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How to get out of a cash advance loan?

If you are in a debt with a cash advance loan, you need to ask yourself a difficult question. Why did I end up with a cash advance loan? The way you answer that question will determine how you get out of the mess.

“I have no credit history, no credit cards, no debt and no savings. And then an emergency came up, and I had nowhere to turn.”

If that describes you, then you need to do three things:

1. **Build your credit score.** The best way to do that is with a secured credit card. Make sure you make your payments on time every month, and that you never charge more than 20% of the available credit. After 6-12 months, you will see an incredible improvement in your score.
2. Once you have a score above 600, **visit your local credit union.** They will usually have much cheaper ways for you to borrow. If your cash advance loan is not paid off already, you can even refinance it at your credit union with a personal loan.
3. Once your score is above 700, **look for even better deals.** At a 700 credit score, you can get some of the best deals out there. Those could include low rate credit cards or low rate personal loans.

“I just have far too much debt. I can barely afford to get through the month. Just paying the minimum due takes up more than half of my paycheck. And my total debt is more than half my annual income.”

If that describes you, then you need to visit a non-profit consumer credit counselor.

Getting a cash advance loan was a very temporary way to get through the month. But you need to restructure your debt in order to truly fix the problem. That may mean negotiating with your existing creditors. Or, it could mean bankruptcy. A good credit counselor can help you come up with a plan. Make sure you avoid the for-profit counselors, by going to the National Foundation for Credit Counseling.

“I don’t have a lot of debt, but it is building. I don’t have a great credit score, but it isn’t awful.”

If this describes you, then you are on the brink. You really need to step back and do three things:

1. **Create a budget.** If you are going into greater amounts of debt every month, than you need to figure out where your money is going, and how to cut it back. In the short term, that means cutting expenses dramatically. Cut out restaurants and unnecessary travel. In the medium term, you need to come to terms with your fixed costs. Maybe you need to move to a lower rent apartment, or sell your car and pay less each month in car payments. We have included a monthly budget worksheet for you so you can write down your expenses to see where your money is going.
2. **Focus on your credit score.** You want to get a score above 700, and that means making sure you pay every card on time, and you need to work on bringing down those credit card balances.
3. **Find cheaper ways to borrow.** Cash advance loan are some of the most expensive ways to borrow. Think about a local credit union. You can find one at this website: <http://www.asmarterchoice.org/> And, in addition to credit unions, you can also find low interest rate credit cards for that future emergency.

Remember that the best form of security is having a couple months of living expenses in an emergency fund as your first line of defense. And a low interest rate credit card (like the 9.99% PenFed Promise) is a great second line of defense. Emergencies happen, and you need to be prepared. The best way to never end up with a cash advance lender again is to make sure that you have two lines of defense set up.

Every little bit counts

In the meantime, make sure that you put something towards your cash advance loan every time you renew. Even a small amount can make a big difference. If you have a \$150 loan, don’t just renew it. Find an extra \$12.50 every two weeks. By doing that, you will make sure you are out of debt in six months. The cash advance loan company will make it easy to just renew – but make sure you add just a little bit extra to each payment to bring that balance down.

<http://www.magnifymoney.com/blog/pay-down-my-debt/way-out-of-a-payday-loan-trap>

If you are unable to maintain payment on your loans:

Tell the lender that you need to work out arrangements to repay in instalments. A few states require lenders to provide extended payment plans (Alabama, Alaska, Florida, Illinois, Michigan,

Nevada, Oklahoma and Washington). If your lender refuses to work with you, contact your state regulator to ask for help.

Stop lenders from taking money directly from your pay check. Read your contract to see if you signed a voluntary wage assignment clause. If so, write a letter to the lender to revoke that agreement so the lender won't be able to garnish your pay from your employer without court approval. Mandatory wage assignments as used in some cash advance loan contracts are prohibited by the Federal Trade Commission's Credit Practices Rule.

-Safeguard Your Bank Account

You need to protect your ability to have a checking account. Lenders base cash advance loan on checks/debits to secure loans, to make it easy to collect through the borrower's bank account, and to encourage loan renewals to keep checks used to get loans from bouncing. Don't write checks without money in the bank that day to cover the check.

Your banker can advise when it makes sense to close your account and open a new one to get control of loan payments and stop escalating Non-Sufficient Funds (NSF) fees generated by repeated attempts to collect on the check held by the cash advance lender.

Contact your banker quickly, before cash advance loan cause your account to be overdrawn. If your bank closes your account due to repeated overdrafts, you may be placed on a list that will make it hard to get a checking account for five years. Your bank or credit union can also help you stop payment to lenders that electronically access your bank account.

If the loan is not paid, lenders in some states can take action under civil "bad check" laws. In most states, however, lenders cannot file a criminal case for passing a bad check.

-What to Know About Stopping Payment on the Check

Stopping payment on the check used to get a loan does not cancel the contract to repay the loan. If you are thinking about asking your bank to stop payment on the check used to get a cash advance loan (something you might do to stop multiple NSF fees from adding up while you try to work out a repayment arrangement), here are some things to consider.

Notify the bank before the due date for the loan if you want the bank not to pay the check when it is presented. You can tell your bank orally to stop payment but that only lasts for 14 calendar days. You must follow up with a written notice.

Bank fees to stop payment on a check range from \$18 to \$32, similar to a bounced check fee. To stop payment, the bank needs to know the number of the check, the date it was written, the payee's name, and the exact dollar amount.

The stop payment order typically lasts only six months. At that point, the check can be represented to the bank and will go through or you will have to pay another stop payment fee.

Carefully examine your bank statement for old checks that are processed and ask your bank to restore the funds and return the check as stale dated, if it is over six months old.

Some state cash advance loan laws place borrowers at legal risk if they stop payment on the check used to get the loan or close the bank account or both, regardless of the reason.

Alabama and Alaska allow cash advance lenders to take criminal action for failure to make good on the cold check used to secure the loan if the check was returned due to a closed bank account.

Consumers can get in trouble if their bank account is closed before the loan is due in **Colorado** and **Wyoming**, or if the account was closed at the time the loan was made in **North Dakota**.

Hawaii and Missouri expose borrowers to criminal sanctions if the check was returned due to a closed account or stop-payment by the consumer.

Mississippi permits lenders to use criminal action if the check used to get the loan bounces when deposited.

In **Arkansas**, it is a crime to both stop payment on a check and close the account.

Utah's cash advance loan law permits lenders to sue for treble damages if borrowers can't make good on the check used to get the loan. Utah lenders are not permitted to threaten criminal prosecution.

-Your Rights on Electronic Payment of Cash Advance Loan

Consumers have the right under either federal law or industry rules to stop a cash advance lender from electronically taking money out of a bank account. This does not settle the debt but these rights help consumers stop the drain of repeated finance charges or bounced check fees while working out payment arrangements.

Loans with built-in renewals: if your online cash advance loan has built-in loan renewals, the lender cannot require you to pay electronically under the Electronic Fund Transfer Act (EFTA at 15 U.S.C. 1693a(9)). You have the right both to stop payment on a specific withdrawal and to revoke authorization for all future withdrawals by a lender. In both cases, the bank can impose its stop payment fee.

For a loan with built-in renewals, to stop an individual withdrawal, you must notify your bank orally or in writing at least three business days before the transfer is scheduled. The bank may ask you to also give them a written confirmation of the stop payment order within fourteen days of the oral notification. If you fail to provide the written confirmation, the stop payment expires at the end of fourteen days.

In addition, if you notify the bank that your debit authorization is no longer valid, the bank must block the next withdrawal as well as all future payments for the specific debit sent by the online

lender.

To stop future electronic withdrawals, write a letter to the cash advance lender that it is no longer authorized to debit your account. Make a copy of your letter to give to your bank.

Your bank may ask you to confirm that you have notified your lender that you no longer authorize the payments to be automatically debited from your account. Write a letter to your bank to give written notification within 14 days of your oral notice to the bank. Otherwise the bank may honor subsequent debits to the account. Check your bank statements and report any unauthorized withdrawals from your account to your bank.

One-time payment loans: While federal law does not give consumers the right to stop payment on a one-time debit transaction, the lender has agreed to comply with rules issued by a private organization that provide this right.

The online cash advance lender is required by industry rules to disclose that the consumer may revoke authorization to debit a bank account. Notify your lender and your bank at least three days before the withdrawal is to take place (the due date on the loan.) The lender must tell you how to revoke authorization. Read the fine print of the loan agreement for instructions on where and how to stop electronic access to your account.

Industry rules require you to contact the lender that you are revoking your authorization and to then notify your bank. Contacting the online lender may be hard to do if you don't have a copy of the loan documents or if you borrowed from a lender that fails to post contact information. Internet cash advance loan contracts typically require you to give three days' advance notice before the payment is due if you want to revoke electronic authorization.

Rights vs. Reality: While you have the right to revoke authorization for the online cash advance lender to electronically withdraw money from your bank account to repay a loan, it is not always easy to exercise that right successfully. Some banks' stop payment systems are set up only to identify a check number and a specific dollar amount, not the name of the payee. Some Internet payday loan contracts state that loans may be broken into several withdrawals, so a bank may not be able to identify the transaction to be stopped. If you have other preauthorized debits for the same amount, the bank may mistakenly block a debit you intended to make.

<http://www.paydayloaninfo.org/consumer-help>

Personal Monthly Budget

Income:	
Net Income 1	
Net Income 2	
Retirement/Pension	
Social Security	
Other	

Housing:	
Mortgage	
Rent	
Taxes	
Housing Insurance	
Cable	
Cell Phone	
Electric	
Gas	
Water/Sewer	
Trash	
Internet	
Other	

Transportation:	
Car Insurance	
Car Payment 1	
Car Payment 2	
Gas	
Repairs	
Other	

Food:	
Groceries	
Dining Out	
Other	

Medical:	
Medical Bills	
Medication	
Health Insurance	
Life Insurance	

Miscellaneous:	
Personal Care	
Entertainment	
Pets	
Tithe/Donations	
Retirement/Savings	
Clothing	
Children	
Other	

Loan(s)/Credit Card(s)	
Name	
	1
	2
	3
	4
	5
	6
	7
	8
	9
	10

Record Your Totals Here:	
Total Monthly Income	
Total Monthly Expenses	
Difference	