Predatory LENDING

IT'S A MONEY THING®

YOU HAVE ALTERNATIVES

If you are facing debt problems, you may feel that a payday lender is your only option. Not true—you have a number of alternatives to taking out a high-cost payday loan.

1 Payment Plan with Creditors

The best alternative to payday loans is to deal directly with your debt. Working out an extended payment plan with your creditors may allow you to pay off your unpaid bills over a longer period of time.

2 Advance from Your Employer

Your employer may be able to grant you a paycheck advance in an emergency situation. Because this is a true advance, and not a loan, there will be no interest.

3 Credit Union Loan

Credit unions typically offer affordable small short-term loans to members. Unlike payday loans, these loans give you a real chance to repay with longer payback periods, lower interest rates and installment payments.

4 Consumer Credit Counseling

There are numerous consumer credit counseling agencies throughout the United States that can help you work out a debt repayment plan with creditors and develop a budget. These services are available at little or no cost. The National Foundation for Credit Counseling (nfcc.org) is a nonprofit organization that can help you find a reputable certified consumer credit counselor in your area.

5 Emergency Assistance Programs

Many community organizations and faith-based groups provide emergency assistance, either directly or through social services programs for weather-related emergencies.

6 Cash Advance on Your Credit Card

Credit card cash advances, which are usually offered at an annual percentage rate (APR) of 30% or less, are much cheaper than getting a payday loan. Some credit card companies specialize in consumers with financial problems or poor credit histories. You should shop around, and don't assume that you do not qualify for a credit card.

RESPONSIBLE SMALL-LOAN CHECKLIST

If you are searching for an alternative to a payday loan, look for these features.

- ☑ At least a 90-day repayment term, repayable in installments
- ☑ No unfair collateral requirements (such as a car title)
- ☑ Reasonable limits on renewals (you should not be able to renew a short-term loan more than four times per year)
- ☑ Full consideration of your ability to repay the loan
- ☑ No mandatory arbitration clause in the agreement

AVOID THE DEBT TRAP

If you get behind on a traditional loan from a credit union or bank, you (the borrower) pay late fees or penalty fees only one time.

The payday loan "debt trap" forces you to pay fees every month. In the end, revolving payday loan fees increase your debt load and financial hardship. This vicious cycle can lead you into bankruptcy, rather than helping you get back on your feet.

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