

Financial Tips

- Create and follow a monthly, weekly, and daily budget. Cut out unnecessary expenses.
- Prioritize your debts. Pay off loans or credit cards with the most expensive interest rates first.
- Build a “rainy-day” fund by setting aside small amounts of money per paycheck.
- Contact a local consumer credit counseling service for help developing a monthly budget or a debt repayment plan with creditors.



Use Caution with Online Payday Loans!

Verify the license of a lender before sharing personal information! You can verify a lender’s license by checking www.dfpi.ca.gov or calling 1-866-275-2677.

Unlicensed lenders may:

- Illegally collect from you without permission, even if you are unable to repay the loan.
- Charge an interest rate far higher than what California law allows.
- Sell or pirate your personal financial information.
- Operate out-of-state or out-of-country, making it difficult to track them down and recover lost funds.
- If you wish to file a formal complaint against an unlicensed lender, visit <https://dfpi.ca.gov/file-a-complaint>.

Contact the California Department of Financial Protection and Innovation to check the licensing status, history of disciplinary actions, or to file a complaint against a payday lender.

Learn more about payday loans form the DFPI:



www.DFPI.ca.gov

Toll-Free 1-866-275-2677

TTY 1-800-735-2922

For additional copies of this publication, please e-mail your request to outreach@dfpi.ca.gov

State of California
Business, Consumer Services, and Housing Agency

DFPI DEPARTMENT OF
FINANCIAL PROTECTION
& INNOVATION

What You Need to Know About Payday Loans



- Payday Loan Information
- Fees for Payday Loans
- California Law Protections
- Credit Counseling
- Avoiding Bankruptcy

DFPI

DEPARTMENT OF FINANCIAL
PROTECTION & INNOVATION

www.DFPI.ca.gov

What is a Payday Loan?

A payday loan is a short-term, high-cost loan. A borrower will write a post-dated check for the full amount of the loan and repay it or have the funds deducted from their account on their next payday, up to 31 days later. For example, a borrower writes a \$300 check, pays a \$45 fee, and receives \$255 in cash.

If You Take Out a Payday Loan:

Borrow only as much as you can pay back in full on your next payday and consider other unexpected expenses or alternate forms of credit. If you cannot afford to pay back the loan on the due date, do not take out a second payday loan to cover the cost. Doing so can lead to a cycle of debt which will be difficult to recover from and expensive.

Fees for Payday Loans:

Under California law, the maximum amount a consumer can borrow in a payday loan is \$300. The maximum fee a payday lender can charge is 15% of the 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 between 4% and 7%. APR is the total annual interest and any additional costs or fees that a borrower pays on a loan. APR is used to reveal the total cost of borrowing money.

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.

How California Laws Protect You:

- To do business in California, all payday lenders – whether a storefront or online - must be licensed by the Department of Financial Protection and Innovation (DFPI). Visit the department’s website (www.dfpi.ca.gov) to verify a lender’s license.
- A payday lender may make only one loan at a time to a consumer 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 a new loan to pay off an existing loan.
- A payday lender cannot issue a new loan while a borrower still has an existing loan, 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.
- The contract for a payday loan must be provided to you in your primary language.
- A payday lender cannot threaten to prosecute you in criminal court to recover insufficient funds.
- You may have other legal protections under California law. If you need help or suspect violations of the law, please contact the DFPI.

If You Have Credit Problems:

Call your creditors and ask them to waive late fees, reduce interest rates, or work with you to establish a repayment schedule that you can manage.

If you miss bill payments or have other credit troubles, you may benefit from the services of a financial counselor who can review your financial situation and help develop a personalized money management plan. Be aware: just because a debt management agency claims to be “non-profit” does not guarantee the services are legitimate or affordable.

A reputable debt management agency should provide free information without requiring your personal details. Avoid organizations 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) or call toll free 1-800-388-2227 for assistance with credit problems and creditors.

If You Are Facing Bankruptcy:

Federal law requires mandatory credit counseling before you can declare bankruptcy. For help and information about credit counseling, see the FTC’s publication, **Filing for Bankruptcy: What to Know** (<http://dfpi.us/bankruptcywhattoknow>).

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.

To find an approved organization near you, see the **DOJ’s List of Approved Providers of Personal Financial Management Instructional Courses** (<http://dfpi.us/bankruptcycounseling>).