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

JAN LYNN OWEN
Commissioner of Business Oversight

For Immediate Release
June 30, 2016

Contact: Tom Dresslar
(916) 322-5275

California Installment Consumer Lending by Non-Banks Grew Almost 50% in 2015

Most Loans Between $2,500 and $5,000 Had 100%-Plus APRs

SACRAMENTO – The combined dollar amount of installment consumer loans made by non-banks in California grew almost 50 percent in 2015, while most borrowers in the highest-volume category of loans paid annualized rates of 100 percent or higher, according to a report released today by the Department of Business Oversight (DBO).

"The good news is the increased lending activity reflects continued improvement in California's economic health," said DBO Commissioner Jan Lynn Owen. "Less heartening is the data that show hundreds of thousands of borrowers facing triple-digit APRs. We will continue to work with policymakers and hope they find the report helpful as they consider reforms of California's small-dollar loan market."

The combined principal of non-payday consumer loans made by firms licensed under the California Finance Lenders Law totaled $34.1 billion in 2015, according to the report. That was up 48.7 percent from $22.9 billion in 2014. The number of such loans increased 25.6 percent over the same period, to roughly 1.4 million last year.

The report also contained interesting data related to Finance Lenders Law provisions that limit interest rates. The statute caps rates on loans under $2,500, but imposes no limits on loans valued at $2,500 or higher.

The report showed more than half of the consumer loans valued at $2,500 to $4,999 carried annual percentage rates (APRs) of 100 percent or higher. Licensed lenders made 535,585 secured and unsecured loans in that dollar range, the highest total for any loan-value category. Of those loans, 293,248 – or 54.7 percent – had APRs of 100 percent or higher.

Lenders made 411,822 unsecured consumer loans in the $2,500-$4,999 range, according to the report. Of those, 57.7 percent had APRs of 100 percent or higher.

Meanwhile, the report data showed a significant increase in the number and principal amount of unsecured consumer loans under $2,500, where the rate caps apply. The number of such loans in 2015 grew 30.2 percent from 2014, to 450,224. The aggregate principal increased 28.1 percent, to $312.1 million.

(MORE)

Other significant data points from the report:

- Auto title loans – The data showed growth in this sector slowed in 2015. The number of auto title loans increased 9.5 percent last year (to 116,444), compared to a 16.2 percent growth rate in 2014. The aggregate principal on such loans grew 10.9 percent in 2015 (to $423.5 million), compared to a 14.1 percent increase in 2014.

- Mortgage lending – The data showed the growth in overall consumer lending by non-banks in 2015 was driven largely by residential mortgage loans made by licensees under the Finance Lenders Law. Loans secured by real property increased in number 61.7 percent from 2014, to 78,073. The aggregate principal on such loans went up 55.3 percent, to $24.6 billion last year.

The report release today is the Annual Report on Operation of Finance Companies under the California Finance Lenders Law. The data is provided by licensed lenders and is unaudited.

In the coming days, the DBO will publish similar reports for licensed payday lenders and mortgage lenders licensed under the California Residential Mortgage Lending Act.

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, escrow companies, franchisors and more.

###