

Payday Loan Strategies

Feeling stuck with payday loans? You don't have to be. It can be frustrating to not be able to repay the loans on the due date; the result is often a spiral of ever-renewing loans.

Remember: It can constitute criminal fraud to take out a loan if you know you cannot repay or do not intend to repay. However, if you intended to repay the debts but were unable, and are committed to ending the cycle of payday loans, here are several options that may stabilize your situation:

- Confirm the payday lender is licensed and/or regulated by the state or federal government. This may take a call to your state's Department of Commerce or go online to do a license lookup for Consumer Small Loan (Payday Lender). If the company you owe isn't listed they are not licensed in your state and you may not be legally required to repay the debt. Note: Tribal payday lenders do not need to a state or federal license to be in operation.
- Increase your income or reduce your expenses to allow payment on the loans. Do not stop paying on priority expenses such as rent, utilities, food, insurance and medical care. That will likely create more financial crisis, not less.
- Find funds to pay off the payday loans in full (savings, sell assets, help from family, tax refunds or other resources.)
- Consider converting the payday loan into a non-sufficient funds check to stop the renewal cycle. By doing this you can stop the spiral of payday loans and be able to repay the money owed, in full, within a reasonable period. (See our guide: Steps to Convert A Payday Loan into a 'Repayment in Full Plan')
- A Debt Management Plan may be a good fit to resolve this and other debt. Gain a strategic plan of attack on bills with one consolidated payment and the assistance of LSS Financial Counseling.
- As a last resort, seek advice from an attorney about the possibility of bankruptcy protection if you are unable to pay other priority expenses or debts along with payday loans.

RESOURCES

Federal Trade Commission <http://www.consumer.ftc.gov/articles/0097-payday-loans> has consumer protection information and an article "Payday Loans"

Dept. of Commerce Offices and Services www.commerce.gov/locations or call (202) 482-2000

Attorney General's Office – Find your state's office at www.naag.org or call (202) 326-6000 for consumer protection information or to file a complaint

Steps to Convert a Payday Loan into a 'Repayment in Full Plan'

Make a Plan

- Stop writing ANY checks. Use money orders to pay your priority expenses.
- Keep enough money in your account to cover any outstanding checks you have.
- Once they have all cleared, stop depositing money in that account.
- Open up a savings account at a separate bank or credit union to use for your banking needs going forward.

Inform Your Bank or Credit Union of Your Plan

- Go in person to your bank or credit union to let them know that you are going to have the payday loan checks sent through, despite not having adequate funds in the account to cover the checks.
- Tell the bank that you do not want them to pay the checks on your behalf.
- As soon as the payday loan checks are all presented to your bank ONCE, close the checking account down. Pay any fees that this generates at your bank. Closing the checking account is vital, as the payday lenders can continue to present the checks, as well as electronically debiting the account, which would generate more bank fees.

Inform the Payday Lender of Your Plan

- Let the payday lender(s) know that you will not be renewing the loans, and that you want the check sent through to your bank on the date the loan would renew.
- You now owe the payday lenders the amount of the check sent through, plus a NSF fee (typically less than \$35) for the check being returned non-sufficient funds. You do not owe a pay day 'loan' anymore, rather a dishonored check. The lender cannot charge you interest on the debt.
- Write a letter to the payday lender(s) indicating your intention to pay the debt back over a short period of time (2-6 months), and include your first payment in the form of a money order. Send this letter certified mail and keep a copy for your records.

With honest communication with the lender and follow through with monthly money orders, most payday lenders are receptive to a payment plan until paid in full.