

## Common Sense Financial Tips

### Avoid Future Money Problems:

- Create a budget (list all sources of income and all monthly expenses, including total owed).
- Prioritize your debts (pay most expensive interest rates first); cut all unnecessary expenses.
- Build up a rainy day fund by setting aside a small amount per paycheck in a savings account. Get into the habit of making regular deposits.
- Contact a local consumer credit counseling service for help developing a monthly budget or a debt repayment plan with creditors.

### Online Payday Loans: CAUTION!

The Department strongly urges consumers to verify a lender is licensed before sharing personal information. You can verify licensure by checking [www.dbo.ca.gov](http://www.dbo.ca.gov) or calling 1-866-275-2677.

- Unlicensed lenders may illegally collect from your bank account directly without your permission, even if you are unable to repay the loan.
- You might be illegally charged an interest rate far higher than California law allows.
- Unlicensed Internet payday lenders might sell or pirate personal financial information.
- Lenders may be operating out-of-state or offshore, making it hard to track them down and recover your lost funds if they violate the law.

If you wish to file a formal complaint against an unlicensed lender, visit [www.dbo.ca.gov](http://www.dbo.ca.gov) and submit a Consumer Complaint Form with the Department of Business Oversight.

TOLL-FREE 1-866-275-2677

## DEPARTMENT OF BUSINESS OVERSIGHT

State of California  
Business, Consumer Services and Housing Agency

## What You Need to Know About Payday Loans



Contact the California Department of Business Oversight to check the licensing status of a payday lender, history of disciplinary actions against a payday lender or to file a complaint against a payday lender.

For additional copies of this publication, please e-mail your request to [forms@dbo.ca.gov](mailto:forms@dbo.ca.gov)

CALIFORNIA  
DEPARTMENT OF BUSINESS OVERSIGHT

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## What is a Payday Loan?

Payday loans are also called “cash advances” or “deferred deposits.” With a payday loan, a borrower writes a check to a lender in exchange for a short-term cash loan. For example, a borrower writes a \$300 check, pays the \$45 fee, and receives \$255 in cash. The lender does not cash the check until the borrower’s next payday, up to 31 days.

## Fees for Payday Loans:

Under California law, the maximum loan amount a consumer can borrow in a payday loan is \$300. The maximum fee a payday lender can charge is 15% of the face amount of the check (up to a maximum of \$45). Additional fee restrictions apply for military servicemembers and their dependents.

A 15% fee is equivalent to an annual percentage rate (APR) of 460% for a two-week loan. By comparison, a loan for a new car generally has an APR of between four and seven percent.

APR is the total annual interest rate that a borrower pays on a loan, including all fees and charges. APR is used to reveal the total cost of borrowing money.

## If You Take Out a Payday Loan:

Borrow only as much as you can afford to pay back in full on your next payday. On the loan due date, some borrowers find they cannot afford to pay back the loan. Borrowers are encouraged **not** to take out a second loan from another payday lender to repay the first, as this can lead to a cycle of debt from which it will be expensive and difficult to recover.

## Loans to Military Members and their Dependents:

Because of recent changes in federal and California law that restrict payday loan fees for military servicemembers and their dependents, some payday lenders may choose not to make loans to servicemembers and their dependents.

## California Laws Protect You:

- In California, all payday lenders - whether a storefront or online - must be licensed by the Department of Business Oversight if they are going to do business in the state. Visit the Department’s website to verify a lender’s license.
- A payday lender may only make you **one** loan (which cannot exceed \$300), and may only charge a **maximum fee** of 15% of the total amount of the check (up to \$45). Additional fee restrictions apply for military servicemembers.
- Payday lenders must post their California license and a fee schedule at every location.
- A payday lender **cannot** make you a new loan to pay off an existing loan.
- A payday lender **cannot** make you a new loan while an existing loan is outstanding, even if the combined balance of the existing loan and the new loan does not exceed \$300.
- If your check bounces, the payday lender may charge only **one** bounced check fee (up to \$15). (Be aware - your bank may charge you additional fees for insufficient funds.)
- Additional fees **cannot** be charged if you request an extension of time or payment plan. However, the payday lender is not legally required to grant your request.
- By law, the contract for a payday loan **must** be provided to you in the language you primarily used to negotiate with the lender.
- A payday lender **cannot** threaten to prosecute you in criminal court for insufficient funds.
- You may also have other legal protection under California law. If you need help or suspect violations of the law, please contact the Department of Business Oversight.

## If You Have Credit Problems:

Call your creditors and ask to waive late fees, reduce the interest rate, and/or work with you to establish a re-payment schedule that will work for you.

If you have missed bill payments or have other credit troubles, you may benefit from the services of a financial counselor. Counselors help review your entire financial situation and help you develop a personalized money management plan. Be aware — just because a debt management agency claims to be “non-profit” doesn’t guarantee the services are legitimate or affordable.

A reputable agency should send you free information without requiring you to provide any personal details. Look for a range of services, including budget counseling and savings and debt management classes. Avoid any that push a debt management plan as your only option before they analyze your financial situation.

Visit the **National Foundation for Credit Counseling (NFCC)** website [www.nfcc.org](http://www.nfcc.org) or call Toll-Free **1-800-388-2227** for assistance with credit problems and creditors.

## If You Are Facing Bankruptcy:

Recent Federal law requires mandatory credit counseling before you can declare bankruptcy. Go to: <http://www.consumer.ftc.gov/articles/0224-filing-bankruptcy-what-know> for help and information about Credit Counseling.

The U.S. Department of Justice Trustee Program approves organizations to provide mandatory counseling *before* you can declare bankruptcy and mandatory debtor education *after* you declare bankruptcy.

Go to: <http://www.justice.gov/ust/eo/bapcpa/ccde/> to find an approved organization near you.