

Consumer News & Views

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Six Good Reasons to Avoid Pay Day Loans *By Sally Herigstad*

With all the bad press payday loans get, including legislation aimed at curtailing the industry's predatory lending practices, you'd think people would steer clear of their local payday loan store. But that's just not the case. In fact, there are more payday lending storefronts (about 20,600 according to the Community Financial Services Association of America) in the U.S. than there are McDonald's fast-food restaurants (12,804 according to NationMaster.com). The sign in the window might advertise "cash advance loans," "post-dated check loans" or "deferred deposit check loans." It doesn't matter -- they all work the same.

Why is the industry still thriving? Two words: ***fast cash.***

"A payday loan can be approved within a matter of hours and there is typically no credit check," says Theodore W. Connolly, author of the "The Road Out of Debt." "Usually, you write a personal check payable to the payday lender for the amount you wish to borrow plus a fee. The check is dated for your next payday or another agreeable date within the next couple of weeks when you figure you'll be able to repay the loan."

When you get paid, the lender gets his money. That's the plan, anyway.

What can go wrong? For many people, a lot. Connolly, as counsel at the Boston law practice of Looney & Grossman, had an elderly client who had recently lost her husband. She borrowed based on her paycheck as a concession person at a movie theater. "By the time she came to me, her \$250 loan was over \$1,000 and the lender was relentless, even though she now only had Social Security as her income and was judgment proof," says Connolly.

Consumer groups, including the 173,000 members of the American Consumer Council, have been pushing for limits on fees and interest rates, databases to prevent payday loan rollovers and other measures. In 13 states, payday lending is illegal or made not feasible by state laws. Twenty-one states have pending legislation regarding payday loans, according to the National Conference of State Legislation. The federal Consumer Financial Protection Bureau, with broad power to

regulate 'nonbank' financial entities, is also increasing regulations of payday lending stores. Thomas Hinton, president of the American Consumer Council, calls payday loans "scandalous and evil!"



However, you don't need to wait for legislators to help you stay out of trouble with payday lenders. All you have to do is read the fine print, calculate the real cost of getting stuck in a payday lending cycle and find some other way to get by until next payday.

Here are six ways payday loans can make you wish you'd found some other way to raise money or wait until you get paid:

1. Payday loans are incredibly expensive. Your most expensive credit card may have an interest rate of 28 percent or 36 percent -- tops. How does an interest rate more than 10 times that high sound? If a \$100 payday loan costs you \$15 for 10 days, that's an annual percentage rate of almost 400 percent. Payday lenders are most prevalent in neighborhoods where a significant number of residents cannot qualify for mainstream loans. It's easy money, but Connolly cautions, "Accepting money with no credit check has its price, and it's called interest."

2. You can get stuck in a repeat cycle. Some of the more reputable short-term lending operations try to prevent this by maintaining a database of customers to help prevent rollovers, according to Stephen Altobelli, who represents Financial Services of America. "There are good payday loan operators and bad operators," he says.

Nonetheless, according to the Center for Responsible Lending research, 76% of payday loans are to pay-off old payday loans. The nonprofit consumer group also reported that even though most payday loans are to be paid within two weeks, on average the borrower stays in debt for more than half a year.

"When the day arrives that you have to pay the loan, you usually have two options: pay off the loan or pay a fee and roll over the loan for another two weeks," says Connolly.

3. Debt grows fast at these rates. "You will most likely end up paying three, four or even 10 times the amount you originally borrowed. Debt created by payday loans will often quadruple in just one year," says Connolly. "One tiny mistake can mean lifelong debt."

4. Payday loans are too easy. It takes time to apply for most other loans or credit cards. You can get a payday loan on your lunch hour -- giving you little time to think it over or consider other solutions, including not spending the money at all.

Payday loans carry no right of recession, either. That means if you change your mind shortly after you sign the papers or if your spouse convinces you to call it off, that's too bad. You can't back out.

5. Many payday loan companies require access to your bank account. As a "customer service," they say they will take the money right out of your account. You don't even have to write them a check! Good luck trying to get that stopped, however, when the balance has grown and you can't afford to pay it back and still afford your basic living expenses. If they just keep trying to shove their payment through, you'll get overdraft fees from your bank, too.

6. The day of reckoning, when you owe more than you can repay, can be unpleasant. Some payday loan companies have a reputation for horrendous debt collection practices. The Fair Debt Collection Practices Act should protect you from late night calls, threats of criminal prosecution, harassing you or your neighbors in person and other egregious violations of your rights.

Remember, however, that payday loan companies deal mostly with people who can't get loans through mainstream channels. According to Kristen Hagopian, radio talk show host and author of *Brilliant Frugal Living*, payday loans also

carry substantial risk to the lender with a default rate of 10-20 %. These lenders are used to dealing very, very aggressively when people don't pay loans back as they promised.

If you write a check to be deposited later, and you don't have enough funds to cover it when it gets to the bank, both your bank and your payday lender will probably charge you bounced check fees.

Connolly's client was fortunate. Connolly was able to convince the lenders that she had no money or property they could attach. They held off on their threatened lawsuit, she moved to Pennsylvania, and as far as Connolly knows, she has not heard from them again. Not every case is resolved as easily.

"Given the high risk environment, not to mention the higher interest rates, it's obviously preferred for a household to avoid these loans like the plague," says Hagopian. "Do whatever possible to put a small amount of cash aside on a regular basis so as to avoid regular usage of payday loans. Using payday loans on a regular basis -- and paying them off with high interest come the following payday -- is basically throwing good money away."

Sally Herigstad is CreditCards.com's "To Her Credit" expert columnist. While she addresses a host of questions from readers on a variety of topics, her primary focus is on helping women deal with personal finance challenges. You can reach her at: <http://www.creditcards.com/expert-corner-form.php>

Debt Consolidation Reviews of the Top Debt Consolidation Companies:

It can be tough to decide on what debt consolidation companies to use and that is why we created Debt-Consolidation Reviews.org. We have done extensive research and we are providing you with our top three debt consolidation companies. Now there is no need to worry about which debt consolidation companies are reliable and which ones are not because we have done all of the work for you. You really cannot go wrong with these debt consolidation companies. The rankings are based on debt services offered, time in business, complaints, associations, costs and service.



Accredited Debt Relief™



Accredited Debt Relief-

1-855-547-4482



Debt Consolidation Reviews #1 Company

State Coverage	★★★★★
Program Variety	★★★★★
Associations	★★★★★
Program Costs	★★★★★
Complaints	★★★★★

[:: More Details](#)

Accredited Debt Relief™ is an easy pick at #1 because of their proven results, outstanding customer service and affordability. Accredited Debt Relief™ is a San Diego, California based company that services clients nationwide. We really

like the fact that Accredited Debt Relief can help you with multiple forms of debt relief including debt consolidation, debt settlement, debt management and bankruptcy. Companies that provide multiple forms of debt relief can offer you a program that fits your specific financial situation and will not try and force you into a program that isn't in your best interest. We've had the pleasure of interviewing some of their past clients and also some of their upper management. Their clients had nothing but good things to say about Accredited Debt Relief and its staff, as do we. You can rest assured knowing that you're not just another number to these guys.



Debt Wave™

PHONE: 1-866-354-5808

Debt Consolidation Reviews #2 Company

State Coverage	★★★★★
Program Variety	★★
Associations	★★★★★
Program Costs	★★★★★
Complaints	★★★

[:: More Details](#)

Debt Wave™

Debt Wave Credit Counseling Inc. comes in as our number two company. Debt Wave currently works in 48 states and offers a variety of credit counseling programs which makes them a good option as a debt consolidation company. Their customer service department is very knowledgeable and is eager to help you out with any debt consolidation questions that you may have. In our opinion Debt Wave is a good company to help you with your debt issues but we were more impressed with Accredited Debt Relief's debt consolidation staff and experts because they were more detailed when answering our debt consolidation questions.



InCharge Debt Solutions™

PHONE: 1-877-906-5599

Debt Consolidation Reviews #3 Company

State Coverage	★★★
Program Variety	★★★★★
Associations	★★★★★
Program Costs	★★★★★
Complaints	★

[:: More Details](#)

InCharge Debt Solutions™

InCharge Debt Solutions™ is a debt solution company located in Florida and they come in as our number three company. InCharge is a good option as a debt consolidation company because they have a variety of programs from debt consolidation to credit counseling. They also have a very professional customer service department that is fully capable of helping you out with any questions that you may have. To us InCharge seems like a very good choice for a debt consolidation company and they are a great option to help you out with your debt.

ACC Annual Meeting Scheduled for June 10, 2016. The American Consumer Council will hold its annual membership and business meeting on Friday, June 10, 2016 at 10:00 am at The Lodge at Torrey Pines located in La Jolla, CA. The meeting is open to all members of ACC and there is no charge to attend the meeting. The business agenda for the meeting will be published in May 2016. For more information, please contact ACC's meeting department at 1-800-544-0414.



The Lodge at Torrey Pines, La Jolla, CA

ACC's Friend of the Consumer Award Recognizes Outstanding Businesses in 2015-2016.

Is your business consumer-friendly? Does your business deserve greater recognition for its service to consumers? If so, you should apply for the American Consumer Council's Friend of the Consumer Award. Now is the time to apply!

Throughout the year, ACC presents its "Friend of the Consumer" Awards. This prestigious award recognizes manufacturers, retailers, and other businesses that produce or sell products in the United States that meet or exceed federally-mandated standards and are touted by consumers as "consumer friendly."

Each year, ACC awards numerous "Friend of the Consumer" Awards to deserving companies and organizations because they have "demonstrated a commitment to American consumers by providing a specific product or service that fosters consumer confidence and market acceptance."



To apply for the "Friend of the Consumer" Award, complete the online application and return it to ACC with the application fee. Applicants will be notified within 5 days of receipt of their application. Thereafter, a panel of independent judges will review your application and make a formal recommendation within 20 days of receipt of your award application.

For more information, visit: <http://www.americanconsumercouncil.org/awards.asp>

Green CSM Certification Accepting Applications for 2016 Summer Cycle:

If your company or organization would like to increase its credibility with consumers, you should consider applying for the **Green CSM Certification**. Applications for the 2016 Summer cycle are now being accepted through September 30, 2016.

It's a proven fact that consumers want to do business with companies that are eco-friendly and practice Corporate Social Responsibility (CSR). The process is straight-forward and all applicants are recognized by ACC and the Green USA Institute.

All applicants complete the criteria and submit their responses to ACC's Green Consumer Council for review, assessment and feedback. Program details and the **Green CSM Certification** criteria can be viewed at ACC's website located at: <http://americanconsumercouncil.org/greenc.asp>

