



# Consumer Affairs Tabloid



Keeping you in the "KNOW"

287- CITY

Army Community Service Financial Readiness Branch

July 2006



## Center for Responsible Lending

### Military Loans from Payday Lenders [www.responsiblelending.org/payday/military.cfm](http://www.responsiblelending.org/payday/military.cfm)

Payday loans ("cash advances" or "deferred deposit" loans) are short-term loans for immediate cash. In a typical case, a borrower gives the payday lender a \$300 check or debit authorization and walks out with \$255 cash; the loan is due in two weeks.

If the borrower can't afford to repay after two weeks, he must pay another \$45 in rollover fees to extend the loan an additional 2 weeks. In this "**debt trap**," consumers typically pay much more in fees than the amount they originally borrowed. And rollovers are the rule, not the exception: **91% of all payday business is repeat business** from borrowers who receive five or more loans per year.

### Payday Lenders Target the Military [www.responsiblelending.org/pdfs/ip011-PaydayMilitary-0905.pdf](http://www.responsiblelending.org/pdfs/ip011-PaydayMilitary-0905.pdf)

Based on a Center for Responsible Lending analysis of the payday industry's own data and statements, we estimate that:

- Active-duty military personnel are three times more likely than civilians to have taken out a payday loan.
- One in five active-duty military personnel were payday borrowers last year.
- Predatory payday lending costs military families over \$80 million in abusive fees every year.

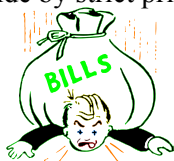


## Better Business Bureau

### High Cost Payday Lenders Advertise Everywhere [www.bbb.org/alerts/article.asp?ID=573](http://www.bbb.org/alerts/article.asp?ID=573)

Internet payday lending can prove particularly troublesome, according to a November 2004 study by the Consumer Federation of America. Consumers are encouraged to apply and receive loan funds deposited overnight in their bank accounts by filling out online applications and/or faxing applications and support documents. In addition to the high credit costs, which may not be openly disclosed, the study found that consumers who shop for payday loans online face other challenges:

- Lenders may be hard to locate or impossible to contact. Some hide behind anonymous domain registrations or may be located outside the U.S. The borrower can face difficulties communicating with Web lenders regarding any questions they may have or to resolve disputes that may arise.
- Internet payday lenders can bypass state usury laws and consumer protections by locating in states with lax regulations. They can make loans without complying with the licensing requirements or other protections of the borrower's home state.
- Completing online payday loan applications can expose the borrower to privacy and security risks if the lender does not abide by strict privacy policies or the Web site is not secure.



## Military Money

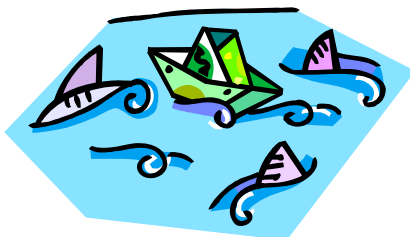
**Caught In A Debt Trap! [www.militarymoney.com/money/1133213118/print](http://www.militarymoney.com/money/1133213118/print)**

### Looking For Young Families: The Less Financial Experience, The Better

If you are a payday lender, then it makes perfect sense to locate your stores around military bases, right in the path of these young, hard-working families. And that's exactly what they do.

Two university researchers released a report last spring that documented this fact: Where military bases are located in America, payday lenders are poised to strip servicemembers and their families of their hard-earned cash.

Christopher Peterson of the University of Florida and Steven Graves of California State-Northridge University mapped payday loan locations in 20 states serving as home to 109 military bases. The study found that, in almost every instance, military towns ranked among the highest in the number of payday lenders per capita. (\*Report states within three miles of Fort Hood's perimeter, there are at least eighteen payday lenders, and thirteen of those are within one mile of base.)



## From the Files of Fort Hood's Consumer Affairs Office

### How To Avoid The Pay Day Loan Trap

*Budget, track expenses, and save for emergencies:* Each Battalion has a Command Financial / Family Advocacy Specialist (CF/FAS) trained in just these areas. Your CF/FAS can sit down with you one-on-one and assist you in developing your budget, reviewing your current situation, and help you come up with a plan to achieve financial success.

*Education:* Army Community Services Financial Readiness Branch has just the class for you. Classes include Budgeting/Debt Management, Banking, Savings & Investing, Credit Booster, Understanding Insurance, and Home Buying. Call 288-2862 / 287-8979 for dates, times, and locations.

**\*\*Commanders/First Sergeants\*\*** All soldiers in the ranks of E1-E4 are required to complete a comprehensive 8 hour Personal Financial Management Course once they arrive at their first permanent duty station. This is mandated by the Department of Army. Contact the Financial Readiness Branch 288-2862 / 287-8979.

*Army Emergency Relief:* Provides financial assistance for soldiers and their family members during periods of valid emergencies. Assistance comes in the form of an interest free loan. Ask your Commander or First Sergeant if you qualify for a "Commander's Referral Loan". It's quick, easy, and you pick up your check the same day.

*Consumer Credit Counseling Service:* This is a non-profit group that offers credit guidance and will help you work out a debt repayment plan with your creditors. The one located on Fort Hood is free. You pay zero fees and the Army accepts this plan for your security clearance. Contact your CF/FAS for more information.

Back issues of the Consumer Affairs Tabloid are available on the Financial Readiness section of the ACS website at [www.hoodmwr.com/acs](http://www.hoodmwr.com/acs).

Have questions? Contact: [finreadiness@hood.army.mil](mailto:finreadiness@hood.army.mil) 287-CITY (2489)