

Paycheck Loans: Predatory Lending?

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Paycheck loans are also called as cash advance loans because of the fact that they serve instant financial needs in between paychecks. You can take paycheck loans and then repay them back on the day of your next paycheck through the ACH or Automatic Clearing House. Paycheck loans come with high rates of interest such as \$10 to \$30 for every \$100 borrowed.

Paycheck loans come in various ranges starting \$200 to \$2500. The Americans usually avail \$500 with an APR or Annual Percentage Rate of 650%. The center for responsible lending drew from a statistics that most of the paycheck loans industry's profit comes from repeated borrowers who are unable to repay their loan rather they renew it each time paying fees each time they flip or roll over their paycheck loans.

The loan period is 14 days but can be renewed each time with higher rates of interest. The method of availing paycheck loans is as simple as that. You just have to fill out an online application form that asks for your personal identification details, your account details and source of income. The need for such details is to estimate your financial strength to repay the loan.

The official trade organization that represents paycheck loans industry is the CFSA or Community Financial Services Association of America. Though paycheck loans lenders call cash advance loans as payday lending, financial critics term them as predatory lending stating that paycheck loans take advantage of the financial helplessness of people and exploit them.

The US department of defense has accused the CFSA of specifically targeting military personnel demoralizing the soldiers' financial security. Paycheck loans are also characterized by aggressive collection practices such as threatening the borrowers with criminal prosecution and other check frauds. This has led to the banning of paycheck loans in Georgia and 12 other states.

Other states have their own usury laws to regulate the predatory lending practices but the critics sarcastically quote that the CFSA manages to get around the usury laws and still practice paycheck loans' aggressive repayment practices. Further the online version of this paycheck loans spell more trouble. The Social Security Number is often asked by the lenders which they sometimes use for identity theft and account piracy and hijack. You must make sure that you would be able to repay the amount within the 14 days to avoid trouble with paycheck loans.