



Payday loans trap consumers due to the extreme high cost and the very short repayment term. After 14 days a borrower must pay the entire lump sum plus a \$15 fee for every \$100 borrowed. Or they can roll-over the loan by just paying the fees (or worse -- rolling the fees into the next loan!). If roll-overs continue for just 4 months, the borrower will have paid \$600 to the payday lender AND still owe the original \$500!

- The typical payday borrower pays back \$793 for a \$325 loan.
- If a typical credit card borrower pays the same \$150 per month to their credit card, they will pay off their \$500 loan in less than 4 months and be debt-free!

### Credit Builder Loans

#### **Nonprofits offer an alternative to payday lending!!**

**Making Connections Louisville** offers a \$3,000 anti-payday loan to pay back payday lenders.

**MACED** partners with area employers and a local credit union to provide an alternative to payday advance loans.

**NCSECU's** salary advance loan up to \$500 helps employees and employers.

## Highlighted Articles and Research

### **FDIC issues Affordable Small-Dollar Loan Guidelines to Financial Institutions**

By: Federal Deposit Insurance Corporation

***Did you know? Borrowers of payday loans are required to have a checking account.***

The widespread repeat use of fee-based overdraft programs and the growth of payday lending confirm that loans in small-dollar amounts are in strong demand. Consumers who make use of these products are institution customers because both products typically require consumers to have a checking account. Providing more reasonably priced small-dollar loans to existing customers can help institutions retain these customers and avoid the risk associated with high-cost products.

### **Financial Quicksand: Payday lending sinks borrowers**

By: Uriah King, Leslie Parnish, and Ozlem Tanik

***Did you know? States that ban payday lending save their citizens an estimated \$1.4 billion in predatory payday lending fees every year.***

The Center for Responsible Lending reports that the payday industry now exceeds \$28 billion a year and costs American families \$4.2 billion per year in excessive fees.

### **Best Practices of Anti-Predatory Lending Programs**

By: National Federation of Community Development Credit Unions (NFCDCU)

***Did you know? Credit unions are able to lower costs of payday advance loans by linking repayment to required direct deposit of paychecks.***

The NFCDCU looked at ways in which its member credit unions could offer products that were similar to pay-day lenders without the ridiculous high interest rates. This article highlights 4 programs that NFCDCU's have used with their clients and other possibilities to alternatives to predatory lending.