



# NEW YORK STATE CONSUMER PROTECTION BOARD PAYDAY LOAN FACT SHEET

## ***THINKING ABOUT APPLYING FOR A PAYDAY LOAN?***

### **What is a Payday Loan?**

A payday loan, which is not legal in New York State, is a short term loan of usually \$100-\$500. The interest rates that are charged are very high, sometimes 400% or more. Typically, a borrower provides the lender authorization to take the loan amount and fees out of his/her checking account in a week or two, when the borrower is next paid.

If the loan cannot be paid back at the end of the term, the loan will be renewed, and the consumer will be charged more fees and interest on top of the money that he/she already owes.

### **Consumer Protections**

Under the federal Truth in Lending Act, the cost of payday loans must be disclosed in writing. The total amount financed (a dollar amount) and the annual percentage rate or APR must be provided to the borrower in writing before the loan is made. In New York State, payday loans are essentially unlawful.

### **Alternatives to Payday Borrowing**

Payday loans are very expensive, and can become hard to pay back. There are several alternatives to obtaining a payday loan:

- Seek a loan from a New York licensed lender that makes small, unsecured loans.
- Obtain a loan from a credit union.
- Get a cash advance from your credit card.
- Make a pawn loan using a nonessential item as collateral.
- Speak with your creditors. They may provide you with better payment terms if you talk to them.
- Seek help from a not-for-profit, licensed credit counseling service that is licensed by the New York State Banking Department.

### **When Considering a Payday Loan**

- Shop for the lowest fees and penalties.
- Borrow only as much as you can repay with your next paycheck.
- Know when your payment is due so that you may pay it in full.
- Plan for the future by budgeting and creating an emergency fund. Even a fund of a few hundred dollars can help you avoid using payday loans in the future.



NEW YORK STATE  
CONSUMER PROTECTION BOARD  
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