2014

California Department of Business Oversight Annual Report:

Operation of Deferred Deposit Originators Licensed under the California Deferred Deposit Transaction Law

California Department of Business Oversight

STATE OF CALIFORNIA
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EXECUTIVE SUMMARY

The California Deferred Deposit Transaction Law (CDDTL), which became effective on January 1, 2003, shifted responsibility for licensing and regulating persons engaged in the business of deferred deposit transactions from the Department of Justice to what is now the Department of Business Oversight (DBO). Pursuant to statute, the DBO annually publishes a report containing unaudited information provided by persons and companies licensed by the DBO to conduct deferred deposit transactions in California.

In a deferred deposit transaction, commonly known as a payday loan, the consumer provides the originator a personal check for the amount of money they want. The originator provides the consumer the money, minus an agreed upon fee. The fee cannot exceed 15 percent of the amount the consumer receives from the originator. The originator then defers depositing the consumer's check for a specific period of time, which cannot exceed 31 days. The maximum amount a consumer can receive is $300.

Data reported by the licensees for 2014 indicates the average dollar amount of deferred deposit transactions made was $235, and the average length of a transaction was 16 days.

As of Dec. 31, 2014, the DBO regulated 2,014 licensed deferred deposit transaction locations. The licensees made 12,407,422 transactions with 1.8 million individual customers for a total dollar amount of roughly $3.38 billion. While the volume of payday lending has remained fairly consistent in California, the number of licensed locations has declined by about 19 percent since 2006.

INTRODUCTION

The DBO has compiled in this report data submitted by licensed deferred deposit originators. The report is required by Financial Code section 23026. The complete citation is below:

> *On or before March 15 of each year, beginning March 2006, each licensee shall file an annual report with the commissioner pursuant to procedures that the commissioner shall establish. The licensee's annual report shall be kept confidential pursuant to Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code and any regulations adopted thereunder. The annual consolidated report shall be prepared by the commissioner and made available to the public. For the previous calendar year, these reports shall include the following:*
> *(a) The total number and dollar amount of deferred deposit transactions made by the licensee.*
> *(b) The total number of individual customers who entered into deferred deposit transactions.*
> *(c) The minimum, maximum, and average amount of deferred deposit transactions.*
> *(d) The average annual percentage rate of deferred deposits.*
> *(e) The average number of days of deferred deposit transactions.*
> *(f) The total number and dollar amount of returned checks.*
> *(g) The total number and dollar amount of checks recovered.*
> *(h) The total number and dollar amount of checks charged off.*

The DBO also has included related information, such as the number of licenses issued, filed and surrendered.

The CDDTL defines a "deferred deposit originator" as any person who offers, originates or makes a deferred deposit transaction.

This report is based on unaudited data submitted by licensees in a format prescribed by the DBO. Please note the data primarily is statistical in nature. To help compare data from prior years, certain statistical data is included in the charts on pages 9 through 15.

Data in this report is presented from 2006 onward because the CDDTL became effective on December 31, 2004, and full-year data was first collected for the 2006 calendar year.

In 2014, deferred deposit originators made more than 12.4 million transactions to 1.82 million individual customers, totaling $3.38 billion.

CDDTL HISTORICAL DATA

REPORTED LICENSEES AS OF	NUMBER
December 31, 2014	2,014
December 31, 2013	2,058
December 31, 2012	2,100
December 31, 2011	2,119
December 31, 2010	2,144
December 31, 2009	2,187
December 31, 2008	2,385
December 31, 2007	2,403
December 31, 2006	2,493

The information on this table shows there has been a steady decline in the number of deferred deposit transaction licenses. From 2006 to 2014, the number of licensees dropped by 479, or 19.2 percent.

TRANSACTIONS

Total Dollar Amounts and Number of Transactions

	Total dollar amount of Deferred Deposit transactions made	Total number of Deferred Deposit transactions made	Total number of individual customers who obtained Deferred Deposit transactions (repeat customers counted once)
2014	$3,376,447,239	12,407,422	1,818,524
2013	$3,165,667,707	12,163,832	1,779,471
2012	$3,229,018,352	12,255,026	1,768,501
2011	$3,276,629,497	12,427,810	1,738,219
2010	$3,125,299,157	12,092,091	1,646,700
2009	$3,088,358,316	11,784,798	1,567,188
2008	$3,092,592,282	11,841,014	1,665,019
2007	$2,969,905,917	11,152,466	1,609,680
2006	$2,553,427,572	10,048,422	1,432,844

The table on this page reflects the total dollar amount and total number of deferred deposit transactions made from 2006 through 2014.

In 2014, the total dollar amount of transactions increased by 6.66 percent from the previous year, and the total number of transactions increased by 2.0 percent. The table also reflects a 2.19 percent increase from 2013 in the number of deferred deposit transaction customers. The average number of transactions per individual customer declined from 7.01 in 2006 to 6.82 in 2014.

CDDTL TRANSACTION ANAYLSIS

	*Average dollar amount of Deferred Deposit transactions made	Minimum dollar amount of Deferred Deposit transactions made	Maximum dollar amount of Deferred Deposit transactions made	**Average Annual Percentage Rate (APR)	Average Number of days of Deferred Deposit transactions
2014	$235	$2	$300	361%	16
2013	$260	$3	$300	408%	17
2012	$263	$6	$300	411%	17
2011	$263	$12	$300	411%	17
2010	$258	$4	$300	414%	17
2009	$262	$8	$300	414%	17
2008	$261	$6	$300	416%	17
2007	$266	$10	$300	424%	16
2006	$254	$10	$300	429%	16

* Maximum transaction amount is $300 per statute.
** APR is calculated using the average method, in which all APR's reported are divided by the number of licensees. This methodology yields an "average" APR of 361 percent for 2014.

The average deferred deposit dollar amount in 2014 fell by 9.6 percent from 2013, to $235. That is the lowest average since the DBO started to collect full-year data in 2006. The average annual percentage rate of deferred deposit transaction fees also declined substantially in 2014 compared to the prior year, by 11.5 percent to 361 percent. That also was the lowest figure since 2006.

Chart 1: Total Dollar Amount of Transactions

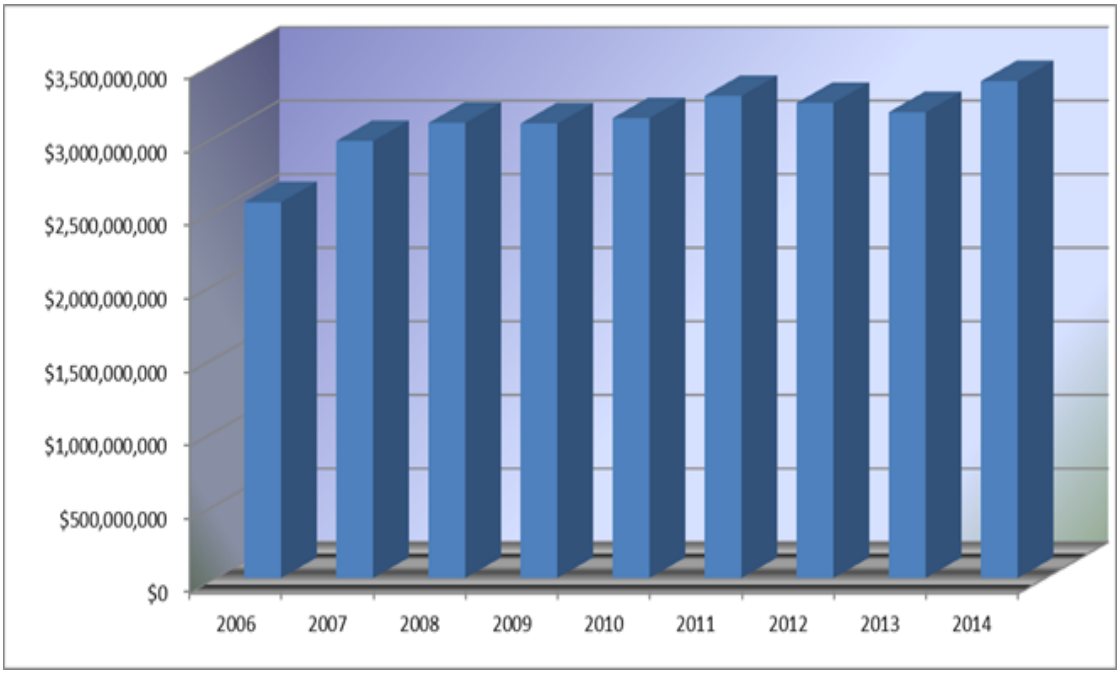


Chart 2: Total Number of Transactions

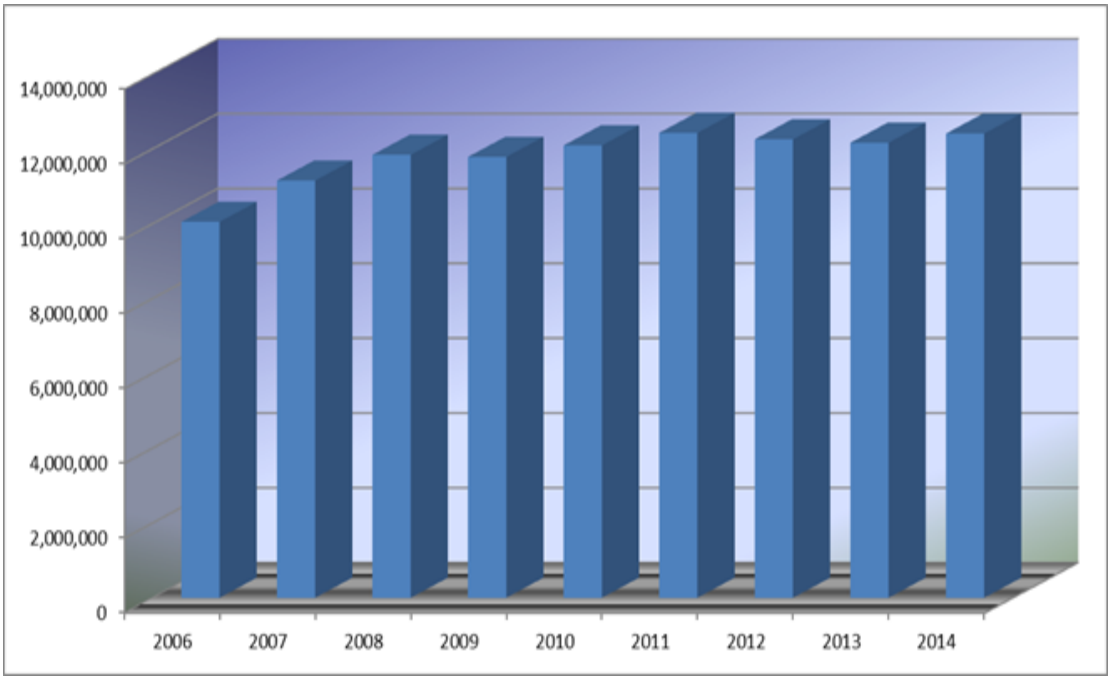
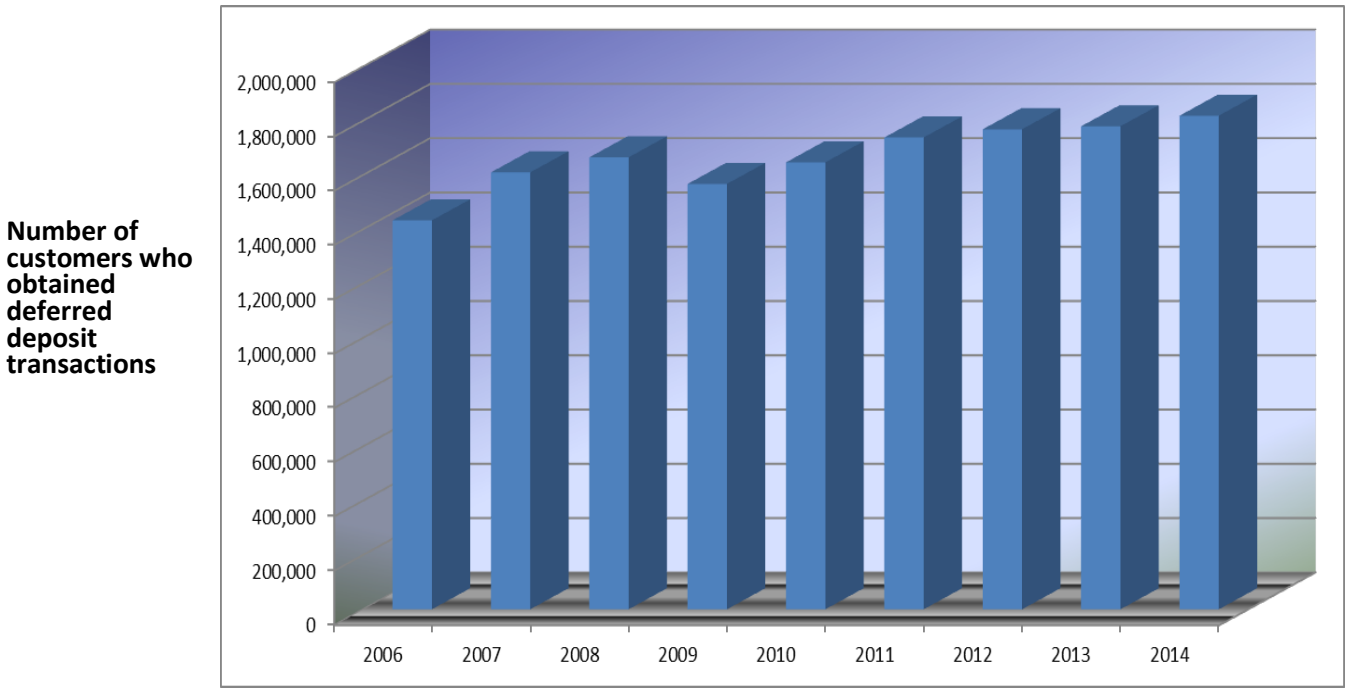


Chart 3: Total Number of Deferred Deposit Transaction Customers



RETURNED CHECKS

Total of Returned Checks

	Total number of returned checks from Deferred Deposit transactions made	Percentage of total number of returned checks to total number of Deferred Deposit transactions made	Total dollar amount of returned checks from Deferred Deposit transactions made	Percentage of total dollar amount of returned checks to total dollar amount of Deferred Deposit transactions made
2014	725,170	5.84%	$196,652,680	5.82%
2013	706,214	5.81%	$191,816,906	6.06%
2012	674,648	5.51%	$180,460,466	5.59%
2011	931,387	7.49%	$246,769,462	7.53%
2010	931,735	7.71%	$239,593,849	7.67%
2009	677,616	5.75%	$178,369,234	5.78%
2008	816,605	6.90%	$214,887,020	6.95%
2007	823,594	7.38%	$213,050,882	7.17%
2006	751,117	7.47%	$186,031,613	7.29%

The table on this page captures transaction data for returned checks. From 2013 to 2014, the number of returned checks in deferred deposit transactions increased by 2.68 percent.

Returned Checks Recovered

	Total number of returned checks from Deferred Deposit transactions recovered (includes partial recoveries)	Percentage of total number of returned checks from Deferred Deposit transactions recovered (includes partial recoveries) to total number of Deferred Deposit transactions made	Total dollar amount of returned checks recovered (includes partial recoveries)	Percentage of total dollar amount of returned checks recovered (including partial recoveries) to total dollar amount of Deferred Deposit transactions made
2014	399,973	3.22%	$93,854,369	2.78%
2013	370,812	3.05%	$88,276,576	2.79%
2012	389,312	3.18%	$92,394,261	2.86%
2011	642,069	5.17%	$160,480,858	4.90%
2010	674,470	5.58%	$164,196,162	5.25%
2009	432,284	3.67%	$98,998,954	3.21%
2008	522,157	4.41%	$120,316,378	3.89%
2007	492,405	4.42%	$115,002,061	3.87%
2006	520,756	5.18%	$106,441,869	4.17%

The table on this page captures transaction data for returned checks recovered as reported by licensees. From 2013 to 2014, the number of returned checks recovered increased by 7.86 percent.

Returned Checks Charged Off

	Total number of checks charged off (includes partial balances charged off)	Percentage of total number of checks charged off (including partial balances) to total number of Deferred Deposit transactions made	Total dollar amount of Deferred Deposit transactions charged off (includes partial balances charged off)	Percentage of total dollar amount of checks charged off (including partial balances charged off) to total dollar amount of Deferred Deposit transactions made
2014	376,728	3.04%	$99,586,657	2.95%
2013	336,780	2.77%	$88,390,920	2.79%
2012	289,982	2.37%	$73,647,144	2.28%
2011	285,555	2.30%	$72,367,689	2.21%
2010	180,020	2.32%	$70,937,735	2.27%
2009	280,233	2.38%	$72,023,747	2.33%
2008	321,555	2.72%	$81,783,721	2.64%
2007	355,804	3.19%	$85,683,626	2.89%
2006	307,697	3.06%	$74,825,909	2.93%

This table captures charge-off data for returned checks. Last year saw a 12.7 percent increase in the dollar amount of deferred deposit charge-offs, from $88.4 million to $99.6 million.

Chart 4: Total Amount of Returned Checks

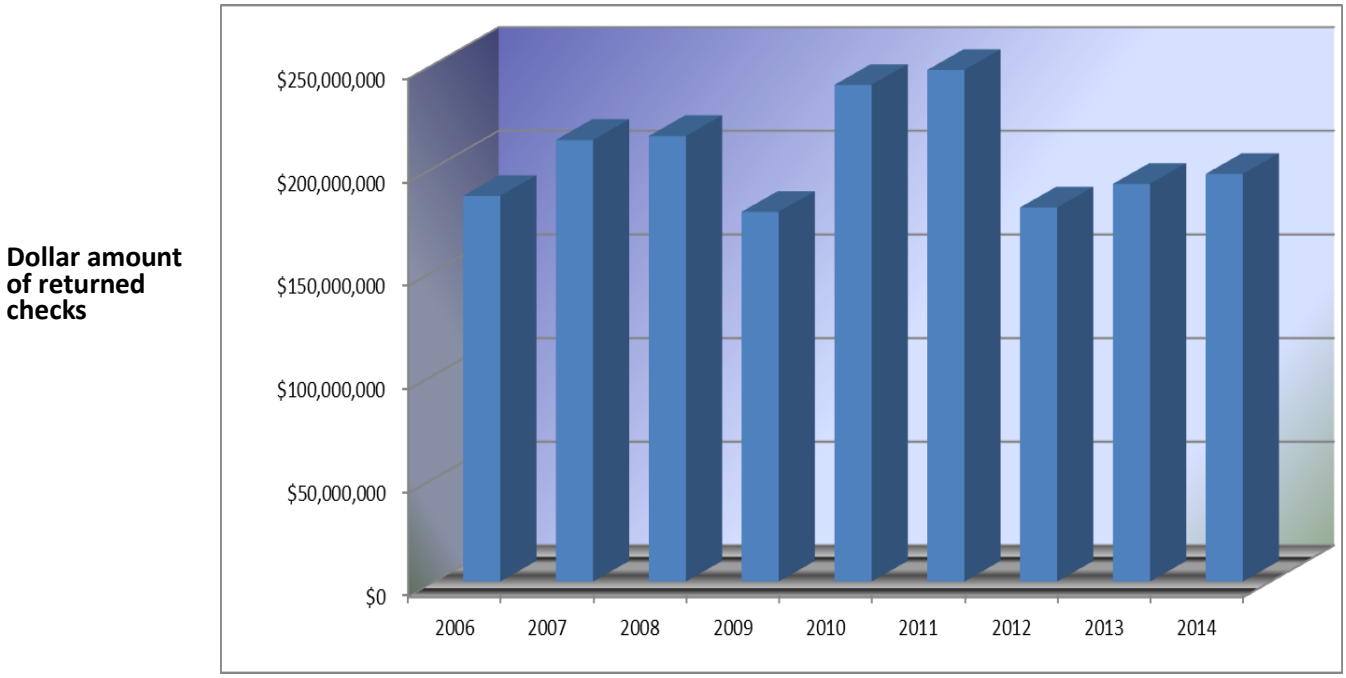


Chart 5: Total Dollar Amount of Returned Checks Recovered

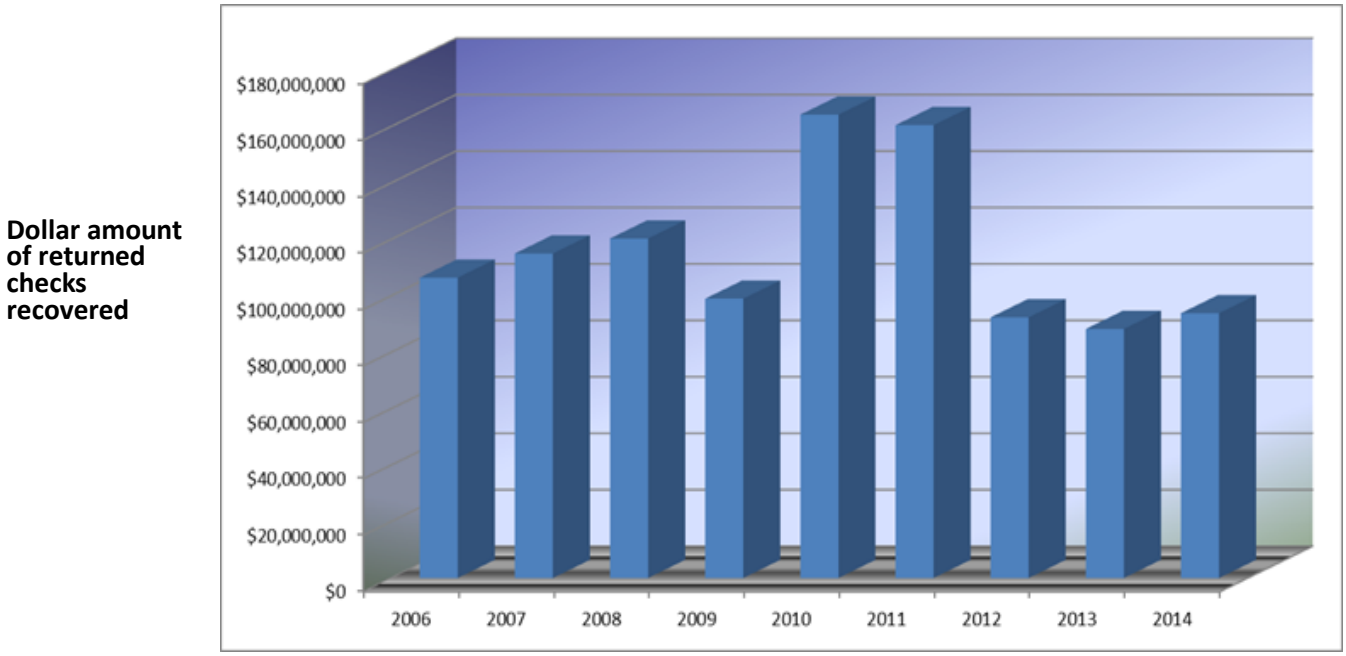
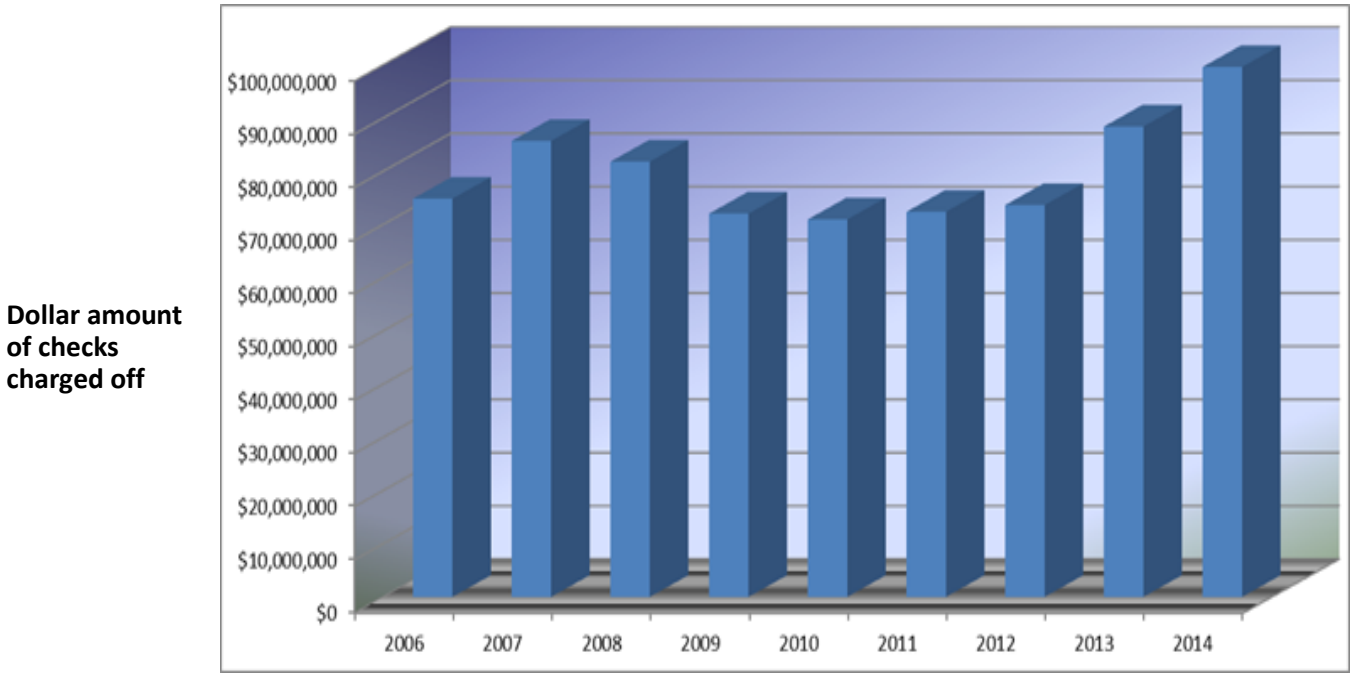


Chart 6: Total Dollar Amount of Checks Charged Off



Licensing Historical Data

LICENSING

The information below reflects the licensing activity for calendar years 2006 through 2014. The long form application refers to the first license a person applies for under the CDDTL. The short form application refers to a license for an additional business location. Applications are subject to abandonment if a deficiency is not corrected within 90 days of notification. Applications can be withdrawn at the request of the applicant. To help compare the licensing data from prior years, the total license applications filed, total number of licenses surrendered and total number of licenses issued is included in the charts on pages 19 and 20.

Licensing Historical Data

	Long Form Applications Filed	Short Form Applications Filed	**Total Applications Filed**
2014	35	125	**160**
2013	38	67	**105**
2012	29	61	**90**
2011	32	48	**80**
2010	33	123	**156**
2009	53	47	**100**
2008	56	197	**253**
2007	69	251	**320**
2006	116	256	**372**

	Long Form Applications Denied	Short Form Applications Denied	**Total Applications Denied**
2014	0	0	**0**
2013	1	0	**1**
2012	0	0	**0**
2011	0	0	**0**
2010	0	0	**0**
2009	0	1	**1**
2008	0	3	**3**
2007	0	2	**2**
2006	2	0	**2**

Licensing Historical Data

	Long Form Applications Abandoned	Short Form Applications Abandoned	**Total Applications Abandoned**
2014	2	0	**2**
2013	0	0	**0**
2012	1	0	**1**
2011	1	0	**1**
2010	2	1	**3**
2009	3	0	**3**
2008	3	20	**23**
2007	8	0	**8**
2006	8	1	**9**

	Long Form Applications Withdrawn	Short Form Applications Withdrawn	**Total Applications Withdrawn**
2014	2	7	**9**
2013	0	1	**1**
2012	1	0	**1**
2011	4	0	**4**
2010	1	5	**6**
2009	3	1	**4**
2008	6	10	**16**
2007	1	15	**16**
2006	3	4	**7**

	Long Form Licenses Surrendered	Short Form Licenses Surrendered	**Total Licenses Surrendered**
2014	45	52	**97**
2013	34	94	**128**
2012	31	67	**98**
2011	31	75	**106**
2010	54	104	**158**
2009	64	216	**280**
2008	68	154	**222**
2007	93	272	**365**
2006	79	188	**267**

Licensing Historical Data

	Long Form Licenses Revoked	Short Form Licenses Revoked	**Total Licenses Revoked**
2014	0	0	**0**
2013	1	0	**1**
2012	2	0	**2**
2011	15	0	**15**
2010	16	6	**22**
2009	19	6	**25**
2008	12	6	**18**
2007	26	6	**32**
2006	14	8	**22**

	Long Form Licenses Issued	Short Form Licenses Issued	**Total Licenses Issued**
2014	26	117	**143**
2013	22	50	**72**
2012	19	61	**80**
2011	29	58	**87**
2010	29	111	**140**
2009	50	57	**107**
2008	56	165	**221**
2007	72	236	**308**
2006	96	241	**337**

Chart 7: CDDTL Licensed Locations

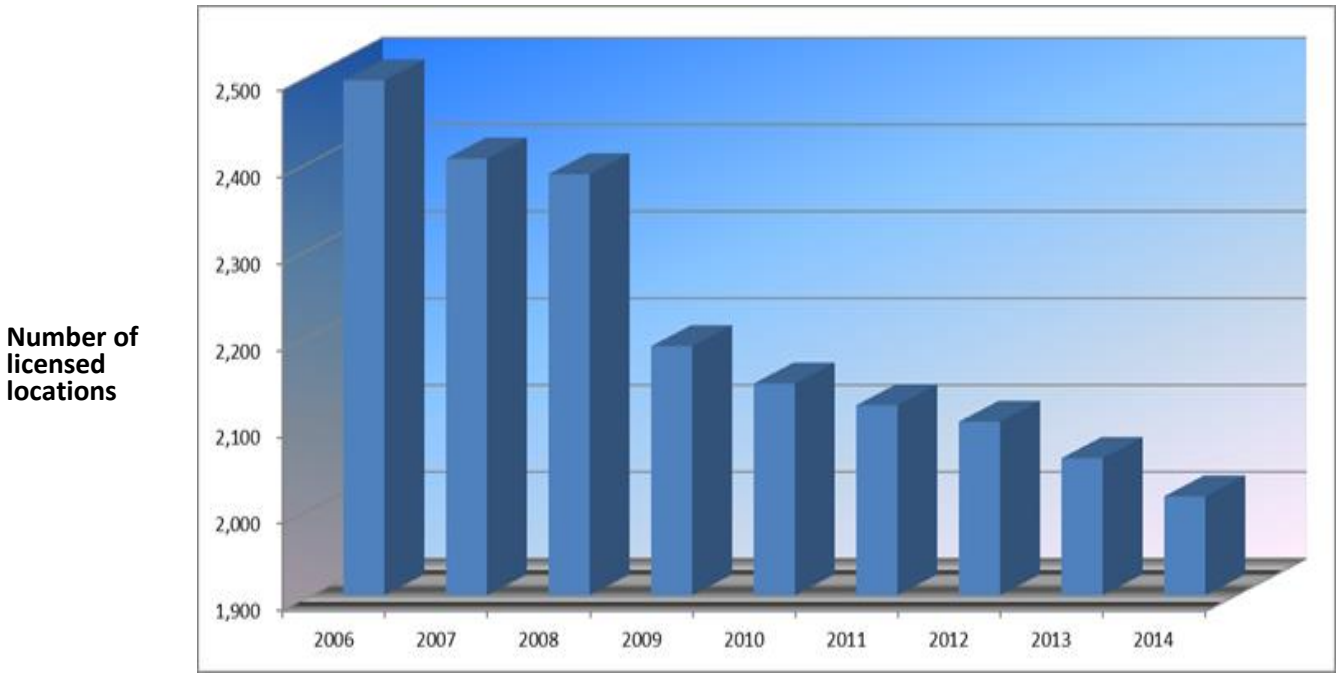


Chart 8: Number of License Applications Filed

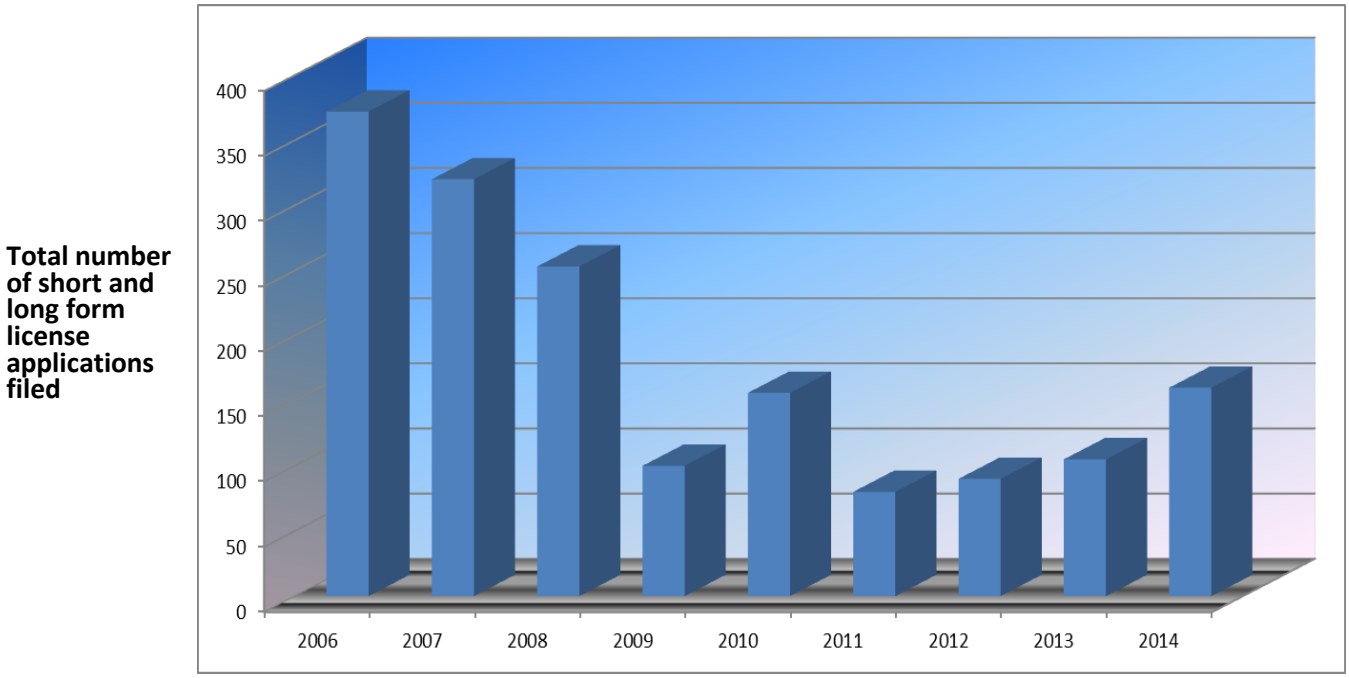


Chart 9: Total Number of Short and Long Form Licenses Surrendered

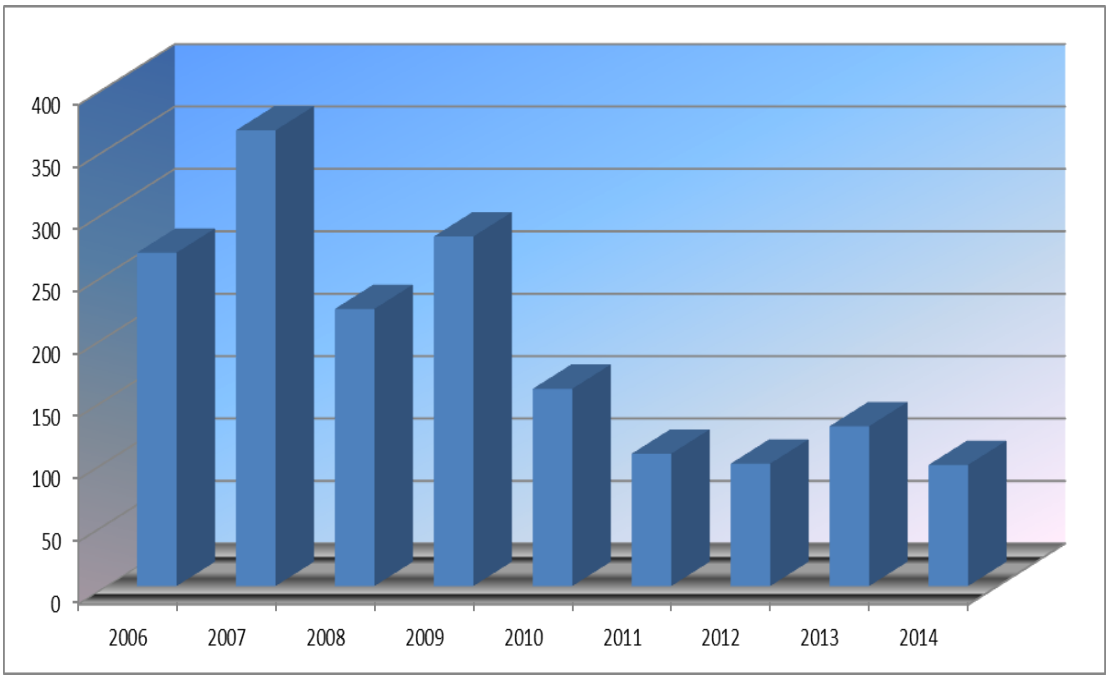
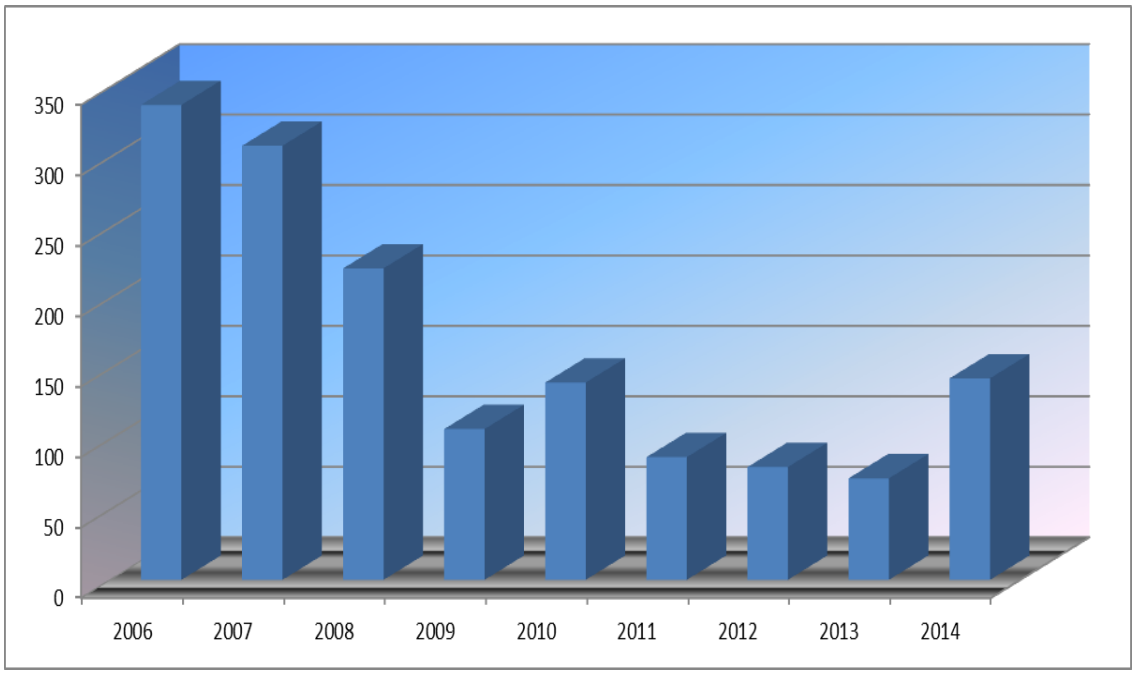


Chart 10: Total Number of Short and Long Form Licenses Issued



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