

## Consider Payday Loans Wisely

- ▶ Compare lenders for the lowest fees. Some credit unions offer cheaper small loans with more time to repay.
- ▶ Borrow only what you can afford to repay with your next paycheck.
- ▶ Know when your payment is due, and pay the loan on time and in full.
- ▶ Avoid borrowing from more than one lender at a time.

## Consider Other Options

- ▶ Build an emergency savings fund—saving \$50/mo. x 12 mo. = \$600.
- ▶ Look at other options for emergency loans: borrowing from family or friends, an advance on a paycheck from your employer, or even a credit card can be much less expensive than a payday loan.
- ▶ Many community agencies offer emergency financial help for things like housing, food, and utilities. Call “311” for more information.
- ▶ Ask utilities providers or other creditors for a payment plan if you need one.
- ▶ Get good credit counseling! Call “311” or the Federal Trade Commission at 1-877-FTC-HELP (1-877-382-4357) for referrals.
- ▶ Bank on San Jose offers financial education, second-chance bank accounts, and starter bank accounts. For more information call (408) 345-4347 or go to <http://www.uwsv.org>.

## Whom to Call

- ▶ If a payday lender has violated your rights, contact: Department of Corporations Client Resource Center: 1-866-ASK-CORP (275-2677) or <http://www.corp.ca.gov/comp/fsdinst.htm>
- ▶ If a lender is harassing you to repay your loan, contact the California Attorney General at 1-800-952-5225 or the Federal Trade Commission at 1-877-FTC-HELP (382-4357).
- ▶ Military borrowers can seek financial advice from Military One Source at 1-800-464-8107.

## About the Coalition Against Payday Predators



A coalition of community-based organizations has come together to form the Coalition Against Payday Predators (CAPP) to advocate for city-wide policies that would limit

payday lenders' ability to prey on financially vulnerable members of our San José community. CAPP includes the following agencies: Public Interest Law Firm of the Law Foundation of Silicon Valley, California Reinvestment Coalition, Somos Mayfair, Alliance of Californians for Community Empowerment and Asian Law Alliance.

CAPP's mission is to close the current loopholes in law that allow the payday lending industry to prey on California's low-income and minority communities.

## We Want to Hear Your Story!

To share your story and help warn others, to join our coalition, or for more copies of this brochure please contact:

California Reinvestment Coalition  
[www.calreinvest.org](http://www.calreinvest.org)  
474 Valencia Street, Suite 110  
San Francisco, CA 94103  
(415) 864-3980 ▶ (415) 864-3981 (fax)  
[crc@calreinvest.org](mailto:crc@calreinvest.org)

## The Payday Loan Business Model...



Don't Get Trapped by Payday Loan Debt!

# Payday Loans Are a Trap

## How Payday Loans Work

You write a **personal check** to the lender for cash, plus a fee. On the date of your next payday, **you have to repay the loan and the fee** in cash or let the lender deposit your check automatically.

**\$300 CHECK** → **LENDER**  
**YOU** ← **\$255 CASH**

**YOUR COST FOR A TWO  
WEEK LOAN: 459% APR\***

\*A common credit card APR is 18%

## Payday Loans Create a Cycle of Debt

To make a profit, payday lenders count on the fact that people will not be able to pay back their loans, will have to take out new loans to repay them, and will get trapped in a cycle of debt. While payday lenders say these loans are a short-term product for emergencies, California borrowers take out an average of 10 loans each year—nearly one a month.

# The Facts About Payday Loans and What They Cost Communities

California's hard-working families pay over 450 million dollars in fees every year to payday lenders.

In California, payday lenders are nearly eight times as concentrated in predominantly African American and Latino neighborhoods as compared to white neighborhoods.  
(Center for Responsible Lending.)

High-priced alternative financial services, such as payday lenders, check cashers, and pawnshops, tend to be more densely concentrated in lower-income areas.  
(Brookings Institute.)

As of 2007, all but 3 of 36 certified payday lenders in San José were located in or adjacent to areas with a moderate to high concentration of African Americans and Latinos.  
(Center for Responsible Lending.)

# Your Rights When Dealing With Payday Lenders

- ▶ In California, the maximum legal amount of a payday loan is \$300, which includes the fee.
- ▶ The fee for a payday loan cannot exceed 15 percent of the face value of your check.
- ▶ Lenders are required to publicly display the cost of the loan with both the finance charge and the Annual Percentage Rate (APR).
- ▶ It is against the law for a payday lender to offer you more than one payday loan at a time.
- ▶ If the check you wrote for the payday loan bounces, both the lender and your bank will charge you a fee.
- ▶ It is illegal for the payday lender to charge you more than \$15 for a bounced check.
- ▶ A payday lender cannot send you to jail or press criminal charges against you for a bounced check. A lender can take you to small claims court to collect on a delinquent loan.
- ▶ The lender can't resubmit a bounced check to your bank more than three times.
- ▶ You can ask to extend the due date or make payments on an existing payday loan. The lender cannot charge you extra.
- ▶ The lender cannot require you to purchase other goods/services to get a payday loan.
- ▶ If the lender spoke to you in a language other than English, then your loan documents should be in that same language.

\*Note: Legal protections for payday loan borrowers may be found in state and federal statutes, including: the California Deferred Deposit Transaction Law, California Civil Code § 1632, the federal Truth and Lending Act, the Military Lending Act of 2006, and the Community Reinvestment Act.