

MAKE LENDING WORK FOR YOU

Frequently Asked Questions

How much are the fees?

- \$20 fee per \$100 borrowed for loans up to \$250 (up to 30 days to repay); the maximum amount the borrower receives is \$210.
- \$21.95 fee per \$100 borrowed for loans \$251 to \$500 (28 to 30 days to repay); Maximum amount the borrower receives is \$412 including all fees.

How does a payday loan application process work?

A borrower writes a personal check payable to the lender for the amount the person wants to borrow, plus the fee they must pay for borrowing. The company gives the borrower the amount of the check less the fee, and agrees to hold the check until the loan is due, usually the borrower's next payday. Or, with the borrower's permission, the company deposits the amount borrowed — less the fee — into the borrower's checking account electronically. The loan amount is due to be debited the next payday.

Is it illegal for the store to give me another loan to pay off my current loan?

No. As long as the current loan is not extended, meaning the borrower only pays the fees, then the lender can accept payment on the current loan and then immediately offer another loan.

Is there a limit on the number of loans a person can get?

No. There's a cap on the amount of the loan a borrower can receive at one time-\$500 but not the number of loans they can qualify for.

Why do you say 521% interest?

The federal Truth in Lending Act treats payday loans like other types of credit: the lenders have to disclose the cost of the loan. Payday lenders must give you the finance charge (a dollar amount) and the annual percentage rate (APR — the cost of credit on a yearly basis) in writing before a borrower sign for the loan. The APR is based on several things, including the amount that's borrowed, the interest rate and credit costs you're being charged, and the length of your loan.

Do you have to have a job?

No. Many borrowers only receive social security, disability, retirement or some other form of monthly income but aren't employed. To qualify for a payday loan, they usually have to show proof of receiving the payments.

Can a borrower can go to jail for bad checks if they don't pay the loan?

No. A borrower cannot face any jail time for defaulting on a payday loan. The lender is aware at the time of the transaction that he/she is accepting a "bad" check so they can't use the criminal justice system to prosecute someone for knowingly writing a bad check.

What will happen if I complain about what's going on with my loan?

The Mississippi Department of Banking and Consumer Finance is the state regulator for the payday lending industry. They have a complaint form on their website for consumers to use to complain about issues arising during the course of doing business with a payday lending company. After the complaint form is filed, the Department of Banking will investigate by checking the store's paperwork, interviewing all necessary parties and/or taking any other steps it deems is necessary to secure all of the facts. After which, they will make a determination about the case and contact all parties. If it results in a refund or monetary recovery to the borrower then they will ensure that the store complies. If the store is to receive a fine, then the Department of Banking will pursue them to collect the money.

Is it legal for them to turn the loan over to a debt collection company?

Yes. They can involve a debt collection company to try to collect on the payments. However, the company hired is bound by the same laws and regulations as the payday lending company. If any threats or violations are found, then the borrower would need to contact the Department of Banking and Consumer Finance to file a complaint.

What can happen if a borrower defaults on a loan?

- The lender can send the check through to the bank and collect \$30 in non-sufficient fund fees.
- The lender can sue in their local justice court to collect and would be entitled to the balance of the loan, court costs and non-sufficient fees.
- If a lender is awarded a judgment in justice court, then they usually obtain a Writ of Garnishment. This Writ would entitle them to 25% of the borrowers' adjusted gross wages each pay period until the debt is satisfied.
- Many companies are employing debt collection companies to obtain payment.

If the store isn't licensed, do I have to pay the loan back?

No. Transactions made by a store without a valid license are null and void.

If a borrower wants a \$300 loan, is it legal for the store to give him/her 3 \$100 loans? If so, why?

Yes. It is legal for the lender to extend to a borrower 3 loans for \$100 each. By issuing the loans this way, the store stands to make more money on fees because the borrower is usually given 2 weeks to repay the loan. If the borrower can't afford to pay the loan off and must renew the loans, the lender would get the fees every 2 weeks instead of once a month. If the borrower defaults, the lender gets non-sufficient fee on each check instead of one.

Alternatives to Payday Loans

Before you decide to take out a payday loan, consider some alternatives:

- 1. Consider a small loan from your credit union or a small loan company.**
Several banks offer small, short-term loans with low interest rates. Some community-based organizations make small loans or provide utility assistance. A cash advance on a credit card also may be possible, but it may have a higher interest rate than other sources of funds: find out the terms before you decide. In any case, shop first and compare all available alternatives.
- 2. Shop for the credit offer with the lowest cost.**
Compare the annual percentage rate (APR) and the finance charge, which includes loan fees, interest and other credit costs. You are looking for the lowest APR. Military personnel have special protections against high fees or rates. Payday loans can be expensive, particularly if you renew the loan and have to pay additional fees. Other credit offers may come with lower rates and costs.
- 3. Contact your creditors or loan servicer as quickly as possible if you are having trouble with your payments, and ask for more time.**
Creditors may be willing to work with consumers who they believe are acting in good faith. They may offer an extension on your bills or alternate repayment plans; make sure to find out what the charges would be for that service — a late charge, an additional finance charge, or a higher interest rate.
- 4. Contact your local consumer credit counseling service if you need help working out a debt repayment plan with creditors or developing a budget.**
There are numerous credit counseling agencies and non-profit groups all across Mississippi offering free credit advice and/or counseling to consumers. You may want to check with your employer, credit union, or housing authority for no- or low-cost credit counseling programs, too.
- 5. Make a realistic budget, including your monthly and daily expenditures, and plan, plan, plan.**
Try to avoid unnecessary purchases and try to build some savings. Regardless of how small the deposits are, they eventually add up. Having a savings account can help you avoid borrowing for emergencies. For example, saving the fee on a \$300 payday loan for six months can help you create a buffer against financial emergencies.
- 6. Find out if you have — or if your bank will offer you — overdraft protection on your checking account.**
If you are using most or all the funds in your account regularly and you make a mistake in your account records, overdraft protection can help protect you from further credit problems. Find out the terms of the overdraft protection available to

you — both what it costs and what it covers. Some banks offer “bounce protection,” which may cover individual overdrafts from checks or electronic withdrawals, generally for a fee. It can be costly, and may not guarantee that the bank automatically will pay the overdraft.

The bottom line on payday loans: Try to find an alternative. If you must use one, try to limit the amount. Borrow only as much as you can afford to pay with your next paycheck — and still have enough to make it to next payday.

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