

# Are payday loans *worth it?*

When you need money, payday loans may seem like a quick, easy option. But these loans may not be worth the money they cost you.

Payday loans are also called cash advance loans. They're a short-term loan. You pay a fee - often a big one - to borrow money for a short amount of time.



## HOW DOES A PAYDAY LOAN WORK?

- You give the lender a check for the amount of money you want to borrow plus the fee to borrow it. For instance, if you borrow \$500 and their fee is \$75, you give the lender a check for \$575.
- The lender keeps your check and gives you \$500 cash.
- On your next payday, you pay the lender \$575. You can have the lender cash your original check or you can pay in cash.

If you can't pay back the \$575 on your next payday, you may have to roll over the loan. This means you may pay another fee. The high fees for these loans add up quickly. It can get so expensive that you end up paying back an amount much higher than what you borrowed.

## OTHER LOAN OPTIONS

Payday loans are often not worth the cost. Consider borrowing money from your bank or credit union or use your credit card instead. Even if your credit card interest rate is 20%, this may still be lower than a payday loan.

Sometimes you can ask for more time to pay your bills. A credit counselor may be able to help with this.

## COMPARE LOAN COSTS

If you need a loan, ask about these things before you sign and agree:

- What is the annual percentage rate (APR)?
- What are the fees?
- When do I pay it back?
- What happens if I can't pay it back on time?

Sometimes things happen and you need some money quickly. If you're in this situation, try to find a loan with low fees. Think about the amount you need. Only borrow what you know you can pay back with your next paycheck.

