

Learn and Earn

Financial Education Classes

An Ounce of Prevention
Predatory Financial Services

Participant Handout



Learn and Earn

Financial Education Classes

Type	Service	Why it's predatory
<p>Payday loans</p>	<p>Small loans (\$100-\$500) against your next paycheck. You write a check for the amount of the loan plus a fee.</p>	<p>If you can't pay back the money right away, you can ask to "roll it over" for an additional fee. If your finance charge is \$15 per every \$100 borrowed, your interest rate on an annual basis is 400%.</p> <p>Some places may even "forgive" one payday loan to let you borrow even more money.</p>
	<p>Online payday loans are now available, making it even easier to spend more than you earn.</p>	<p>These loans enable the lender to use electronic access to your accounts to withdraw their finance charges for your loans and the principle. If you do not have sufficient funds available to cover these withdrawals, both your bank and the lender then charge insufficient funds fees. You can keep "rolling over" the loan at an APR of 652% to 780%.</p> <p>CAUTION: You are sending highly personal information (Social Security number, bank account number, name address) to someone you don't know anything about.</p>



WATCH OUT FOR PREDATORY LENDERS

- There is no free lunch. Beware of those who offer you something for nothing!
- Always read the fine print. If there is no “fine print” be twice as careful!
- If it sounds too good to be true... it is!
- If you are being pressured to sign something right then and there, walk away!
- Don't trust ads promising “No Credit? No Problem!”
- Never sign a blank document or a document that has blanks in it that “will be filled in later.”
- If someone comes to loan you money when you have not contacted him or her first – BEWARE!!!

SIGNS OF A PREDATORY LOAN

- High loan fees and excessive interest rates
- Disregard for the borrower's ability to make the payments
- Prepayment penalties
- Single premium credit insurance financed into the home loan
- Balloon payments
- Inflating the borrower's income
- Inflated appraisals
- Changing the loan terms at closing
- Requiring credit insurance
- Loaning money to a mentally impaired borrower

