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DBO Moves to Void Loans and Revoke Licenses of Auto Title Lender Fast Money Loan

SACRAMENTO **–** The California Department of Business Oversight (DBO) today filed an action to void loans and revoke the licenses of Fast Money Loan, a prominent Southern California auto title lender, for numerous and repeated violations of the state's lending laws.

The Long Beach-based lender routinely charged customers more interest and fees than permitted by law, failed to consider borrowers' ability to repay as required, openly used its illegal lack of underwriting as a marketing tool, engaged in false and misleading advertising, operated out of unlicensed locations, and failed to maintain required records that would document its illegal activity, the DBO's accusation alleges.

In addition to the formal accusation, the DBO also has commenced an investigation to determine whether the more than 100 percent interest rates that Fast Money charges on most of its auto title loans may be unconscionable under the law. On August 13, 2018, the California Supreme Court issued an opinion in *De La Torre v. CashCall, Inc.* affirming the power of the DBO "to take action when the interest rates charged [by state-licensed lenders] prove unreasonably and unexpectedly harsh."

The DBO found in two separate examinations that RLT Management, Inc., which does business as Fast Money Loan at a purported 31 locations statewide, leveraged fees that borrowers owed to the Department of Motor Vehicles to push those borrowers' loan amounts above $2,500, the threshold at which state interest rate limits no longer apply, the DBO alleges.

State law caps interest rates at about 30 percent on auto title loans of less than $2,500. Fast Money added fees, paid to the DMV, to loans' principal amounts to push those loans above $2,500 and beyond the rate caps. From 2012 through 2017, Fast Money reported to the DBO that it charged more than 100 percent interest on about three-fourths of its auto title loans.

During that same period, Fast Money made about 1 percent of all auto title loans under the California Financing Law (CFL) but carried out 5 percent of the auto title loan repossessions in the state. In each year from 2014 through 2017, Fast Money conducted auto title loan repossessions four to five times more often – almost two vehicles a day – than the average CFL auto title lender.

Among the illegal fees DBO examiners discovered was a duplicate-key fee that Fast Money collected to make sure it always had a key to make repossessions easier. Fast Money made a profit on each key fee, which the lender failed to report and collected in advance, both violations of state law, the DBO alleges.

State law requires CFL lenders to evaluate whether borrowers have the ability to repay auto title loans under terms of the contracts. Instead, Fast Money Loan appealed to consumers with advertising touting that the lender did not review or care about credit histories. The lender also had agreements under which other lenders referred to Fast Money borrowers those lenders deemed "too risky," the DBO alleges.

"No matter what your credit is like, we're happy to provide you with a loan based on the value of your vehicle," a Fast Money advertisement states. "In fact, we don't even check your credit."

In 2013, the DBO warned Fast Money that it was making loans from unlicensed locations in violation of state law. Nonetheless, the lender's website currently claims Fast Money has 31 locations "throughout … California," although it is licensed for just 12 locations.

In addition to revoking Fast Money's CFL licenses, the DBO seeks to void all loan contracts on which the lender received interest rates and fees prohibited by state law, and to require the company to forfeit any interest and fees owing on loans that violated state law.

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

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