



# REPORT OF ACTIVITY UNDER SMALL DOLLAR LOAN PILOT PROGRAMS

Affordable Credit Building Opportunities Pilot Program and  
Pilot Program for Responsible Small Dollar Loans

January 1, 2011 through December 31, 2014

June 2015

California Department of Business Oversight  
Jan Lynn Owen, Commissioner



STATE OF CALIFORNIA  
EDMUND G. BROWN JR., Governor

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# **REPORT OF ACTIVITY UNDER SMALL DOLLAR LOAN PILOT PROGRAMS**

## **Affordable Credit Building Opportunities Program Increased Access to Responsible Small Dollar Loans Program**

**January 1, 2011 through December 31, 2014**

### **INTRODUCTION**

The Legislature and Governor in 2010 enacted the Affordable Credit Building Opportunities Pilot Program (ACBO), placing it under the California Finance Lenders Law (CFL). The goal was to increase consumers' access to capital by encouraging development of a more robust small dollar loan market in California. The ACBO – established by SB 1146 (Florez) – took effect January 1, 2011. Its provisions applied to consumer loans of \$250 to \$2,499. To incentivize lenders' participation, the ACBO allowed them to charge borrowers marginally higher interest rates, and larger origination and delinquency fees, than those permitted for CFL consumer loans of that size made outside the program.

A stubbornly low lender participation rate led to ACBO's demise. It was replaced by the Pilot Program for Increased Access to Responsible Small Dollar Loans (RSDL), created in 2013 under SB 318 (Hill). The RSDL – Financial Code section 22365 et seq. – took effect January 1, 2014. It will remain in effect until January 1, 2018, unless extended by the Legislature and Governor.

The RSDL's purpose is the same as the ACBO's – to increase consumer access to small dollar loans. The minimum loan amount under the RSDL is \$300, as opposed to \$250 under the ACBO. The maximum is the same, at \$2,499. Like the ACBO, the RSDL allows lenders to charge marginally higher interest rates than otherwise permitted by the CFL. The RSDL also provides: underwriting standards; mandatory reporting of loans to credit report bureaus; a cap on the share of gross monthly income that can be consumed by the loan payment; a ban on credit insurance; a ban on requiring borrowers to waive their right to sue as a condition of obtaining a loan; among other provisions.

The RSDL also allows the use of "finders" to connect borrowers with lenders. Finders are not licensed by the State, and cannot provide advice or counseling to borrowers. They can distribute lenders' marketing materials, provide factual information about loan terms and conditions, help borrowers with loan applications and obtain borrowers' signatures on documents, among other functions. Their fees are capped at \$45 or \$40, depending on the number of loans they originate in a month. The fees are paid by lenders, cannot be based on the principal amount of loans and cannot be passed on to borrowers.

The RSDL's enabling statute requires the Commissioner of the Department of Business Oversight (DBO) to post a report on the DBO's Internet website by July 1, 2015, and again by January 1, 2017, summarizing utilization of the pilot program. The report must include utilization information from the ACBO.

The data provided in this report complies with the requirements of Financial Code section 22380. It summarizes unaudited data submitted by licensees in a format prescribed by the DBO.

## EXECUTIVE SUMMARY

### Lender Participation

The DBO from 2011-2014 received 13 applications from lenders to participate in the two pilot programs. Six were approved. Of the seven other applications, two were withdrawn by lenders, and five remained pending at the end of 2014. At the end of 2014, six lenders and six finders participated in the RSDL.

#### LENDER PARTICIPATION APPLICATIONS AND APPROVALS

	2011	2012	2013	2014	Total
Beginning number of applications	0	0	0	1	
Applications received	3	2	1	7	13
Applications approved	1	2	0	3	6
Applications rejected	0	0	0	0	0
Applications voluntarily withdrawn	2	0	0	0	2
Year-end applications pending	0	0	1	5	
CFL license surrendered					
Total participants at year-end	1	3	3	6	

Note: One licensee surrendered its CFL license in 2015

**Lending Activity Data Highlights** (Note: The data presented in the executive summary are for loans arranged without a finder. Finder data was not reported until 2014, and the activity was very limited.)

- **Loan applications** – Borrower applications increased by 58.5 percent over the period, from 207,092 in 2011 to 328,198 in 2014. The loan approval rate increased from 39 percent in 2011 to 50 percent in 2014.
- **Aggregate principal** – The annual total principal of loans made over the period increased by 83.8 percent, from \$97.9 million in 2011 to \$179.9 million in 2014.
- **Dollar amounts** – Loans made in the \$300-\$499 range fell by 42.3 percent over the period, from 1,518 in 2011 to 876 in 2014. Loans made in the highest range, from \$1,500 to \$2,499, increased by 106 percent, from 21,349 to 43,975.
- **Interest rates** – Of the 6,560 loans made in the \$300-\$499 range over the period, 73.9 percent carried an annual percentage rate (APR) of 40 percent to 49.99 percent. In the \$500-\$999 range, 43.4 percent carried APRs of 40 percent to 49.99 percent, and 25.2 percent had APRs of 35 percent to 39.99 percent.

In the \$1,500-\$2,499 range, the APR distribution was more even. In that category, 42.8 percent of the loans had APRs of 35 percent to 39.99 percent, while 19.6 percent had APRs of 30 percent to 34.99 percent, 18.2 percent had APRs of 40 percent to 49.99 percent, and 15.6 percent had APRs of 25 percent to 29.99 percent.

- **Delinquencies** – Of the 164,300 loans made in 2014, 22.5 percent were delinquent for seven days to 29 days, 7.3 percent were delinquent for 30 days to 59 days, and 3.9 percent were delinquent for 60 days or more.
- **Multiple loans** – The number of borrowers who took out more than one loan jumped dramatically from 2011 to 2012. Since then, however, the upward trajectory has been less steep. The number went from 2,189 in 2011 to 10,804 in 2012. From 2012 through 2014, the number rose by 21.6 percent, to 13,136. Of the multiple-loan borrowers in 2014, 12,999 took out two loans, 133 took out three loans and four took out four loans.
- **Credit scores** – The share of multiple-loan borrowers who obtained higher credit scores on subsequent loans averaged 61 percent annually over the four-year period. The average size of the increase for those borrowers increased dramatically, from 34 points in 2011 to 355 points in 2014.
- **Loan term** – In 2014, of the 164,300 loans made, 50.9 percent were for 360 days or more. The ratios for other terms: 120 days to 179 days, essentially 0 percent (only two loans); 180 days to 269 days, 20.2 percent; and 270 days to 359 days, 28.8 percent.
- **Borrower income** – Of the 486,287 loans made from 2011-2014, 18.4 percent were made in low-income neighborhoods. The ratios for other neighborhood income levels: moderate-income, 45.4 percent; middle-income, 21.1 percent; and upper-income, 4.4 percent. The annual low-income ratio increased from 16.6 percent in 2011 to 19.5 percent in 2014.
- **Loan purpose** – Of the 164,300 loans made in 2014, borrowers took out 45 percent (74,026) to build or repair credit. Ratios for other purposes: medical or other emergency, 18.4 percent; pay bills, 12.7 percent; consolidate debt, 5.7 percent; non-vehicle purchase, 5.3 percent; vehicle purchase, 2.7 percent; vehicle repair, 2.6 percent; other than personal or household purpose, 1.1 percent; other, 6.4 percent.

## DATA SUMMARY

This report summarizes utilization of the RSDL and ACBO for the period January 1, 2011 through December 31, 2014.

The information provided in this section was obtained from statutorily-required annual reports filed with the DBO by participating lenders. Pursuant to Government Code section 6254(d)(2), lender-specific information disclosed in the annual reports is exempt from mandatory disclosure under the California Public Records Act. The data provided in this report represent the aggregate totals for participating lenders.

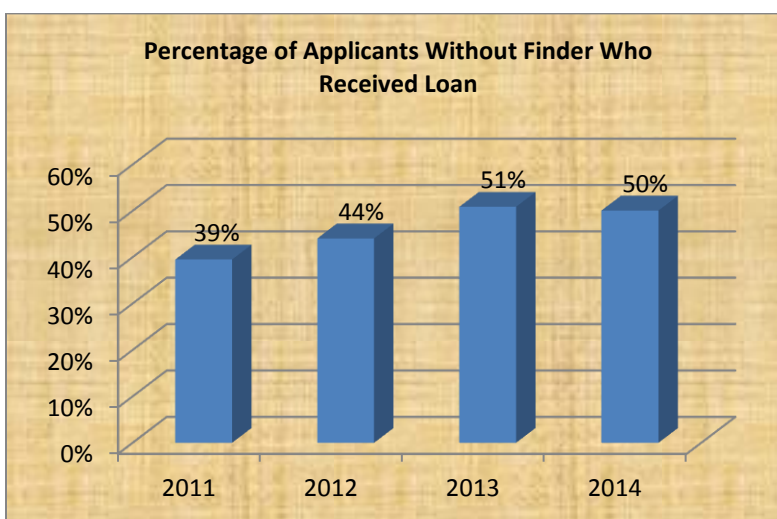
### Number of Applications Taken and Loans Made Using Finder

	2011	2012	2013	2014*
Number of Applications Taken	-	-	-	546
Number of Loans Made	-	-	-	44
% Of Loans Made	-	-	-	8%
Total Principal Amount Of Loans Made	-	-	-	\$25,535

\*Four finders reported for 2014. One finder disclosed as a check cashier. All others did not report type of business.

### Number of Applications Taken and Loans Made Without Using Finder

	2011	2012	2013	2014
Number of Applications Taken	207,092	261,944	245,401	328,198
Number of Loans Made	81,781	115,387	124,819	164,300
Loans Made as % of Applications	39%	44%	51%	50%
Total Principal Amount of Loans Made	\$97,913,595	\$134,738,885	\$138,981,718	\$179,942,616





**Number of Loans Made by Loan Size Using Finder**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
\$300-\$499	-	-	-	15
\$500-\$999	-	-	-	26
\$1,000-\$1,499	-	-	-	2
\$1,500-\$2,499	-	-	-	1
Total	-	-	-	44

**Number of Loans Made by Loan Size Without Using Finder**

	<b>2011*</b>	<b>2012*</b>	<b>2013*</b>	<b>2014</b>
**\$300-\$499	1,518	2,671	1,495	876
\$500-\$999	58,914	78,010	87,573	60,497
\$1,000-\$1,499				58,952
\$1,500-\$2,499	21,349	34,706	35,751	43,975
Total	81,781	115,387	124,819	164,300

\* 2011-2013 reported range of \$500-\$1,499, instead of breaking down between \$500-\$999 and \$1,000-\$1,499.

\*\*2011-2013 minimum principal amount was \$250 instead of \$300.

**Borrowers Who Obtained One Or More Loans Without Using Finder\***

	<b>2014</b>
Number of Borrowers Who Obtained 2 Loans	12,999
Number of Borrowers Who Obtained 3 Loans	133
Number of Borrowers Who Obtained 4 Loans	4
Total Number of Borrowers Who Obtained More Than One Loan	13,136

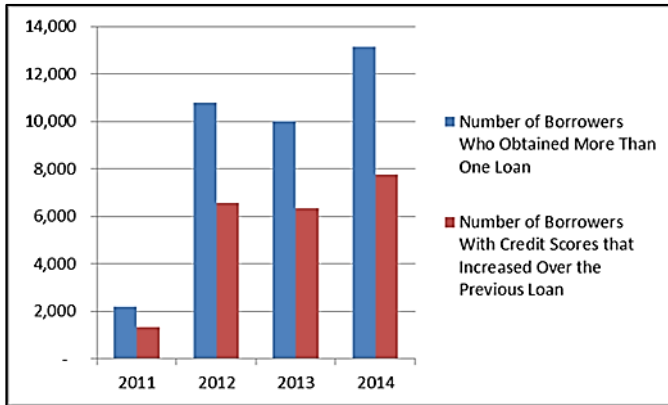
\*No borrower obtained more than one loan when using a finder.

**Credit Score Performance for Borrowers Who Obtained More Than One Loan Without Using Finder\***

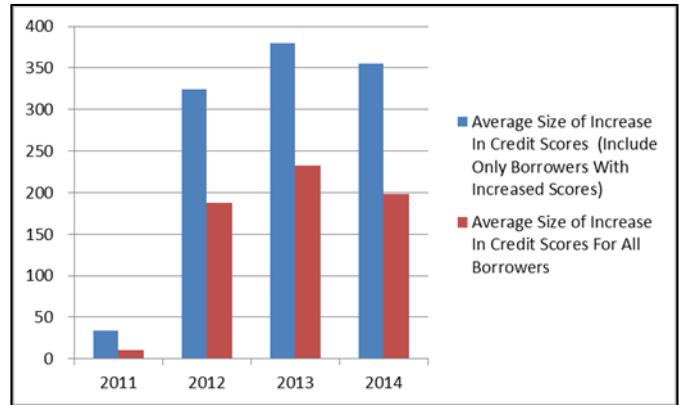
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Number of Borrowers Who Obtained More Than One Loan	2,189	10,804	9,994	13,136
Number of Borrowers with Credit Scores That Increased Over the Previous Loan	1,327	6,576	6,349	7,779
Percentage of Borrowers with Increased Credit Scores	61%	61%	63%	59%
Average Size of Increase (in points) in Credit Scores (includes only borrowers with increased scores)	34	324	380	355
Average Size of Increase in Credit Scores for All Borrowers	10	188	233	198

\*No borrower obtained more than one loan using a finder.

**Multi-Loan Borrowers and Credit Score Increases  
(in points)**



**Average Credit Score Increase for Multi-Loan Borrowers – All Borrowers vs. Only Borrowers with Increase (in points)**



**Number of Loans Made by Loan Term: 2014**

Loan Term	With Finder	Without Finder
90-119 Days	-	-
120-179 Days	6	2
180-269 Days	19	33,246
270-359 Days	17	47,398
≥360 Days	2	83,654
Total	44	164,300

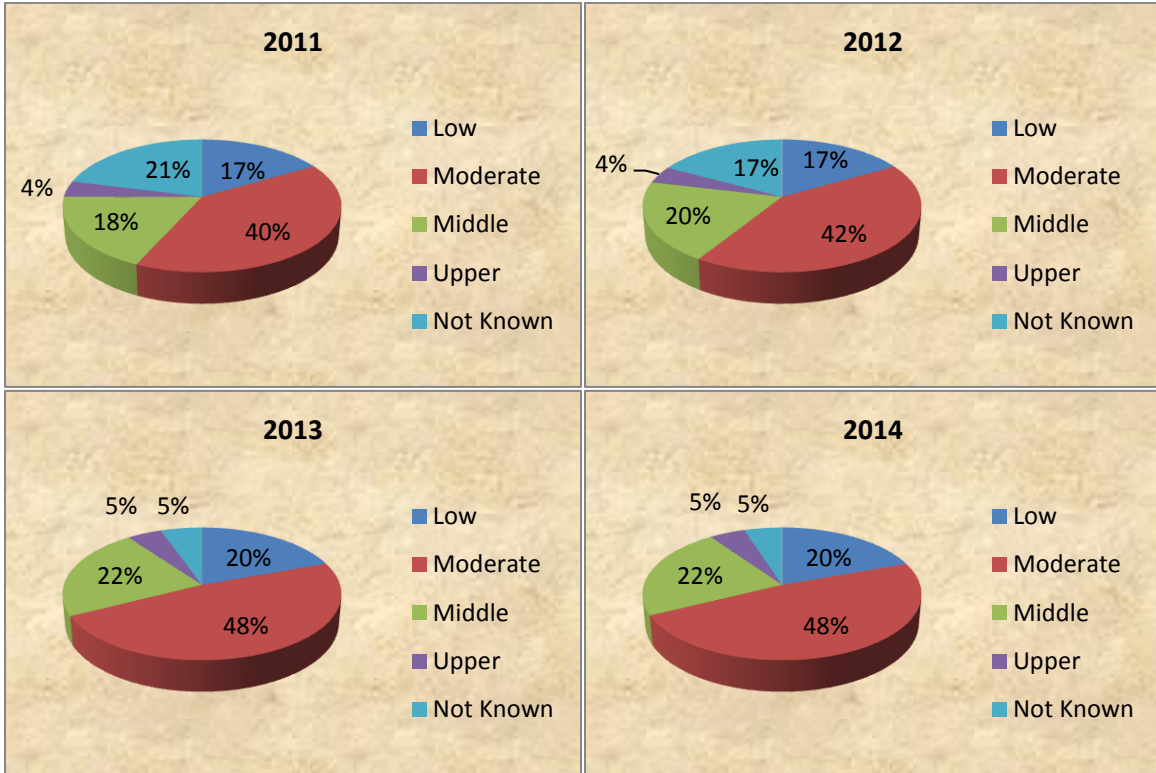
**Number of Loans by Income Distribution of Census Tract Using Finder\***

	2011	2012	2013	2014
Low-Income	-	-	-	24
Moderate-Income	-	-	-	11
Middle-Income	-	-	-	8
Upper-Income	-	-	-	1
Not Known	-	-	-	0
Total Loans Made	-	-	-	44

\*Low-income census tract means median family income less than 50 percent of median for metropolitan area.  
 Moderate income census tract means median family income 50 percent to 79 percent of median for metropolitan area.  
 Middle-income census tract means median family income 80 percent to 119 percent of median for metropolitan area.  
 Upper-income census tract means median family income 120 percent or more of median for metropolitan area.

**Number of Loans by Income Distribution of Census Tract Without Using Finder**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Low-Income	13,625	19,290	24,318	32,103
Moderate-Income	32,827	48,721	60,010	79,175
Middle-Income	14,903	22,778	27,923	36,992
Upper-Income	3,158	4,771	5,729	7,763
Not Known	17,268	19,827	6,839	8,267
<b>Total Loans Made</b>	<b>81,781</b>	<b>115,387</b>	<b>124,819</b>	<b>164,300</b>



**Loans Made to Borrowers with Bank Account Using Finder**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Bank Account	-	-	-	27
No Bank Account	-	-	-	17
Borrowers With Bank Account Who Also Used Check-Cashing Services	-	-	-	4
Borrowers With Bank Account Who Also Used Payday Loan Services	-	-	-	-

**Loans Made To Borrowers with Bank Account Without Using Finder**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Bank Account	67,654	97,160	104,906	137,644
No Bank Account	14,127	18,227	19,913	26,657
Borrowers With Bank Account Who Also Used Check-Cashing Services	4,868	5,098	5,996	5,601
Borrowers With Bank Account Who Also Used Payday Loan Services*	*	*	*	4,083

\*2011-2013 question not asked.

**Late Fees Assessed: Number of Loans Using Finder**

Year	<b>2011*</b>		<b>2012*</b>		<b>2013*</b>		<b>2014*</b>	
	No.	%	No.	%	No.	%	No.	%
\$300-\$499**	-	-	-	-	-	-	-	-
\$500-\$999	-	-	-	-	-	-	1	2.27%
\$1,000-\$1,499	-	-	-	-	-	-	-	-
\$1,500-\$2,499	-	-	-	-	-	-	-	-
Total Loans Made	-	-	-	-	-	-	44	100.00%

\* 2011-2013 reported range of \$500-\$1,499 instead of breaking down between \$500-\$999 and \$1,000-\$1,499.

\*\*2011-2013 minimum principal amount was \$250 instead of \$300.

**Late Fees Assessed: Number and Percentage of Loans Without Using Finder**

	<b>2011</b>		<b>2012</b>		<b>2013</b>		<b>2014</b>	
	No.	%	No.	%	No.	%	No.	%
\$300-\$499	268	0.33%	1,069	0.93%	375	0.30%	386	0.23%
\$500-\$999	13,125	16.05%	23,225	20.13%	23,182	18.57%	17,733	10.79%
\$1,000-\$1,499							16,301	9.92%
\$1,500-\$2,499	2,863	3.50%	7,688	6.66%	7,945	6.37%	9,683	5.89%
Total Loans Made	81,781	100.00%	115,385	100.00%	124,819	100.00%	164,300	100.00%

\* 2011-2013 reported range of \$500-\$1,499, instead of breaking down between \$500-\$999 and \$1,000-\$1,499.

\*\*2011-2013 minimum principal amount was \$250 instead of \$300.

**Number of Times Late Fees Assessed and Aggregate Dollar Amount on Loans Made Using Finder**

	2011*		2012*		2013*		2014	
	No.	\$	No.	\$	No.	\$	No.	\$
\$300-\$499**	-	-	-	-	-	-	8	80.00
\$500-\$999	-	-	-	-	-	-	4	56.00
\$1,000-\$1,499	-	-	-	-	-	-	-	-
\$1,500-\$2,499	-	-	-	-	-	-	-	-
Total # of Late Fees	-	-	-	-	-	-	12	136.00

\* 2011-2013 reported range of \$500-\$1,499 instead of breaking down between \$500-\$999 and \$1,000-\$1,499.

\*\*2011-2013 minimum principal amount was \$250 instead of \$300.

**Number of Times Late Fees Assessed and Aggregate Dollar Amount on Loans Made Without Using Finder**

	2011			2012			2013			2014		
	No. of Late Fees	\$	Avg. \$	No. of Late Fees	\$	Avg. \$	No. of Late Fees	\$	Avg. \$	No. of Late Fees	\$	Avg. \$
\$300-\$499**	940	\$11,271	\$11.99	5,141	\$31,048	\$6.04	1,400	\$9,837	\$7.03	1,918	\$23,016	\$12.00
\$500-\$999										75,406	\$917,658	\$12.17
\$1,000-\$1,499	40,650	\$487,810	\$12.00	94,961	\$792,801	\$8.35	96,495	\$786,975	\$8.16	69,050	\$837,928	\$12.14
\$1,500-\$2,499	7,145	\$85,745	\$12.00	25,436	\$241,937	\$9.51	28,590	\$278,308	\$9.73	35,752	\$433,230	\$12.12
Total # of Late Fees	48,735	\$584,826	\$12.00	115,385	\$1,065,786	\$9.24	126,485	\$1,075,120	\$8.50	182,126	\$2,211,832	\$12.14

\* 2011-2013 reported range of \$500-\$1,499 instead of breaking down between \$500-\$999 and \$1,000-\$1,499.

\*\*2011-2013 minimum principal amount was \$250 instead of \$300.

**Total Amount of Late Fees Assessed as Percentage of the Aggregate Principal Amount for Loans Made Without Using Finder**

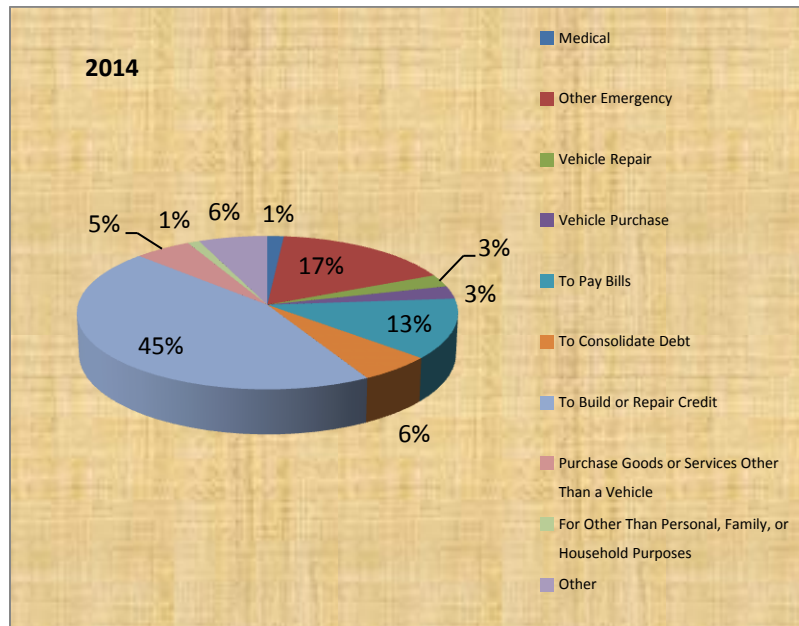
	2011	2012	2013	2014
Total Amount of Late Fees	\$584,826	\$1,065,786	\$1,075,000	\$2,211,832
Total Principal Amount of Loans Made	\$97,913,595	\$134,738,885	\$138,915,328	\$179,942,616
%	0.60%	0.79%	0.77%	1.23%

**Loan Purpose: With Finder**

	2011	2012	2013	2014
Vehicle Repair	-	-	-	2
To Pay Bills	-	-	-	8
To Consolidate Debt	-	-	-	13
To Build or Repair Credit	-	-	-	11
Purchase Goods or Services Other Than a Vehicle	-	-	-	5
Other	-	-	-	5

**Loan Purpose: Without Finder**

	2011	2012	2013	2014
Medical	3,173	3,212	1,268	2,533
Other Emergency	7,230	11,348	15,005	27,658
Vehicle Repair	5,488	6,440	3,936	4,290
Vehicle Purchase	3,867	3,993	3,929	4,441
To Pay Bills	11,813	14,720	14,401	20,802
To Consolidate Debt	9,295	10,960	8,236	9,357
To Build or Repair Credit	23,055	44,149	60,444	74,026
Purchase Goods or Services Other Than a Vehicle	6,668	10,186	7,155	8,759
For Other Than Personal, Family, or Household Purposes	-	-	-	1,829
Other	11,192	10,379	10,445	10,605

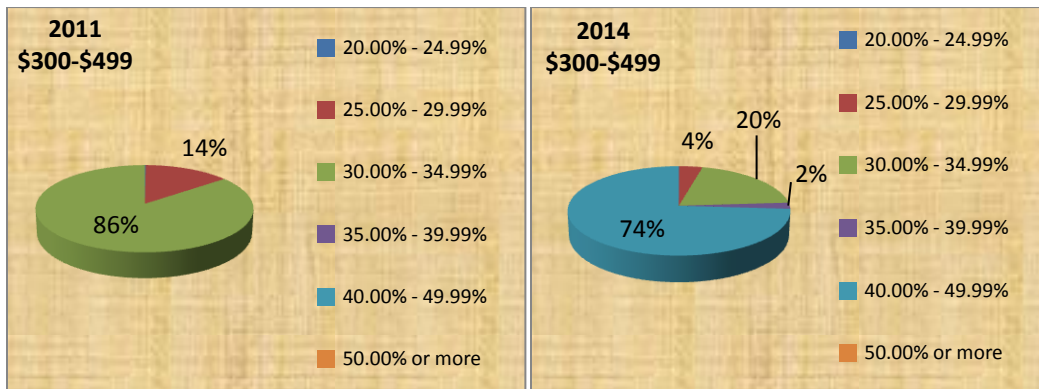


**Loans \$300-\$499: Number Made, by APR, Using Finder**

	2011	2012	2013	2014	Total
Up to 14.99%	-	-	-	-	-
15.00% - 19.99%	-	-	-	9	9
20.00% - 24.99%	-	-	-	-	-
25.00% - 29.99%	-	-	-	-	-
30.00% - 34.99%	-	-	-	-	-
35.00% - 39.99%	-	-	-	-	-
40.00% - 49.99%	-	-	-	-	-
50.00% or more	-	-	-	6	6
<b>Total Loans Made</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>15</b>

**Loans \$300-\$499: Number Made, by APR, Without Using Finder**

	2011	2012	2013	2014	Total
Up to 14.99%	-	-	-	-	-
15.00% - 19.99%	-	-	-	-	-
20.00% - 24.99%	2	-	1	-	3
25.00% - 29.99%	217	20	7	4	248
30.00% - 34.99%	1,299	13	2	1	1,315
35.00% - 39.99%	-	42	33	71	146
40.00% - 49.99%	-	2,596	1,452	800	4,848
50.00% or more	-	-	-	-	-
<b>Total Loans Made</b>	<b>1,518</b>	<b>2,671</b>	<b>1,495</b>	<b>876</b>	<b>6,560</b>



**Loans \$500-\$999: Number Made, by APR, Using Finder**

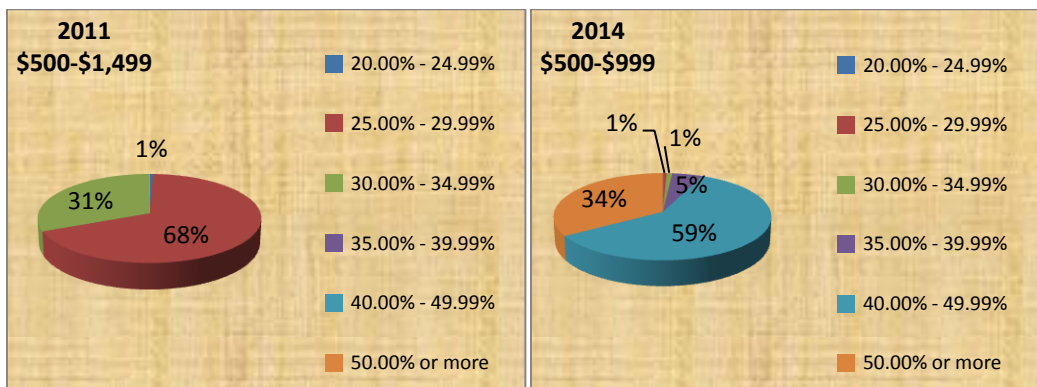
	2011*	2012*	2013*	2014	Total
Up to 14.99%	-	-	-	-	-
15.00% - 19.99%	-	-	-	-	-
20.00% - 24.99%	-	-	-	-	-
25.00% - 29.99%	-	-	-	-	-
30.00% - 34.99%	-	-	-	-	-
35.00% - 39.99%	-	-	-	-	-
40.00% - 49.99%	-	-	-	-	-
50.00% or more	-	-	-	26	26
<b>Total Loans Made</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26</b>	<b>26</b>

\*2011-2013 reported range of \$500-\$1,499 instead of breaking down between \$500-\$999 and \$1,000-\$1,499.

**Loans \$500-\$999: Number Made, by APR, Without Using Finder**

	2011*	2012*	2013*	2014	Total
Up to 14.99%	-	-	2	-	2
15.00% - 19.99%	-	-	5	-	5
20.00% - 24.99%	324	23	25	1	373
25.00% - 29.99%	40,060	4,522	2,073	377	47,032
30.00% - 34.99%	18,530	1,843	571	579	21,523
35.00% - 39.99%	-	33,485	35,231	3,057	71,773
40.00% - 49.99%	-	38,136	49,665	35,990	123,791
50.00% or more	-	1	1	20,493	20,495
<b>Total Loans Made</b>	<b>58,914</b>	<b>78,010</b>	<b>87,573</b>	<b>60,497</b>	<b>284,994</b>

\*2011-2013 reported range of \$500-\$1,499 instead of breaking down between \$500-\$999 and \$1,000-\$1,499.





**Loans \$1,000-\$1,499: Number Made, by APR, Using Finder**

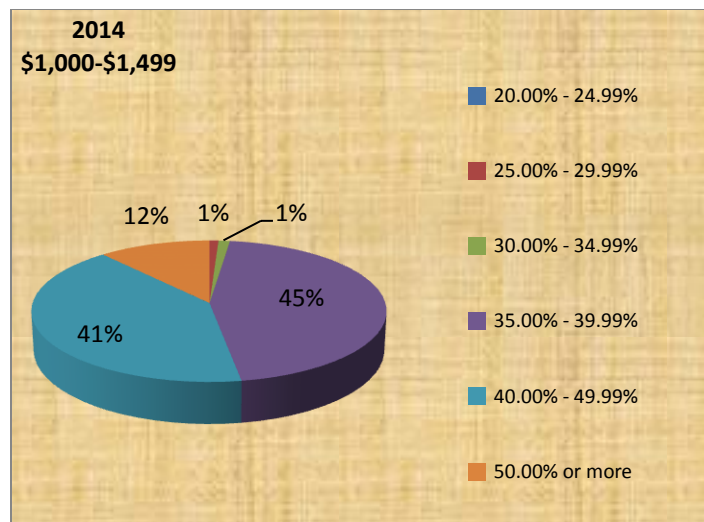
	2011*	2012*	2013*	2014	Total
Up to 14.99%	-	-	-	-	-
15.00% - 19.99%	-	-	-	-	-
20.00% - 24.99%	-	-	-	-	-
25.00% - 29.99%	-	-	-	-	-
30.00% - 34.99%	-	-	-	-	-
35.00% - 39.99%	-	-	-	-	-
40.00% - 49.99%	-	-	-	1	1
50.00% or more	-	-	-	1	1
<b>Total Loans Made</b>	-	-	-	2	2

\*2011-2013 reported range of \$500-\$1,499 instead of breaking down between \$500-\$999 and \$1,000-\$1,499.

**Loans \$1,000-\$1,499: Number Made, by APR, Without Using Finder**

	2011*	2012*	2013	2014	Total
Up to 14.99%	-	-	-	-	-
15.00% - 19.99%	-	-	-	-	-
20.00% - 24.99%	-	-	-	6	6
25.00% - 29.99%	-	-	-	535	535
30.00% - 34.99%	-	-	-	686	686
35.00% - 39.99%	-	-	-	26,724	26,724
40.00% - 49.99%	-	-	-	24,303	24,303
50.00% or more	-	-	-	6,698	6,698
<b>Total Loans Made</b>	-	-	-	58,952	58,952

\*2011-2013 reported range of \$500-\$1,499 instead of breaking down between \$500-\$999 and \$1,000-\$1,499.

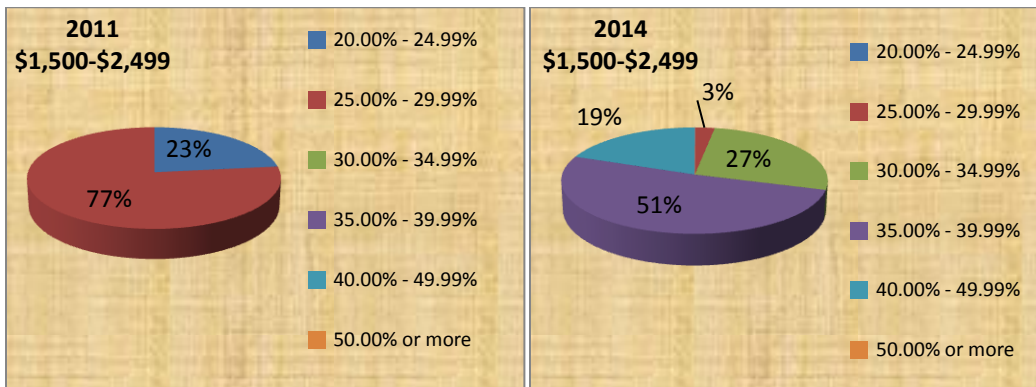


**Loans \$1,500-\$2,499: Number Made, by APR, Using Finder**

	2011	2012	2013	2014	Total
Up to 14.99%	-	-	-	-	-
15.00% - 19.99%	-	-	-	-	-
20.00% - 24.99%	-	-	-	-	-
25.00% - 29.99%	-	-	-	-	-
30.00% - 34.99%	-	-	-	-	-
35.00% - 39.99%	-	-	-	-	-
40.00% - 49.99%	-	-	-	1	1
50.00% or more	-	-	-	-	-
<b>Total Loans Made</b>	-	-	-	1	1

**Loans \$1,500-\$2,499: Number Made, by APR, Without Using Finder**

	2011	2012	2013	2014	Total
Up to 14.99%	-	-	7	-	7
15.00% - 19.99%	-	-	18	6	24
20.00% - 24.99%	4,942	-	165	27	5,134
25.00% - 29.99%	16,407	44	3,586	1,156	21,193
30.00% - 34.99%	-	4,883	9,852	11,824	26,559
35.00% - 39.99%	-	13,475	22,123	22,490	58,088
40.00% - 49.99%	-	16,304	-	8,472	24,776
50.00% or more	-	-	-	-	-
<b>Total Loans Made</b>	21,349	34,706	35,751	43,975	135,781



**Loans with at Least One Delinquency: Number and Percentage, by Delinquency Period, Using Finder\***

	2014		2014		2014	
	7-29 Days		30-59 Days		60 Days or More	
	#	%	#	%	#	%
\$300-\$499	4	27%	-	-	-	-
\$500-\$999	1	4%	1	4%	1	4%
\$1,000-\$1,499	-	-	-	-	-	-
\$1,500-\$2,499	-	-	-	-	-	-
Total	5	12%	1	4%	1	4%

\*Data not required for 2011-2013.

**Loans With At Least One Delinquency: Number and Percentage, by Delinquency Period, Without Using Finder\***

	2014		2014		2014	
	7-29 Days		30-59 Days		60 Days or More	
	#	%	#	%	#	%
\$300-\$499**	45	5%	26	3%	17	2%
\$500-\$999	11,613	19%	4,387	7%	2,468	4%
\$1,000-\$1,499	14,237	24%	4,729	8%	2,531	4%
\$1,500-\$2,499	11,072	25%	2,915	7%	1,376	3%
Total	36,967	22%	12,057	7%	6,392	4%

\*Data not required for 2011-2013.

\*\*2011-2013 minimum principal amount was \$250 instead of \$300.

**Loans with Past Due Payments: Number and Percentage, Without Using Finder\***

	2011		2012		2013	
	#	%	#	%	#	%
Current Loan	69,584	88%	79,490	82%	89,240	83%
1 Payment Past Due	4,059	5%	7,648	8%	7,848	7%
2 Payments Past Due	1,773	2%	2,533	3%	3,079	3%
3 or More Payments Past Due	3,620	5%	7,531	8%	7,853	7%
No. of Loans Outstanding	79,036	100%	97,202	100%	108,020	100%

\*Data reported for 2011-2013 only.

**Loans with at Least One Delinquency of Greater Than 7 Days, Using Finder\***

Year	2014
Number Not Subsequently Brought Current	1
Percentage of Loans not Subsequently Brought Current/ Total Loan with Delinquency of Greater than 7 Days	14.29%
Average Number of Times Such Borrowers Delinquent 7 Days or More	1.3

\*Data not required for 2011-2013.

**Loans with at Least One Delinquency of Greater Than 7 Days, Without Using Finder\***

	2014
Number Not Subsequently Brought Current	15,366
Percentage of Loans not Subsequently Brought Current/ Total Loan with Delinquency of Greater than 7 Days	27.73%
Average Number of Times Borrowers Delinquent 7 Days or More	3

\*Data not required for 2011-2013.

**Delinquency Comparison: Pilot Program Loans and Other CFLL Loans**

	Pilot Program Loans		CFLL Loans		
	\$300 – \$2,499 (with finder)	\$300 – \$2,499 (without finder)	\$0 – \$2,499	\$2,500 - \$4,999	\$5,000 - \$9,999
1 Payment Past Due	12%	22%	4%	5%	2%
2 Payments Past Due	4%	7%	1%	2%	1%
3 or More Payments Past Due	4%	4%	4%	4%	4%

**Language in Which Loan Negotiated, Using Finder\***

	2011	2012	2013	2014
English	-	-	-	24
Spanish	-	-	-	20
Other	-	-	-	0

\*When loan negotiated in Spanish, documents provided in Spanish.

**Language in Which Loan Negotiated, Without Using Finder\***

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
English	-	2	68	3,131
Spanish	81,781	115,385	124,751	161,169
Other	-	-	-	-

\*When loan negotiated in Spanish, documents provided in Spanish.

**Refinance Loans Without Using Finder: 2014\***

Number of Borrowers Who Applied for Refinance Loan	Percentage of Borrowers Who Applied for Refinance Loan	Number of Borrowers Who Obtained One or More Refinance Loans	Percentage of Borrowers Who Refinanced Loan	Total Principal Amount of Refinance Loans Made
27,599	12%	5,669	3%	\$9,270,126

\*Data not required for 2011-2013.

**Detail Of Refinance Loans Made Without Using Finder\***

Number of Borrowers Who Refinanced Once	Percentage of Borrowers Who Refinanced Once	Number of Borrowers Who Refinanced Twice	Percentage of Borrowers Who Refinanced Twice	Number of Borrowers Who Refinanced More Than Twice	Percentage of Borrowers Who Refinanced More Than Twice
5,624	3%	45	2%	0	0%

\*Data not required for 2011-2013.

**Refinance Loans Made Without Using Finder: Pre-Refinance Principal Pay Down, Late Payments, Additional Principal Extended**

Average Percentage of Principal Paid Down Before Obtaining Refinance Loan	Average Number of Late Payments Made on Loan Refinanced	Average Amount of Additional Principal Extended on Refinance Loans
69%	0.3	\$1,213

\*Data not required for 2011-2013.

## SURVEY OF BORROWER EXPERIENCE AND LICENSEE COMPLIANCE

The information provided in this section was obtained from annual surveys conducted by the DBO pursuant to Financial Code section 22380(e) and its predecessor statute. The DBO surveyed random samples of borrowers who participated in the ACBO and RSDL from January 1, 2011 through December 31, 2014.

The annual survey's purpose is to obtain information about borrowers' experience and lenders' compliance with the pilot programs' rules.

The survey sample population was 10% of all loan transactions for each of the four years. In 2011 and 2012, survey questionnaires were mailed to randomly selected borrowers. In 2013 and 2014, the randomly selected borrowers completed the survey online. The results of the surveys are detailed below:

### Customer Survey Rates

	<b>2011</b>	<b>%</b>	<b>2012</b>	<b>%</b>	<b>2013</b>	<b>%</b>	<b>2014</b>	<b>%</b>
Surveys Distributed	8,464	100.00%	11,826	100.00%	12,556	100.00%	16,387	100.00%
Undeliverable Surveys	823	9.72%	768	6.49%	761	6.06%	859	5.24%
Surveys Received	232	2.74%	389	3.29%	98	0.78%	75	0.46%
Received in Spanish	175	75.43%	255	65.55%	60	61.22%	48	64.00%
Received in English	57	24.57%	134	34.45%	38	38.78%	27	36.00%

### Where or how did you find the lender?

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Source</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Brochure or Flyer	26.72%	21.08%	57.14%	54.67%
Website	2.59%	2.83%	4.08%	0.00%
Television	3.02%	2.57%	3.06%	1.33%
Radio	4.31%	1.03%	0.00%	1.33%
Referral	33.19%	41.39%	13.27%	14.67%
Other	35.78%	32.39%	23.47%	30.67%
Did not respond	0.00%	2.31%	0.00%	0.00%

**Did you consider other sources of funds?**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Yes	31.47%	43.70%	36.73%	37.33%
No	64.66%	55.78%	63.27%	62.67%
Did not respond	3.88%	0.51%	0.00%	0.00%

**If you considered other sources of funds, what other source(s) did you consider?\***

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Bank	61.64%	60.00%	21.43%	16.00%
Credit Union	12.33%	12.35%	7.14%	5.33%
Other Finance Company	23.29%	20.59%	9.18%	6.67%
Payday Loan Company	28.77%	25.29%	10.20%	14.67%
Pawnbroker	13.70%	12.35%	3.06%	5.33%
Private Lender	13.70%	13.53%	2.04%	10.67%
Other	0.00%	5.29%	1.02%	0.00%
Did not respond	1.37%	0.00%	0.00%	0.00%

\*Percentages based on yes answers to "Did you consider other sources of funds?" Some borrowers indicated more than one source.

**If other sources were considered, what made you decide to obtain financing with the lender?\***

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Interest rate	30.14%	24.12%	12.24%	13.33%
Payment amount	36.99%	33.53%	15.31%	14.67%
Convenience/Location	27.40%	31.76%	14.29%	13.33%
Other	28.77%	35.29%	13.27%	9.33%
Did not respond	1.37%	0.00%	0.00%	0.00%

\*Percentages based on yes answers to "Did you consider other sources of funds?" Some borrowers indicated more than one source.

**Number of Borrowers with Checking Account**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Yes	74.14%	72.75%	79.59%	81.33%
No	18.53%	20.31%	20.41%	18.67%
Did not respond	8.62%	7.71%	0.00%	0.00%

**Number of Borrowers with Savings Account**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Yes	35.34%	32.13%	38.78%	49.33%
No	17.24%	25.19%	61.22%	50.67%
Did not respond	47.41%	42.67%	0.00%	0.00%

**Number of Borrowers with Major Credit Card**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Yes	21.98%	34.91%	36.73%	40.00%
No	20.26%	49.14%	63.27%	60.00%
Did not respond	57.76%	83.62%	0.00%	0.00%

**When you received your loan, did the lender explain the repayment schedule?**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Yes	96.12%	98.20%	88.78%	94.67%
No	2.59%	1.54%	2.04%	0.00%
Do not recall	0.00%	0.00%	9.18%	5.33%
Did not respond	1.29%	0.26%	0.00%	0.00%

**Did the lender inform you the loan would help you establish or improve your credit history?**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Yes	91.38%	92.80%	86.73%	88.00%
No	7.76%	6.94%	9.18%	5.33%
Do not recall	0.00%	0.00%	4.08%	6.67%
Did not respond	0.86%	0.003	0.00%	0.00%

**Did the lender explain the consequences of making late payments or failure to repay the loan?**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Yes	93.97%	90.23%	83.67%	85.33%
No	5.17%	9.00%	10.20%	5.33%
Do not recall	0.00%	0.00%	6.12%	9.33%
Did not respond	0.86%	0.77%	0.00%	0.00%



**Do you believe the cost of the loan was fair?**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Yes	78.02%	77.89%	64.29%	66.67%
No	19.83%	20.82%	35.71%	33.33%
Did not respond	2.16%	1.29%	0.00%	0.00%

**Was the loan sufficient for your needs?**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Yes	81.03%	75.06%	72.45%	73.33%
No	18.10%	23.65%	27.55%	26.67%
Did not respond	0.86%	1.29%	0.00%	0.00%

**If the loan amount was insufficient, did you seek additional funds elsewhere?**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Yes	50.00%	45.65%	11.22%	13.33%
No	40.48%	41.30%	16.33%	13.33%
Did not respond	9.52%	13.04%	0.00%	0.00%

**Was the length of the loan long enough to allow you to make your loan payments without creating substantial hardship?**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Yes	84.05%	82.52%	77.55%	77.33%
No	14.66%	16.20%	22.45%	22.67%
Did not respond	1.29%	1.29%	0.00%	0.00%

**Were you required to provide proof of income before you received your loan?**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Yes	98.28%	97.94%	97.96%	98.67%
No	0.86%	1.29%	0.00%	1.33%
Do not recall	0.00%	0.00%	2.04%	0.00%
Did not respond	0.86%	0.77%	0.00%	0.00%

**Were you made aware of your right to cancel the loan by notifying the lender and returning the principal amount that was loaned by the end of the business day following the date the loan was made?**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Yes	58.62%	60.15%	45.92%	49.33%
No	37.50%	37.53%	38.78%	32.00%
Do not recall	0.00%	0.00%	15.31%	18.67%
Did not respond	3.88%	2.31%	0.00%	0.00%

**Prior to obtaining the loan, did the lender offer a credit education program or seminar?**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Yes	15.52%	15.94%	11.22%	5.33%
No	81.90%	81.23%	71.43%	80.00%
Do not recall	0.00%	0.00%	17.35%	14.67%
Did not respond	2.59%	2.83%	0.00%	0.00%

**Did you participate in a credit education program or seminar?**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Yes	5.17%	9.00%	5.10%	8.00%
No	90.95%	86.89%	94.90%	92.00%
Did not respond	3.88%	4.11%	0.00%	0.00%

**At the time you received your loan, did you have any outstanding (unpaid) payday loans?**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	%	%	%	%
Yes	12.07%	12.08%	16.33%	14.67%
No	86.21%	86.12%	83.67%	85.33%
Did not respond	1.72%	1.80%	0.00%	0.00%

## THE NUMBER AND TYPES OF VIOLATIONS FOUND DURING EXAMINATIONS

The information provided in this section was obtained from regulatory examinations conducted by the DBO pursuant to Financial Code section 22380(d) and its predecessor statute. The DBO conducted examinations of finance lenders who participated in the ACBO and RSDL from January 1, 2011 through December 31, 2014.

The purpose of regulatory examinations is to obtain information about whether lenders and finders who participate in the ACBO and RSDL have complied with the pilot programs' rules. As illustrated below, very few pilot program violations were found during the examination process.

<b>Violation Description</b>	<b>Code Section</b>	<b>2013</b>
Borrowers not asked about outstanding payday loans	22352(g)(3)(ii)	16
Credit performance not reported to credit agency	22352(g)(2)	11
Borrower not provided a notice of a right to rescind	22352(a)(3)(b)	11

Note: No examination violations were found during years 2011, 2012 and 2014.

No finders were found to have pilot program violations. No finders were disqualified or barred from performing services. No written agreements between a finder and licensee were terminated, and no administrative penalties were imposed.

## COMPLAINT INFORMATION

There were 8 complaints received by the DBO about pilot program lenders from January 1, 2011 through December 31, 2014. No complaints were received about finders.

	2011	2012	2013	2014	Totals
Number of Complaints	1	2	0	5	8

The table below presents the issues covered in the complaints. A single complaint can cover multiple issues.

	2011	2012	2013	2014	Totals
Administrative dispute				1	1
Mishandled transaction	1	1		1	3
Poor customer service		1		1	2
Payment dispute				2	2
Unauthorized withdrawals				1	1

## **RECOMMENDATIONS FOR IMPROVING PROGRAM**

The current version of the small dollar pilot program has been operational for just one year. The DBO recommends policymakers give the program more time to work before making changes. Recommendations for improvements, at this time, would be premature.

The changes brought by the new program did double the number of lenders participating in the program, but the total remains less than 10. Additionally, the revisions did not significantly affect the amount of lending activity conducted by the individual companies. The DBO will consult with licensees, consumer advocates and policymakers to explore ways to increase participation in the pilot program by both lenders and borrowers.