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INFORMATIONAL HEARING

UNSECURED LENDING BY DEPOSITORY INSTITUTIONS, NONPROFITS, AND THE UNLICENSED

BACKGROUND PAPER

November 14, 2013

INTRODUCTION

During the last six years, the availability of credit within California has shrunk, a phenomenon which has affected all populations, but which has been felt most acutely by Californians who lack credit scores, have very thin credit files, or have damaged credit. Among the causes of this credit crunch: 1) A steep decline in housing prices that began in 2007, brought on by California's mortgage troubles. Many homeowners who had previously been able to draw on home equity lines of credit saw their home equity decline, then disappear, and their home equity lines cancelled. 2) Enactment of the federal Credit Card Accountability Responsibility and Disclosure Act of 2009 (the CARD Act). Among its varied impacts, the CARD Act decreased the issuance of unsecured credit cards to subprime borrowers, severely restricting a source of credit on which many subprime borrowers had previously relied. Many borrowers who held credit cards when the CARD Act went into effect saw their credit limits lowered by their card issuers. Individuals who had previously been able to open new credit lines, simply by responding to one of the myriad unsolicited credit card offers they received in the mail, lost that option. 3) A decline in credit scores, reflecting the effects of high unemployment rates, a distressed housing market characterized by high rates of foreclosures and short sales, and personal bankruptcies filed to delay what were often inevitable foreclosures. As Californians' credit scores fell, they lost access to certain forms of credit altogether, and incurred higher costs to access the credit that was still available.

As a result of the factors discussed above, a significant population of Californians who previously had access to credit cards, home equity, and other borrowing options have been left to find other alternatives, when their spending needs exceed their incomes.

The California Legislature has spent considerable time in recent years discussing two of the borrowing options available to this population – namely, payday loans and installment loans offered by nondepository institutions. However, the Legislature has not previously focused on the types of unsecured loans which are made available by banks and credit unions to their customers, nor on the types of loans being offered by nonprofit organizations in California. On November 14, 2013, the Senate Banking and Financial Institutions Committee will examine these heretofore unexplored subjects. The goal: learn what types of loan products are available from depository institutions and nonprofits in California, what underwriting standards are used to vet loan applicants, what loan terms are imposed, and what loss rates characterize these loans; the Committee will also ask witnesses whether there are any provisions of state law, which act as barriers to either depositories or nonprofits, in their efforts to offer loans to the populations they serve.

During the second portion of the hearing, the Committee will focus on another source of credit that is available to borrowers seeking loans to help meet their spending needs -- loans offered in California by lenders that lack California lending licenses. Although they are referred to in this background paper and on the hearing agenda as unlicensed, to reflect their lack of *California* lending licenses, some of these lenders are, in fact

licensed – in other states. Others have entered into agreements with Indian tribes and assert that the tribes' sovereign immunity relieves the lenders of any need to obtain California lending licenses. Still other unlicensed lenders operate offshore, outside the reach of California's laws. Some of the lenders operating in California without California lending licenses have joined with licensed lenders to form a trade organization, the Online Lending Alliance (OLA). During the hearing, a representative of OLA will address the Committee to discuss changes it is seeking, at both the state and federal levels, to provide its members with additional legal certainty surrounding their activities. The Committee will also hear from California's primary lending regulator, the Department of Business Oversight, regarding actions it has taken to reduce the prevalence of lending into California by entities that lack California lending licenses.

SMALL DOLLAR LENDING BY DEPOSITORY INSTITUTIONS

Banks

In December 2012, the Federal Deposit Insurance Corporation (FDIC) published the results of a nationwide survey it conducted during 2011 regarding banks' efforts to serve the unbanked and underbanked. The survey reached banks in three asset sizes (small, medium, and large – designated as banks with assets of less than $1 billion, between $1 billion and $38 billion, and greater than $38 billion). Survey questions were intended to identify the extent to which insured banks offered basic and auxiliary financial products and services, developed and marketed products, used retail strategies, and provided financial education and outreach activities to expand financial services to unbanked and underbanked consumers. The survey also asked about challenges and obstacles that could affect the ability of banks to offer financial services to the underserved.

Of relevance to the upcoming informational hearing, 88% of all banks surveyed by the FDIC offer unsecured personal loans. Among those banks, 43% offer unsecured personal loans with no minimum loan amount, and an additional 53% offer unsecured personal loans with a minimum loan amount of $2,500. Banks offering these loans tended to do so with repayment terms of 90 days or more (81% of banks that offer unsecured personal loans employ repayment periods of at least 90 days). Furthermore, although neither federal nor California law impose any interest rate caps on the loans that may be offered by federally-chartered or state-chartered banks, 89% of the banks in the FDIC's survey that indicated they offer unsecured personal loans do so at APRs below 36%. The vast majority of these banks offer loan approvals within 24 hours after receiving a complete loan application.

Despite the apparent prevalence with which banks offer unsecured personal loans, the FDIC observed that banks need to do a better job of publicizing the existence of those loan products. In its survey report, the FDIC observed that 20% of households which obtained credit from payday lenders, and 18% of borrowers that used pawn shops, did so predominantly because they thought banks did not offer small dollar loans. Although some proportion of borrowers who obtain small dollar loans from nonbank providers

may not qualify for bank loans (about one-third of banks reported that underwriting was a major obstacle to offering financial products to unbanked and underbanked consumers), the gap between reality and consumer perception around the availability of small dollar loans from banks strongly suggests that banks' marketing of these products is insufficient to reach those who might qualify.

Do banks fail to publicize these loans, because they are not profitable? This is unclear. In May 2013, American Banker magazine published an article titled, "California Thrift's Woes Show Challenges Competing with Payday Lenders," in which the publication discussed the decision of One PacificCoast Bank in Oakland to discontinue its One Pac Pal loan. The loan, which One PacificCoast Bank designed based on a two-year FDIC small dollar loan pilot project initiated in 2007, was capped at $1,000, had a 90-day minimum term, and capped the sum of interest rates and fees at 36% APR. The bank discontinued its loan product 18 months after rolling it out, because the product was too unprofitable.

The reluctance of banks to promote the availability of the installment loans they offer is borne out by the witnesses who will testify during the Committee's upcoming informational hearing. Despite evidence suggesting that most banks offer unsecured personal loans, Committee staff was unable to identify a single witness willing to testify on behalf of a bank about that bank's installment loan offerings.

Credit Unions

The prevalence of small dollar lending by credit unions in California is unknown. The Federal Credit Union Act limits federally-chartered credit unions to a 15% interest rate ceiling on loans, unless the National Credit Union Association (NCUA) Board establishes a higher rate after considering certain statutory criteria. Using these criteria, the NCUA Board has set the current rate ceiling at 18%. That rate cap is scheduled to drop back down to 15% on March 11, 2014.

The NCUA's one exception to the 18% cap imposed on loans made by federally-chartered credit unions applies to a special category of loans that the NCUA calls "short-term small amount loans." Recognizing that most federally-chartered credit unions would be unable to cost-effectively operate a short-term small loan program if they were subject to an 18% rate cap, the NCUA issued a rule in October 2010, allowing federally-chartered credit unions to offer loans in amounts between $200 and $1,000, at interest rates of up to 28%. To be eligible for one of these loans, a borrower would have to be a member of the credit union from which he or she obtained the loan for at least one month prior to loan application. The loans carry loan lengths of one to six months and application fees of up to $20. Late fees may be charged, but credit unions may not require customers to agree to a repayment method that involves a payroll deduction. Loan rollovers are not allowed.

In documentation accompanying its small dollar loan rule, the NCUA stated that it planned to collect data regarding the success of the short-term small dollar loan

program and make changes to the rule, if necessary, to improve it for both consumers and the federally-chartered credit unions covered by it. Staff was unable to locate a report summarizing the success of the small dollar loan rule.

State-chartered credit unions in California are not subject to the rate caps to which federally-chartered credit unions are subject on their loans. It is unknown whether this has encouraged more lending by state-chartered credit unions than federally-chartered credit unions.

During the informational hearing, the Committee will hear from four witnesses knowledgeable about the small dollar loan products offered by credit unions – one representing a federally-chartered credit union, two representing a state-chartered credit union, and one representing an organization that studies the components of successful small dollar lending programs, who will describe for the Committee the building blocks needed in states that wish to nurture successful small dollar lending by depository institutions.

LENDING BY NONPROFIT ORGANIZATIONS

During the hearing, the Committee will hear from representatives of two nonprofit organizations active in California – the Mission Asset Fund (MAF) and Opportunity Fund (OF). Although these are not the only nonprofit organizations lending in California (Grameen America has also begun lending in California), they are two of the largest nonprofits with the largest footprints. The section below *briefly* summarizes the types of loans facilitated by MAF and the Opportunity Fund. Interested parties wishing more detailed information are directed to the web sites of these organizations.

Mission Asset Fund

The Mission Asset Fund (MAF) facilitates lending through lending circles, which are groups of ten to twelve people who are connected by a common bond. Each individual in a lending circle must have a bank account, and must agree to pay a certain amount to the group at a frequency that is agreed upon by all members of the group (thus, for example, each member of a ten-person lending circle could agree to pay $100 to the group, once a month, generating $1,000 per month). A lottery is used to determine the order in which members of each lending circle gain access to the payment proceeds. In the example immediately above, each of the ten members in the circle would be able to borrow $1,000 each month – one borrower per month – until all ten members of the lending circle had paid $1,000, and all had borrowed $1,000. At present, the maximum dollar amount of a loan that MAF will facilitate is $2,200.

Although MAF is not the lender (the members of each lending circle are the lenders), MAF enters the picture in four ways. First, it helps individuals who wish to form lending circles do so, by explaining the rules, underwriting the members of each circle, and providing the paperwork necessary to formalize the lending circle loan agreements. Second, MAF offers free financial education to lending circle participants. The financial

management training classes offered by MAF are directly linked to credit, borrowing, and savings topics that lending circle participants experience in their circles. Third, MAF guarantees the loans. If any member of a lending circle is unable to fulfill their loan agreement by fully repaying their loan amount, MAF steps in to take up those payments, thus ensuring that the other members of the circle, who have made their payments, get fully repaid. In the alternative, MAF helps the circle identify a replacement for the member of the lending circle that dropped out, to ensure that the circle is completed and all loans are fully repaid. Finally, MAF reports borrower payment histories to at least one of the major credit bureaus. This helps individuals who participate in lending circles establish, build, and/or repair their credit scores.

MAF's costs to underwrite loans and run its program are covered through philanthropic donations. At the present time, borrowers who participate in MAF lending circles pay zero fees and zero interest rates.

Approximately one-third of individuals who participate in lending circles facilitated by MAF lack any type of credit history when they enter the program. After ten months of lending circle repayments, these individuals can grow their credit scores to approximately 600. The average credit score increase among this group is 168 points. Among the two-thirds of lending circle borrowers who enter the program with a credit score, the average increase in score is 19 points per borrower.

Many lending circle borrowers form new lending circles once their original loan is paid back. MAF caps participation in the program at three lending circles per borrower (none at the same time), under the logic that borrowers who successfully complete three lending circles should be able to obtain more traditional forms of credit upon their graduation.

In the past five years, MAF has facilitated $2.3 million in loans, and seen approximately 1,900 people pass through its circles. This year alone, its circles include 700 people and $950,000 in loans. MAF performs its work directly and through nonprofit partners. It currently works with nineteen different nonprofit partners across six different states, including three different groups in Los Angeles.

Additional information about the programs offered by Mission Asset Fund can be found at http://missionassetfund.org/

Opportunity Fund

Founded in 1995 and based in the San Francisco Bay Area, Opportunity Fund is California's largest nonprofit microlender. Although it is a nonprofit, and thus technically not "in the business" of lending, Opportunity Fund holds a California Finance Lenders Law license. Opportunity Fund offers installment loans in principal amounts between $2,500 and $100,000 to small businesses in California. The interest rates on its loans range from 8.5% to 18% annually, depending on the size of the loan (the larger the loan amount, the smaller the interest rate). Opportunity Fund also charges administrative

fees of up to 5% to its borrowers. Loan lengths range from nine months to five years. Because the interest rates and administrative fees charged by Opportunity Fund are insufficient to cover its costs of lending, loans are heavily subsidized through philanthropy. This past year, Opportunity Fund made over 1,100 loans equaling $14.5 million. Recently, Opportunity Fund has begun accepting repayment directly through the credit and debit card receivables of businesses that opt for this product.

Opportunity Fund underwrites its loans based on business' cash flow and credit, and visits the places of business of many of its borrowers before agreeing to lend money. Opportunity Fund borrowers default very infrequently; the Fund's loss rates are in the 1% range.

Opportunity Fund does not offer consumer loans, in large part because it believes that entrepreneurship and education are the keys to economic mobility. The organization does, however, offer savings products in partnership with Citibank, which are linked to a financial education component. Participants in the Opportunity Fund savings programs receive a 2 to 1 match ($2 from Opportunity Fund and its donors for every $1 deposited by the participant) to invest in college or an emergency fund, along with financial education classes that cover topics including budgeting, credit repair, and goal-setting. To date, participants in Opportunity Fund's savings programs have been able to save and invest approximately $15.5 million.

Additional information on the programs offered by Opportunity Fund can be found at http://www.opportunityfund.org/

LENDING BY BUSINESSES UNLICENSED TO DO BUSINESS IN CALIFORNIA

The Players

California's Deferred Deposit Transaction Law and Finance Lenders Law both contain provisions, which make it unlawful to act in a manner that requires a license under either law, without obtaining and maintaining that license. Many, including the Department of Business Oversight (DBO; California's lending regulator), believe that these provisions require any lender that extends a payday loan or an installment loan to a Californian to be licensed by the Department under the Deferred Deposit Transaction Law (if making a payday loan) or under the Finance Lenders Law (if making an installment loan).

The wording of California law seems to support DBO's position. The Deferred Deposit Transaction Law and the Finance Lenders Law both give DBO the authority to sanction unlicensed lenders that lend into California, most commonly through issuance of desist and refrain orders. Both of these laws also contain provisions, which void the contract of any loan extended by an unlicensed lender to a Californian and provide that no person has any right to receive any principal, charges, or recompense in connection with a lending transaction involving an unlicensed lender.

Others, however, dispute DBO's interpretation of California law. Some companies wishing to lend into California have established relationships with American Indian tribes, and have asserted that the sovereign immunity which flows from their ownership by an Indian tribe pre-empts California law. In one case, an online lender wishing to lend into multiple states asserted sovereign immunity due to its ownership by a single member of an Indian tribe, rather than by an entire tribe.

Other companies wishing to avoid becoming licensed in every state into which they lend have asserted that the laws of the state in which they are licensed (typically Delaware or South Dakota, two states with relatively lax lending laws) can be ported to other states. This argument is premised on the assertion that a lender and borrower can stipulate in their loan contract which state's laws will apply to the loan.

Still other companies are unlicensed in every sense of the word. They operate from overseas locations to make it more difficult for state regulators to shut down their operations.

During the upcoming informational hearing, Committee members will have an opportunity to hear from a representative of the leading industry trade group that advocates on behalf of lenders which lack licenses in the states in which they lend. The Online Lending Alliance includes among its membership some lenders licensed in California, and many lenders with tribal ties or with out-of-state lending licenses that they export to California to cover their activities here. OLA believes that the federal government should step in to regulate the types of loans its members make, and thus eliminate what the organization characterizes as the
legal uncertainty surrounding lenders that wish to lend in multiple states with a lending license from a single state. The trade group is also active at the state level, lobbying for changes to state laws that would encourage its members to become licensed in more states.

Efforts To Crack Down

Until earlier this year, states' efforts to shut down lending by entities that were unlicensed in the states into which they lent were largely frustrated. Offshore lenders operated servers that were very difficult to shut down; several courts sided with Indian tribes in supporting the sovereign immunity of tribal-owned lenders; and many unlicensed lenders that chose to operate within the United States were able to quickly re-open, after being shut down by one state regulator, simply by changing their name and re-establishing operations.

In August of 2013, however, New York State rolled out a new tool that had not previously been used by state regulators to stem unlicensed lending: use of the automated clearinghouse (ACH) network to pinch off unlicensed lenders' ability to debit the bank accounts of their borrowers This past August, Benjamin Lawsky, Superintendent of New York's Department of Financial Services, sent cease and desist letters to 35 companies that were offering online loans in New York , threatening them

with legal action if they continued making loans in excess of New York's 16% usury cap. Separately, Superintendent Lawsky asked the National Automated Clearinghouse Association (NACHA; an industry-run trade group that sets the rules governing the ACH network) and over 100 banks that do business in New York to cut off the unlicensed payday lenders' access to the ACH network.

Shortly after New York took action, several payday lenders with tribal ties shut down, citing their inability to access the payments network.

Action by NACHA

NACHA is a non-profit industry association that manages the development, administration, and governance of the ACH network. The ACH network, in turn, provides the functionality for direct deposit and direct payment. NACHA's operating rules, with which all of its bank and credit union participants must comply, establish the legal foundation for the ACH network, provide a common set of rules and formats, create certainty and interoperability, and prescribe the roles and responsibilities of all of the entities that utilize the ACH network.

The ACH network links to virtually all of the roughly 12,000 depository institutions in the United States, from the largest banks to the smallest credit unions. In 2012, the network transferred $36.9 trillion via 16.8 billion different transactions. Consumers use the ACH network in several ways: 1) receipt of funds via direct deposit (e.g., payroll, retirement, tax refunds, other benefit payments); 2) bill payment via automatic periodic debit (e.g., recurring bills such as mortgage and other loan payments, utilities, insurance payments); 3) other forms of bill payment (e.g., online bill payments, payments by phone); and 4) other uses, such as online person-to-person payments and account transfers, and retail purchases.

ACH transactions are processed in batches, often at the end of each day. Because of the nature of batch processing, which can carry a lag of up to a day, the ACH network is intended for the transmission of non-urgent payments. In that regard, it differs from wire transfers, which are processed instantaneously. Generally speaking, transactions that flow through the ACH network (both debits and credits) are accumulated from Originating Depository Financial Institutions (ODFIs) during the course of each day and made available to Receiving Depository Financial Institutions (RDFIs), typically within one day of their origination.

In March of 2013, NACHA issued Operations Bulletin 2-2013, titled, "High-Risk Originators and Questionable Debit Activity," which pre-dated Superintendent Lawsky's public actions, but was issued on the heels of a New York Times article, titled "Major Banks Aid in Payday Loans Banned by States," which appeared on February 23, 2013. That article reported that both the FDIC and the Consumer Financial Protection Bureau were examining banks' roles in processing online payday loans. It asserted that, although banks are not making the payday loans at issue, they are a critical link for payday lenders, by allowing the lenders to automatically withdraw payments from

borrowers' bank accounts, even in states in which the loans are banned. According to the article, some banks purposefully process electronic debits, even in accounts with insufficient funds, because those withdrawals can trigger a cascade of overdraft, insufficient funds, and other service fees for banks. The article also asserted that, although customers are allowed under federal law to stop authorized withdrawals from their bank accounts, some banks are not heeding requests from borrowers to stop online lenders from trying to debit those accounts.

In its March bulletin, NACHA stated, "Recent press reports have inaccurately stated that some Receiving Depository Financial Institutions have colluded with payday lenders to enable allegedly unlawful activity when RDFIs honor ACH debits to consumer accounts...In the circumstances described in these articles, the RDFI has no relationship with the Originator of the ACH debit, and has no basis or information to make an independent judgment as to whether any specific transaction was properly authorized and relates to a bona fide, legal transaction."

The bulletin went on to observe that, while RDFIs are best positioned to identify questionable debit activity that is brought to their attention by their customers, "ODFIs are the gatekeepers of the ACH Network. As the party that enables an Originator to present debit Entries into the ACH Network, an ODFI must enter into an Origination Agreement with each Originator for which it processes ACH transactions, or have an arrangement with a Third Party Sender that has such an Origination Agreement. In doing so, the ODFI undertakes critical responsibilities under the NACHA Rules that reflect the reliance of the ACH network on appropriate underwriting and monitoring of Originators by ODFIs and the third parties with whom ODFIs have ACH origination arrangements."

NACHA also reminded their member banks of a bulletin released by the Office of the Comptroller of the Currency (OCC) in 2006 (Bulletin 2006-39, relating to risk management guidance for ACH activities by national banks). In that bulletin, OCC cautioned national banks acting as ODFIs to perform a risk-based evaluation of new Originators, including their historic patterns of unauthorized returns and whether they are engaged in legitimate business activities. The bulletin went on to warn banks that engage in ACH transactions with high-risk originators about increased reputation, credit, transaction, and compliance risks, and reminded the banks that high levels of unauthorized returns are often indicative of fraudulent activity, which should prompt management to review its relationship with the originator or third-party sender.

Staff's plain English restatement of the key takeaways from the NACHA and OCC bulletins: Financial institutions that agree to process online loan transactions are responsible for vetting (at some level – neither NACHA nor the OCC provided specifics) the lenders on whose behalfs they initiate debits. Financial institutions whose customers have borrowed from online lenders should take prompt action to cease processing debits when they receive a customer complaint that a debit is unauthorized or when they receive a stop payment request from a customer related to an authorized debit.

NACHA followed up its March bulletin with a separate bulletin in July 2013, titled, "Reinitiation of Returned Debit Entries." Although the July bulletin did not specifically refer to payday lending (as did the March bulletin), it appeared to be an attempt by NACHA to reduce the practice, used by certain online payday lenders, to repeatedly debit the accounts of those of their customers who lack sufficient funds with which to repay their loans. In the July Bulletin, members of the ACH network were encouraged to be on the lookout for high numbers of returned debit entries (i.e., instances in which there was insufficient money in the account at the RDFI) and attempts to inappropriately resubmit returned debit entries. Most notably, the bulletin stated that any debit returned for insufficient funds may not be re-initiated more than twice. It also stated that if a bank customer issues a stop payment order with their bank (the RDFI), the RDFI must notify the ODFI, and the ODFI must stop re-initiating the debit.

Action by The FDIC

In September 2013, the FDIC issued Financial Institutions Letter (FIL) 43-2013, titled, "FDIC Supervisory Approach to Payment Processing Relationships With Merchant Customers That Engage in Higher-Risk Activities." Much like the NACHA bulletins that preceded it, the FIL reminded banks of their responsibilities to perform due diligence regarding their relationships with customers engaged in higher-risk activities. The FIL instructed financial institutions that provide payment processing services directly or indirectly for merchant customers engaged in higher-risk activities that they (the institutions) are expected to perform proper risk assessments, conduct due diligence to determine merchant customers are operating "in accordance with applicable law," and maintain systems to monitor relationships over time. The FIL did not, however, mention payday lending, nor did it speak directly to which law or laws are applicable to lenders operating in multiple states.

EFFORTS BY THE DEPARTMENT OF BUSINESS OVERSIGHT

California's DBO has taken multiple enforcement actions against unlicensed lenders in recent years, by issuing desist and refrain orders, orders voiding transactions, and citations against unlicensed online payday lenders, who lent into California in violation of California law. DBO has also issued Internet alerts, identifying the names, dbas, and home bases of several of these lenders. The Department also engaged in a multi-year legal dispute with lenders that lent into California without California lending licenses, asserting that their tribal affiliations allowed them to do so legally.

More recently, in October 2013, the Department wrote to its depository institution licensees, seeking their cooperation in identifying their exposure to unlicensed payday lending activity and urging them to report all suspicious activity. The Department asked its licensees to refrain from doing business with several unlicensed payday lenders that have been identified by the Department, assess their controls to identify and discontinue transactions with other unlicensed payday lenders, and report those other unlicensed payday lenders to the Department.

In its letter, the Department state that "a bank or credit union may violate Bank Secrecy Act (BSA)/Anti-Money Laundering (AML) requirements if its customer due diligence procedures do not confirm a customer's compliance with state licensing requirements. A bank or credit union must file a Suspicious Activity Report if it becomes aware that a customer is operating in violation of a state licensing requirement." The Department also reminded its licensees of FIL 43-2013, described immediately above.

DBO's letter also stated that financial institutions which accept debits and credits from unlicensed payday lenders through the ACH network could be facilitating a violation of state law. The Department referenced NACHA's March 2013 bulletin, reminding its licensees that ODFIs enable payday lenders to present debit entries into the ACH network. Like the payday lenders themselves, ODFIs that provide ACH services for illegal payday transactions bear the risks (legal, reputational, compliance, and financial) for the transactions. DBO went on to state that banks and credit unions which function as the payday customer's bank or credit union (RDFIs) can help prevent their customers from being victimized by acting on customer complaints. RDFIs have the power to detect a pattern of excessive unauthorized transactions from a single payday lender and work with ODFIs and the Department to verify the status of a payday lender.

DBO concluded by informing its bank and credit union licensees that the Department's examinations will review the institutions to ensure that safeguards are in place to prevent unlicensed payday lenders from gaining access to the ACH network and victimizing Californians. It is unknown whether California bank or credit union licensees have helped DBO identify any unlicensed payday lending activity in the short amount of time since DBO's letter was issued,