

Payday Loans

Today's world is filled with people who work hard for their money and gets along well. They have good, solid budgets, money for groceries and clothing, and some spending money to take the family to dinner and movies. But every once in a while even the most financially with it individual or family stumbles and needs some help, whether its from an accident causing temporary loss of wages, or just a little extra cash for Christmas. Sometime all they need to help get them through is a payday loan.

What are payday loans?

Payday loans – also known as payday advances, cash advances or pay check advances – are short term loans to qualified borrowers that are to be paid back on the borrower's next pay check. These loans are usually for no more than £500.00, but there are some lenders that will loan up to £800.00. The loans are generally for two weeks, give or take a few days depending on the exact day of your pay and the day you are borrowing the money. Interest rates on these short-term loans are steep, ranging anywhere from 390 to 900 percent, and there is also a service fee, usually about £15.00 for every £100.00 borrowed.

These payday loans are handy for a quick fix only and consumers must be aware that if they borrow too much, they could have problem repaying the loan later. Sometimes this is the only option open to people who have bad credit or no credit and are ineligible to get any other form of monetary assistance. If they budget their future income properly and can safely take a payday loan without it strapping them, then they should be okay. More about not getting sucked into this trap will be covered later in this article.

How do you get a payday loan from a retail lender?

The first thing anyone who is interested in getting a payday loan should do is look for a physical payday loan location somewhere in their town. See if they are offering any sort of promotion, such as the waiver of the £15.00 fee. When they find one that seems to be able to fit their particular needs, the potential borrower should go and speak to one of the salespersons working and ask them what securing a loan will entail.

Borrowers should ask questions like: is there a processing fee? What should I do if something happens and I cannot repay the entire loan back on my payday? What is the absolute minimum I can borrow? Can I pay the loan back early? Once the borrower has all the answers they need, they should take a little a time to absorb all of it before making a decision whether or not to get the payday loan. Just like any other financial matter, securing a payday loan should be thought out carefully.

If the borrow decides that this is the only option available to him and knows that he or she can safely repay the loan and not push themselves into a worse situation, then they will need some things to take to the cash advance office to apply for the loan. The salesperson should've given the borrower a list of items to bring in as each office may require something a bit different. Basic items that will be requested no matter where the

borrower gets the loan from includes: most recent pay stub; most recent checking account statement, without any overdrafts; driver's license; second form of identification; and check book.

The potential borrower will be asked to fill out an application that will ask for employment information, assets, and other financial information that may be applicable. If the borrower is not comfortable giving out this information, they will not be able to secure the loan.

Once they turn the application and other appropriate documentation over to the salesperson, the borrower will be informed how much they can borrow at one time after all of their information is entered into the computer system. Even though the loan office may issue loans up to £800.00, not everyone will qualify to borrow that much money. When the approval process is completed, the borrower can then request as much – or as little – money as they need. They would then write a post dated check that the payday cash office would hold, and receive cash in exchange for their check.

How do you get a payday loan from an online lender?

Payday loans online can be obtained in one of two ways, both of which once again require some homework on the borrower's part. Because these types of loans are traditionally deposited into the borrower's bank account, it requires the borrower to send their financial information to the lender via the fax machine or online. Unfortunately, if the websites are not secured, the borrower could be leaving themselves open to identity theft.

If the borrower decides to use an online lender, it is best to use one that requires them to fax the information to the lender. They would need to fax a copy of their current checking account statement and a cancelled check to the lender as well as request for the amount of money they want to borrow and a completed application if required. The lender would then verify the banking information, approve or disapprove the loan, and inform the borrower of the results. If the loan is approved, the borrower could see the money deposited into their account somewhere between an hour and seventy-two hours after approval.

Not all online lenders offer potential borrower's the opportunity to fax over their information. In this case, all the information would be entered in an online application and the lender would use that to verify the banking information before making a decision. If using this type of system, the borrower **must** make sure the site is verified and secure. They can look for an 's' at the end of the 'http' part of the URL to do this. If the site is not secured, it is advisable to move on and find one that is.

When the loan is approved via an online website, the borrower will receive a confirmation e-mail and their money could be in their account between one and seventy-hours of approval. It is advisable that the borrower keep a close eye on his or her checking account after receiving the loan to make sure they do not run into any identity

theft issues. They should be safe if they used a secure site, but it also better to be safe than sorry and due diligence will make sure of it.

What if I do not have a checking account?

Borrowers without a checking account are not necessarily left in the dust if they need a cash advance. They have a few options, one being opening an account with a local bank. Of course, that also requires the borrower to find a loan company that is willing to issue a loan on a brand new bank account. Most lenders require the account to be at least ninety days old.

If the potential borrower has a savings account and the lender offers loans based on the crediting and debiting of a savings account, then the borrower may still be able to qualify for a payday loan. The borrower should check with their bank to make sure that they will allow this crediting and debiting as many do not. A good cash advance lender will work with the bank on your behalf to try and make this possible.

Borrowers who cannot open a checking account, whose checking account is too young, or cannot use their savings account to get a payday advance have one last option available to them. If their lender allows this, they can find a guarantor who will sign the loan on their behalf and taking on the responsibility of the loan if the borrower should happen to default. This person would usually be a family member or close friend.

If the potential borrower cannot obtain a payday loan, there are still other options available to them which are covered further below.

How do you pay back the loan?

Paying back the cash advance should be a very easy and simple process. When the borrower receives their pay check, they take the amount they borrowed plus any additional fees back to the lender. This must be done with cash. Once the payment is made, the salesperson at the lender will return your posted date check to you. It's that simple. If the borrower pays with cash and finds that they need to borrow more money, most advance offices will ask them to wait twenty-four hours before requesting a new loan.

Some payday loan companies will allow you to designate the check as payment. Borrower's who repay this way must make sure all of the money is in their checking account. The lender will simply deposit the check for payment and the bank will pay the check in the usual fashion. Everyone should be aware that any overdraft fees will be assessed by both the bank and the loan company should the check bounce. Also, if the borrower needs another loan, most of them will have to wait until seven days **after** the check has cleared the bank before being eligible to receive the new loan.

Paying back a loan received on line is a slightly different as the borrower has no need to have cash in hand. Because these types of payday loans use the pay check as collateral,

the borrower will authorize the lender in advance to issue an electronic funds transfer on the due date and withdraw the money automatically from the borrower's account. Borrower's do need to remember to subtract this amount from their check register as soon as they are paid or they may themselves thinking they have more money available than they really do. Forgetting this loan amount could have disastrous consequences on the user's checking account.

Borrowers should inquire what type of repayment options is available. While some lenders require the entire amount be paid immediately, others offer various ways to repay. For example, one online lender offers three different repayment methods: the option to pay back to loan amount only and roll the finance fees into a separate loan; the option to pay back the finance fee and a portion of the loan, rolling the rest into a new loan; and the option to pay only the finance fee and roll the rest into a new loan. It never hurts to check and see if they lender the user is dealing with offers a similar program.

What if I can't repay my loan back?

Believe it or not, this is a common problem for a lot of users of payday loans. Even the most budget conscious of people can find themselves biting off more than they can chew if something happens financially between the time they take the loan and the time their check processes through.

The first thing any borrower should do is immediately contact the lender. This loan is just the same as one that would be secured from a bank. It can be reported back to the credit agencies and affect the borrower's credit if not properly taken care of. If the lender is willing, a mutual repayment agreement might be in the works. It never hurts to ask. The worst thing anyone can say would be no.

If the borrower feels that they can get the money needed to repay the loan within a few days of the due date, they should ask the lender for an extension. Most places, especially physical lending offices, will be able to extend the payment date out for a short time without penalizing the borrower additional fees. There are occasional circumstances where maybe the borrowers check didn't direct deposit into the bank on the right date, or, if the borrower receives some time of government check, it was not mailed in enough time for the borrower to receive it in a timely fashion. Whatever the case may be, talking to a manager or a member of customer service should help.

On the other hand, the borrower may know that it will take some time to repay the loan. Numerous reasons could be the cause and once again the borrower is advised to contact the lender immediately. Once the situation is explained, the lender may be willing to work out a suitable arrangement for you to pay back the loan. Keep in mind that in order to do this, there may be additional interest and fees attached to the original amount of the loan. The ability to pay it off a little at a time, though, will be better than the alternative of running up more fees than the borrower will be able to handle.

If the borrower should happen to default on the payment arrangements, the lender has the right to send the loan into collection status. Please note that the lenders must use the same collection practice employed by any other retail business to collect on the loan. They cannot take the borrower to court for check fraud as it is their business to hold the checks and there are laws put into place to protect the borrower from this. Many areas have constituted this practice as illegal and will take action against the lender if they seek restitution this way.

Payday Loan Regulations and Legislations

Payday loans are not available everywhere. As a matter of fact, there are places where they are considered illegal. Those who are against these types of loans find them exploitive and have done their best to keep more cash advance offices from cropping up around the world or the Internet. Most of the time, laws that govern this practice are controlled by the state or area in which the borrower lives. A potential borrower should research this before applying for a loan since the laws are constantly shifting as new legal practices come into play to protect the borrower.

In the United States, payday loans are legal in thirty-seven of the fifty states. They are strictly regulated by the States and lenders cannot charge a borrower interest higher than the APR that is decided by the states. If a lender in the United States is partnered with a bank to issue these loans, they must abide by guidelines that were set by the FDIC in March of 2005. Loan fees are also included in these governing laws, keeping lenders from charging exorbitant amounts in processing fees. Depending on the state the borrower lives in determines how many loans a borrower can have at one time, how many they are allowed to take in a calendar year, and the ability to get out of debt with lower interest rates.

Canadian law states that any interest rate charged above 60% per year for a payday loan is a criminal offence. This decision was based on the investigation of a popular lender who was charging their customers an outlandish interest fee, processing fee for every fifty borrowed and a deferral fee if the customer wanted to delay payment. Because the processing fee and deferral fee was deemed part of the interest, the company was required to repay their customers the overage they had been charged. Once again, regulations on payday advances were turned over to the purview of the provinces.

Every nation will have their own laws that govern the issuance of payday loans. Borrowers must be aware of what they are before even seeking out one. This includes online loans as well. Illegal means illegal, no matter how the loan is obtained.

Controversial Financial Solution

There is a great deal of controversy surrounding payday loans. People who are against these types of loans are attempting to watch out for the lenders, but unfortunately sometimes payday loans are the only option left open to a cash-challenged individual. They can be used wisely as long as the borrower is aware of all the aspects of obtaining

and paying the loan without making things worse. These loans are to temporarily help, nothing more.

There are some who feel that payday loan lenders are using people's financial problems to help line their pockets profits. The target audience of most these cash advance lenders are young individuals or couples who have struck out on their own and are struggling to make ends meet. These are the borrowers who unfortunately get stuck in the endless circle of borrow, repay, borrow, repay. The interest rates on these loans are also higher than the interest rates on most credit cards. The sad truth of the matter is that most borrowers who utilize this service have already tried to secure money in some other way and only have this option left.

The interest rates charged on these loans have also come under fire because their rates are so high. If the rates are analyzed, though, many will find that they aren't as high as people make them out to be. A borrower who has a head for math and is budget savvy can see where a low amount loan paid off in a timely fashion will probably yield less interest than the cost of cup a coffee. This is good in its own way if the borrower only needs borrow one time. The interest begins to wrack up with higher amounts and repeated borrowing. This is one of the reasons why lenders charge the processing fees they do. It is one way for them to recoup what is lost in interest. It may not seem fair, but it is a part of the profit and loss of any business.

The FDIC did a study on payday loans and they found that after all the costs of running the business has been deducted from the fees they charge to make the loan there was very little money left for profit. These companies are actually losing money and that is before bounced checks and defaults are even taken into consideration. But once again the moral question of whether or not these companies are taking advantage of people with financial problems comes into play.

Are payday loans considered a predatory product? There really is not straight answer to this question. These lenders are offering help to people who need it and cannot get it elsewhere, but it ultimately comes down to the borrower to treat the payday loan properly, take only what they need to help them get out of their bind, and then pay it off and move on. If the practices of the lenders get out of hand, the government controlling them will move in and force them to change.

The Payday Loan Trap

The biggest challenge any borrower has when obtaining a payday loan is to make sure they do not fall into the endless trap of borrowing too much the first time and then being forced to borrow over and over and over simply to make ends meet. This becomes an endless cycle that is difficult to break and causes more financial problems and hardships the longer it goes on. The borrower begins to wonder exactly how to get out of the vicious cycle he or she got themselves into.

The answer is simple. Don't take that first loan unless there is nothing else to be done and the situation is life and death. If the borrower needs the money to pay a bill, such as a utility bill, and they cannot secure it any other way, it is best to call the utility company – or any other company whose bill is behind – and ask them for a payment arrangement. If the payment is for another loan, such as car loan or student loan, or even mortgage payment, contact the lender immediately and ask for an extension, deferment, or a hardship arrangement.

There is nothing worth going into financial debt with a payday loan that the borrower knows they cannot get out of. Most businesses, utilities, and lenders have some program in place that is designed to help people in financial trouble. Interest fees on these will be less than what the borrower will lose by consistently borrowing over and over. And if the borrower makes an effort and shows the companies they owe that they are trying to pay their bills, the creditors will always be more apt to help than to say no.

Stop and think about it this way for a moment to get a good indication of what could happen and how much money a potential borrower who will need to borrow over and over can lose. If a £100.00 loan has an interest rate and a processing fee of £15.00, the loan will cost the borrower £115.00. While this doesn't seem to be too much, after four loans, the borrower has given the payday company £60.00 of their hard earned cash that could've gone towards a bill. Twelve loans, £180.00. If the borrower gets paid twenty-six times in a year and they borrow on each pay check, £390.00 has been given to the cash advance company.

While only the borrower can decide if taking a payday loan is right for them, the cold hard truth of what it could cost them in the long run must be considered. For anyone considering this they should seriously sit down and weigh all the information before writing that check.

Alternatives To Payday Loans

There are other alternatives to payday loans and regardless of the borrower's current credit status they should be able to find one. As mentioned above, borrowers need to make sure they contact the creditors first to see if some alternative payment arrangement can be made to pay the bill and avoid disruption of services, eviction, or delinquency actions from happening. Any of these creditors should be willing to accept some arrangement, maybe even going as far as accepting a partial payment to keep services on.

Borrowers should check with their employer's payroll department to see if a temporary short-term loan can be issued. Some employers do allow this, especially smaller, privately owned companies. If this is a feasible option, borrowers may be able to make smaller repayments from their checks over time without being assessed some outrageous processing fee and interest. They should keep in mind, however, that if they are paid on an hourly wage, any sick time that they are not paid for will cause the remainder of their check to be lower once the advance is taken out.

Borrowers should exhaust all personal options, such as borrowing from family or a community organization, before looking for another credit source. If they have a credit card, they could inquire into a cash advance from their credit line. While this may not be the most effective way to get the cash needed, credit card advances can be paid for overtime. It is best to see what the interest rate is for taking an advance. No matter what, borrowers should compare all available interest on all of the many options they have.

Reviewing the family budget and making it as realistic as possible is another route a borrower can go to keep from having to take an advance. Extraneous items and purchases should be kept to a bare minimum. Building a savings account for holiday shopping and emergencies should be added into the budget, even if it is only a small amount. Remember how much £15.00 in fees adds up to by the end of a year and if that is put away, the borrower could have a buffer and not need the loan in the first place.

Consumer credit counselling is also an option that can help a borrower keep from going into financial dept by taking a high-rated payday loan. Most of these services are non-profit and while some are free, some may charge a small amount to process the borrower's payments and keep the wolves from their doors.

Some other options include: an anticipated refund loan on income taxes if applicable; a car title loan where the vehicle is put up as collateral and could be repossessed if the borrower defaults; or selling belongings that have a high value, such as guns, jewellery, and other collectibles.

If all other options have been exhausted, the borrower should sit down with their budget determine the least amount of money they can borrow, and then make sure they role the repayment including all additional fees into their budget for the following pay check. Adjusting their budget accordingly will help any borrower keep from falling into the payday loan trap.

Considering Ones Financial Future

There are many things that people should consider before taking a chance on their financial futures by trusting themselves to being able to pay off a payday loan and not fall into the dangerous trap it presents. Probably the biggest thing is working out an immediate payment arrangement with creditors. This is, by far, the easiest way to keep out of additional debt.

Once a payment arrangement is satisfactorily made and the borrower is able to breath easily again and think clearly, the next step is to sit down with every bill and begin a budget. The budget does not have to be fancy. A simple spreadsheet will do if the borrower has access to a computer. If not, many stores, such as Wal-Mart, carry budgeting books or one can obtained, possibly for free.

A basic budget should contain all the incoming wages and other resources that a person could use to pay their bills with. Starting with that, the rent or mortgage should be the

first thing that is deducted from the income. Then the utilities and the food can be deducted from the starting amount. Anything that is left over would be well placed in a savings account that yields some interest to cover any emergency bill or need that might arise.

In cases where a cash advance has been taken, the borrower should include it in the budget and adjust accordingly to cover all the costs. The only to ensure a safe loan is to be prepared for all the eventualities they could cause. If the borrower is well-enough prepared and the fix truly is only temporary, then a payday loan is an advantage.

No matter what a person's financial situation is, any form of loan, be it from a major bank or lender, or a credit card advance, should always be looked at carefully. All loans of any type will adversely affect ones credit if they are paid late or defaulted upon. Once reported to any crediting agency, it is very difficult to remove prior to the standard seven years that is most common.

Protecting one's financial future doesn't just include careful use of cash advance loans and a strong budget that can be maintained. There is also the danger of identity theft in any realm. This happens when someone illegally obtains another person's financial information and uses it to their advantage. As much as people do not like to consider this point, identity theft can occur by simply writing a check. With so many people using online services nowadays, it is even more prevalent.

Consumers can protect themselves from identity theft. Never leave a check book open where someone else can see it, be it in a store or at home. It does not a lot for another to jot down the routing and account numbers on the check. Keep it locked up safely when not in use and do not voluntarily give out this information to someone that you do not know or trust. There are plenty of phone calling scams where this could happen. If a borrower decides to secure a payday loan, they should ask the customer service representative where their check will be kept between the issuance of the loan and the repayment. If it is not kept in a secure location, the borrower may want to think twice about using that particular firm.

If using a checking account online to pay for goods or services, always look for safety measures the site has taken to protect your information. This is applicable for cash advances websites as well. A consumer will see indications that the site is secure, from a simple 's' in the http part of the URL to posted notifications stating the site uses encrypted coding or a method such as VeriSign.

The same goes for credit card use, be it online or physically at a store. If at all possible – and this is especially true when paying for a meal using a credit card – the user should keep their credit card in sight at all times. It is very easy for someone to make an extra imprint of the card with all of the pertinent information needed right at their fingertips. Protecting your financial future has everything to do with due diligence on a person's part.

Last Thoughts On Payday Loans

Consumers who are in need of a little extra cash, especially during the busy holiday season, have many options available to them and should exhaust every single one of them before pursuing the solution of a payday loan. They should never borrow more than the least amount they need and should always make sure they allow for it any budget they have made to keep from being charged additional fees that could ultimately cause additional stress in their life.

While payday loans can be dangerous, a financially conscious borrower can obtain one without worrying that they will be putting themselves deeper into financial debt. With proper research into the options each company provides, borrowers will be able to make an informed decision that will cost them the least amount of money in the long run.

Payday loans are not for everyone and any potential borrower who even has the remotest reservations about securing one should listen to their gut and abstain. They are designed to help in a temporary crisis, not make matters worse.

If the borrower has problems paying back the loan, they need to immediately contact the lender and find an alternative arrangement for repayment. With open communications, a payday loan does not have to be a future problem.