OWEN P. MARTIKAN (CA Bar #177104)
owen.martikan@cfpb.gov
CHRISTINA S. COLL (CA Bar #250712)
christina.coll@cfpb.gov
LEANNE E. HARTMANN (CA Bar #264787)
leanne.hartmann@cfpb.gov
BARRY E. REIFERSON (NY Bar #4343893)
barry.reiferson@cfpb.gov
Admitted pro hac vice
CONSUMER FINANCIAL PROTECTION BUREAU
1700 G Street NW
Washington, DC 20552
Telephone: (415) 844-9790
Facsimile: (415) 844-9788

Attorneys for Plaintiff
Consumer Financial Protection Bureau

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 COMBINED STATEMENT AND REPLY TO 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)

42:17-46:16

Q. And what were those advantages?

A. There were several. The first was, as compared to the other form -- I'm going to compare these to the other forms of credit that would be available to the typical CashCall borrower. And by the "typical CashCall borrower," I mean someone with a lower-than-average FICO score, but who has the ability to repay a loan, meaning they have sufficient income, sufficient residual income. There is not many other credit options available to someone in that 600 to 620 FICO range, which is the median and mean FICO range for the CashCall borrower.

The alternatives would be a secured title loan or a Payday loan. Banks aren't running out to make 10- and 15- or 20,000-dollar loans to people with credit of 610, 620. So they aren't qualifying for those loans. So, basically, they are either going to get -- either they are going to make one of three calls. They are going to get the Payday loan, a secured title loan, offering their car as collateral, or they are going to take an unsecured loan by CashCall or someone like CashCall.

We believe there are numerous advantages to 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
20 pay it off early and not suffer any payments.

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

DATED: July 18, 2016

Respectfully submitted,

/s/ Owen Martikan

Owen Martikan (CA Bar #177104)
Attorney for Plaintiff

Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Telephone: (415) 844-9790
Facsimile: (415) 844-9788
e-mail: owen.martikan@cfpb.gov