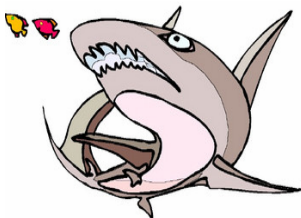


# Financial Management

## PREDATORY LENDING PRACTICES – CONSUMERS BEWARE



### Payday Loans

*“Need cash?, you can get \$50 to \$500 within 15 minutes!”*

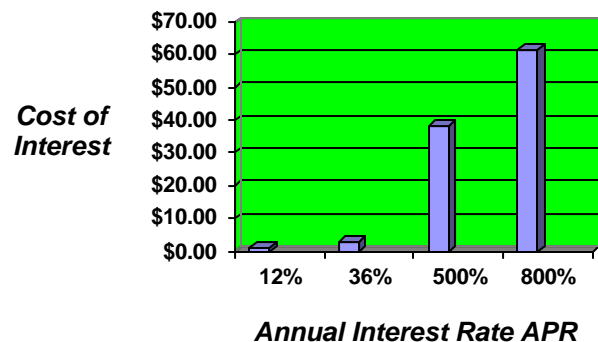
Sounds appealing, be careful. Payday loans, check loans, post dated check loans, deferred deposit check loans, or payroll advance loans are different terms for the same type of loan transactions. Usually, a borrower writes a personal check payable to the lender for the amount he or she wishes to borrow plus a fee. The company gives the borrower the amount of the check minus the fee.

### AVOID TAKING OUT MULTIPLE PAYDAY LOANS

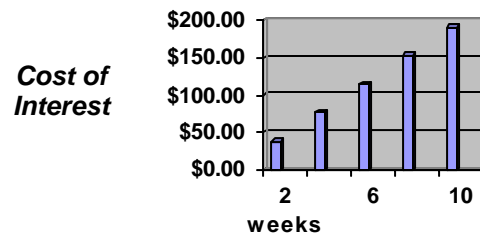
It's important to pay particular attention to the interest rate on payday loans. The rate on a payday loan may be 500% APR (annual percentage rate) or more. Compare \$200 for two weeks at 12% - \$.92, 36% - \$2.76 , or 500% - \$38.36.



### Compare Cost of Interest With Different APR's on a \$200 Loan for Two Weeks



In some circumstances, 500% interest may be an acceptable expense if it is only for two weeks. Payday lending often becomes unmanageable quickly when the loans go beyond two weeks.



**Increase of Cost Over Ten Weeks  
 500% interest on \$200 Pay Day Loan**

Six weeks	\$114.98
Eight weeks	\$153.24
Ten weeks	\$191.15

## Other Considerations

If you pay the loan in full prior to its due date you are entitled to a partial refund of the finance charge.

If you are married and your spouse doesn't sign the loan agreement, the lender is required to give your spouse a written notice that you obtained the loan.



## Alternatives to Payday Loans

- § When you need credit, compare offers. Compare APR and the finance charges (which includes loan fees, interest and other types of credit cost ) of credit offers to get the lowest cost. A cash advance may be a possibility, but it may have a higher interest rate than your other sources of funds. Also a local community based organization may make a small business loan to individuals.
- § 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. Compare APR and the finance charge (which includes loan fees, interest and other types of credit cost ) of credit offers to get the lowest cost.

Source: Federal Trades Commission  
Phone: 877-FTC-HELP Web: [www.FTC.GOV](http://www.FTC.GOV)  
Department of Financial Institutions (DFI) Phone: 608-264-7800  
[www.wdfi.org](http://www.wdfi.org)

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§ Make a realistic budget, and figure your monthly and daily expenditures. Avoid unnecessary purchases - even small daily items. Build savings – even small deposits can help to avoid borrowing for emergencies, unexpected expenses or other items. Saving \$2 a week can become \$104 in a year - a nice sum to have around for an unexpected expense.

§ If you need help working out a debt repayment plan with creditors or developing a budget, contact your local UW-Extension family living agent or consumer credit counseling services.

§ If you decide to use a payday lender, only borrow what you can afford to pay with your next paycheck and still have enough to make it to the next payday.

## For More Information

Contact the Department of Financial Institutions (DFI) at 608-261-9555 or [www.wdfi.org](http://www.wdfi.org). DFI is a state agency that licenses and regulates companies that make consumer loans in Wisconsin where the interest rate is over 18% per annum.



For more information contact: Gayle Rose Martinez, Clark County Family Living Agent, University Wisconsin-Extension, 517 Court St., Courthouse Room 104, Neillsville WI 54456 or call 715-743-5121, FAX 715-743-5129  
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