STATE OF CALIFORNIA - BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY EDMUND G. BROWN JR., Governor

DEPARTMENT OF BUSINESS OVERSIGHT
Ensuring a Fair and Secure Financial Services Marketplace for all Californians

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Installment Consumer Lending by California Non-Banks Declined 9.9% in 2017

Data on Triple-Digit APR Loans Mixed Compared to 2016

SACRAMENTO – The combined dollar amount of installment consumer loans by non-banks in California fell 9.9% in 2017, according to a **report** released today by the Department of Business Oversight (DBO) that also had mixed data on loans with annualized rates of 100 percent or higher.

"Triple-digit APR lending dropped for loans of some sizes, but continued to show a disconcerting dominance in the $2,500 to $4,999 range, the largest category of lending by volume," said DBO Commissioner Jan Lynn Owen. "I hope the data in this report help inform the public policy debate over how to increase California consumers' access to lower-cost capital."

In 2017, the combined dollar amount of installment loans made by lenders regulated by the DBO under the California Financing Law (CFL) totaled $37.2 billion, down 9.9 percent from $41.3 billion in 2016. The number of loans increased by less than 1 percent over the same period, to 1,484,257 from 1,473,378.

The CFL caps interest rates for consumer loans under $2,500, but does not impose any interest-rate limits on consumer loans of $2,500 or more. Highlights from the report:

- In 2017, the largest category of consumer loans by numeric volume was the $2,500 to $4,999 range. Of those loans, 58.8 percent – 321,423 of 547,002 – carried annual percentage rates (APR) of 100 percent or higher. The principal amount of triple-digit APR loans totaled $922 million, which represented 54.3 percent of the aggregate principal amount in this dollar range. Both the number and dollar amounts of triple-digit APR loans in the category increased roughly 5 percent from 2016.

- In the $5,000 to $9,999 range, both the number and dollar amount of triple-digit APR consumer loans in 2017 declined significantly from 2016. The number dropped 23.9 percent, to 30,784. The total principal amount decreased 23.7 percent, to $170.6 million.

- The number of auto title-secured loans in 2017 increased 4.5 percent from 2016, to 112,983 from 108,080. The combined principal amount, however, fell 3.15 percent, to $419.5 million from $433.2 million.

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- For auto title-secured loans in the $2,500 to $4,999 range, loans with triple digit APRs accounted for 61.6 percent of the total number and 59.2 percent of the aggregate principal amount.

- 20,280 repossessions were conducted in connection with auto title loans in 2017, a 1.8 percent decrease from the 20,648 reported in 2016.

- In the category of unsecured consumer loans of $2,500 or higher, online lending accounted for 58.7 percent of the number and 50.4 percent of the aggregate principal amount.

The DBO today also released a report on the Pilot Program for Responsible Small Dollar Loans (RSDL), created in 2013 to help increase consumer access to loans under $2,500. Following are highlights from the **report**, which covered the three-year period from 2015-2017:

- Sixteen lenders participated in the program in 2017, double the amount in 2015. Lenders in 2017 partnered with 33 finders (who connect borrowers with lenders). That nearly tripled the 2015 finder total of 12. The number of locations where finders operated grew from 60 in 2015 to 410 in 2017.

- The number of loans increased 18.2 percent over the period, to 230,855 in 2017. The annual total principal of loans rose 15 percent, from $225 million in 2015 to $258.9 million in 2017.

- For loans in the $500 to $999 range, 93.6 percent had APRs of 50 percent or higher when finders were used, compared to 64.4 percent when finders were not used. In contrast, in the $1,000 to $1,499 range, 28.5 percent of loans had APRs of 50 percent-plus when finders were not used, compared to 11.1 percent when finders were used.

- For borrowers who took out more than one loan, 65 percent saw their credit score increase when finders were not used, compared to 46 percent when finders were used. With respect to borrower income, 63.5 percent of loans made without using finders went to borrowers in low- and moderate-income census tracts, compared to 15.9 percent for loans made using finders.

Both reports are based on unaudited data provided by licensed lenders.

The DBO licenses and regulates more than 360,000 individuals and entities that provide financial services in California. DBO's regulatory jurisdiction extends over state-chartered banks and credit unions, money transmitters, securities broker-dealers, investment advisers, non-bank installment lenders and payday lenders, mortgage lenders and servicers, escrow companies, franchisors and more.

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