

Predatory Payday Lending: Don't Get Caught In This Money Trap



KNOW THE FACTS

- Research shows that 99% of payday loans are issued to repeat borrowers.
- Repeat borrowers will often have back-to-back loans. This cycle may take years to resolve.
- Payday loans may have a typical APR of up to 400%. On a \$325 loan, that is \$52 in interest every two weeks!

Alternatives to payday loans should have these features:

- At least a 90-day repayment term, payable in installments
- No personal check mechanism or other unfair collateral (such as a car title)
- Reasonable limits on renewals
- Full consideration of the borrower's ability to repay the loan
- No mandatory arbitration clause

WHAT CAN YOU DO INSTEAD OF PAYDAY LOANS?

The best alternative to payday loans is for consumers to deal directly with their debt. Many creditors will negotiate partial payments if a payment plan is in place. Working out a payment plan with creditors

can allow the consumer to adjust billing to pay off bills over a longer period of time.

With payday alternatives, borrowers pay late fees or penalty fees only one time. In the end, revolving payday loan fees increase debt loads and financial hardship, leading people into bankruptcy rather than helping them get back on their feet.

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