

Payday Lending & The Holidays

a very UNmerry mix

A holiday message brought to you by Arkansans Against Abusive Payday Lending

The holidays should be a joyous time for families; a time for spending quality time with loved ones and spreading cheer. Unfortunately, many families find the holidays to be one of the most stressful times of year due to money problems. Even more unfortunate is the fact that many of these families will, in desperation, turn to a practice that will ultimately do them more harm than good: payday loans.

Although seemingly beneficial to the consumer who is down on his or her luck, these establishments are actually serious problems disguised as helpful solutions. Take this example:

Jane Smith, a young mother working two jobs, has three young children at home. The holidays are fast approaching and although money is extremely tight with gas, rent, and medical expenses, she desperately wants to have gifts for her kids. She sees a payday lending store as she's driving home one day and thinks that it would be a great way to have some cash for presents.

She enters the store and writes them a check for \$400. They then give her \$350 in cash to buy her gifts, charging her \$50 in interest. Two weeks later, when her loan comes due, her situation hasn't changed. She still has the gas, rent and medical bills to pay and she hasn't seen a raise at work in some time, so she asks the payday lender what she can do. While she can't repay the full loan, she does have \$50 in her bank account. So, she takes out another loan to cover the first one...for another fee of \$50. And there the cycle begins.

More than 90 percent of payday loan recipients receive more than four loans every year, and 99 percent of loans go to repeat borrowers, according to the Center for Responsible Lending, a research and policy organization based in Durham, N.C. which works to eliminate abusive financial practices.

Like many others, Jane will most likely take out several "back-to-back" loans over the course of several weeks or months, thus bringing her total debt to well over the original \$400 amount she originally borrowed, possibly owing several times the original amount – which means less money for gas, rent and medical expenses down the road.

While not as popular, other solutions for Jane could've included seeking counsel from her bank, inquiring at local churches about gifts or asking family members about small loans. Any of these alternatives would be better than payday loans. Families must remember that gift giving shouldn't get in the way of providing the basic necessities of life. Bills will still need to be paid in January and February. Kids will get sick in March and April. Is having a payday loan worth the risks down the road?

In this time of giving, it's also of interest to note that many organizations are working hard to collect money for needy families. For example the 22 United Way Agencies in Arkansas collected \$18,518,258 last year to assist Arkansas consumers in need. According to AAAPL estimates, Payday lending in Arkansas potentially takes \$68,797,300 annually from Arkansas.

No matter the season, payday loans are never the answer to financial problems.

Visit www.stoppaydaypredators.org for information.

