

Now You Can Calculate the True Cost of Payday Loans

When you're in a jam for cash, a payday loan might seem like an easy solution. But what are you willing to pay for what seems like convenience?

Now you don't have to guess—or kid yourself. The Consumer Federation of America (CFA) has a calculator that crunches the numbers, and also crunches any illusions you might have about the deal you're getting from a payday lender.

Just visit paydayloaninfo.org and plug in some what-ifs. What if, say, you borrowed \$300 for two weeks, at a per-hundred-dollar fee of \$15, and made eight loans or renewals in one year's time—all typical numbers. Here's the reality check: You would pay \$360 in finance charges—plus the original \$300—at an APR (annual percentage rate) of 390%.

Sometimes called cash advance loans, check advance loans, postdated check loans, or deferred deposit check loans, these short-term loans are small cash loans secured by a borrower's personal check, payable in full on the borrower's next payday. Interest rates in excess of 300% are not uncommon.

The Web site has information about how payday loans work, the legal status of payday lending for each state, research reports, and how to file a complaint with state regulators. The site also offers suggestions about coping with cash-flow problems and finding less expensive money, including getting smaller loans from credit unions.

The Federal Trade Commission suggests these alternatives to payday loans:

- Shop around and compare offers. Consider a small loan from **Clinton County FCU** or small loan company, a pay advance from your employer, or a loan from family or friends. Although a cash advance on a credit card has a higher interest rate than other sources, it's probably less than a payday loan.
- Ask creditors for more time to pay your bills. Ask if you'll be assessed a late charge, additional finance charges, or a higher interest rate.
- Make a realistic budget and stick to it. Avoid unnecessary purchases and build savings to avoid borrowing for emergencies.
- Ask about overdraft protection on your share draft/checking account.
- Work out a debt repayment plan with creditors. Contact the local consumer credit counseling service for help with negotiations (800-388-2227). Check with **Clinton County FCU**, your employer, or local housing authority for no- or low-cost credit counseling programs. Consider debt consolidation.
- If you decide you must take out a payday loan, only borrow as much as you can afford to pay in full with your next paycheck and still have enough resources to make it to the next payday.

