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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CONSUMER FINANCIAL PROTECTION BUREAU,

Plaintiff,

v.

CASHCALL, INC., WS FUNDING, LLC, DELBERT SERVICES CORPORATION, and J. PAUL REDDAM,

Defendants.

CASE NO.: 2:15-cv-07522-JFW (RAOx)

PLAINTIFF'S EXCERPTED DEPOSITION TESTIMONY OF DANIEL BAREN 30(b)(6) SUPPORTING MOTION FOR PARTIAL SUMMARY JUDGMENT

Date: August 1, 2016
Time: 1:30pm
Court: Hon. John F. Walter
Courtroom 16

EXCERPTED DEPOSITION TESTIMONY OF DANIEL BAREN 30(b)(6)

7:13-817

Q. So I think we will look back to topic 3, but to start with topic 7, which is CashCall's business dealings with the Cheyenne River Sioux Tribe, including the details thereof and reasons thereof.

So just as an initial question, did CashCall have any business deals with the Cheyenne River Sioux Tribe?

A. No.

Q. Topic 8 is CashCall's business dealings with Western Sky, including the details thereof and reasons thereof.

So I think we talked quite a bit about this earlier today. And I know that you -- we specifically discussed four agreements, two of which were dated December 2009, but had an error in one of the parties' names, and then we discussed that both of those agreements were revised in February of 2010 to reflect the proper names. One was an agreement for an assignment of loans, and one was -- one set was an agreement for assignment of loans and one was the agreement for services.

Is that your recollection of the agreements we've discussed previously with respect to Western Sky?

13 A. Yes.

42:17-46:16

17 **Q. And what were those advantages?**

18 A. There were several. The first was, as
19 compared to the other form -- I'm going to compare
20 these to the other forms of credit that would be
21 available to the typical CashCall borrower. And by
22 the "typical CashCall borrower," I mean someone
23 with a lower-than-average FICO score, but who has
24 the ability to repay a loan, meaning they have
25 sufficient income, sufficient residual income.
1 There is not many other credit options available to
2 someone in that 600 to 620 FICO range, which is the
3 median and mean FICO range for the CashCall
4 borrower.
5 The alternatives would be a secured title
6 loan or a Payday loan. Banks aren't running out to
7 make 10- and 15- or 20,000-dollar loans to people
8 with credit of 610, 620. So they aren't qualifying
9 for those loans. So, basically, they are either
10 going to get -- either they are going to make one of
11 three calls. They are going to get the Payday loan,
12 a secured title loan, offering their car as
13 collateral, or they are going to take an unsecured
14 loan by CashCall or someone like CashCall.
15 We believe there are numerous advantages to

16 the CashCall and consumer installment loan product as
17 opposed to those other two forms of credit.
18 The first would be: There is no prepayment
19 penalty on the CashCall loan. You can use the money
20 for a short or as little as you want. If you want to
21 pay it back in three weeks, you can pay it back in
22 three weeks, and you will have just paid interest on
23 the time that you've had the money outstanding. If
24 you want to keep it for the entire term, you can do
25 that.
1 The difference between that and a Payday
2 loan is: On a Payday loan, you pay all of your
3 finance charges upfront, regardless of whether you --
4 when you pay it back. You are paying them all
5 upfront on day one. So if you have the money to pay
6 it back on day two, instead of paying interest for
7 two days, you are going to pay interest on the 20
8 days or however many days the term of Payday loan is.
9 So that one, I think, would be the first advantage.
10 The second advantage is: The amount of the
11 CashCall consumer installment loan is significantly
12 higher than the amount of Payday loans. In
13 California, the cap on Payday loan is $300 now. Most
14 other states, it may be 4-, 500 dollars. The
15 CashCall consumer loan product starts at 2600
16 dollars. Generally, people need more than 3- or 400
17 dollars. They take the 2600. If they don't want all

18 of the 2600, they can return any portion of it that
19 day or the next day and not pay interest on it. So
20 it gives them a lot more options. It gives them a
21 higher loan amount in which they can use the money
22 for whatever purpose they want.
23 But the third advantage is the fact that
24 there is -- this is a level installment loan that
25 gets paid back in equal installments over time.
1 There is no balloon. There is no surprise at the end
2 of the loan, like on a Payday loan. So the borrower
3 can pay his or her monthly amount every single month,
4 never has to deal with that big, lump-sum payment
5 like on a Payday loan, which you don't pay, you don't
6 pay, you don't pay, and then all of a sudden you owe
7 the whole loan plus the fees at that point.
8 And not surprisingly, most people can't
9 repay that, so the loan gets flipped. You pay more
10 fees, and you end up in what's called a circle of
11 debt where, with a lot of Payday borrowers, they
12 intend on taking a Payday loan out for 15 or 20 days;
13 instead they have keep it for months and months and
14 months because they can't repay it, and they are just
15 paying fees upon fees upon fees.
16 That feature is not contained in the
17 CashCall loan. The CashCall loan is a steady pay
18 amount. You know exactly what the payment amount is
19 going to be. If you want to pay off early, you can

pay it off early and not suffer any payments.
Another advantage to the CashCall loan is:
A large percentage of people use the CashCall loan to consolidate debt. And the debt that they are consolidating carries higher interest rates than a CashCall loan. It's usually Payday loans that they are consolidating. Some people have three or four or five Payday loans. So they use the proceeds of the CashCall loan to pay those off to stop these fees from incurring every 14 or 21 days, and even leaves them with some extra money to do whatever they want.
One more advantage of the CashCall loan over, say, a title loan is it's completely unsecured. If the borrower doesn't pay it back, no one is going to come take his property. On occasion, you know, we can sue and have sued here in California. Right now there is an arbitration provision that is in effect, and so we don't sue. But the borrower is not going to fear that his car is going to get towed away in the middle of the night because he couldn't pay back his thousand-dollar loan.
I think I hit on most of the advantages.

DATED: June 30, 2016

Respectfully submitted,

/s/ Owen Martikan

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