

# PDL Warning:

*Pay Day Lenders Can be Harmful to Your Wallet*

*Instant Cash!*

*No credit, bad credit, no problem.*



*We finance anybody!*

*Need a little cash until payday?*

**If you see any of these advertising phrases – BEWARE!** You are probably in a Payday Loan Store. Know your risks before entering the zone!

## **What are Payday Loans (PDLs)?**

A PDL is a short-term (generally 2 weeks) cash loan that must be repaid in full on the due date. The loan is quick and convenient. Average loans are between \$300 and \$400. Typically you will write a post-dated check that includes the fees that is used as “collateral” for the loan, or sign an ACH authorization to debit your account on payday. Generally you will have to bring in your last checking statement, pay stub, and provide a couple of references.

## **What are the risks of getting a PDL?**

- 1) ***They can be very expensive.*** Fees vary, but average \$15 to \$20 in Missouri for each \$100 borrowed. So a loan of \$300 could cost you \$45 to \$60 for a 2-week period. That translates into an annual percentage rate (APR) of 390% to 520%! The lender has to disclose the APR to you, but will typically add: “That assumes you are going to be paying the fees every 14 days for a year. You are only paying the fee one time!” Right!
- 2) ***What happens if I can’t pay the loan off on the due date?*** That’s when the trouble begins. Let’s say you don’t have \$360 on payday to cover the check. You pay the fees again to keep the check afloat. If you had to pay the fees every two weeks for a year, that \$300 could cost you \$1,560 in fees alone! Most people struggling paycheck to paycheck find it difficult to come up with an extra \$360 in a two-week time period. Instead, they struggle to keep paying the fees or get another PDL to pay off the first. This is what is referred to as the “*debt spiral*” where it becomes virtually impossible to break out of the debt burden.
- 3) ***What happens if I default on (don’t repay) the loan?*** Generally payday lenders report defaults to a subprime credit bureau, so you would have difficulty getting another PDL from another lender. But the lender is not going to give up on collecting the loan. Often the lender will continue to call your financial institution on your payday (remember the lender knows your payday) to see if you have enough money to cover the check. If so, the lender goes directly to the financial institution and presents your post-dated check for payment. If you had plans to pay your rent or other bills with that money, you are out of luck.

## **Look for Better Options! What Are My Options?**

**Contact: Holy Rosary Credit Union**

533 Campbell Street

Kansas City, MO 64106

(816) 221-2734

[www.HolyRosaryCU.org](http://www.HolyRosaryCU.org)

A credit union representative will likely do the following:

- Pull a credit bureau report to review with you. The report will tell both the credit union and you where any credit problems exist.
- If your credit is sufficient and good enough, the credit union may be able to approve you for a traditional signature loan on the spot to help you through your cash emergency.
- If credit needs to be strengthened you may still qualify for a payday-alternative loan (PDL-Alternative), if you have been a member for at least 90 days or can produce an acceptable co-signer. The parameters for the PDL-Alternative include:
  - Maximum loan amount of \$500
  - Repayment term up to 90 days with periodic payments
  - Maximum APR of 36%, but can be reduced to 26% with direct deposit or an active checking account or other participating factors
- You may also qualify for a Credit Builder Loan, which is a loan that goes into a restricted savings account that you can't access until the loan is paid in full. This enables you to rebuild credit and save for a future need at the same time.

**There is no need to be embarrassed over poor credit.** The credit union recognizes that financial emergencies occur for many households where decisions must be made to pay for immediate medical needs or fix a car, rather than pay a bill that is due. Holy Rosary Credit Union is ready to help you repair credit blemishes.

**If for some reason, you must use a PDL from a payday lender,** follow these steps:

- Make a budget or plan for how you will repay the loan on its due date.
- If that is not possible, talk to the lender about making periodic payments.
- Visit Holy Rosary Credit Union to find out how you can qualify for its PDL-Alternative Loan to pay off the PDL.