



Consumer Affairs Tabloid



Keeping you in the “KNOW”

287- CITY

Army Community Service Financial Readiness Branch

July 2011

Payday Lenders – Leaders Beware \$1000 (Borrowed) = \$2600 (Total Payments)

Yes, payday lenders are still loaning money to our Military. Some of you might have heard about a law passed a few years ago with the intent of preventing certain types of predatory lending practices from happening to our Soldiers.

On 1 Oct 07 the Military Lending Act was enacted to combat abusive lending practices targeted at Military Families. Before the law was enacted it was modified to exclude Military installment loans and instead focus on payday loans which have a term of 91 days or less, vehicle title loans which have a term of 181 days or less, and tax refund anticipation loans. Payday lenders quickly restructured their loans to ensure payback for Military personnel is longer than 91 days thus exempt from the Military Lending Act.



Consider the following scenario: Sgt Snuffy lacks the funds to pay for an unexpected auto repair and doesn't ask his Chain of Command for assistance. Instead of requesting an Army Emergency Relief loan, he borrows \$1000 from a payday lender off the installation. The lender automatically tacks on a \$202 Credit Services Organization (CSO) fee and sets up 10 payments every two weeks. The first payment includes \$4.53 in interest, \$119.18 toward the principle and another \$151.50 CSO fee. The CSO fee is tacked on every two weeks. By the time the 10th payment is made the soldier has paid \$2,600.

Soldiers who request AER loans instead of visiting payday lenders are demonstrating better financial management choices. Army Emergency Relief (AER) provides emergency financial assistance to Soldiers, both active and retired, and their Family members during period of valid emergencies. To find out more information on authorized categories of assistance go to www.hoodmwr.com/acs/frb.html or call [288-2862](tel:288-2862).



Soldiers and Families are encouraged to attend financial classes and to work with their Command Financial Specialist in developing a Spending Plan (budget) BEFORE a financial crisis arises. We do preventive checks for vehicles and safety checks before long weekends, but when do we conduct a 'financial' preventative check?

Army Community Service, Financial Readiness Branch offers one-on-one appointments and classes for the community, units, and family readiness groups. Topics include budgeting, banking, and savings & investments along with several other consumer related topics. For more information, class dates, or to find out who your Battalion's Command Financial Specialist is, contact the Financial Readiness Branch at 553-4698.



Excerpt from Military Money

Avoid Money Drains: Check-Cashing Stores, Payday Lenders, Pawnshops, Rent-to-Own

www.militarymoney.com/DebtHelp/DeceptivePractices/tabid/75/itemid/1757/Default.aspx

Too often, when you approach the entrance to a military base, you pass through a gauntlet of pawnshops, fast food restaurants, payday loan businesses, and liquor stores. Many of these businesses are bad for your financial health; others are bad for your physical health.

Pawn Shops and Title Loans

Some people use pawnshops as a way of getting a quick loan. But the amount of money you'll get for your possession usually is only a small fraction of the item's value.

Many pawnshops also make loans based on car titles. These loans are risky and you could lose your car. For example, you have a car worth \$5,000 and you decide to get a title loan from a pawnshop. A pawnshop is likely to loan you about \$1,000 in exchange for the car title. In this example, you agree to pay the loan back in six months. The pawnshop will charge you about 10 percent per month on the loan.

This is what your \$1,000 loan could cost you: Loan amount \$1,000 (pawnshop keeps the title to the car, worth \$5,000) interest charged \$600 (10 percent a month for six months) total cost \$1,600.

As you can see, \$600 is a lot of interest to pay on a \$1,000 loan for six months. Also, if you fall behind in your payments, you'll face even more charges.

The pawnshop could have your car repossessed and charge you a fee for the repossession. Also, if your car is stored on a lot, you'll be charged a storage fee. If you fail to pay all of these fees, the pawnshop has the right to sell your car. This is a high price to pay for a loan, consider other options.

Excerpt from The Federal Trade Commission
www.ftc.gov/bcp/edu/pubs/consumer/alerts/alt060.shtm



Alternatives to Payday Loans

Before you decide to take out a payday loan, consider some alternatives.

1. Consider a small loan from your credit union or a small loan company. Some banks may offer short-term loans for small amounts at competitive rates.
2. Shop for the credit offer with the lowest cost. Compare the APR and the finance charge, which includes loan fees, interest, and other credit costs. You are looking for the lowest APR.
3. Contact your creditors or loan servicer as quickly as possible if you are having trouble with your payments and ask for more time. Many may be willing to work with consumers who they believe are acting in good faith. They may offer an extension on your bills; make sure to find out what the charges would be for that service such as a late charge, an additional finance charge, or a higher interest rate.
4. Contact your local consumer credit counseling service if you need help working out a debt repayment plan with creditors or developing a budget.
5. Make a realistic budget, including your monthly and daily expenditures, and plan, plan, plan. Try to avoid unnecessary purchases: the cost of small, everyday items like a cup of coffee add up. At the same time, try to build some savings: small deposits do help a savings plan, however modest can help you avoid borrowing for emergencies.

Previous issues of the Consumer Affairs Tabloid are available on the Army Community Service (ACS), Financial Readiness section of the ACS website at www.hoodmwr.com/acs.

Have questions? Contact: melody.squires@us.army.mil 553-4701