

“ANTICIPATORY” LOANS

“Anticipatory” loans allow you to borrow your own money for a short time—with high interest rates or expensive fees. These loans rely on specific income for future repayment (such as a pending tax refund or your next paycheck) or utilize the cash value of your property (such as a car).

These loans don’t require a credit check or lengthy approval process, and may seem to be an easy way to get cash in a hurry. **But remember: borrow only as much as you can afford to pay back in full when you get your next paycheck.** These loans can lead to a cycle of debt from which it will be expensive and difficult to recover.

Depending on specific loan conditions, fee structures, and the length of “borrow” time, these loans can cost consumers from 50% to nearly 1,300% APR equivalent. APR is the total interest rate that a borrower pays annually on a loan, including all fees and charges, and is used to reveal the total cost of borrowing money. By comparison, credit cards may have APRs ranging from 5-36%, depending on your credit score, and a loan for a new car may have an APR of 4-7%.

- **Car Title Loans** use the borrower’s car (and keys) as collateral; the car title and keys are returned only after the loan and all interest and fees have been paid off. Be careful—a loan default results in the vehicle being repossessed. Additionally, if you still owe money on an original car loan, you will be obligated to continue payments on that loan as well.
- **Overdraft Protection** provides an “instant” loan (with fees), either from the bank or from your personal savings account, to cover checks, ATM withdrawals, debit card purchases and electronic transfers in case of insufficient funds. Be careful—these fees translate into high interest rates, and may be much more expensive than late payment penalties or the interest on unpaid balances on your credit card.
- **Tax Refund Loans** may provide cash faster than tax agencies might, but reduce your tax refund by the loan amount plus fees/high interest. Be cautious—the loan must still be repaid with additional fees if your refund turns out to be smaller than you thought or if you owe back taxes. Another option is to have direct deposit of your tax refund—which gets credited to your account more quickly than a check can be processed, without costing you fees or interest.
- **Payday Loans & On-Line Cash Advances** are similar. (See article below.)

Payday Loans & On-Line Cash Advances

In California, **Payday loans** (also called “cash advance” or “deferred deposit” loans) and **On-line Cash Advances** are regulated by the Department of Corporations. Typically, a borrower fills out an application, provides documentation, and then writes a check; the lender does not cash the check until the borrower’s next payday, up to 31 days later.

Payday lenders and on-line cash companies are required to **visibly post** their CA license and fee schedule at every store and/or on websites, and must provide contact phone numbers. CA law restricts these loans to a **maximum of \$300**, and a lender **cannot** make you a new loan to pay off an existing payday loan. If you request an extension of time or a payment plan, a payday lender **cannot** charge additional fees (however, they are not legally required to grant your request). If your check bounces, you can only be charged one bounced check fee. A payday lender **cannot** threaten to prosecute you in criminal court for insufficient funds.

Payday Loans to Military Members and Their Dependents

Recent changes in federal* and California law restrict payday loan fees for military servicemembers and their dependents. Since the maximum fee that can be charged is equivalent to **36% APR**, some lenders may choose **not** to make loans to servicemembers and their dependents. You may also have other legal protections under CA law.

* Under the John Warner National Defense Authorization Act of 2007 (Public Law 109-364)

If you want to verify the fees are correctly calculated, want to check a lender’s license, have questions, need help, or you suspect violations of these laws, call us Toll-Free.