

## PAYDAY LOANS -- DON'T DO IT!



So you have some bills due, or an important payment you have to make, like rent. And your next paycheck or unemployment check is not going to arrive or clear in time. You only need a few hundred dollars, but without the money you face disaster -- eviction, repossession of your car, or your kid is kicked out of school because you can't pay tuition. You're going to consider going to one of those sketchy payday loan places. Don't do it. Payday loans (also called paycheck advances or payday advances) are small, short-term loans intended to cover a borrower's expenses until his or her next payday. They are also intended to charge you an absurdly high interest rate. The problem is, if you want to borrow \$300, you're going to pay as much as \$50 in interest and fees. (You cut them a \$300 check dated for after your next paycheck, and they give you \$250 in cash.) This might seem acceptable, when you're desperate. But imagine how you would feel if an ATM machine charged you \$50 to take out \$300. Assuming a two week loan period, finance charges on payday loans are typically in the range of 15% to 30% of the loan amount, which translates to rates ranging from 390% to 780% when expressed as an annual percentage rate. Yikes. And these payday loan places are carefully designed to appear downscale, when in fact most are owned by major banks. These banks don't want you in their regular branches, because you're poor or unemployed or experiencing a financial crisis. But they'll happily charge you usurious finance charges when you're at your most vulnerable. So what can you do instead? **Borrow from friends and family.** Many people don't want to do this, as it can strain relationships. But it's better than a payday loan. And if you pay it back on time, there shouldn't be any problem. If you're not sure you *can* pay the loan back, then don't take a loan short term from anyone, whether a friend or a payday loan joint. If you're honest about your ability to repay, maybe that friend or family member can still help you. **Ask for a payday advance -- at work.** Some employers will give you a small loan against your paycheck. Just ask your boss or HR person. In this economic climate, you won't be the only one asking. **Manage your money better.** Obviously, this won't help you now. And some people seem to think the only reason anyone ever gets into financial trouble is because they didn't manage their money properly. This is ridiculous -- anyone in America, who isn't independently wealthy, is just a sexual harassment suit or major injury away from financial trouble. There are things for which you can't plan. But doing a better job taking care of your money can't hurt, and might help enough to keep you from needing a short term loan in the future.