



2018

California Department of Business Oversight
Annual Report of Activity Under the Pilot
Program for Responsible Small Dollar Loans



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TABLE OF CONTENTS

INTRODUCTION.....	1
EXECUTIVE SUMMARY.....	2
Table 1: Lender Participation Applications and Approvals.....	2
I. LICENSING DATA.....	4
Table 2: Number of Applications and Loans Made Using Finder.....	4
Table 3: Number of Applications and Loans Made Without Using Finder.....	4
Table 4: Number of Loans by Loan Term: Using Finder.....	4
Table 5: Number of Loans by Loan Term: Without Using Finder.....	4
Table 6: Number of Loans \$300-\$499, by APR, Using Finder.....	5
Table 7: Number of Loans \$300-\$499, by APR, Without Using Finder.....	5
Table 8: Number of Loans \$500-\$999, by APR, Using Finder.....	5
Table 9: Number of Loans \$500-\$999, by APR, Without Using Finder.....	5
Table 10: Number of Loans \$1000-\$1499, by APR, Using Finder.....	6
Table 11: Number of Loans \$1000-\$1499, by APR, Without Using Finder.....	6
Table 12: Number of Loans \$1500-\$2499, by APR, Using Finder.....	6
Table 13: Number of Loans \$1500-\$2499, by APR, Without Using Finder.....	6
Table 14: Number of Loans Made by Size Using Finder	7
Table 15: Number of Loans Made by Size Without Using Finder	7
Table 16: Borrowers Who Obtained More Than One Loan Using Finder	7
Table 17: Borrowers Who Obtained More Than One Loan Without Using Finder	7
Table 18: Credit Score Performance of Borrowers Who Obtained More Than One Loan Using Finder.	8
Table 19: Credit Score Performance of Borrowers Who Obtained More Than One Loan Without Using Finder.....	8
Table 20: Number of Loans by Income Distribution of Census Tract Using Finder	8
Table 21: Number of Loans by Income Distribution of Census Tract Without Using Finder	8
Table 22: Number of Loans by Borrower's Use of Bank Account/Check Cashing Using Finder.....	9

Table 23: Number of Loans by Borrower's Use of Bank Account/Check Cashing Without Using Finder.	9
Table 24: Late Fees: Number and Percentage of Loans Using Finder.....	9
Table 25: Late Fees: Number and Percentage of Loans Without Using Finder.	9
Table 26: Late Fees - Dollar Amount Data Using Finder	10
Table 27: Late Fees - Dollar Amount Data Without Using Finder.....	10
Table 28: Number of Loans, by Purpose, Using Finder.....	10
Table 29: Number of Loans, by Purpose, Without Using Finder.....	10
Table 30: Loans With at Least One Delinquency: Number and Percentage of Loans Made by Size, Using Finder: Delinquency Period 7-29 Days.	11
Table 31: Loans With at Least One Delinquency: Number and Percentage of Loans Made by Size, Without Using Finder: Delinquency Period 7-29 Days.....	11
Table 32: Loans With at Least One Delinquency: Number and Percentage of Loans Made by Size, Using Finder: Delinquency Period 30-59 Days.	11
Table 33: Loans With at Least One Delinquency: Number and Percentage of Loans Made by Size, Without Using Finder: Delinquency Period 30-59 Days.....	11
Table 34: Loans With at Least One Delinquency: Number and Percentage of Loans Made by Size, Using Finder: Delinquency Period 60 Days or More	12
Table 35: Loans With at Least One Delinquency: Number and Percentage of Loans Made by Size, Without Using Finder: Delinquency Period 60 Days or More.....	12
Table 36: Loans With at Least One Delinquency of 7 Days or More, Using Finder	12
Table 37: Loans With at Least One Delinquency of 7 Days or More, Without Using Finder.	12
Table 38: Delinquency Comparison: Number and Percentage of Pilot Program Loans and Other CFL Loans: Year 2016.	13
Table 39: Delinquency Comparison: Number and Percentage of Pilot Program Loans and Other CFL Loans: Year 2017.	13
Table 40: Delinquency Comparison: Number and Percentage of Pilot Program Loans and Other CFL Loans: Year 2018.	13

Table 41: Language in Which Loan Negotiated: Using Finder.	13
Table 42: Language in Which Loan Negotiated: Without Using Finder.	13
Table 43: Refinance Loans Using Finder.	14
Table 44: Refinance Loans Without Using Finder.	14
Table 45: Detail of Refinance Loans Made Using Finder.	14
Table 46: Detail of Refinance Loans Made Without Using Finder.	14
Table 47: Refinance Loans Using Finder: Pre-Refinance Principal Pay Down, Late Payments, Additional Principal Extended.	15
Table 48: Refinance Loans Without Using Finder: Pre-Refinance Principal Pay Down, Late Payments, Additional Principal Extended.	15
Table 49: Total Number of Finders by Finder Type.	15
II. THE NUMBER AND TYPES OF VIOLATIONS FOUND DURING EXAMINATIONS	16
Table 50: Number and Types of Violations.	16
III. COMPLAINT INFORMATION	17
Table 51: Total Number of Complaints.	17
Table 52: Number of Complaints by Complaint Reason.	17
IV. RECOMMENDATIONS FOR IMPROVING PROGRAM.	18

INTRODUCTION

In 2010, the Affordable Credit Building Opportunities Pilot Program was enacted and placed under the California Financing Law (CFL). The goal was to increase consumers' access to capital by encouraging a more robust small-dollar loan market in California. The program's provisions, which took effect January 1, 2011, applied to consumer loans of \$250 to \$2,499.

To incentivize lenders' participation, borrowers could be charged marginally higher interest rates and larger origination and delinquency fees than permitted for CFL consumer loans of that size made outside the program. A low lender participation rate led to the program's demise. It was replaced in 2013 by the Pilot Program for Increased Access to Responsible Small Dollar Loans. This Pilot Program took effect January 1, 2014, and Pilot Program sunsets January 1, 2023 (Financial Code section 22365 et seq).

Under the current Pilot Program, the minimum loan amount is \$300. The maximum loan amount is \$7,500. Lenders may still charge marginally higher interest rates than otherwise permitted under the CFL. But the current Pilot Program also provides underwriting standards, mandatory reporting to credit bureaus, a cap on the share of gross monthly income that can be consumed by the loan payment, a ban on credit insurance, and a ban on requiring borrowers to waive their right to sue as a condition of obtaining a loan.

Pilot Program participants are also permitted to use "finders." Finders are not licensed by the state and cannot provide advice or counselling to borrowers. They can distribute lenders' marketing materials, provide factual information about loan terms and conditions, help borrowers with loan applications, and obtain borrowers' signatures on documents. The finder may be paid \$2 per payment received on the borrower's behalf for the loan's duration. The fees are paid by lenders, cannot be based on the principal amount of the loans and cannot be passed on to borrowers.

In 2018, Governor Brown signed Assembly Bill 237, which made changes to the current Pilot Program. Those changes, which became effective on January 1, 2019, include:

- Increasing the maximum loan amount from \$2,499 to \$7,500 and establishing a debt-to-income cap of 36 percent of the borrower's monthly income for a loan greater than \$2,500.
- Requiring the Department of Business Oversight (DBO) to examine each finder used by a Pilot Program licensee at least once every 24 months.
- Authorizing DBO to charge a Pilot Program licensee that uses one or more finders a fee to offset the costs of the finder examinations.
- Increasing Pilot Program licensees' reporting requirements to include specific information on each finder whose services were used.
- Requiring Pilot Program licensees to perform reasonable background checks on their finders.
- Requiring program licensees to reduce the interest rates on loans made to borrowers who obtain subsequent loans and meet certain requirements.

The data provided in this report complies with the requirements of Financial Code section 22380. It summarizes unaudited data submitted by licensees. All 16 licensed Pilot Program participants filed annual reports.

EXECUTIVE SUMMARY

Pilot Program Participation

From 2016 through 2018, the DBO received 14 applications from lenders to participate in the current Pilot Program, and 11 applications were approved during these periods. As of 2018, total of 16 lenders participated in the Pilot Program.

Over the same period, the use of finders sharply increased. In 2016, 25 finders participated in the Pilot Program in 252 finder locations. In 2017, 33 finders participated and there were total of 401 finder locations. At the end of 2018, the number of finders increased to 109 and 616 finder locations participated in the Pilot Program.

Table 1: Lender Participation Applications and Approvals

	2016	2017	2018
Beginning number of applications	3	6	5
Applications received	10	3	1
Applications approved	6	4	1
Applications denied	0	0	2
Applications voluntarily withdrawn	1	0	0
Year-end applications pending	6	5	3
CFL license surrendered	0	1	1
Withdraw participation from Pilot Program	0	1	0
Total participants at year-end	14	16	16

Pilot Program Lending Activity Data Highlights

- **Loan and Principal Totals** – Pilot Program lenders approved 299,542 loans in 2018, representing an increase of 48.7 percent over 2016 and 29.7 percent over 2017. The annual total principal of loans made over the three-year period increased 36 percent, from \$242 million in 2016 to \$329.8 million in 2018.
- **Loan Applications** – The number of borrower applications in 2018 was 77.3 percent higher than in 2016, at 681,470 compared to 384,211. The loan approval rate declined from 52.4 percent in 2016 to 43.9 percent in 2018.
- **Dollar Amounts** – Over the three year period, Pilot Program loans made in the \$300 to \$499 range increased 61.7 percent, from 21,065 in 2016 to 34,070 in 2018. Loans made in the highest range, \$1,500 to \$2,499, increased 30.3 percent, from 61,456 to 80,064 from 2016 to 2018.
- **Annual Percentage Rates** – Of the 34,070 loans made in the \$300 to \$499 range in 2018, 94.1 percent carried an annual percentage rate (APR) of 50 percent or more. Of these loans, 68.2 percent were in the \$500 to \$999 range, 18 percent in the \$1,000 to \$1,499 range, and 0.3 percent in the \$1,500 to \$2,499 range.

- Delinquencies – Of the 299,542 loans made in 2018, 16.3 percent were delinquent for 7 to 29 days, 6.7 percent were delinquent for 30 to 59 days, and 5.1 percent were delinquent for 60 days or more.
- Multiple Loans – The number of borrowers who took out more than one loan increased by 99.2 percent from 2016 to 2018. In 2018, 31,068 borrowers took out two loans, 1,458 borrowers took out three loans, and 76 borrowers took out four loans.
- Credit Scores – Over the three-year period, more than 59 percent of borrowers who took out more than one loan received higher credit scores in the process. Those increases averaged 134 points per borrower in 2016, 295 points in 2017, and 183 points in 2018.
- Loan Term – Of the 299,542 loans made in 2018, 52 percent were for 360 days or more; 13.5 percent were for 270 days to 359 days; 28.4 percent were for 180 days to 269 days; and 5.4 percent were for 120 days to 179 days.
- Borrower Income – Of the 731,891 loans made from 2016 through 2018, 15.8 percent were to residents of low-income neighborhoods; 35.1 percent to residents of moderate-income neighborhoods; 23 percent to residents of middle-income neighborhoods; and 10.5 percent to residents of upper-income neighborhoods.
- Loan Purpose – In 2018, borrowers took out 23.8 percent of the loans to pay bills; 23.4 percent to build or repair credit; 10.4 percent to non-vehicle purchases; 9.5 percent for medical or other emergencies; 6.1 percent for vehicle repair; 6.1 percent to consolidate debt; 5.5 percent for vehicle purchases; 1.6 percent for purposes other than personal or household; and 13.6 percent for other unspecified reasons.
- Finder vs. No Finder – For borrowers who took out more than one loan, 49 percent saw their credit scores increase when finders were used compared to 38 percent when finders were not used. With respect to borrower income, 61.5 percent of loans made without using finders went to borrowers in low and moderate-income census tracts, compared to 15.2 percent for loans made using finders. Otherwise, the 2018 data did not reveal any differences in loans made with or without finders.

I. LICENSING DATA

This report summarizes loan activity in the current Pilot Program for the period January 1, 2016 through December 31, 2018.

The information provided in this section was obtained from statutorily required annual reports that participating Pilot Program lenders filed with the DBO.

Pursuant to Government Code section 6254, subsection (d)(2), lender-specific information disclosed in the annual reports is exempt from mandatory disclosure under the California Public Records Act. The data provided in this report represent the aggregate totals for participating lenders.

Table 2: Number of Applications and Loans Made Using Finder

	2016	2017	2018
Number of Applications	47,267	170,146	263,283
Number of Loans	17,170	65,239	107,342
Loans as Percentage of Applications	36%	38%	41%
Total Principal Amount of Loans	\$18,908,379	\$76,510,324	\$136,199,421

Table 3: Number of Applications and Loans Made Without Using Finder

	2016	2017	2018
Number of Applications	336,944	363,591	418,187
Number of Loans	184,324	165,616	192,200
Loans as Percentage of Applications	55%	46%	46%
Total Principal Amount of Loans	\$223,489,745	\$182,449,652	\$193,656,421

Table 4: Number of Loans by Loan Term: Using Finder

Loan Term	2016	2017	2018
90-119 Days	0	0	0
120-179 Days	2,734	9,559	15,959
180-269 Days	2,310	13,928	16,893
270-359 Days	4,831	7,504	11,716
≥ 360 Days	7,295	34,248	62,774

Table 5: Number of Loans by Loan Term: Without Using Finder

Loan Term	2016	2017	2018
90-119 Days	29	0	0
120-179 Days	587	0	71
180-269 Days	47,566	51,389	68,039
270-359 Days	38,152	33,552	28,697
≥ 360 Days	97,990	80,675	95,393

Table 6: Number of Loans \$300-\$499, by APR, Using Finder

	2016	2017	2018
Up to 14.99%	0	0	0
15% - 19.99%	0	0	0
20% - 24.99%	0	0	0
25% - 29.99%	0	0	0
30% - 34.99%	0	0	5
35% - 39.99%	25	69	215
40% - 49.99%	129	212	209
50% or more	2,762	9,779	16,132
Total Loans	2,916	10,060	16,561

Table 7: Number of Loans \$300-\$499, by APR, Without Using Finder

	2016	2017	2018
Up to 14.99%	16	18	107
15% - 19.99%	5	39	79
20% - 24.99%	20	153	175
25% - 29.99%	61	670	1,020
30% - 34.99%	26	26	26
35% - 39.99%	51	43	76
40% - 49.99%	103	83	90
50% or more	17,747	13,464	15,936
Total Loans	18,029	14,496	17,509

Table 8: Number of Loans \$500-\$999, by APR, Using Finder

	2016	2017	2018
Up to 14.99%	0	0	0
15% - 19.99%	0	0	0
20% - 24.99%	0	0	0
25% - 29.99%	0	0	0
30% - 34.99%	0	0	16
35% - 39.99%	277	673	1,389
40% - 49.99%	240	453	1,001
50% or more	4,694	16,525	21,333
Total Loans	5,211	17,651	23,739

Table 9: Number of Loans \$500-\$999, by APR, Without Using Finder

	2016	2017	2018
Up to 14.99%	22	53	258
15% - 19.99%	10	99	177
20% - 24.99%	52	334	344
25% - 29.99%	577	1,611	1,151
30% - 34.99%	1,484	1,993	1,583
35% - 39.99%	4,841	4,086	4,357
40% - 49.99%	6,196	14,290	26,498
50% or more	36,592	40,760	57,383
Total Loans	49,774	63,226	91,751

Table 10: Number of Loans \$1,000-\$1,499, by APR, Using Finder

	2016	2017	2018
Up to 14.99%	0	0	0
15% - 19.99%	0	0	0
20% - 24.99%	0	0	0
25% - 29.99%	0	0	0
30% - 34.99%	33	432	67
35% - 39.99%	270	1,250	2,831
40% - 49.99%	3,566	11,739	26,972
50% or more	1,185	1,685	2,008
Total Loans	5,054	15,106	31,878

Table 11: Number of Loans \$1,000-\$1,499, by APR, Without Using Finder

	2016	2017	2018
Up to 14.99%	10	23	0
15% - 19.99%	5	32	221
20% - 24.99%	35	191	188
25% - 29.99%	448	594	765
30% - 34.99%	1,811	2,113	1,679
35% - 39.99%	4,503	3,405	2,626
40% - 49.99%	32,337	24,862	21,976
50% or more	19,785	12,450	10,585
Total Loans	58,934	43,670	38,040

Table 12: Number of Loans \$1,500-\$2,499, by APR, Using Finder

	2016	2017	2018
Up to 14.99%	0	0	0
15% - 19.99%	0	0	0
20% - 24.99%	0	0	0
25% - 29.99%	0	0	0
30% - 34.99%	220	649	962
35% - 39.99%	2,872	9,886	23,885
40% - 49.99%	897	11,887	10,105
50% or more	0	0	212
Total Loans	3,989	22,422	35,164

Table 13: Number of Loans \$1,500-\$2,499, by APR, Without Using Finder

	2016	2017	2018
Up to 14.99%	9	21	95
15% - 19.99%	7	43	63
20% - 24.99%	36	210	172
25% - 29.99%	734	1,199	1,130
30% - 34.99%	6,178	5,889	3,575
35% - 39.99%	22,567	13,303	11,230
40% - 49.99%	27,936	23,559	28,622
50% or more	0	0	13
Total Loans	57,467	44,224	44,900

Table 14: Number of Loans Made by Size Using Finder

	2016	2017	2018
\$300-\$499	2,916	10,060	16,561
\$500-\$999	5,211	17,651	23,739
\$1,000-\$1,499	5,054	15,106	31,878
\$1,500-\$2,499	3,989	22,422	35,164
Total Loans	17,170	65,239	107,342

Table 15: Number of Loans Made by Size Without Using Finder

	2016	2017	2018
\$300-\$499	18,149	14,496	17,509
\$500-\$999	49,774	63,226	91,751
\$1,000-\$1,499	58,934	43,670	38,040
\$1,500-\$2,499	57,467	44,224	44,900
Total Loans	184,324	165,616	192,200

Table 16: Borrowers Who Obtained More Than One Loan Using Finder

	2016	2017	2018
Number of Borrowers Who Obtained 2 Loans	1,749	6,678	13,107
Number of Borrowers Who Obtained 3 Loans	105	299	724
Number of Borrowers Who Obtained 4 Loans	4	11	42
Total Number of Borrowers Who Obtained More Than One Loan	1,858	6,988	13,873

Table 17: Borrowers Who Obtained More Than One Loan Without Using Finder

	2016	2017	2018
Number of Borrowers Who Obtained 2 Loans	14,130	11,668	17,961
Number of Borrowers Who Obtained 3 Loans	367	402	734
Number of Borrowers Who Obtained 4 Loans	14	20	34
Total Number of Borrowers Who Obtained More Than One Loan	14,511	12,090	18,729

Table 18: Credit Score Performance for Borrowers Who Obtained More Than One Loan Using Finder

	2016	2017	2018
Number of Borrowers Who Obtained More Than One Loan	1,858	6,988	13,873
Number of Borrowers with Credit Scores That Increased Over the Previous Loan	893	3,249	6,854
Percentage of Borrowers with Increased Credit Scores	48%	46%	49%
Average Size of Increase (in points) in Credit Scores	309	340	224

Table 19: Credit Score Performance for Borrowers Who Obtained More Than One Loan Without Using Finder

	2016	2017	2018
Number of Borrowers Who Obtained More Than One Loan	14,511	12,090	18,765
Number of Borrowers with Credit Scores That Increased Over the Previous Loan	9,886	7,848	11,872
Percentage of Borrowers with Increased Credit Scores	68%	65%	63%
Average Size of Increase (in points) in Credit Scores	118	276	276

Table 20: Number of Loans by Income Distribution of Census Tract Using Finder

	2016	2017	2018
Low-Income	2,362	5,924	9,660
Moderate-Income	6,214	4,465	6,636
Middle-Income	3,744	18,495	28,766
Upper-Income	1,662	18,059	28,159
Not Known	3,188	18,296	34,121
Total Loans	17,170	65,239	107,342

Table 21: Number of Loans by Income Distribution of Census Tract Without Using Finder

	2016	2017	2018
Low-Income	33,116	30,335	33,969
Moderate-Income	82,117	74,799	82,352
Middle-Income	40,066	35,943	41,510
Upper-Income	9,798	8,640	10,764
Not Known	19,227	15,899	23,605
Total Loans	184,324	165,616	192,200

Low-income census tract means median family income less than 50 percent of the median for the metropolitan area. Moderate-income census tract means median family income of 50 percent to 79 percent of the median for metropolitan area. Middle-income census tract means median family income of 80 percent to 119 percent of the median for the metropolitan area. Upper-income census tract means median family income of 120 percent or more of the median for the metropolitan area.

Table 22: Number of Loans by Borrower's Use of Bank Account/Check Cashing Using Finder

	2016	2017	2018
Bank Account	13,190	50,889	85,579
No Bank Account	3,980	14,350	21,763
Borrowers With Bank Account Who Also Used Check-Cashing Services	3,371	11,690	20,270
Borrowers With Bank Account Who Also Used Payday Loan Services	1,138	3,029	2,831

Table 23: Number of Loans by Borrower's Use of Bank Account/Check Cashing Without Using Finder

	2016	2017	2018
Bank Account	153,923	137,979	159,440
No Bank Account	30,401	27,637	32,627
Borrowers With Bank Account Who Also Used Check-Cashing Services	6,716	4,562	2,855
Borrowers With Bank Account Who Also Used Payday Loan Services	7,242	6,578	4,961

Table 24: Late Fees: Number and Percentage of Loans Using Finder

	2016	2017	2018
Number of Loans with Late Fees	4,719	13,811	21,349
Total Loans	17,170	65,239	107,342
Percentage of Loans with Late Fees	27%	21%	20%

Table 25: Late Fees: Number and Percentage of Loans Without Using Finder

	2016	2017	2018
Number of Loans with Late Fees	52,843	40,286	54,352
Total Loans	184,324	165,616	192,200
Percentage of Loans with Late Fees	29%	24%	28%

Table 26: Late Fees - Dollar Amount Data Using Finder

	2016	2017	2018
Total Amount of Late Fees	\$293,342	\$786,660	\$1,227,352
Total Principal Amount of Loans	\$18,908,379	\$76,510,324	\$136,199,421
Late Fees as a Percentage of Loan Principal	1.6%	1.0%	0.9%
Average Late Fees	\$14	\$14	\$14

Table 27: Late Fees - Dollar Amount Data Without Using Finder

	2016	2017	2018
Total Amount of Late Fees	\$3,051,095	\$2,503,009	\$3,723,483
Total Principal Amount of Loans	\$223,489,745	\$182,449,652	\$193,656,421
Late Fees as a Percentage of Loan Principal	1.4%	1.4%	1.9%
Average Late Fees	\$13	\$12	\$12

Table 28: Number of Loans, by Purpose, Using Finder

	2016	2017	2018
Medical	492	1,508	2,334
Other Emergency	0	0	0
Vehicle Repair	1,378	4,772	6,932
Vehicle Purchase	1,128	3,868	5,027
To Pay Bills	4,792	19,482	33,623
To Consolidate Debt	988	3,741	3,777
To Build or Repair Credit	5,341	18,529	35,377
Purchase Goods or Services Other Than a Vehicle	917	882	4,560
For Other Than Personal, Family, or Household Purposes	412	1,638	2,758
Other	1,722	10,819	12,954

Table 29: Number of Loans, by Purpose, Without Using Finder

	2016	2017	2018
Medical	3,237	3,430	4,204
Other Emergency	26,672	25,814	21,977
Vehicle Repair	7,395	8,424	11,315
Vehicle Purchase	7,864	8,993	11,302
To Pay Bills	35,489	34,620	37,772
To Consolidate Debt	13,190	10,881	14,360
To Build or Repair Credit	55,975	38,426	34,752
Purchase Goods or Services Other Than a Vehicle	11,573	11,436	26,658
For Other Than Personal, Family, or Household Purposes	3,576	3,342	2,031
Other	19,353	20,250	27,829

Table 30: Loans With at Least One Delinquency: Number and Percentage of Loans Made by Size, by Delinquency Period Using Finder: 7-29 Days

	2016		2017		2018	
\$300-\$499	337	12%	1,059	11%	1,413	9%
\$500-\$999	651	12%	1,773	10%	2,706	11%
\$1,000-\$1,499	567	11%	1,444	10%	2,919	9%
\$1,500-\$2,499	324	8%	2,066	9%	2,471	7%
Total Loans All Sizes	1,879		6,342		9,509	

Table 31: Loans With At Least One Delinquency: Number and Percentage of Loans Made by Size, by Delinquency Period Without Using Finder: 7-29 Days

	2016		2017		2018	
\$300-\$499	3,228	18%	3,161	22%	3,002	17%
\$500-\$999	8,544	17%	11,387	18%	18,203	20%
\$1,000-\$1,499	10,333	18%	8,077	18%	7,497	20%
\$1,500-\$2,499	12,731	22%	10,953	25%	10,476	23%
Total Loans All Sizes	34,836		33,578		39,178	

Table 32: Loans With at Least One Delinquency: Number and Percentage of Loans Made by Size, by Delinquency Period Using Finder: 30-59 Days

	2016		2017		2018	
\$300-\$499	145	5%	371	4%	635	4%
\$500-\$999	202	4%	603	3%	983	4%
\$1,000-\$1,499	157	3%	406	3%	980	3%
\$1,500-\$2,499	92	2%	604	3%	715	2%
Total Loans All Sizes	596		1,984		3,313	

Table 33: Loans With At Least One Delinquency: Number and Percentage Made by Size, by Delinquency Period Without Using Finder: 30-59 Days

	2016		2017		2018	
\$300-\$499	1,745	10%	1,710	12%	1,595	9%
\$500-\$999	3,955	8%	4,952	8%	8,463	9%
\$1,000-\$1,499	4,180	7%	3,160	7%	3,084	8%
\$1,500-\$2,499	4,432	8%	3,679	8%	3,654	8%
Total Loans All Sizes	14,312		13,501		16,796	

Table 34: Loans With at Least One Delinquency: Number and Percentage of Loans Made by Size, Using Finder: 60 Days or More

	2016		2017		2018	
\$300-\$499	671	23%	1,341	13%	1,762	11%
\$500-\$999	812	16%	1,581	9%	2,504	11%
\$1,000-\$1,499	459	9%	776	5%	1,681	5%
\$1,500-\$2,499	141	4%	1,043	5%	1,289	4%
Total Loans All Sizes	2,083		4,741		7,236	

Table 35: Loans With At Least One Delinquency: Number and Percentage of Loans Made by Sizes, Without Using Finder: 60 Days or More

	2016		2017		2018	
\$300-\$499	1,065	6%	1,025	7%	750	4%
\$500-\$999	2,181	4%	2,661	4%	4,262	5%
\$1,000-\$1,499	2,304	4%	1,688	4%	1,435	4%
\$1,500-\$2,499	3,210	6%	1,812	4%	1,590	4%
Total Loans All Sizes	8,760		7,186		8,037	

Table 36: Loans with at Least One Delinquency of 7 Days or More, Using Finder

	2016	2017	2018
Total Number of Loans Delinquent 7 Days or More	4,558	13,067	20,058
Total Number Not Subsequently Brought Current	2,426	8,014	11,219
Percentage Not Subsequently Brought Current	53%	61%	56%
Average Number of Times Such Borrowers Delinquent 7 Days or More	1.7	1.6	1.6

Table 37: Loans with at Least One Delinquency of 7 Days or More, Without Using Finder

	2016	2017	2018
Total Number of Loans Delinquent 7 Days or More	57,908	54,265	64,011
Total Number Not Subsequently Brought Current	18,206	17,436	21,475
Percentage Not Subsequently Brought Current	31%	32%	34%
Average Number of Times Such Borrowers Delinquent 7 Days or More	2	2	2.2

Table 38: Delinquency Comparison: Number and Percentage of Pilot Program Loans and Other CFL Loans: Year 2016

	Pilot Program Loans				CFL Loans	
	Using Finder		W/o Using Finder			
1 Payment Past Due	1,879	11%	34,836	19%	12,815	5%
2 Payments Past Due	596	3%	14,312	8%	7,480	3%
3 or More Payments Past Due	2,083	12%	8,760	5%	17,347	7%

Table 39: Delinquency Comparison: Number and Percentage of Pilot Program Loans and Other CFL Loans: Year 2017

	Pilot Program Loans				CFL Loans	
	Using Finder		W/o Using Finder			
1 Payment Past Due	6,342	10%	33,578	20%	15,223	5%
2 Payments Past Due	1,984	3%	13,501	8%	7,646	2%
3 or More Payments Past Due	4,741	7%	7,186	4%	19,394	6%

Table 40: Delinquency Comparison: Number and Percentage of Pilot Program Loans and Other CFL Loans: Year 2018

	Pilot Program Loans				CFL Loans	
	Using Finder		W/o Using Finder			
1 Payment Past Due	9,509	9%	39,178	20%	20,119	5%
2 Payments Past Due	3,313	3%	16,796	9%	9,204	3%
3 or More Payments Past Due	7,236	7%	8,037	4%	24,728	7%

Percentage of delinquency for Pilot Program Loans was computed based on number of delinquent loans over total number of loans made during the year, whereas the percentage of delinquency for CFL loans was computed based on number of delinquent loans over total number of loans outstanding during the year.

Table 41: Language in Which Loan Negotiated: Using Finder

	2016	2017	2018
English	2,969	5,587	8,690
Spanish	14,201	59,652	98,652
Chinese	0	0	0
Tagalog	0	0	0
Vietnamese	0	0	0
Korean	0	0	0
Other	0	0	0

Table 42: Language in Which Loan Negotiated: Without Using Finder

	2016	2017	2018
English	41,419	43,801	67,148
Spanish	142,905	121,815	125,052
Chinese	0	0	0
Tagalog	0	0	0
Vietnamese	0	0	0
Korean	0	0	0
Other	0	0	0

When loan was negotiated in a language other than English, documents were provided in that language.

Table 43: Refinance Loans Using Finder

	2016	2017	2018
Number of Borrowers Who Applied for Refinance Loan	0	0	0
Percentage of Borrowers Who Applied for Refinance Loan	0%	0%	0%
Number of Borrowers Who Obtained One or More Refinance Loans	0	0	0
Percentage of Borrowers Who Obtained One or More Refinance Loans	0	0%	0%
Total Principal Amount of Refinance Loans Made	\$0	\$0	\$0

Table 44: Refinance Loans Without Using Finder

	2016	2017	2018
Number of Borrowers Who Applied for Refinance Loan	33,040	34,154	15,721
Percentage of Borrowers Who Applied for Refinance Loan	12%	7%	9%
Number of Borrowers Who Obtained One or More Refinance Loans	6,838	6,885	7,242
Percentage of Borrowers Who Obtained One or More Refinance Loans	3%	1%	4%
Total Principal Amount of Refinance Loans Made	\$12,189,760	\$12,551,480	\$12,253,440

Table 45: Detail Of Refinance Loans Made Using Finder

	2016	2017	2018
Number of Borrowers Who Refinanced Once	0	0	0
Percentage of Borrowers Who Refinanced Once	0%	0%	0%
Number of Borrowers Who Refinanced Twice	0	0	0
Percentage of Borrowers Who Refinanced Twice	0%	0%	0%
Number of Borrowers Who Refinanced More Than Twice	0	0	0
Percentage of Borrowers Who Refinanced More Than Twice	0%	0%	0%

Table 46: Detail Of Refinance Loans Made Without Using Finder

	2016	2017	2018
Number of Borrowers Who Refinanced Once	6,810	6,834	7,196
Percentage of Borrowers Who Refinanced Once	3%	1%	4%
Number of Borrowers Who Refinanced Twice	28	51	62
Percentage of Borrowers Who Refinanced Twice	0.01%	0.01%	0.04%
Number of Borrowers Who Refinanced More Than Twice	0	0	0
Percentage of Borrowers Who Refinanced More Than Twice	0%	0%	0%

Table 47: Refinance Loans Using Finder: Pre-Refinance Principal Pay Down, Late Payments, Additional Principal Extended

	2016	2017	2018
Average Percentage of Principal Paid Down Before Obtaining Refinance Loan	0%	0%	0%
Average Number of Late Payments Made on Loan Refinanced	0%	0	0
Average Amount of Additional Principal Extended on Refinance Loans	\$0	\$0	\$0

Table 48: Refinance Loans Without Using Finder: Pre-Refinance Principal Pay Down, Late Payments, Additional Principal Extended

	2016	2017	2018
Average Percentage of Principal Paid Down Before Obtaining Refinance Loan	68%	69%	59%
Average Number of Late Payments Made on Loan Refinanced	0.4	5.5	2.4
Average Amount of Additional Principal Extended on Refinance Loans	\$1,268	\$1,371	\$869

Table 49: Total Number of Finders by Finder Type

	2016	2017	2018
Money Transmitters	8	10	28
Payday Lenders and/or Finance Lenders	7	9	10
Check Cashiers	4	5	11
Others*	6	9	60

*Others include Tax Preparer, Insurance Agents, Variety Stores, and Other Service Providers.

II. THE NUMBER AND TYPES OF VIOLATIONS FOUND DURING EXAMINATIONS

The information provided in this section was obtained from regulatory examinations conducted by the DBO pursuant to Financial Code section 22380, subsection(d) and its predecessor statute. The DBO conducted examinations of finance lenders who participated in the Pilot Program from January 1, 2016 through December 31, 2018.

The purpose of regulatory examinations is to obtain information about whether lenders and finders who participate in the Pilot Program have complied with the pilot programs' rules. Over the three-year period, the DBO conducted 14 regulatory examinations of 12 lenders who participated in the Pilot Program. In 2016 and 2017, each year respectively had three lenders that were subject to regulatory examination, totaling six regulatory examinations. In 2018, eight lenders were subject to regulatory examination. Two of the 12 lenders were examined twice from 2016 through 2018. As illustrated below, very few pilot program violations were found during the examination process.

Table 50: Number and Types of Violations

Violation Description	Code Section	2016	2017	2018
Investigation of persons responsible	22105	1	0	1
Other business activity not approved	22154	1	0	0
Use of unauthorized fictitious business name	22155	1	0	0
ACH and disallowed fees charged on loans with a bona fide principal amount of less than five thousand (\$5,000)	22200, 22201, 22202, 22303, 22304, 22307	2	0	0
Loans charged interest over the maximum allowed	22308, 22352(b), 22370(b)	1	1	1
Borrowers charged delinquency fees exceeding the maximum allowed	22352(e) & 22370(d)	1	0	0
Loans made to borrower's whose Debt-to-Income (DTI) ratio exceeded fifty percent (50%)	22352(g)(3)(A) & 22370(f)(4)(A)	1	0	0
Administrative fee overcharge for refinanced loans	22370(c)(3) & 22370(c)(4)	0	0	1
Borrowers not asked about outstanding payday loans	22370(f)(4)(B)	0	1	0
Disbursement receipt did not contain required disclosures	22372(b)(1)(B)	0	1	0
Borrower not provided with written copy of the disclosure notice	22373(d)	0	1	0

No finders were disqualified or barred from performing services. No written agreements between a finder and licensee were terminated, and no administrative penalties were imposed.

III. COMPLAINT INFORMATION

There were eight complaints received by the DBO about Pilot Program lenders from January 1, 2016 through December 31, 2018.

Table 51: Total Number of Complaints

	2016	2017	2018	Totals
Number of Complaints	3	2	3	8

The table below presents the issues covered in the complaints. A single complaint can cover multiple issues.

Table 52: Number of Complaints by Complaint Reason

	2016	2017	2018	Totals
Administrative dispute	0	0	0	0
Mishandled transaction	2	0	0	2
Poor Customer Service	0	0	0	0
Payment dispute	1	2	3	6
Unauthorized withdrawals	0	0	0	0

IV. RECOMMENDATIONS FOR IMPROVING PILOT PROGRAM

The current version of the Small Dollar Pilot Program became operational January 1, 2019. The DBO recommends policymakers give the program more time to work before making changes. Recommendations for improvements, at this time, would be premature.

The changes brought by previous Pilot Program versions doubled the number of lenders participating in the program and near than double the number of borrowers applying for loans. However, the revisions did not significantly impact the volume of lending activity. The number of Pilot Program loans made is approximately 50 percent of the applications taken. The DBO will consult with licensees, consumer advocates and policymakers to explore ways to increase participation in the Pilot Program by both lenders and borrowers.



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