The Risks of "EASY MONEY" Loans

pennsylvania
DEPARTMENT OF BANKING AND SECURITIES

Statistics show that the typical car title loan borrower renews their loan eight times, paying more than $2,100 in interest for a $950 loan.

What is an "easy money" loan?

"Easy money" lenders target people who need cash quickly without hassles.

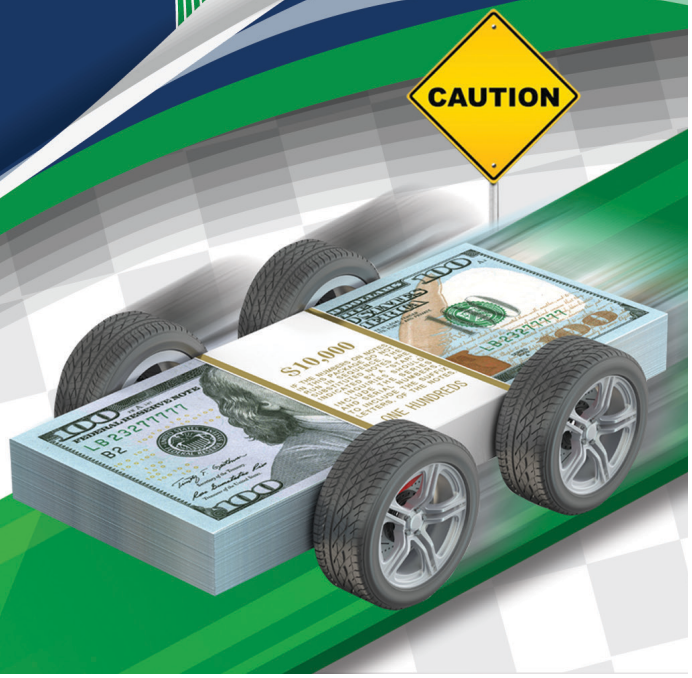
These kinds of loans are in the $100 to $1,000 range, although some go higher. Including interest and fees, these loans demand that you pay 300 to 1,000 annual percent interest (APR), which is illegal in Pennsylvania.

Many of these loans are short-term (due in two weeks to a month) although some loans take years to repay, often with added, unexpected charges.

What are the risk factors?

If you can't repay one of these loans right away, fees quickly add up and after a short time you could owe more than the cost of the original loan.

Borrowers who have taken out multiple short-term loans often find it difficult to keep up with the required fee payments, much less pay down the actual loans. As a result, they are forced to repeatedly extend the existing loans or even take out new loans to pay off the old ones.



Here's how you can tell if an "easy money" loan may be bad for you –

- The lender is not licensed by the PA Department of Banking and Securities
- You are asked to pay fees up front before you receive any money
- An annual interest rate in triple-digits
- A quick due date (within a month, or as little as two weeks)
- You put your car at risk by giving up the title
- The lender doesn't ask for proof of income or your ability to repay the loan
- The lender asks for your bank account information
- You aren't sure you can actually afford the loan or pay it back on time
- The fee/interest rate/ loan terms suddenly change
- You have to drive across state lines to sign papers
- You cannot get copies of the loan documents
- You are being pressured to make a decision quickly
- You don't know where the loan company is actually located
- The lender won't talk to you or answer questions

What are the alternatives to these types of loans?

- Consider the Credit Unions Better Choice program, which features short-term loans
- Ask if your bank or credit union offers short-term loans
- Talk to trusted family or friends, local community and/or religious organizations
- Ask your employer for a payroll advance
- Try to negotiate with your creditor to give you more time or raise your credit limit
- Pay the late fee on your bill: more than likely it will be less than the interest rate on that "easy money" loan

More information about the Better Choice program is available at **1.800.932.0661**.

Consumers can also call **1.800.PA.BANKS** make sure that their lenders are properly licensed to do business in Pennsylvania, or to discuss their situation confidentially with a trained professional.

This advisory is being distributed as part of Governor Tom Wolf's Consumer Financial Protection Initiative.

Contact us to find out more details, risks, and alternative solutions associated with these types of loans.

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1.800.PA.BANKS
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