What is a payday loan or cash advance loan?
A payday loan or a cash advance loan is a loan for a short time. You pay a fee to borrow the money, even if it is for a week or two.
A payday loan or cash advance loan can be very expensive. Before you get one of these loans, consider other ways to borrow.

What are some other ways to borrow money?
You might be able to borrow money from:

- family or friends
- a bank or credit union
- your credit card

You might ask for more time to pay your bills. You can talk to a credit counselor to get help.

What if I'm in the military?
If you are in the military, the law protects you and your dependents. The law limits the interest rate on payday loans. The law also tells lenders to give you information about your rights and the cost of the loan. The military also offers financial help and help managing your money.

How does a payday loan or cash advance loan work?
- You give the lender a check for the amount of money you want to borrow – plus a fee.
- The lender keeps your check and gives you cash – less the fee they charge.
- On your next payday, you have to pay the lender in cash. You owe the amount you borrowed plus the fee.

How much do these loans cost?
A payday loan or cash advance loan can cost a lot. Even if you only borrow money for a week or two until you get your paycheck.
For Example

How a Payday Loan Works

You borrow $500
The fee is $75

- You borrow $500. The fee is $75
- You give the lender a check for $575.
- The lender keeps your check and gives you $500 in cash.
- After two weeks, you give the lender $575 in cash and you get your check back.
- The bottom line: You paid $75 to borrow $500 for two weeks.

How do I compare costs?
Most loans have an annual percentage rate. The annual percentage rate is also called APR. The APR is how much it costs you to borrow money for one year. The APR on payday loans and cash advances is very high.

When you get a payday loan or cash advance loan, the lender must tell you the APR and the cost of the loan in dollars.

What is an APR?
The annual percentage rate, or APR, is based on:
- the amount of money you borrow
- the monthly finance charge or interest rate
- how much you pay in fees
- how long you borrow the money
For Example

• You need to borrow $500. You will repay the money in one year.
• You compare the costs of borrowing that money:
  o The bank or credit union has a loan with an APR of 7.5%
    ▪ You will pay $21 in interest
  o A credit card has an APR of 20%
    ▪ You will pay $56 in interest
  o A payday lender has an APR of 390%
    ▪ You will pay $1,518 in interest

What happens if I can’t pay the lender the money I owe?

If you cannot pay the lender the money you owe, you borrow the money for two more weeks. This is called a “rollover,” or “rolling over” the loan. To roll over the loan, you pay another fee. If you roll over the loan a few times, you will pay a lot to borrow the money. It becomes harder to get back to where you started.

• You borrow $500. You pay a $75 fee to get the money. But in two weeks you cannot repay the loan.
• You pay another $75 to roll over the loan. But in two more weeks, you still cannot repay the loan.
• Every two weeks, you pay another $75 fee. You might pay the lender more in fees than you first borrowed. But you would still owe the original $500

Payday loans or cash advance loans are loans made for a short time, often two weeks. These loans can be very expensive.

What should I do before I get a payday loan or a cash advance loan?

Before you get one of these loans, consider other ways to borrow money:

• Can I get a loan from a bank or credit union?
• Can I get more time to pay my bills by talking with creditors or a credit counselor?
• Do I have any money saved that I can use?
• Can I borrow money from family or friends?
• Can I use a credit card instead?

How do I choose which way to borrow money?

Compare the costs, if you have more than one choice. For each choice, find out:

• what is the APR?
• what are the fees?
• how soon must I repay the money?
• what happens if I cannot repay?

Write the answers to these questions. Decide which choice is best for you.

I decided to get a payday loan. What should I do?

• ask the lender to tell you how much it will cost in dollars
• ask the lender to tell you the APR
• borrow only what you can pay back with your next paycheck

If you are in the military, the law protects you and your dependents. The APR on payday loans cannot be more than 36%. The lender must give you documents that explain the cost of the loan and your rights.

**Should I get a payday loan or cash advance loan?**

Even with these protections for service members, payday loans can be very expensive. Before you get a payday loan, consider these choices:

• Get financial help from military aid societies like:
  - Army Emergency Relief (703) 428-0000
  - Navy and Marine Corps Relief Society (703) 696-4904
  - Air Force Aid Society (800) 769-8951
  - Coast Guard Mutual Assistance (800) 881-2462
• Borrow money from family or friends
• Ask your employer if you can get an advance on your paycheck
• Talk to a credit counselor about getting more time to pay your bills

**Where can I get more information about borrowing money?**

For more information about other ways to borrow money or to get help managing your finances:

• Call the Department of Defense at 1-800-342-9647. This line is staffed 24 hours a day, 7 days a week.
• Go to militaryonesource.com.