

1. A pay day or check cashing loan is not as simple and hassle free as the lenders advertise it to be.

Radio and television advertisements give consumers the impression that a pay day loan is a quick and easy answer to their complicated, short term debt problem or a quick and easy way to pick up a few extra dollars. After reading this pamphlet, you will find there is a great deal more to a pay day loan than those advertisements reveal.

2. The astronomically high interest rate.

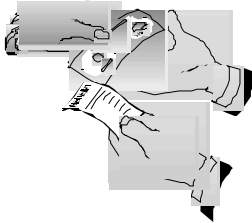
The interest rates are between 264% and 1,000%.

3. High payments due within days of signing the loan.

If you get the "cheap" interest rate and borrow only \$500.00 today, you will owe \$610.00 just two weeks later. If you can not make that high payment.....See #4.

4. If you do not make the payments several things can happen, none are good.

If you can not make the high payments, the company may automatically debit your bank/credit union account, potentially causing other checks to bounce. Your bank/credit union will charge you fees and other stores will also charge you for bouncing checks with them and may file complaints with the State Attorney's Office because of the bounced checks.



5. Extra, illegal fees and costs are often charged.

Although it is illegal for pay day lenders to charge fees and costs over and above the high interest already allowed, some of them still do. How do they do this?

If you do not have the money in the account, the lender may keep "hitting" your account multiple times causing your bank/credit union to charge you a fee each time. In addition to the bank/credit union charge the lender will increase the amount you owe to them.

6. Compounding interest.

Some lenders "compound" (charge interest on interest) interest over and above the triple figure interest rates they already charge. In other words they add "renewal" fees and other illegal charges to the amount you owe. This can raise interest rates to over 1,000% and the higher the interest, the more difficult it is to pay the loan off.

7. Some people will be forced to go to another pay day lender to pay off your loan because it is due so soon after you take it out.

A problem with these loans is that you must repay the entire loan within a short time after you take it out. Most of us wouldn't have the money to do this. Because lenders threaten to call the sheriff or automatically debit your bank/credit union account, many people are forced to take out another loan to pay off the old one. The amount of this loan will have to be higher than your previous loan because you will have to pay off your old loan along with a lot of extra fees. Often borrowers get caught in a trap of having to pay several pay day lenders at one time just to stay ahead of collectors.

8. You are trapped in a high cost/high interest loan by lender threats of criminal prosecution.

Because people do not want to bounce checks and certainly do not want to be threatened with prosecution, people often turn to other pay day lenders to pay off their old loans. This can lead to a downward debt cycle from which you can not recover. Each successive loan will have to be for greater amounts of money because of all of the fees added to the old loan you are paying off.

9. Lenders put clauses in their loan documents which keep you from suing them if they do something illegal.

Because pay day lenders have been sued a lot for their tactics, they have begun to put clauses in their contracts which take away the consumers right to sue them if the lender does something illegal. This means the pay day lenders can do everything they want to make you pay the money without concern they will be sued for illegal practices.

10. You may have other choices which are much cheaper and better for your specific loan needs.

Don't sign a pay day loan contract impulsively! Before signing a pay day loan contract, always read the fine print, ask questions, and weigh the advantages and disadvantages very carefully. Explore your other loan options. If you are having trouble making rent or other important payments, contact the non-profit, Consumer Credit Counseling Service. This organization provides budget counseling and may be able to assist you in resolving credit problems. See *phone numbers on back of pamphlet.*

WHAT IS A PAY DAY OR CHECK CASHING LOAN

A **PAY DAY LOAN** or **CHECK CASHING** loan are short term, small loans based upon your promise to pay on your next pay day. This is a promise which is supported by a *post-dated check* you write to the lender.

These loans usually require repayment in a couple of weeks.

A **CHECK CASHER** is a company which will charge you a high fee to cash your pay check or Social Security check. The terms "pay day loan" and "check cashing loan" will be discussed interchangeably.

Regardless of what you call it, all of these transactions require you to pay really high fees and costs. In "interest rate" language the rates start as high as 361% and can go as high as 1,000%.

NOTE: This is an informational brochure. It cannot cover all cases and cannot replace advice from a lawyer. State laws may change from time to time.

Consumer Credit Counseling Service
of Mid-Florida
P. O. Box 4110
Ocala, FL 34478-4110
1-800-245-1865

Chiefland	352-493-9100
Gainesville	352-371-2227
Lake City	386-755-5350
Starke	904-964-1444

*This pamphlet was prepared by
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WHY BORROW TROUBLE??

10 REASONS NOT TO SIGN A PAY DAY OR CHECK CASHING LOAN

*If it sounds too good to be true,
it isn't true!*

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