

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

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Commissioner of Business Oversight

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**DBO Directs 20 Lenders with High Triple-Digit APR Levels to
Submit Information on Lead Generation Activity**
Commissioner Says DBO Considering Rulemaking to Regulate Lead Generators

SACRAMENTO – The Department of Business Oversight (DBO) today [directed](#) 20 consumer installment lenders with high levels of triple-digit APR loans to submit data and other information related to their online lead generation activities.

“We know from our enforcement work that California consumers who want loans with interest-rate limits are steered by online lead generators to lenders who only make high-cost loans that have no rate caps,” said DBO Commissioner Jan Lynn Owen. “What we’re seeking is additional information that will help us ensure lenders and lead generators do not use unfair, deceptive practices to trap consumers in high-cost loans they don’t want and can’t afford.”

Owen also said the DBO is considering whether to promulgate regulations to provide more effective oversight of lead generators. “Lead generators, especially those who operate online, play a significant and growing role in borrower acquisition,” she said. “In California, much of the activity is unlicensed and harmful to consumers. This problem needs to be fixed.”

Additionally, Owen said the DBO is weighing whether to adopt rules that govern how licensees consider borrowers’ ability to repay when making loans.

The DBO licenses and regulates all 20 companies under the California Financing Law (CFL). The CFL caps interest rates for consumer loans under \$2,500, but does not impose any interest-rate limits on consumer loans of \$2,500 or more.

In 2017, according to annual reports of lending activity filed with the DBO, CFL licensees made 745,145 consumer loans from \$2,500 to \$9,999. Of those, 47.2% (351,786) carried annual percentage rates (APR) of 100% or higher. Triple-digit APRs were especially prevalent in the \$2,500 to \$4,999 range, the largest category of consumer loans by numeric volume. Last year, 58.8% of such loans – 321,423 of 547,002 – carried APRs of 100 percent or higher.

For each of the 20 companies subject to the DBO’s directive, the triple-digit APR ratio in the \$2,500 to \$9,999 dollar range was 90% or higher in 2017, according to their annual reports. In other words, 90% or more of their loans in that range had APRs of 100% or higher. For nine of the lenders, the ratio was 100% -- every loan they made in that range had a triple-digit APR.

All 20 lenders in 2017 made at least 1,000 loans from \$2,500 to \$9,999. They originated 29.5% of all loans made by CFL licensees in that dollar range (219,770 of 745,145). They originated 60.4% of all the triple-digit APR loans in that range (212,490 of 351,786). The [20 companies](#) earned a combined \$662 million in income from consumer loans of \$2,500 or higher.

The DBO sent letters to the 20 licensees directing them to provide, among other information: more specific data on APRs; the number of borrowers referred to them by online lead generators; the number of referred borrowers who informed the lead generator they wanted a loan of less than \$2,500 but ended up obtaining a loan with no interest-rate limits; details on underwriting practices and how those practices differ for borrowers referred by online lead generators; and information on how borrowers who indicated they wanted a loan of less than \$2,500 are handled differently than other customers.

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 and servicers, escrow companies, franchisors and more.

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