

# WHAT IS PAYDAY LENDING

*A payday loan is a small, short-term unsecured loan, "regardless of whether repayment of loans is linked to a borrower's payday." The loans are also sometimes.*

If the account is short on funds to cover the check, the borrower may now face a bounced check fee from their bank in addition to the costs of the loan, and the loan may incur additional fees or an increased interest rate or both as a result of the failure to pay. In addition, other candidates have attacked his lack of experience in government and the payday loan practices of his bank. In the more recent innovation of online payday loans, consumers complete the loan application online or in some instances via fax , especially where documentation is required. By Miriam Caldwell Updated November 26, Payday loan stores offer a place to turn when people have a cash emergency, but payday's still a few days away. While offering a quick fix, payday loans do not offer a permanent solution for money woes. Personal loans are also a better option than payday loans when you must borrow money to handle an emergency. Before taking out a payday loan, it's important to review the laws in the state where you live. Many states have been working on passing regulations to place caps on the allowable interest rates and help out consumers that rely on these loans. When you find yourself faced with sudden expenses or money emergencies, there are alternatives available. Maloney, an economics professor from Clemson University , found "no empirical evidence that payday lending leads to more bankruptcy filings, which casts doubt on the debt trap argument against payday lending. Pick up a part-time job for extra cash. A report produced by the Cato Institute found that the cost of the loans is overstated, and that payday lenders offer a product traditional lenders simply refuse to offer. How Payday Loans Work Payday loans charge borrowers high levels of interest. Banks and retailers may then be unwilling to work with you. Gutting this rule will only empower the payday loan industry to weaponize their high interest-rate loans against the most vulnerable consumers. Breaking the Borrowing Cycle? Once you start taking out payday loans, it becomes easy to depend on them. Customers borrow money because they don't have any, so the lender accepts the check knowing that it would bounce on the check's date. Alternatives In most cases, it's best to avoid payday loans at all costs. Try peer-to-peer lending services for a better deal. In some ways, needing a payday loan is similar to having constant late payments or overdraft charges from your bank. Bouncing checks that you write to the payday loan establishment can end up on your ChexSystems file and result in overdraft charges from your bank. If nothing else seems to help, you may need to get a second job , trade in that expensive car for something more economical and rework your housing arrangements if your house payment is too much to handle. As a result, they are popular with people facing financial difficulties. Before you use one, make sure you understand the costs and risks. The borrower writes a postdated check to the lender in the full amount of the loan plus fees. If you find yourself needing a payday loan, examine your current financial situation for ways to change how you budget and plan your finances to see if you can free up any extra money. Payday loans are typically a portion of the borrower's paycheck. If you have ongoing issues like this, your monthly lifestyle may be mismatched to your current income. Check to see if your lender will let you make the loan payment in two installments instead of one if this allows you to pay off the debt easier or earlier. Some credit unions and banks have begun to offer a similar service of small loans but at much lower interest rates. The report goes on to note that payday loans are extremely expensive, and borrowers who take a payday loan are at a disadvantage in comparison to the lender, a reversal of the normal consumer lending information asymmetry, where the lender must underwrite the loan to assess creditworthiness.