



STATE OF CALIFORNIA

## Department of Business Oversight

GOVERNOR **Gavin Newsom** • COMMISSIONER **Manuel P. Alvarez**

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### **DBO Launches Investigation Into Possible Evasion of California's New Interest Rate Caps By Prominent Auto Title Lender, LoanMart**

SACRAMENTO – The California Department of Business Oversight (DBO) today launched a formal investigation into whether prominent auto title lender Wheels Financial Group, LLC, which does business as LoanMart, is evading California's newly-enacted interest rate caps through its recent partnership with an out-of-state bank.

In 2019, culminating a multiyear effort of Assemblywoman Monique Limón, D-Santa Barbara, the Legislature passed the landmark Fair Access to Credit Act (AB 539), which capped interest rates on most loans made by state-licensed lenders at about 36 percent. Those rate caps took effect on January 1, 2020.

"I applaud the Legislature's action to protect vulnerable consumers by cracking down on high-cost lending in California," DBO Commissioner Manuel P. Alvarez said. "The ball is now in the DBO's court to enforce the Fair Access to Credit Act. We will not sit idly if the same exorbitant-interest credit is being marketed, processed, and serviced by the same company as before, distributed through the same channels as before, and to the same target customers as before."

LoanMart has historically been one of the largest state-licensed auto title lenders operating in California. Up until January 1, 2020, most of LoanMart's auto title loans bore rates greater than 100 percent.

However, starting in 2020, rather than continuing to make loans with rates that comply with the Fair Access to Credit Act, LoanMart stopped making state-licensed auto title loans in California. Instead, using its existing lending operations and personnel, LoanMart commenced "marketing" and "servicing" auto title loans purportedly made by CCBank, a small Utah-chartered bank operating out of Provo, Utah. This new loan program is advertised under the brand "ChoiceCa\$h, Serviced by LoanMart" and had been marketed directly from the LoanMart website at [www.loanmart.com](http://www.loanmart.com), until recently when marketing was switched to [www.choicecash.com](http://www.choicecash.com).

CCBank, as an out-of-state bank, is not regulated or supervised by the DBO. And, unlike state-licensed lenders, loans legitimately made by banks are not subject to state interest rate limits like those enacted in the Fair Access to Credit Act. As a result, auto title loans now "marketed" and "serviced" by LoanMart in California continue to bear interest rates greater than 90 percent.

Following an informal inquiry, the DBO today issued a subpoena to LoanMart requesting financial information, emails, and other documents relating to the genesis and parameters of the arrangement between LoanMart and CCBank in California. The DBO is investigating whether LoanMart's role in the arrangement is so extensive as to require compliance with California's lending laws. In particular, the DBO seeks to learn whether LoanMart's arrangement with CCBank is a direct effort to evade the Fair Access to Credit Act, an effort which the DBO contends would violate state law.

Responses to the DBO's subpoena are due in October.

The DBO licenses and regulates financial services, including state-chartered banks and credit unions, money transmitters, securities broker-dealers, investment advisers, nonbank installment lenders, payday lenders, mortgage lenders and servicers, escrow companies, franchisors, PACE (Property Assessed Clean Energy) program administrators, and more.

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