

# Financial Difficulties

Some seniors may have trouble making ends meet. The California Department of Corporations has found that some seniors utilize cash advance companies for small, short-term loans, and a significant number of those seniors take out multiple loans. If you or someone you know is having trouble staying out of debt, contact your local **Area Agency on Aging** (see page 18) for low-income assistance programs.

## Cash Advances

Cash advances, payday loans, or overdraft protection are a way to borrow money from yourself. You write a check to a lender or borrow against your own future deposit, in exchange for a short-term cash loan.

Under California law, the maximum loan amount you can borrow as a cash advance/payday loan is \$300. The maximum fee a lender can charge you is 15% of the face amount of the check (to a maximum of \$45).

For example, you write a \$300 check, pay a \$45 fee, and receive \$255 in cash. The lender does not cash the check until your next deposit, up to 31 days.

Overdraft protection has similar fees.

These fees are often equivalent to an annual percentage rate (APR) of 400% or more. APR is the total interest rate that a borrower pays annually on a loan, including all fees and charges. APR is used to reveal the total cost of borrowing money.

## If You Take Out a Cash Advance:

Borrow only as much as you can afford to pay back in full when you get your next check. On the loan due date, some borrowers find they cannot afford to pay the loan in full. Often, a borrower will take out a second loan from another lender in order to pay off the original loan. This can begin a dangerous cycle of debt that may lead to financial disaster.

## If You Have Credit Problems:

If you have missed bill payments or have other credit troubles, you may benefit from the services of a financial counselor.

Visit the **National Foundation for Credit Counseling (NFCC)** website,  
[www.nfcc.org](http://www.nfcc.org)

or call Toll-Free 1-800-388-2227 for assistance with credit problems and creditors.

## **If You Are Facing Bankruptcy:**

Recent Federal law requires mandatory credit counseling before you can declare bankruptcy. Go to <http://www.ftc.gov/bcp/menus/consumer/credit/debt.shtm> to download the publication "Before You File for Personal Bankruptcy: Information about Credit Counseling and Debtor Education."

The **U.S. Department of Justice Trustee Program** approves organizations to provide mandatory counseling before you can declare bankruptcy and mandatory debtor education after you declare bankruptcy. Go to [www.usdoj.gov/ust/eo/bapcpa/ccde/index.htm](http://www.usdoj.gov/ust/eo/bapcpa/ccde/index.htm)