

Beware: Fringe Banking

- Pawn Shops
- Rent-to-Own Programs
- Check Cashing Outlets
- Refund Anticipation Loans (RALs)
- Payday Lending
- Credit “fixers”

Banks vs. Check Cashers

| Honest Bank | | “Trust Me” Loans | |
|--|---------------|--|----------------|
| Monthly Checking Fees | \$4.00 | Cash 2 paychecks for fee: \$2.50/each | \$5.00 |
| Monthly ATM fees (out of network) | \$2.00 | Orders 7 money orders: \$1.50/each | \$10.50 |
| Monthly check printing fees (once a year at \$18.00) | \$1.50 | Time and gas it take you to go to check cashers vs. writing checks from home | ?? |
| Total Annual Cost (monthly = \$7.50) | \$90 | Total Annual Cost (monthly = \$15.50) | \$186 |

Beware: Payday Lenders

HOW IT WORKS:

1. You write a check for \$300
2. You receive \$255 in cash
3. In 2 weeks, the lender cashes your check.
4. Thus, interest paid is \$45 or **APR: 459%**
(compared to 18% on an average credit card)

Caution: Studies show that borrowers take out an average of 10-13 loans per year, often rolling over the initial loan.

Beware: Payday Lenders

CASE STUDY:

After Anita Brooks borrowed \$300 from AdvanceAmerica to buy Christmas presents last year, she found that she wasn't able to pay off the loan all at once. Since AdvanceAmerica had an "all-or-nothing" repayment policy, Anita had to refinance the loan continuously for two years. During that time the principal amount stayed the same.

"Those clothes and those toys," says the 63-year-old grandmother. "My grandchildren outgrew them long before the loan was paid off." By then, she had added another \$400 to her loan principal.

Her \$700 loan ended up costing \$1,780 in finance charges.

Beware: Payday Lenders

CONSIDER OTHER OPTIONS

- Borrow money from a family member or a friend
- Delay purchasing expensive items until you have more money saved
- Apply for a credit card
- Ask your employer for an advance on your paycheck
- Build an emergency savings

Beware: Payday Lenders

IF IT'S YOUR ONLY OPTION

1. Compare lenders for the lowest fees. Some credit unions offer cheaper payday loans with more time to repay.
2. Borrow **only** what you can afford to repay with your next paycheck
3. Know when your payment is due, and pay the loan **IN FULL** and **ON TIME**.
4. Avoid borrowing from more than one lender at a time.

Beware: Payday Lenders

KNOW YOUR RIGHTS

Payday Loans are legal in Nevada, although lenders are not allowed to give loans that are more than 25% of the borrower's monthly paycheck.

There are no state laws regulating the amount of interest payday lenders can charge, and no maximum or minimum term for the loan.

Borrowers can carry as many loans as they like from different lenders; there is no statewide database that lenders can check to see if a borrower already has a payday loan with another company.

There is also no mandatory “cooling off period” in between loans. A borrower can have one loan right after another if he/she so chooses.