



STATE OF CALIFORNIA

Department of Business Oversight

GOVERNOR **Gavin Newsom** • COMMISSIONER **Manuel P. Alvarez**

For Immediate Release
Sept. 9, 2020

Contact: Mark Leyes
(916) 322-5275

Installment Consumer Lending by California Nonbanks Increased 68 percent in 2019

SACRAMENTO – Installment consumer lending by nonbanks in California increased more than 68 percent, to more than \$57 billion in 2019, according to a [report](#) released today by the Department of Business Oversight (DBO).

The increase in principal loaned stemmed largely from real estate-secured loans, which more than doubled to \$47.3 billion, 83 percent of the amount loaned to consumers. The number of such loans also nearly doubled to more than 120,000, from 66,000 in 2018.

The number and amount of loans increased across a range from under \$2,500 to more than \$10,000, according to the report of lending activity under the California Financing Law (CFL). Of loans from \$2,500 to \$4,999, which accounted for the largest number of consumer loans, 58 percent had annual percentage rates (APRs) of 100 percent or higher.

“This report reflects the final year in which there are no state caps on interest rates for loans above \$2,500,” said DBO Commissioner Manuel P. Alvarez. “Beginning this year, the law now limits permissible interest rates on loans of up to \$10,000. Next year’s report will reflect the DBO’s efforts to oversee licensees under the new interest caps.”

Effective January 1, Assembly Bill 539 by Assemblywoman Monique Limón, D-Santa Barbara, enacted the Fair Access to Credit Act, which limits interest rates on loans of up to \$10,000. For any consumer loan of a bona fide principal amount of at least \$2,500 but less than \$10,000 (including commercial loans of \$2,500 to \$5,000), a CFL lender may not charge a rate exceeding annual simple interest of 36 percent plus the Federal Funds Rate.

Other highlights from the report include:

- The total number of consumer loans originated by CFL lenders increased almost 17 percent to 1.9 million.
- Loans for less than \$2,500 accounted for 40 percent of consumer loans, and 99 percent of those were unsecured.

- Unsecured consumer loans of less than \$2,500 increased 35 percent (more than double annual increases of less than 15 percent over the past three years), due largely to loans reported by licensees who in the past offered unlicensed point-of-sale installment loans.
- The number of online consumer loans increased 69 percent while the total principal amount of those loans increased almost twice as much, 134 percent.
- Total CFL lending increased 10.6 percent to \$243.4 billion, from \$220.1 billion in 2018. The aggregate principal of commercial loans increased nearly 1 percent to \$186.4 billion. The number of commercial loans originated in 2019 increased 6.6 percent to 905,341.

The DBO licenses and regulates finance lenders, brokers, and Property Assessed Clean Energy (PACE) program administrators pursuant to the CFL. In this report, the DBO compiled unaudited data submitted by lenders licensed under the CFL.

In addition, the DBO licenses and regulates state-chartered banks and credit unions, student loan servicers, money transmitters, securities broker-dealers, investment advisers, payday lenders, mortgage lenders and servicers, escrow companies, and franchisors.

###