

When You Need Cash

If you're short on cash and it's not quite payday, what can you do?

Anyone can run a little short on cash and struggle to make ends meet before that next paycheck. If you don't have an emergency savings fund to cover unexpected expenses, how do you get the cash to cover your shortfall? Where you get a quick loan can make a big difference, both in the loan fees and whether it sets you up for a spiral into deeper debt. You have several choices.

This "top 5" checklist can help you select the right lender and avoid taking on too much debt and paying extra finance fees.

✓ What are your loan options?

- Cash advance service or payday lender
- Credit card cash advance
- Loan from a bank or credit union
- Pawn shop
- Finance companies
- Overdraft service at banks/credit unions
- Asking for more time to pay the bill
- Friends or family

(Continued on next page)

1. Remember that borrowing *always* costs you.

Every lender charges a fee to loan money, but those fees can differ depending on the length of time you have the loan and your credit reputation. In Iowa, delayed deposit service businesses (commonly known as payday lenders or cash advance services), will make a 14-day loan of \$175 for a \$25 fee (annual percentage rate = 386%) without a credit check. You can typically get the loan quickly, and you pay a flat fee rather than daily interest.

A similar small loan through a bank or credit union usually requires a credit check, can be for a longer length of time, and offers a much lower fee—an interest rate of 21% or less (rate capped by law).

A finance company can charge up to 36%.

2. Have a repayment plan before you get the loan.

If you are smart, you will have a plan to payoff a loan, so you don't get hit with costly additional charges. If you find you can't repay your loan in a lump sum when due, ask the lender to set up a payment plan. While Iowa's payday lenders aren't required to set up one for you, most will. Some payday lenders may try to intimidate a borrower to renew the transaction, keeping an endless cycle of repaying the same loan over and over. Just say no, concede you'll be assessed a \$15 default charge, and request a payment plan.

3. Understand how the loan works and the terms.

If you want the lowest cost for borrowing money, check with your bank or credit union first. Ask about

(Continued on next page)



What to Ask Yourself:

- How much do I really need to borrow to get by?
- Do I have a way to pay back the loan?
- Is this an ongoing need or one-time issue?
- When can I pay back the loan in full?
- Is there someone I trust who can help me?
- Have I considered all my options?

a small personal line of credit or “overdraft protection” service. A loan officer will explain the process and can determine how much you can afford to borrow.

If you use a payday lender, be aware the loan cannot exceed 30 days, and it’s limited to \$500 (loan + fees) for one borrower. You are required to write a personal check, and give it to the lender to cash when the loan is due.

4. Check the lender’s reputation.

You can check a lender through the Iowa Division of Banking—www.idob.state.ia.us and click on “finance bureau” for “license verification.”



5. Know the law and your rights.

Getting a payday loan is a simple transaction, but there is still paperwork to fill out and sign. You are required to receive a disclosure notice. Read it carefully and ask questions if you don’t understand.

And don’t forget...

- *Know the cost to you*—understand how expensive it is to get a cash advance on a credit card.
- *Don’t fall for high-pressure*, and ask for a repayment plan so you don’t get caught in an endless cycle.
- *Read and understand* when you must pay back the loan, and how much you will pay in fees.
- *Plan ahead*. Having a small emergency fund is the best solution to a short-term cash crunch.

Having an emergency fund can save you money.

1111 Ninth St. • Des Moines • IA • 50314 • 515-283-0940

Central Iowa Saves.org

