



Payday Lending CONSUMER ADVISORY

CALIFORNIA PAYDAY LOANS: WHAT CONSUMERS NEED TO KNOW

Lenders must be licensed by the California Department of Business Oversight (DBO) to lawfully conduct business in the state. To find out if a lender is licensed, search by name here.

When consumers do business with unlicensed lenders, whether operating online or in storefronts, they're less likely to benefit from the protections provided borrowers by state law. Those protections include limits on the dollar amount of payday loans and the fees consumers can be charged, as well as requirements that lenders provide borrowers important information about loans.

HOW PAYDAY LOANS WORK

In a payday loan - formally called a deferred deposit transaction - the consumer provides the lender (called an originator under state law) a personal check for the amount of money desired. The lender provides the consumer the money, minus an agreed-upon fee. The lender then defers depositing the consumer's check for a specific, short period of time.

- **Maximum Amount:** The consumer's personal check for a payday loan cannot exceed \$300.
- **Maximum Fee:** The most lenders can charge to provide a payday loan is 15% of the amount of the consumer's personal check. Multiply the amount of your personal check by .15, and the result will tell you the maximum fee for your loan. For example, if you give the lender a \$300 check, and they charge you the maximum 15 percent, the fee for your loan will be \$45. That means you actually will be able to borrow only \$255 with a \$300 check (\$300 minus \$45 fee).
- **Annual Percentage Rate Equivalent of Fees:** Lenders must tell consumers what the loan fees equal in terms of Annual Percentage Rate. For a typical California payday loan, the annual percentage rate works out to more than 400 percent.
- **Maximum Length of Loan:** A payday loan cannot exceed 31 days.
- **Repayment Extensions:** Lenders can give borrowers an extension of time to repay loans, and *cannot* charge any additional fees for the extension.
- **Fees on Returned Checks:** Lenders can charge a maximum \$15 when a consumer's check is not honored and is returned by the bank.

What Lenders Must Tell Consumers

- The full fee amount, both in dollars and annual percentage rate.
- The consumer's payment obligations.
- The charge for returned checks.
- That lenders cannot accept collateral and cannot require consumers to buy another product in order to obtain a payday loan.
- That the consumer cannot be prosecuted or threatened with prosecution in order to collect payment on the loan.

What Lenders Cannot Do

- Accept collateral on a loan.
- Require borrowers to purchase another product, such as insurance, as a condition of providing a loan.
- Take blank checks.
- Provide a loan to a borrower who already has an outstanding payday loan.
- Commit any unlawful, unfair or deceptive act, or make any misleading statements.

CALIFORNIA PAYDAY LOANS: HOW TO FILE A COMPLAINT

To file a complaint against a payday lender, call the DBO at 1-866-275-2677, or complete our online complaint form (recommended), visit the DBO website complaint page here:

http://www.dbo.ca.gov/Consumers/consumer_services.asp

Online complaint forms are here:

<https://docqnet.dbo.ca.gov/complaint/>.

CHECK BEFORE YOU BORROW !

California Department of Business Oversight
www.dbo.ca.gov • 1-866-275-2677

Always check with the DBO on a lender's license status
BEFORE you apply for a loan.