



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
EDMUND G. BROWN JR., Governor

BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY
DEPARTMENT OF BUSINESS OVERSIGHT

JAN LYNN OWEN
COMMISSIONER OF BUSINESS OVERSIGHT

Division of Corporations
Edgar L. Gill Jr., Senior Deputy Commissioner

Financial Services Office
California Deferred Deposit Transaction Law

Kathleen R. Partin, Deputy Commissioner
Patricia R. Speight, Special Administrator



Table of Contents

EXECUTIVE SUMMARY	4
INTRODUCTION	5
CDDTL TRANSACTION ANALYSIS	8
Chart 1: Total Dollar Amount of Transactions	9
Chart 2: Total Number of Transactions	9
Chart 3: Total Number of Deferred Deposit Transaction Customers	10
RETURNED CHECKS	11
Total of Returned Checks	11
Returned Checks Recovered	12
Returned Checks Charged Off	13
Chart 4: Total Amount of Returned Checks	14
Chart 5: Total Dollar Amount of Returned Checks Recovered	14
Chart 6: Total Dollar Amount of Checks Charged Off	15
LICENSING	16
Licensing Historical Data	16
Chart 7: CDDTL Licensed Locations	19
Chart 8: Number of License Applications Filed	19
Chart 9: Total Number of Short and Long Form Licenses Surrendered	20
Chart 10: Total Number of Licenses Issued	20



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.



2014 Annual Report: Operation of Deferred Deposit Originators Licensed under the California Deferred Deposit Transaction Law

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.



**2014 Annual Report: Operation of Deferred Deposit Originators Licensed
under the California Deferred Deposit Transaction Law**

CDDTL TRANSACTION ANALYSIS

	*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.



2014 Annual Report: Operation of Deferred Deposit Originators Licensed under the California Deferred Deposit Transaction Law

Chart 1: Total Dollar Amount of Transactions

Dollar amount of deferred deposit transactions

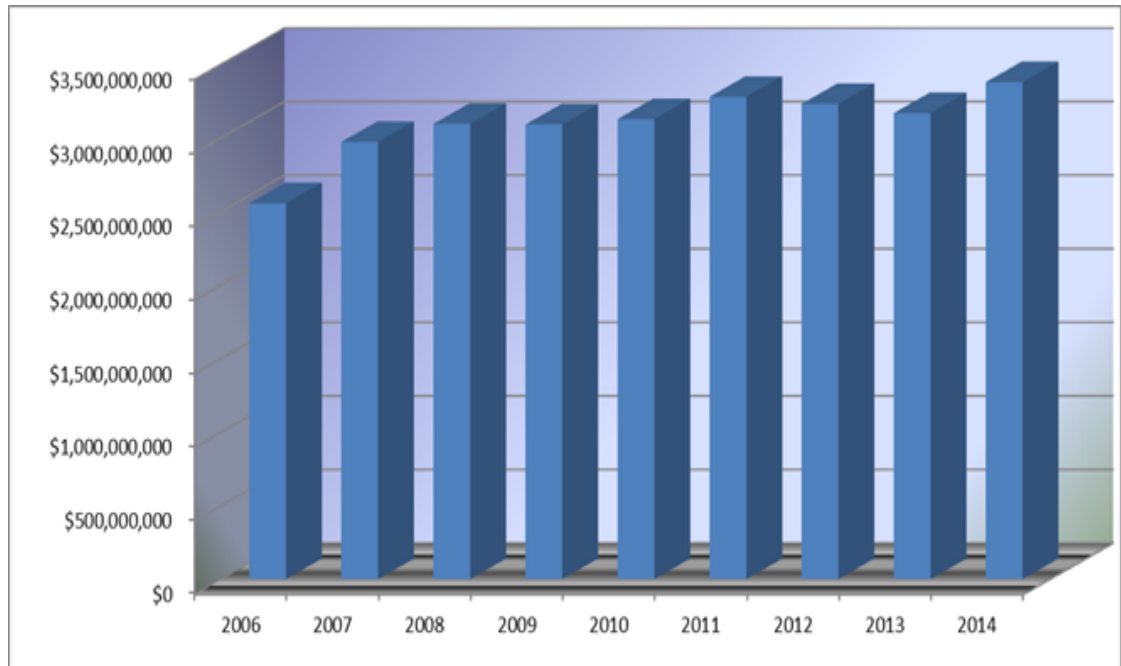
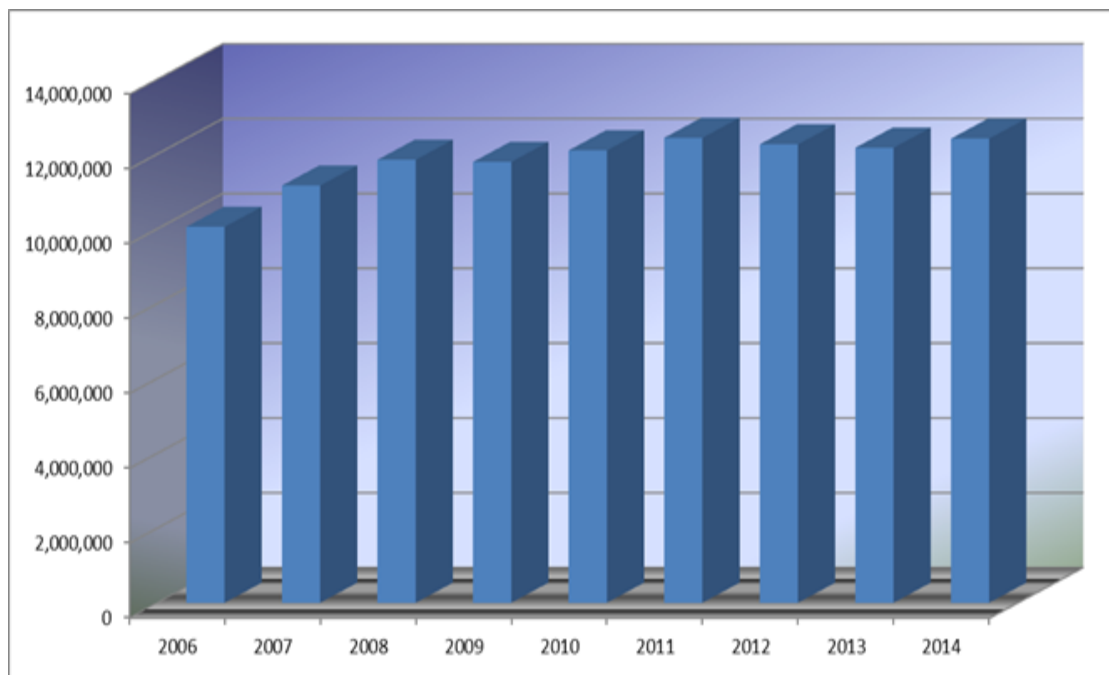


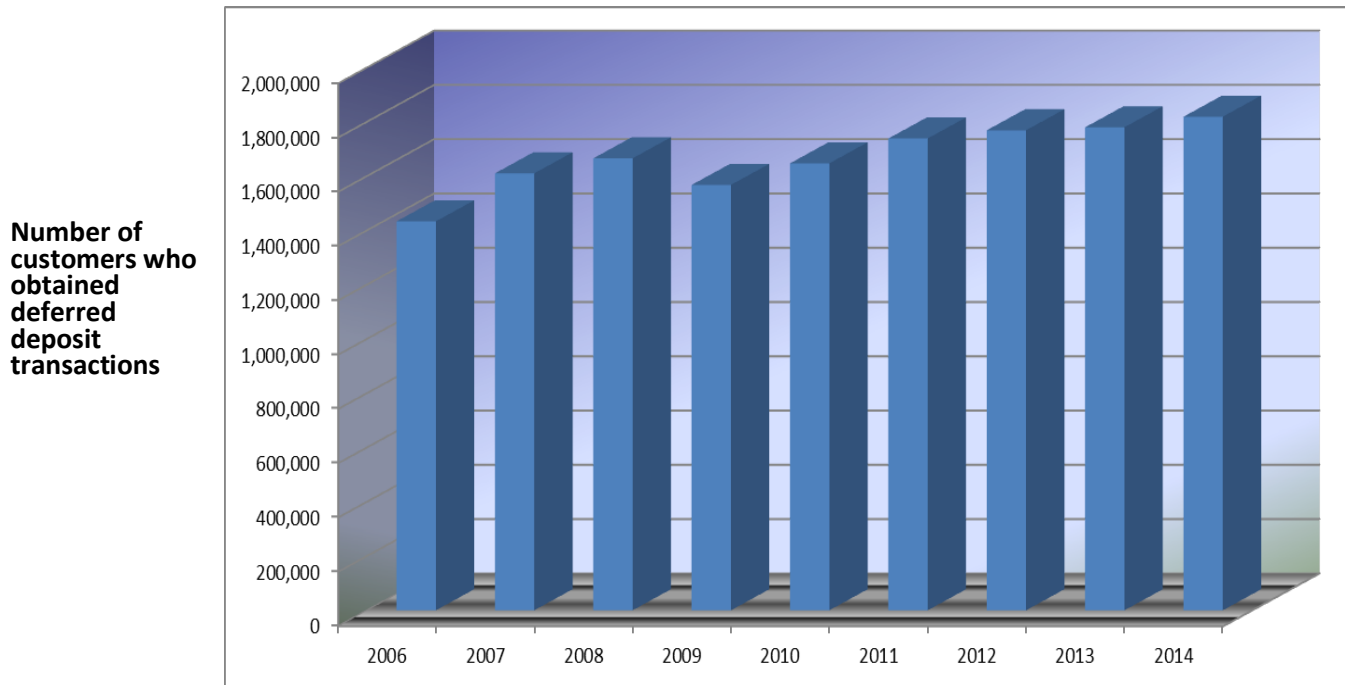
Chart 2: Total Number of Transactions

Number of deferred deposit transactions



2014 Annual Report: Operation of Deferred Deposit Originators Licensed under the California Deferred Deposit Transaction Law

Chart 3: Total Number of Deferred Deposit Transaction Customers



**2014 Annual Report: Operation of Deferred Deposit Originators Licensed
under the California Deferred Deposit Transaction Law**

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.



**2014 Annual Report: Operation of Deferred Deposit Originators Licensed
under the California Deferred Deposit Transaction Law**

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.



**2014 Annual Report: Operation of Deferred Deposit Originators Licensed
under the California Deferred Deposit Transaction Law**

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.



2014 Annual Report: Operation of Deferred Deposit Originators Licensed under the California Deferred Deposit Transaction Law

Chart 4: Total Amount of Returned Checks

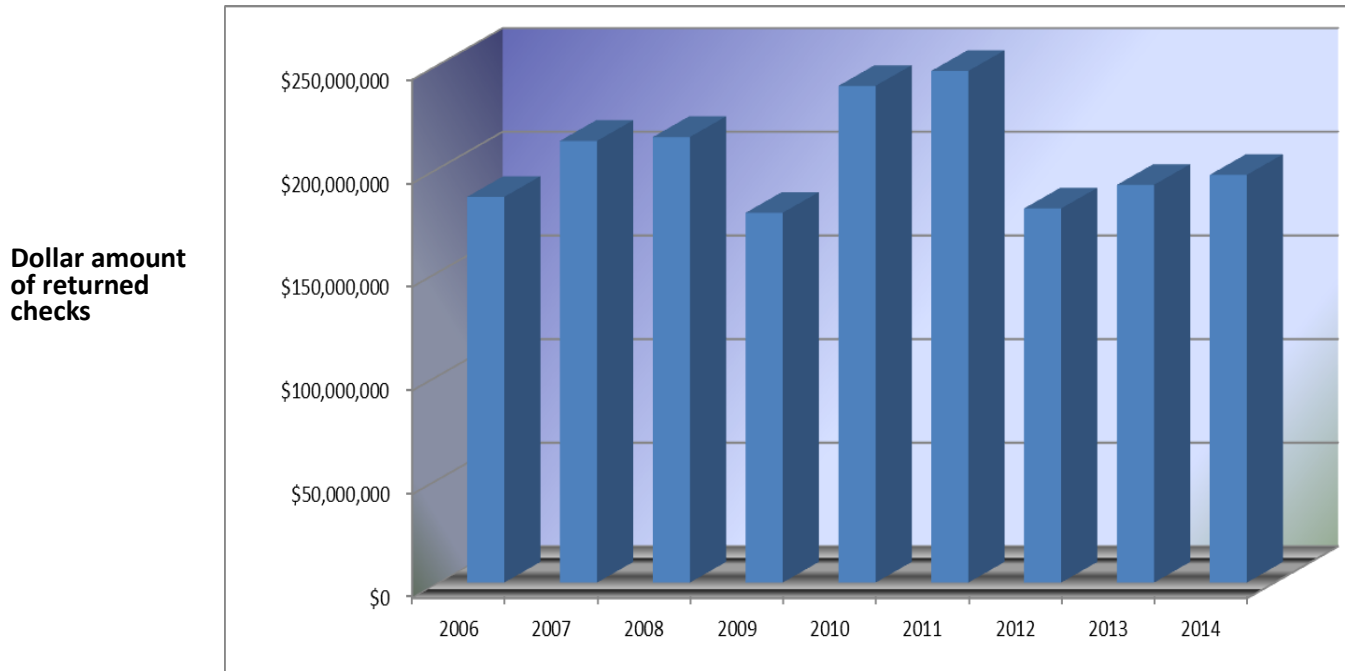


Chart 5: Total Dollar Amount of Returned Checks Recovered

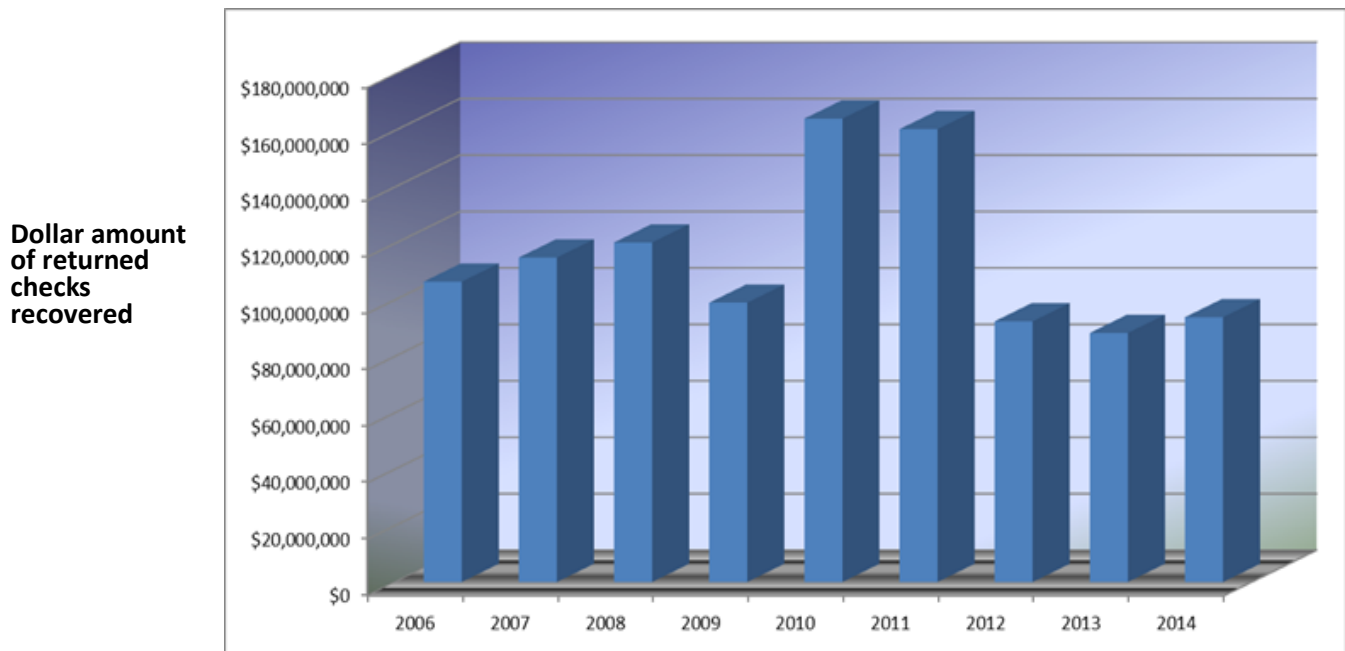
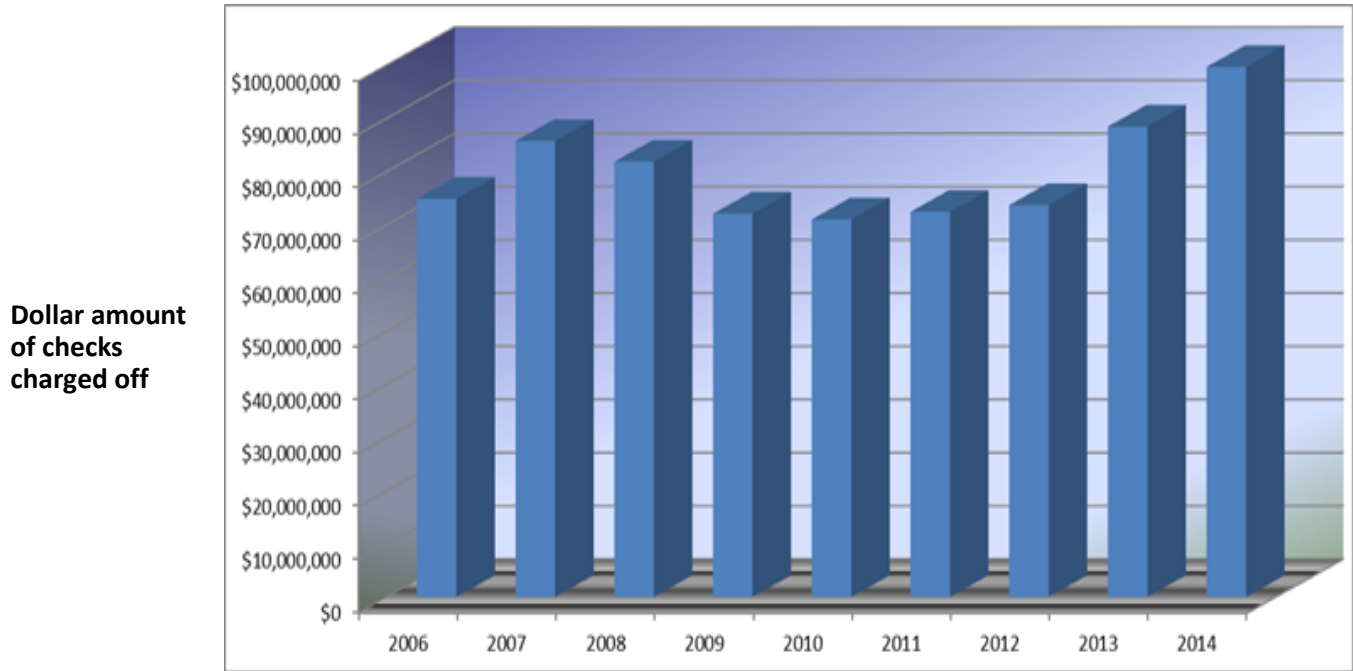


Chart 6: Total Dollar Amount of Checks Charged Off



**2014 Annual Report: Operation of Deferred Deposit Originators Licensed
under the California Deferred Deposit Transaction Law**

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



**2014 Annual Report: Operation of Deferred Deposit Originators Licensed
under the California Deferred Deposit Transaction Law**

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



**2014 Annual Report: Operation of Deferred Deposit Originators Licensed
under the California Deferred Deposit Transaction Law**

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



2014 Annual Report: Operation of Deferred Deposit Originators Licensed under the California Deferred Deposit Transaction Law

Chart 7: CDDTL Licensed Locations

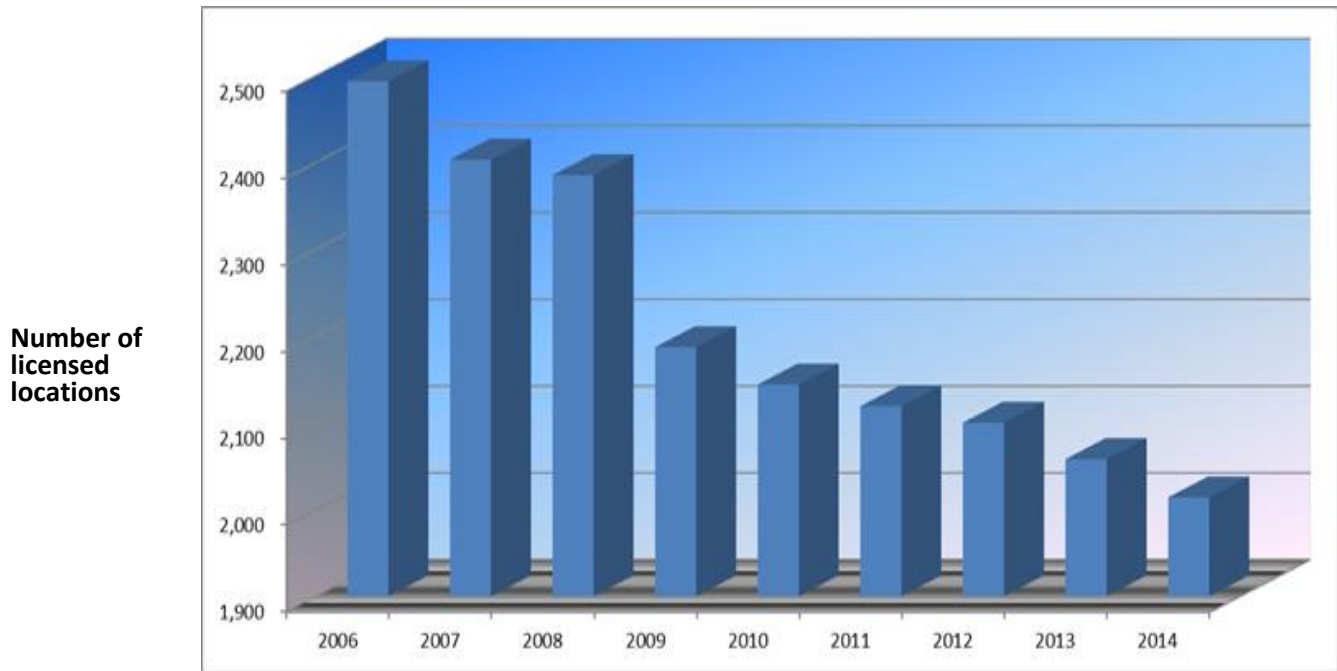


Chart 8: Number of License Applications Filed

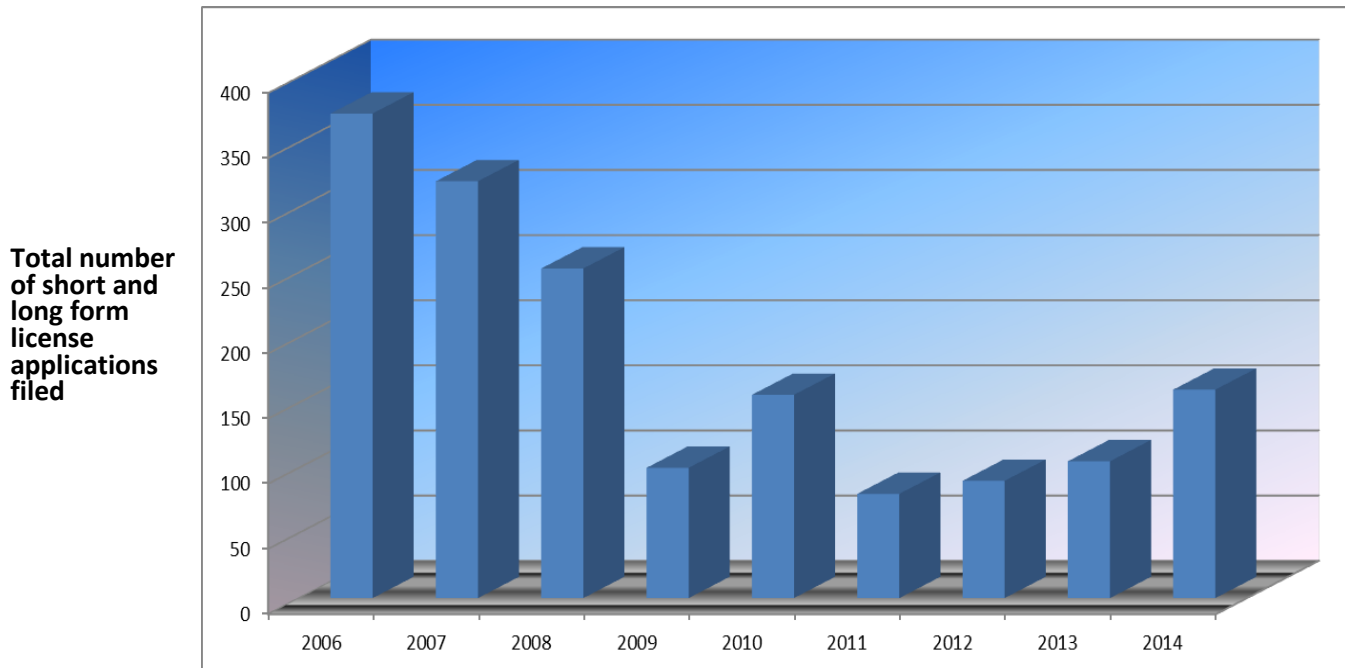


Chart 9: Total Number of Short and Long Form Licenses Surrendered

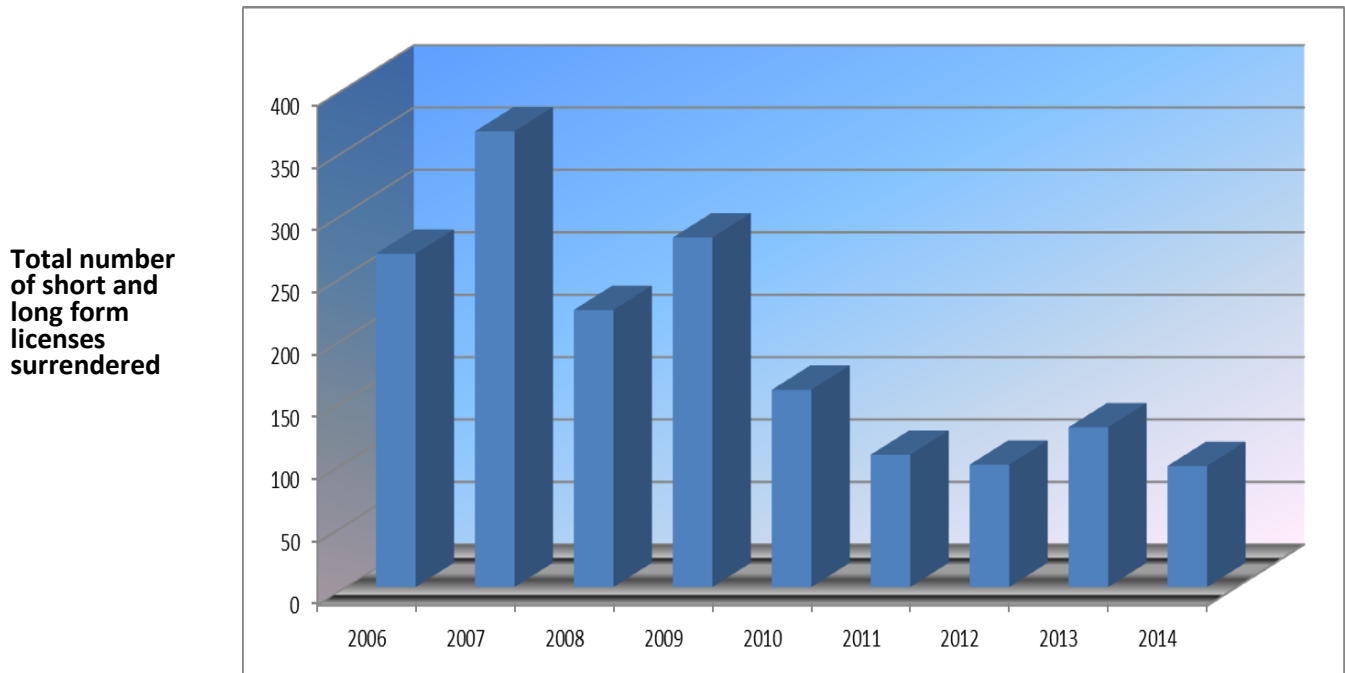
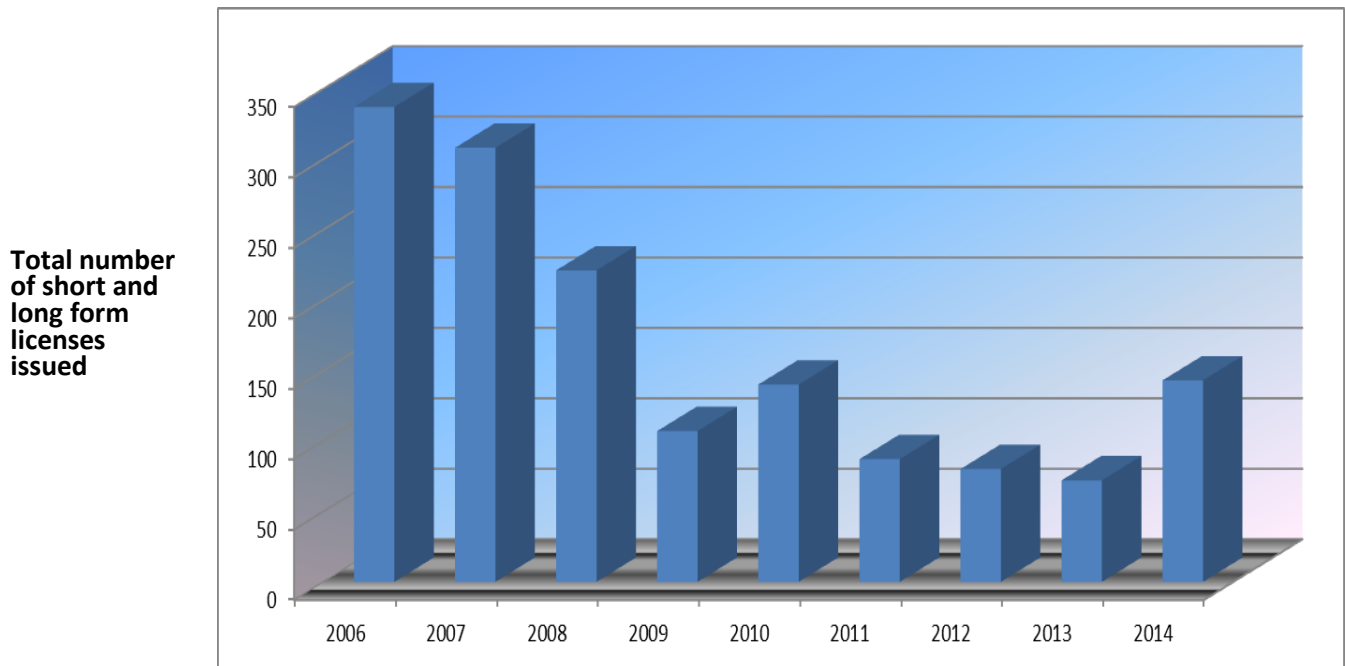


Chart 10: Total Number of Short and Long Form Licenses Issued



**2014 Annual Report: Operation of Deferred Deposit Originators Licensed
under the California Deferred Deposit Transaction Law**

CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT
Toll-Free 1-866-275-2677
TTY 1-800-735-2922
Online www.dbo.ca.gov

Sacramento Office:

1515 K Street, Suite 200
Sacramento, CA 95814-4052

San Diego Offices:

1350 Front Street, Room 2034
San Diego, CA 92101-3697

7575 Metropolitan Dr., Ste. 108
San Diego, CA 92108-4421

Los Angeles Offices:

320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

300 S. Spring Street, Ste. 15513
Los Angeles, CA 90013-1259

San Francisco Offices:

One Sansome Street, Suite 600
San Francisco, CA 94104-4428

45 Fremont Street, Ste. 1700
San Francisco, 94105-2219

To obtain additional copies of this report, please visit the DBO's website:

http://www.dbo.ca.gov/Licensees/payday_Lenders/payday_lenders.asp

