WASHINGTON STATE DEPARTMENT OF FINANCIAL INSTITUTIONS

Thinking of a Payday Loan?

What is a Payday Loan?

A payday loan is a small, unsecured, high interest, short-term cash loan. In most cases, consumers write a post-dated, personal check for the advance amount, plus a fee. The lender holds the check for the loan period and then deposits it, or the customer returns with cash to reclaim the check.

What do I need to know before I get a Payday Loan?

Although a payday loan may be a convenient short-term solution, it is inappropriate for long-term cash needs. Borrowers can get trapped in a payday loan cycle of debt by taking out loan after loan – sometimes called "rolling over" the loan.

What are my Options?

- Ask about delaying or making payment arrangements on your non-interest bills (e.g., telephone, utilities).
- Ask to borrow money from a friend or family member.
- Ask your employer for an advance on your paycheck.

If I get a Payday Loan in Washington State, how much could it cost?

Under the Truth in Lending Act, the cost of credit must be disclosed. Among other information, you must receive information outlining the finance charge and the annual percentage rate (APR). The APR informs you of the cost of your loan.

For Example:

Let's say you want to borrow $500 until you get your next paycheck in two weeks. You write a check to a payday lender for **$575** (15% of $500 = $75 lender's fee + $500 loan amount = $575), which you will get $500 cash in return. The $75 interest you pay on the loan calculates to an Annual Percentage rate (APR) of 391%.

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If I decide to get a Payday Loan, how can I shop wisely?

- Contact the **Department of Financial Institutions** to verify that you are dealing with a licensed lender.
- Comparison shop for the lowest fees and penalties. For example, some credit unions offer payday loans with lower fees.
- Borrow only as much as you can afford to repay with your next paycheck.
- Know when your payment is due and be sure to repay the loan on time and in full.
- Avoid borrowing from more than one lender at a time.
- Plan for the future by making a realistic budget to help avoid the need to borrow for emergencies and unexpected expenses.

What rights and laws can protect me?

- You have the right to change your mind about the loan within one day.
- You have the right to know all of the costs involved.
- You have the right to a repayment plan.
- A payday lender may not threaten criminal prosecution as a method of collecting a past due loan.
- Paying off an old loan with a new loan may be illegal.

If I have a complaint about a Payday Lender, how do I contact DFI?

Whether you have a complaint or a question regarding a Payday lender, please contact:

The Washington State Department of Financial Institutions
P.O. BOX 41200, Olympia, WA 98504-1200

or call us at: **1-877-RING-DFI (746-4334)**

or visit us at our web site at: **www.dfi.wa.gov**