



**Attorney General
Eric T. Schneiderman**

SCAM STOPPERS



KEY CARD: PAY DAY LENDING

- **TAKE** small loans from credit unions or take a cash advance on a credit card.
- **MAKE** a pawn loan using an unessential item as collateral.
- **SEEK** out a loan from a licensed lender that makes small unsecured loans. These loans usually are far less expensive and are available to those with poor credit.
- **WORK** out a payment plan with your creditors.

- ▶ **SEEK** overdraft protection in your checking account.
- ▶ **BEWARE** of bounce protection programs with fees similar to payday loans.
- ▶ **CONTACT** a not-for-profit credit counseling service that is licensed by the NYS Banking Department for assistance.

REMEMBER:

- ▶ Payday loans are one of the fastest growing segments of the fringe banking economy, generating nearly \$45 billion in the year 2002.
- ▶ Payday loans are small dollar (\$100-500) short-term loans with extremely **high interest rates** that the borrower promises to repay out of his or her next paycheck or income.
- ▶ The average interest rate for a payday loan on an annualized basis is generally **500** percent, which far exceeds the **16-25** percent that can be charged on a loan or forbearance under New York laws.
- ▶ The annualized interest rate for a payday loan can be even higher if the consumer is unable to payoff the loan on its original due date because the consumer is allowed to extend the repayment time in exchange for an additional interest payment, which often is referred to as a rollover of the loan.