



# FORT CAMPBELL CONSUMER AFFAIRS ALERT BULLETIN

101<sup>st</sup> Airborne Division (AASLT) FT. Campbell, KY 42223

CAO 09-06

**PAYDAY LOANS...ARE YOU PAYING 391% APR FOR YOUR LOAN?**

11 SEP 01

**"I just need enough cash to tide me over until payday."  
"GET CASH UNTIL PAYDAY! . . . \$100 OR MORE . . . FAST."**

The ads are on the radio, television, the Internet, even in the mail. They refer to payday loans - which come at a very high price. Check cashers, finance companies and others are making small, short-term, high-rate loans that go by a variety of names: payday loans, cash advance loans, check advance loans, post-dated check loans or deferred deposit check loans.

Usually, a borrower writes a personal check payable to the lender for the amount he or she wishes to borrow plus a fee. The company gives the borrower the amount of the check minus the fee. Fees charged for payday loans are usually a percentage of the face value of the check or a fee charged per amount borrowed - say, for very \$50 or \$100 loaned. And, if you extend or "roll-over" the loan - say for another two weeks - you will pay the fees for each extension.

Under the Truth in Lending Act, the cost of payday loans - like other types of credit - must be disclosed. Among other information, you must receive, in writing, the finance charge (a dollar amount) and the annual percentage rate or APR (the cost of credit on a yearly basis).

A cash advance loan secured by a personal check - such as a payday loan - is very expensive credit. Let's say you write a personal check for \$115 to borrow \$100 for up to 14 days. The check casher or payday lender agrees to hold the check until your next payday. At that time, depending on the particular plan, the lender deposits the check, you redeem the check by paying the \$115 in cash, or you roll-over the check by paying a fee to extend the loan for another two weeks. In this example, the cost of the initial loan is a \$15 finance charge and **391 percent APR**. If you roll-over the loan three times, the finance charge would climb to \$60 to borrow \$100.

### **Alternatives to Payday Loans**

- ?? When you need credit, shop carefully. Compare offers. Look for the credit offer with the lowest APR - consider a small loan from your credit union or small loan company, an advance on pay from your employer, or a loan from family or friends.
- ?? Compare the APR and the finance charge (which includes loan fees, interest and other types of credit costs) of credit offers to get the lowest cost.
- ?? Ask your creditors for more time to pay your bills. Find out what they will charge for that service - as a late charge, an additional finance charge or a higher interest rate.
- ?? Make a realistic budget, and figure your monthly and daily expenditures. Avoid unnecessary purchases - even small daily items. Also, build some savings - even small deposits can help - to avoid borrowing for emergencies, unexpected expenses or other items. Contact Consumer Affairs Financial Assistance Planning (798-5518) for a budget appointment.
- ?? Find out if you have, or can get, overdraft protection on your checking account. Find out the terms of overdraft protection.
- ?? If you need help working out a debt repayment plan with creditors or developing a budget, contact CAFAP (798-5518) to determine whether or not you qualify for a debt liquidation plan.

### **To Complain**

If you believe a lender has violated the Truth in Lending Act, contact the Fort Campbell Consumer Affairs Office (CAO) at 798-5528.

POC for this Alert Bulletin is MSG Brandenburg or the undersigned @ 798-5528

BETTY GEREN  
CONSUMER AFFAIRS DIRECTOR