

Payday Loans Can Be Costly!

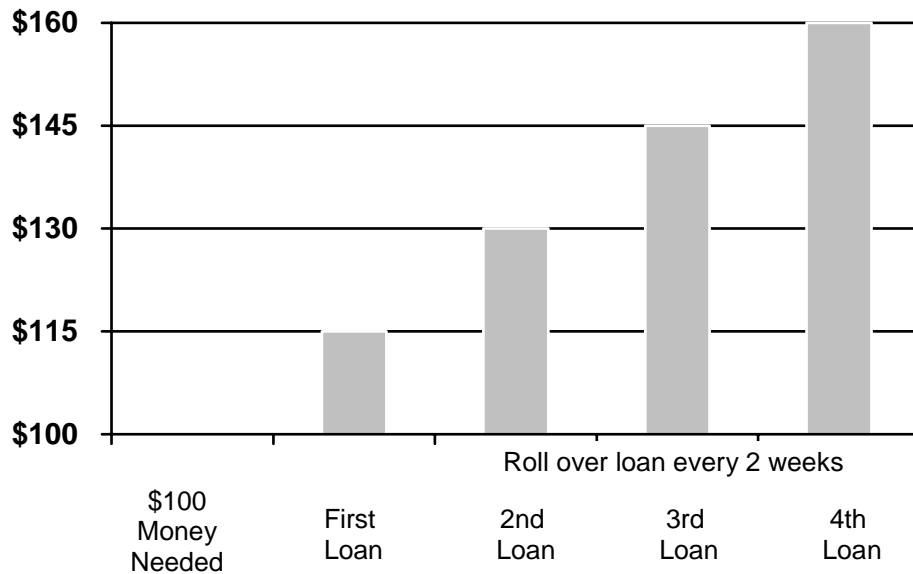
Need extra cash to get by until your next payday?

Get Cash Fast!

These are just two of the ads used on TV, radio, and even in the mail. They're ads for a costly way to get money—payday loans.

Let's say that Sam's car needs repairs, and he doesn't have the \$100 he needs to get it fixed. He's thinking about going to a payday loan store. The lender will loan him \$100 in cash, but Sam will have to write a check for \$115 to borrow the money. The payday lender says he'll hold the check until Sam's next payday two weeks later. At that time the lender will deposit the check, or Sam can redeem it by paying \$115 in cash.

If Sam doesn't have the money and rolls over the loan for another two weeks, he'll have to pay an extra \$15 fee! See what happens if Sam continues to roll-over the loan.



In Sam's example, the cost of his first loan is a \$15 finance charge at 390% APR. If he doesn't pay off his first loan and rolls over the loan three times, the finance charge would be \$60—just to borrow \$100!

If you're thinking about getting a payday loan, the Truth in Lending Act says you must receive, in writing, the finance charge (the fee charged to borrow money) and APR (the cost of credit on a yearly basis.)