

# **SURVEY OF ONLINE CONSUMER AND SMALL BUSINESS FINANCING COMPANIES – 01/01/2010 through 06/30/2015**

## **SUMMARY REPORT OF AGGREGATE TRANSACTION DATA**

### **CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT (DBO)**

#### **BACKGROUND**

The DBO on Dec. 11, 2015 launched an inquiry into the so-called online, or alternative, lending sector. The inquiry's objective is to determine whether market participants are fully complying with state lending and securities laws. It also aims to assess how the state's regulatory regime is working, and should work, with respect to the industry.

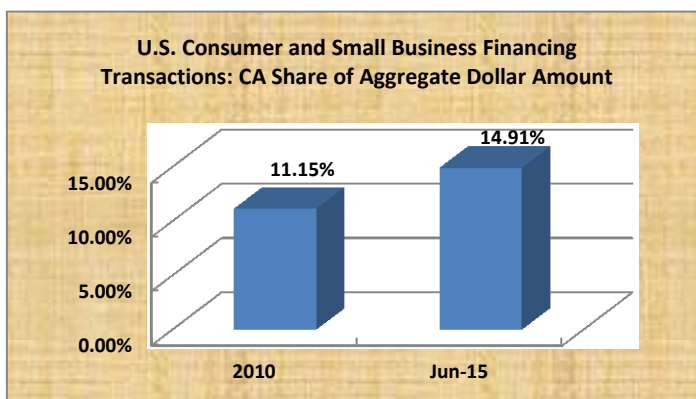
As part of the inquiry, the DBO sent a data and information survey to 14 firms. The firms that responded include: Affirm, Avant, Bond Street, CAN Capital, Fundbox, Funding Circle, Kabbage, LendingClub, OnDeck, PayPal, Prosper, SoFi and Square. The only company that did not respond was CircleBack.

As requested by the DBO, the 13 firms also submitted information about their business models and platforms. The DBO will analyze that information and may send companies follow-up requests for documents and information.

To obtain a complete picture of the firms' consumer and small business financing activities, the DBO requested data not just for term loans, but also lines of credit, merchant cash advances, factoring transactions and other products.

The data showed the 13 firms grew their businesses at a much faster pace in California than the U.S. as a whole. That quicker growth produced an expanded market share for the state.

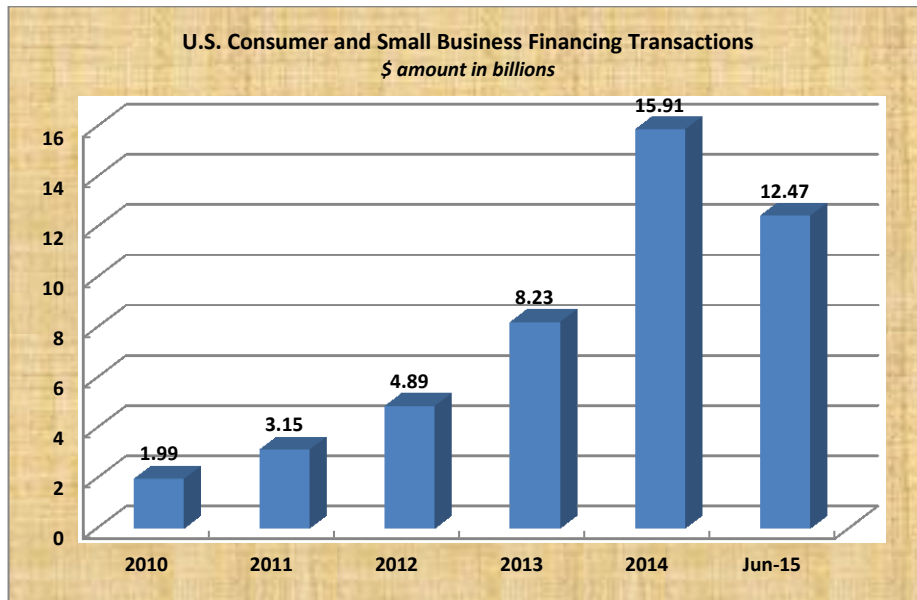
From 2010 through the first half of 2015, California's share of the total dollar amount of financing provided by the 13 firms increased by 33.72 percent (from 11.15 percent to 14.91 percent). The state's increased market share was due in large part to growth on the consumer financing side.



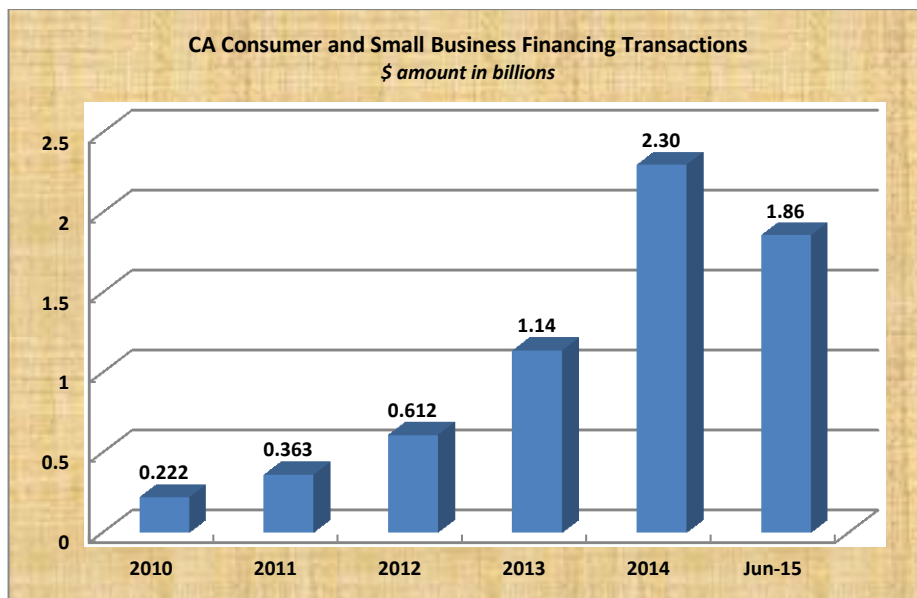
The following pages highlight, in aggregate form, the data on transactions provided by the 13 companies.

## OVERALL TRANSACTIONS: DOLLAR AMOUNTS

The data confirmed the fast-paced growth of the online financing industry. From 2010-2014, the companies' total dollar amount of consumer and small business transactions in the U.S. climbed from \$1.99 billion to \$15.91 billion. That's an increase of 699.5 percent. And through the first half of 2015, the firms were on pace to far outstrip their 2014 performance, having already amassed \$12.47 billion of transactions.

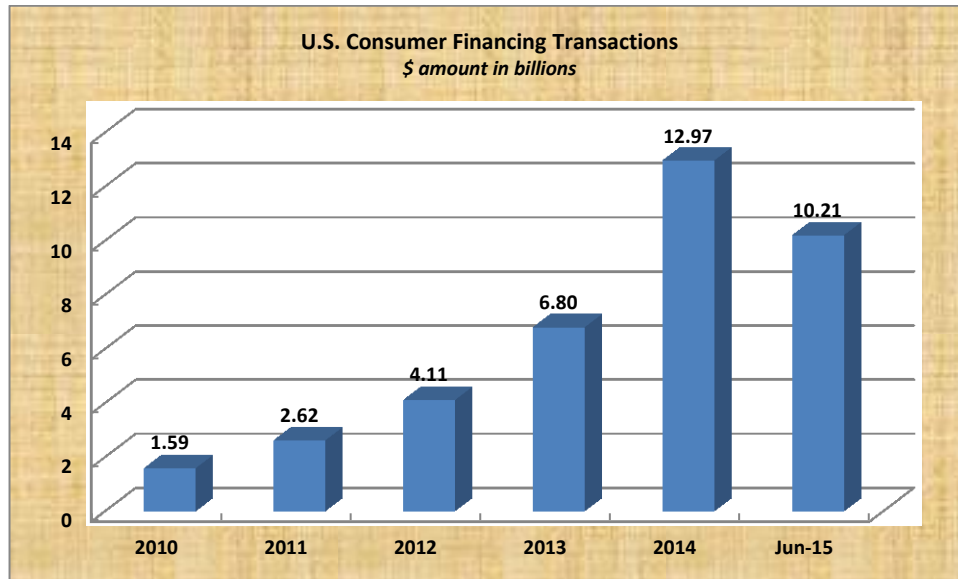


California saw even faster growth. The firms' total dollar amount of transactions in the state from 2010-2014 increased at a 936.0 percent clip, from \$222.19 million to \$2.30 billion. Through the first half of 2015, California's total dollar amount had already reached \$1.86 billion, signaling the companies would surpass their 2014 total.

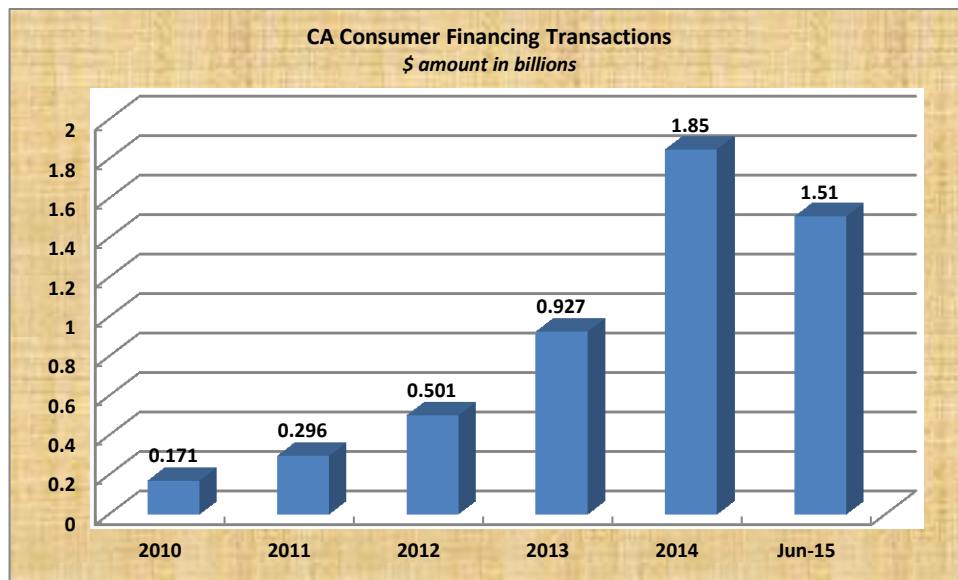


## CONSUMER FINANCING TRANSACTIONS

Nationally, from 2010-2014, the dollar amount of the firms' consumer financing transactions grew by 715.7 percent, to \$12.97 billion. Through the first half of 2015, the transactions already totaled \$10.21 billion.

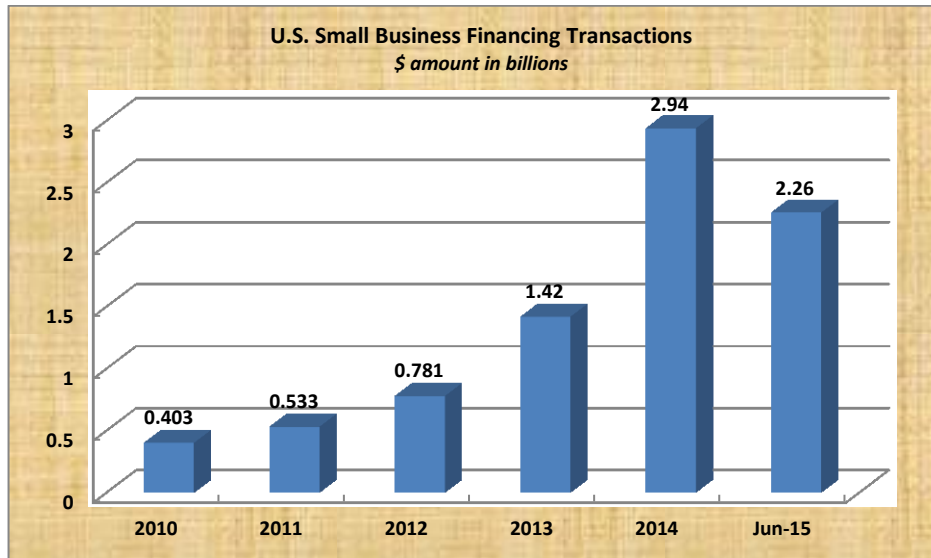


In California, the transaction dollar amount from 2010-2014 grew by 981.9 percent, to \$1.85 billion. Through the first half of 2015, the total had reached \$1.51 billion.

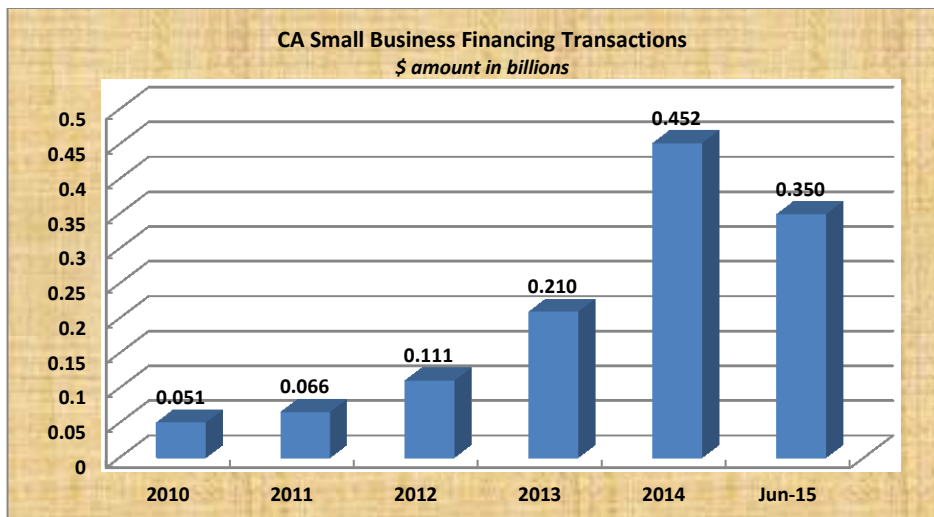


## SMALL BUSINESS FINANCING TRANSACTIONS

Nationally, from 2010-2014, the dollar amount of the companies' small business financing transactions increased by 629.5 percent, to \$2.94 billion. Through the first half of 2015, transactions totaled \$2.26 billion.



In California, the aggregate dollar amount increased by 786.3 percent, to \$452.2 million in 2014. The total through the first half of 2015 was \$350.7 million.

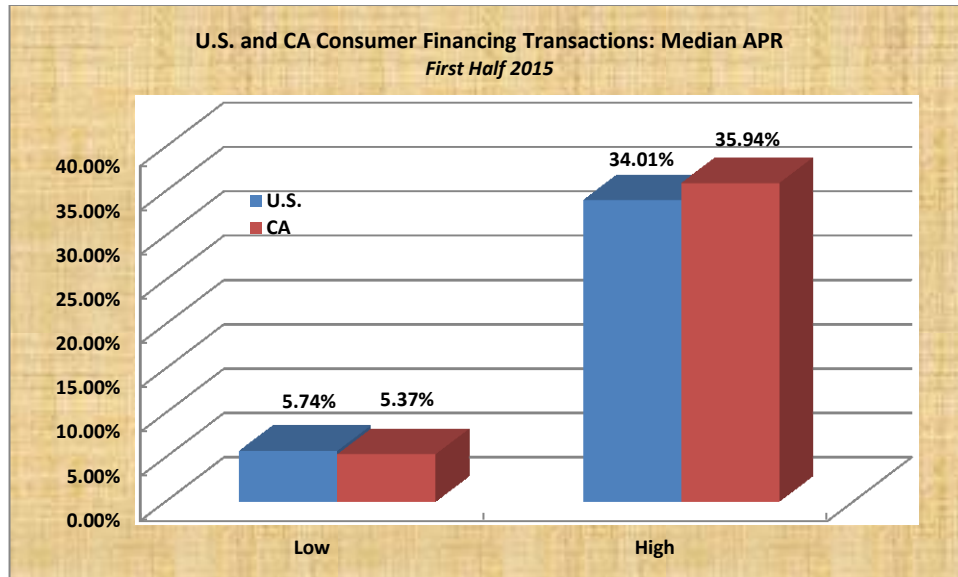


The number of U.S. small business financing transactions grew from 12,868 in 2010 to 240,277 in 2014, an increase of 1,767 percent. Through the first half of 2015, the number totaled 189,194. In California, from 2010-2014, the number of transactions increased by 1,784 percent, from 1,527 to 28,773. The total through the first half of 2015 was 24,069.

## **CONSUMER FINANCING TRANSACTIONS: ANNUAL PERCENTAGE RATES (APR)**

The firms' median consumer financing APRs in the first half of 2015 ranged from 5.74 percent to 34.01 percent in the U.S. In California, the range during the same period was 5.37 percent to 35.94 percent.

Over the entire period 2010 through the first half of 2015, median APRs generally declined, both in the U.S. and California.



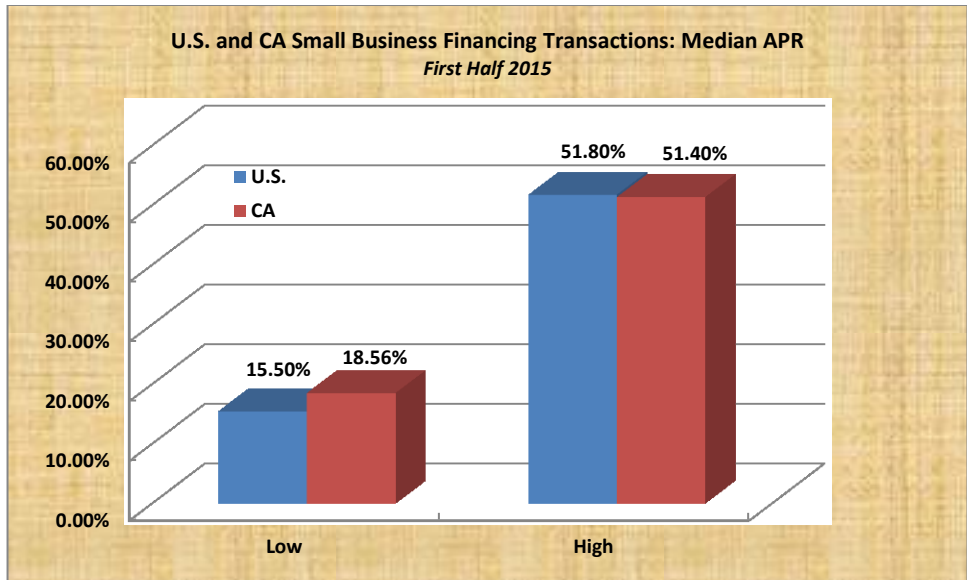
For the most part, the median APR for the U.S. and California did not vary substantially. One exception was 2014. In that year, the average of all reported median APRs was 5.39 percentage points higher in California than the U.S.

With respect to APR distribution, all consumer financings fell in the 40 percent-and-under range prior to 2013. In 2013 and 2014, however, loans were reported in higher ranges, including some at 81 percent or higher.

## **SMALL BUSINESS FINANCING TRANSACTIONS: APRs**

In the first half of 2015, the companies' U.S. median APR for small business transactions ranged from 15.50 percent to 51.80 percent. The California numbers were similar, with the median ranging from 18.56 percent to 51.40 percent.

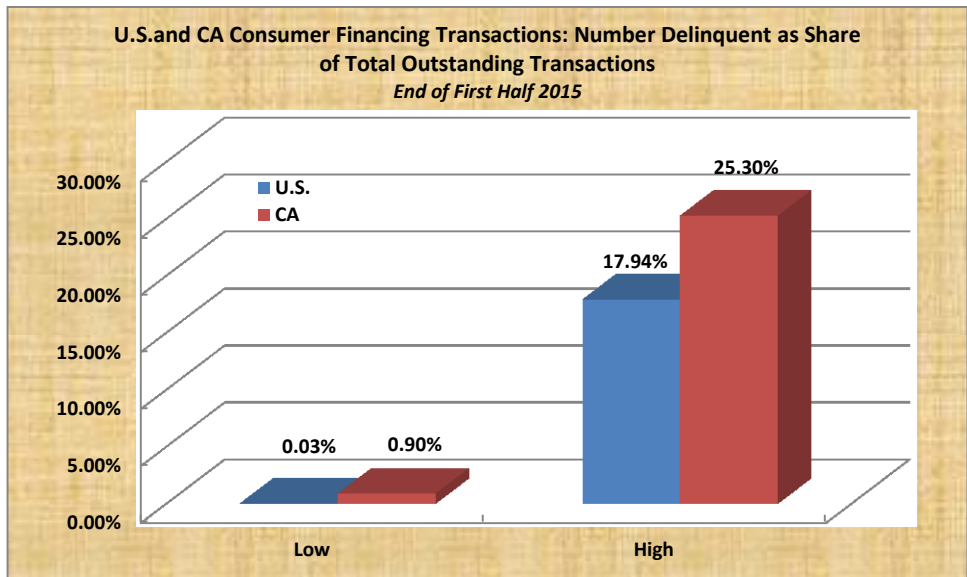
The high median (covering both the U.S. and California) declined over the period, from 74.0 percent in 2010 to 51.80 percent in the first half of 2015.



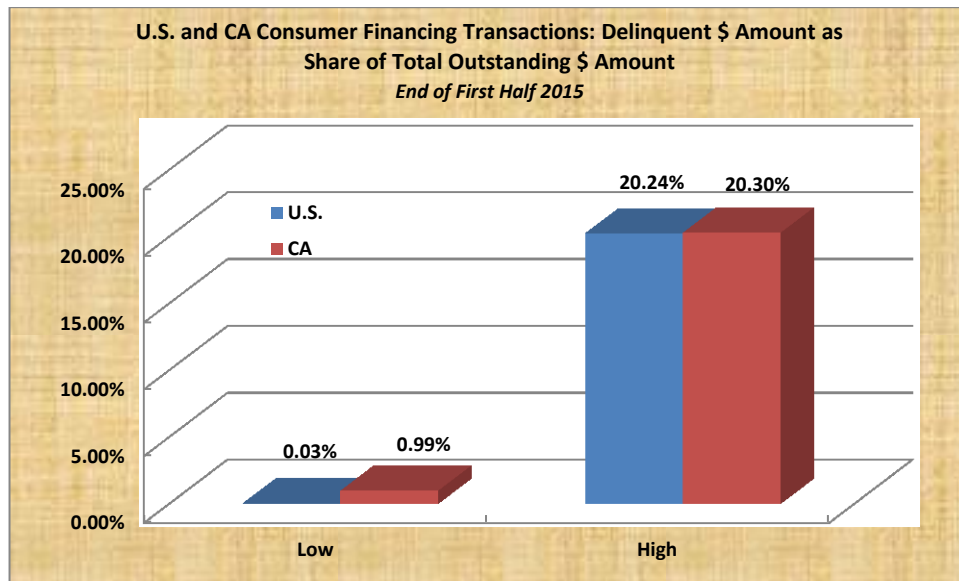
With respect to APR distribution, the companies provided the most comprehensive data in 2014 and 2015. In those two years (through first half of 2015), the group as a whole reported the majority of their transactions carried APRs of 11 percent to 30 percent in the U.S. and California. Some firms, however, reported the majority of their loans carried higher APRs in both jurisdictions, ranging from 41 percent to 101 percent or higher.

**CONSUMER FINANCING TRANSACTIONS: DELINQUENCY RATES** (delinquent defined as 30 or more days past due)

At the end of the first half of 2015, the firms' number of delinquent consumer financing transactions in the U.S. as a share of total outstanding transactions ranged from 0.03 percent to 17.94 percent. In California, the range was 0.90 percent to 25.30 percent.

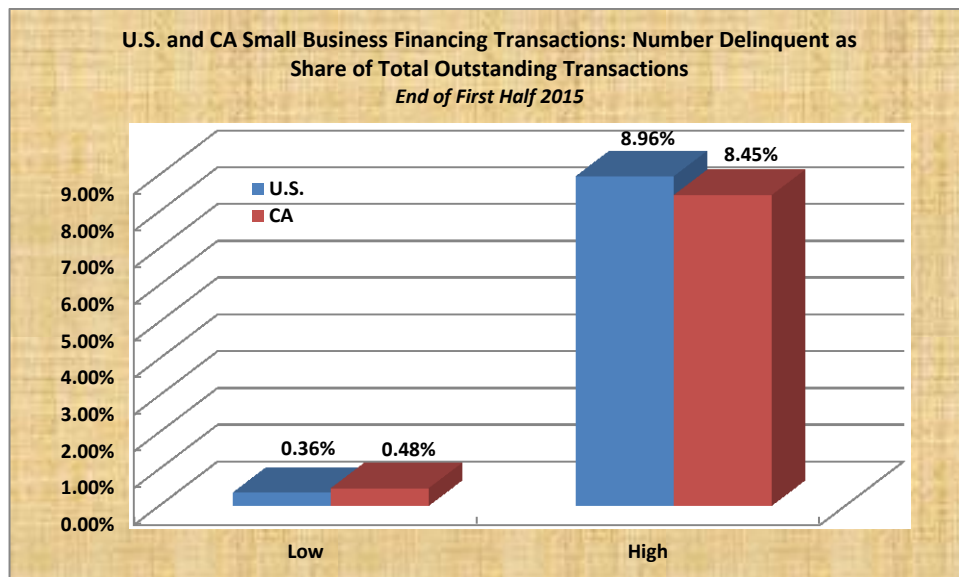


As a share of the total outstanding dollar amount at the end of the first half of 2015, the delinquent dollar amount ranged from 0.03 percent to 20.24 percent in the U.S. In California, the ratio ranged from 0.99 percent to 20.30 percent.



**SMALL BUSINESS FINANCING TRANSACTIONS: DELINQUENCY RATES**  
(delinquent defined as 30 or more days past due)

As a share of total outstanding transactions at the end of the first half of 2015, the firms' number of delinquent small business financings in the U.S. ranged from 0.36 percent to 8.96 percent. In California, the range was 0.48 percent to 8.45 percent. Though not prevalent throughout the group, much higher numbers were seen in prior years, particularly in California. There, double-digit delinquency rates up to 25 percent were reported.



The dollar amount of delinquent financings at the end of the first half of 2015, as a share of the total outstanding dollar amount, ranged from 0.89 percent to 7.31 percent in the U.S. and 0.55 percent to 6.79 percent in California. Again, higher rates were seen in prior years – up to 17.01 percent in the U.S. and 21.76 percent in California.

