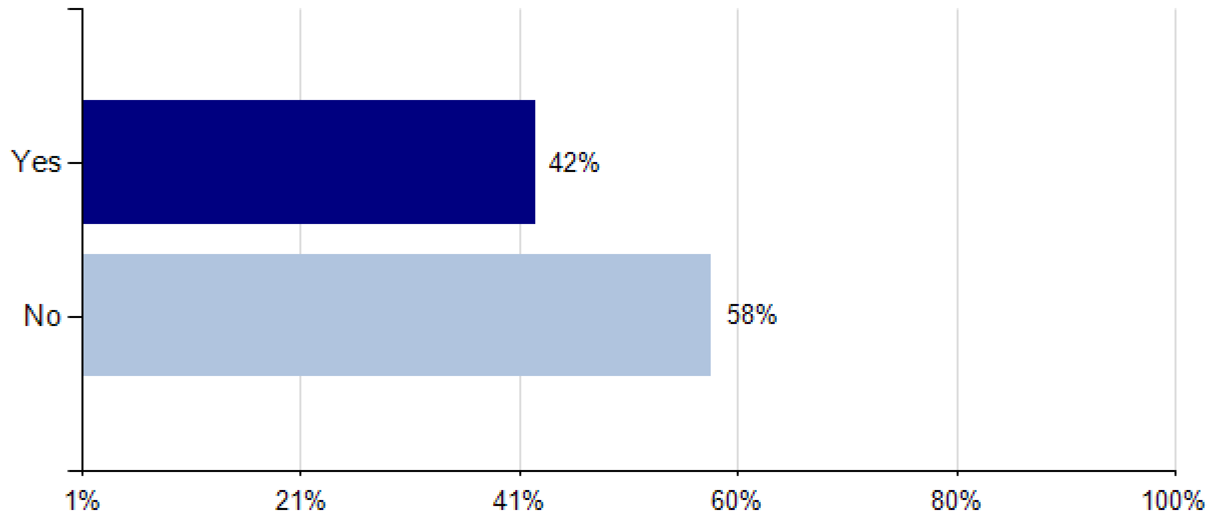
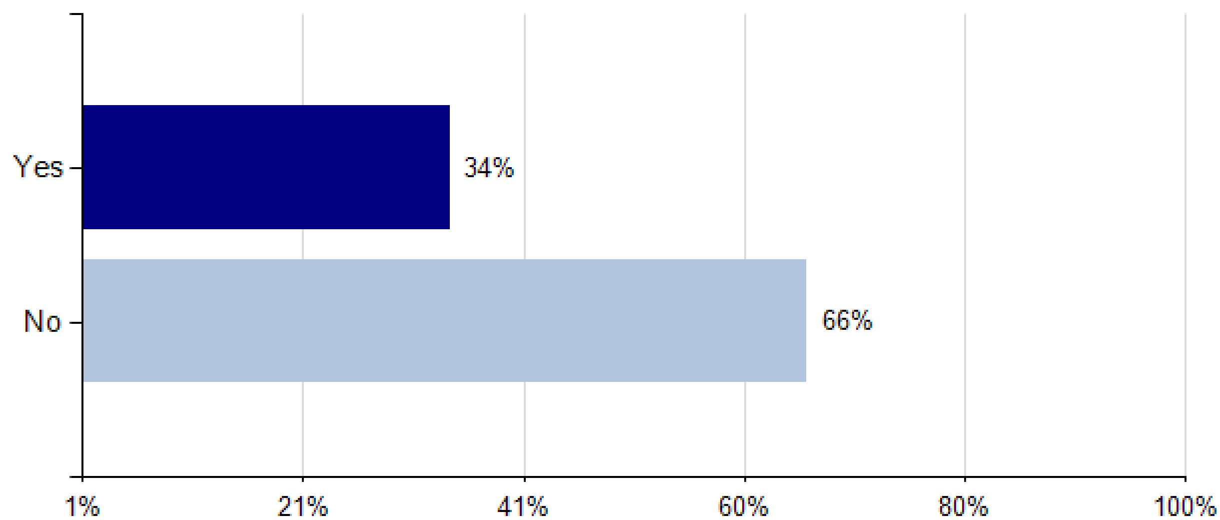



**Chart 23: Percentage of Licensees with Dispute Arbitration Clause in Written Agreement That Prohibits Borrowers from Joining Class Action**
*Source: Survey question 93*



## Covered Borrowers

### Report of Payday Loans to Active Military Servicemembers and Dependents

In 2022, no licensee indicated they had a customer who was “covered borrower,” which includes an active member of the military and their dependent. (Source: Survey questions 49-52)

DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION

**California Department of Financial Protection and Innovation**
Toll-Free: 1-866-275-2677
TTY: 1-800-735-2922
Online: www.dfpi.ca.gov