

Consumer Resource Packet

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Read on to find out ...

What is a predatory loan? Who makes these loans? Who are the predators? Who are the prey?

If I have a predatory loan, what can I do about it? Read the Basics of Predatory Lending for some ideas. Also, check out the Shopping Guides to avoid falling into future debt-traps.

What’s the Solution? Read our “Six Principles of Fairness in Lending” to see what we think.

Where to get help: Visit www.affil.org or call 866.45.AFFIL to request a list of resources in your area.

Want To Do More? Send a letter to Congress and your state representatives telling them that you’re outraged. For a sample letter, see page 17. Visit www.affil.org/get_active for a calendar of events and more ideas.

Six Principles of Fairness in Lending

Lending is necessary in our society and can be helpful in building and preserving community and individual assets. Our laws, however, allow lenders to encourage and profit enormously from personal debt. Discrimination and the selling of unaffordable and abusive loans is rampant. Practices that used to be called ‘loan-sharking’ are now legal. Borrower protections cannot be left to the lenders. We propose these six components of fair lending against which all credit practices and products must be tested – across the life of the loan and its collection.

AFFIL’S SIX PRINCIPLES OF FAIRNESS IN LENDING

RESPONSIBILITY: Lenders must gauge ability to repay and offer borrowers the most affordable and well-suited products for which they qualify. Lenders should demonstrate commitment to the building of personal assets.

JUSTICE: All participants in the making, collecting, holding and buying of debt have a duty to deal fairly with the borrower. It is unjust to prey upon anyone, particularly on those who are vulnerable due to age, health, language, education or other socioeconomic circumstances. It is unjust to charge exorbitant interest rates and fees, to change terms once agreed, and to deny anyone their day in court.

EQUALITY: We all must have equal access to appropriate and fair products and services regardless of race, gender, language, national origin, physical/mental well-being, education, lifestyle or socioeconomic status. All discriminatory lending practices must be abolished.

INFORMATION: We require full disclosure of all costs, fees, loan terms, penalties and collection practices in language that is clearly understood by the borrower. Although information is a necessary component to a fair marketplace, it is not a substitute for fair terms, fair treatment and effective regulation.

ACCOUNTABILITY: Lenders must track and report their lending activity. Only with comprehensive reporting can we ensure that the marketplace is free from illegal and unethical practices and that consumers are safe to shop for credit products without risk of being overcharged or directed to inappropriate loans.

LAW & ENFORCEMENT: Our government must establish essential consumer safeguards in the lending marketplace with laws that hold all members of the lending industry liable for activities throughout the life of the loan and its collection. There must be mechanisms for reporting abusers, and compensation for victims of lending abuse.

Typical and Unfair Lending Practices

Unfortunately, abusive and unfair practices are too numerous and varied to completely capture, but we have tried to list the worst and most common aspects of predatory loans here.

1. The Loan Doesn't Reflect Your Ability to Repay It

It used to be hard to take out a loan, because lenders lost out if you couldn't repay. Now, lenders often profit *most* from those who can't repay their loans. You may have a loan that your lender *knows* you can't repay, because the lender wants to profit from you.

2. Morning Deadlines

Some credit card companies set cut-off times for crediting payments to customer accounts at 9:00 or 10:00 a.m. If your payment comes in after those times on the due date, the credit card company charges a late fee. Being late, even once, can also trigger a penalty interest rate.

3. Adjustable Rate And Interest-Only Mortgages

Adjustable rates and interest-only-payments give you a false sense of control over your mortgage. At first, the monthly payments fit your finances, but the low payments don't last. Rates rise due to changes in the larger economy or the structure of the loan. All the sudden, you cannot afford to make the new high payments, putting you at risk for foreclosure.

4. Universal Default Clauses

The fine print in a lending agreement *almost always* includes the provision that the lender can impose penalty rates if a customer is late on a payment to *another unrelated lender*, even if you are fully current on payments to that lender.

5. Mandatory Arbitration Clauses

The fine print on many, if not most or all credit card agreements, says that in the event of a dispute you must use the lender's "arbiter" to settle the dispute. This clause waives your right to a court date, to a jury trial, the award you might receive if you went to court, and to an unbiased judge.

6. Prepayment Penalties

This is a fee charged by a lender if you pay the loan off early. For mortgage loans, prepayment penalties appear almost universally for people with imperfect credit histories. Prepayment penalties can be very expensive: up to several thousand dollars. These penalties might prevent you from refinancing into a better mortgage or other loan product, since if you do so, you'll have to pay the fee.

7. Your Expensive (Sub-Prime) Loan was Targeted to You because You're...

... a student, a minor, in the military, a senior citizen, a recent immigrant, a single parent, or member of a minority group. Lenders identify individuals and groups who are more likely to accept overpriced loans due to language barriers, confusion, desperation, lack of information, or susceptibility to deceptive tactics.

8. You Actually Qualify for a Cheaper Loan

Research shows that one-third of those offered sub-prime mortgages are qualified for prime mortgages. Sub-prime mortgages are more

profitable for lenders, but very costly for homeowners, and result in foreclosure much more frequently than prime mortgages.

9. “Penalty” Interest Rates

Penalty interest rates (meaning double or triple the regular rate) are triggered when you are late on one or more monthly payments – or for any other reason at all (see #4). Late fees are also charged, so the you pay much more than the late payment warrants.

10. Balloon Payments

A balloon loan is structured with one large payment, usually at the end of the loan. The initial monthly payments are usually artificially low to entice you, but these low payments are not actually paying off the money you borrowed. At the end of the loan term, you will owe the same, more, or slightly less than the original amount you borrowed. This last payment is called the “balloon” payment, since it “inflates”

and is much larger than the initial, smaller payments.

11. High Loan-To-Value Mortgages

A mortgage loan that is as high or higher than the market value of the home is called a high “loan-to-value” mortgage. These loans usually begin when you receive a falsified appraisal of the home that tells you that the home is worth more than its market value. When you buy the home and take out a large mortgage to afford the inflated price, you end up owing more than the house is actually worth. Even if you sell the home, you will not be able to pay off the mortgage.

12. Some Types Of Loans Are By Nature Predatory

Payday loans, refund anticipation loans, car title loans, and foreclosure “rescue” scams are pretty much always a bad idea. Avoid these products at all costs.

The Top Ten Tricks of the Lending Trade

The tricks of the trade are limited only by the imagination of the lender – certainly not by federal regulations. And they’re all conceived with one end in mind — big profits, not helping you. Fairness to the borrower just isn’t part of the equation.

1. Your Credit’s Bad.

So you have to take this lousy deal.

A blemished credit record is no reason to accept credit at 25%, 50%, or even several hundred percent annual interest. Or “low-interest” credit scams that tack on big fees for pre-payment, late payment, documents or credit reports. Even folks with tarnished credit can get loans and credit cards that don’t charge an arm and a leg to borrow. Shop around!

2. Your Credit’s Good.

So we’re offering you all these ‘pre-approved’ credit cards.

Sometimes the same debt pushers who tell you one day that your credit’s no good will stuff your mailbox the next day with “pre-approved” credit cards, home equity loans and other high-cost money. Debt pushers throw loans and credit cards at unemployed college students, people fresh out of bankruptcy and others who can’t afford them. So don’t be flattered when someone offers you credit. Credit is the business of making money off your debt – off you. Make sure it’s both necessary and fair before accepting any loan.

3. Low Monthly Payments!

Forever.

Paying \$100 a month for 24 months costs a lot more than paying \$150 a month for 12 months. And minimum monthly payments on credit card bills can have you paying interest on a take-out pizza for decades! So don’t base your borrowing decisions on low-monthly-payments alone. Low

monthly payments are great – for the debt pushers. They’re practically pure interest and they can stretch your payments out endlessly.

4. Actual Costs May Vary.

By hundreds or thousands of dollars.

If it looks too good to be true, it probably is. Zero percent interest to start. Bounced check “protection.” Buy now – pay later! Low initial costs and extra “protection” are often just smoke screens. The question to ask is: “What will this cost me overall?” Because fees and penalties are among the sneakiest credit-pusher games. Some “low interest” credit cards permanently rocket up to 30 or 40 percent after a single late payment. Or if you spend just \$1 over your credit limit. Or if you missed or paid late on another bill from another lender! Credit-pusher traps are horrific and, worse, they’re often perfectly legal.

5. These Are the Rules.

For now. We can change them whenever we want.

Standard contract law just doesn’t apply. Loans and credit cards can simply send you a notice with the monthly statement that they’re changing the rate, the due date, the fees and penalties, or the amount of time you have to pay off the loan. Simple as that. Missing this small single notice locks borrowers into terms they never agreed to.

6. We Need These Papers Back Today.

Sorry. No time to take them to your lawyer.

A rush job is a sure sign of trouble. If you can’t take a loan contract home or to an attorney, walk

away. There's something there they don't want you to see.

7. You're One of Us.

We're just like you. Trust us.

Seniors to seniors. Military to military. African-American to African-American. Christian to Christian. Credit pushers are as conniving in their recruitment as they are in their sales. It's called affinity marketing. But just because the salesperson looks like you doesn't mean they have your interests in mind. Affinity marketers are another way to distract borrowers from the price and terms of a bad deal.

8. The Fine Print Says It All.

We win. You lose.

The fine print in almost every consumer agreement – from phone and internet to college loans and employment contracts — says that if you get into a dispute with the vendor or lender you have to settle it their way, through binding mandatory arbitration (BMA). But the BMA game is rigged. The other side often picks who does the arbitrating – and it may cost you lots of money to even get the case heard. There are so

many arbitration clauses out there that it's hard to avoid them. But if you see one you should take your business elsewhere.

9. Get Your Cash Now!

And don't pay attention to what it costs.

Fast-cash places like “payday lenders” and automobile “title pawn” shops give fast loans – so fast that the borrower never sees what are often the worst deals that even credit pushers have to offer. Even a hundred-dollar loan from these vultures can put a person on a treadmill that can ruin a family's finances for years. And watch out at income tax time for “Rapid Refunds” or “Refund Anticipation Loans” – that's just borrowing your own tax-refund money at ridiculously high rates!

10. Live Life the Way You Want.

And spend years paying for it.

Take that vacation! Buy those fancy wheels! If someone's willing to lend you the money then surely you can afford it, yes? Well, maybe not... Don't let those who will profit from your payments talk you into deals by making it look like you've got the power.

The Basics of Predatory Lending

What Is Predatory Lending?

“Predatory lending” is a term for a variety of lending practices that strip you of wealth and income. Predatory loans typically are much more expensive than justified by the risk associated with the loan. Characteristics of predatory loans may include enormous and/or hidden fees, fraud, charges for unnecessary products, high interest rates, terms designed to trap you in debt, and refinances that do not provide you any benefit.

What Is A Predatory Loan?

A predatory loan is one that is unfair and unsafe. Predatory loans are purposely structured to reap profits for the lender at your expense. These loans pay no attention to your ability to repay them; they are not intended to build your assets, but rather to strip as much wealth from you as possible.

Who Makes These Loans? Who Are The Predators? Who Are The Prey?

The predators include many types of lending institutions, from mainstream banks, to tax preparers, to car dealerships, to payday lenders, to rent-to-own stores. The prey are all of us: hardworking Americans of middle and moderate incomes, young and old, students, parents, and grandparents. If you are a person of color, you are even more likely to be the prey of a predatory lender than otherwise.

If I Have A Predatory Loan, What Can I Do About It?

Unfortunately, AFFIL can't promise that help is on the way, but these are our best suggestions.

File A Complaint: You should always file a complaint when you have a predatory loan for two reasons: first, you may be able to receive remuneration if your lender broke the law. Secondly, you can let state and federal agencies know that there is a serious problem with lending in America.

Contact Your State Legislator: You may also write to your state legislator and ask that your state regulate these loans to better protect consumers.

Contact Your Federal Legislator: You may also write to your U.S. Congressperson or Senator. It is important that they know your story so they can decide whether changes in the federal laws need to be changed.

Find A Lawyer: Visit the National Association of Consumer Advocates to find a lawyer near you, at www.naca.net.

Contact An AFFIL Ally: AFFIL Allies are local organizations who care about consumers. AFFIL Allies come in many forms — they are legal services organizations, private lawyers, housing counselors, credit counselors, military agencies, faith-based organizations, grassroots advocacy organizations, and others. Visit our website or leave us a message toll-free at 866.45.AFFIL for a list in your area.

Fight to Fix the Problem for Everyone: Get Active! Send the letter at the end of this packet to your representatives, and visit www.affil.org/get_active. To find out who represents you in the United States Congress and at the state level, leave us a message toll-free at 866.45.AFFIL.

The History of Usury

With credit to James M. Ackerman, Interest Rates and the Law: A History of Usury, 1981, Arizona St. L.J.61 (1981).

u su ry (yoo'zhe-ree) n.pl. u su ries

1. The practice of lending money and charging the borrower interest, especially at an exorbitant or illegally high rate.
2. An excessive or illegally high rate of interest charged on borrowed money.
3. *Archaic.* Interest charged or paid on a loan.

Old Testament The Prophet Ezekiel includes usury in a list of “abominable things,” along with rape, murder, robbery and idolatry. Ezekiel 18:19-13.

Jews are forbidden to lend at interest to one another. Exodus 22:25; Deuteronomy 23:19-20, Leviticus 25:35-37.

1750 B.C. The Code of Hammurabi regulates the interest that can be charged on a loan. Historical records indicate that many loans were made below the legal limit.

800-600 B.C. Both Plato and Aristotle believed usury was immoral and unjust. The Greeks at first regulate interest, and then deregulate it. After deregulation, there was so much unregulated debt that Athenians were sold into slavery and threatened revolt.

443 B.C. The Romans adopt the “Twelve Tables” and cap interest at 8 1/3%.

88 B.C. The Roman usury rate is raised to 12%.

533 A.D. The Roman “Code of Justinian” sets a graduated maximum interest rate that did not go over 8 1/3 % for loans to ordinary citizens. This law lasts until 1543 A.D.

800 A.D. Charlemagne outlaws interest throughout his empire.

11th century In England, the taking of any interest at all is punishable by taking the usurer’s land and chattels.

Medieval Canon Law Usury is punishable by ex-communication.

Medieval Roman Law	Usurer's are fined 4X the amount taken, while robbery is penalized at twice the amount taken.
1306-1321	Dante pens "The Inferno," in which he places usurers at the lowest ledge in the seventh circle of hell – lower than murderers.
1553-1558	During the reign of Queen Mary, English Parliament again disallows the collection of interest.
1570	During the Reign of Queen Elizabeth, interest rates in England are limited to under 10%. This law lasts until 1854.
1713	Adoption in England of the "Statue of Anne," an Act to reduce interest rates.
Early 18th Century	American colonies adopt usury laws, setting the interest cap at 8%.
After 1776	All of the States in the Union adopt a general usury. Most states set the interest limit at 6%.
Early 1900s	A move to deregulation causes 11 states to eliminate their usury laws. Nine more states raise the usury cap to 10% or 12%. Banks are not making personal loans. "Salary Lenders" fill the need by "purchasing" a worker's future wages in exchange for a high fee – equal to a lending rate of 10% - 33%.
1916	A Uniform Small Loan Law allows specially-licensed lenders to charge higher interest rates—up to 36%—in return for adhering to strict standards of lending.
1945-1979	All states adopt special loan laws that cap interest at higher than the general usury rate—at 36%—but cap it nevertheless.
1978	The US Supreme Court decides that national banks may export the state interest rate law of their home state into any state where they do business. In response, South Dakota eliminates its interest rate caps. Several credit card issuing banks move to South Dakota and operate nationally with no interest rate cap.
1980	Congress preempts state interest rate controls on all first lien mortgages. This enables predatory mortgage lenders to make seemingly affordable

loans, like adjustable rate and interest-only loans, that lead to foreclosure for many.

- 1994** Congress adopts the Home Ownership and Equity Protection Act of 1994, which provides some substantive protections to home mortgage borrowers with interest rates or points that are extraordinarily expensive, but sets no limits on what can be charged for these loans.
- 1994-2005** Many states and cities try to protect their citizens by adopting state statutes and local ordinances to curb predatory lending, but preemption claims by the federal government impede their efforts. Numerous bills are introduced in Congress to protect consumers in a wide range of transactions, including rent-to-own, credit cards, payday lending, and predatory mortgage lending, but none of these bills makes it to a hearing.
- 2006** The Department of Defense releases its findings that predatory lending, particularly payday loans, undermines military readiness, harms the morale of troops and their families, and adds to the cost of fielding an all-volunteer fighting force. DOD urges Congress to cap interest on loans marketed to the military at 36%
- 2007** The launch of Americans for Fairness in Lending (AFFIL), a national multi-organization collaborative message and action campaign designed to raise public awareness and generate outrage about predatory lending.

Shopping Guide: Mortgages

Ask these basic questions when you shop for a mortgage. These questions are only a start and should not be considered legal advice. It is best to seek the assistance of experts such as from a housing counseling agency which specializes in home buying and lending, or from a lawyer. It is always advisable to shop around.

1. What is the total amount of the loan?

Are there caps on how high or how low the interest rate can be adjusted?
2. If you are getting two loans, how much is each loan for and what is the total amount you are borrowing?

If the interest rate was adjusted based on today's index rate, what would your monthly payments be?
3. What is your monthly payment?
4. Does your monthly payment include an escrow payment for taxes and insurance or will you pay these separately?
5. Is the interest rate fixed or variable (also known as an "adjustable rate mortgage")?

If the interest rate is fixed, what is the rate?

If the interest rate is variable/adjustable, what are the terms?

How many months/years is the initial rate good for?

When can the interest rate be adjusted?

What index is the interest rate tied to?

How many points will the interest rate be adjusted to over the index rate?

How often can the interest rate be adjusted?
6. Is the loan an interest only loan, meaning the monthly payments will only go towards paying interest and not towards paying the principal balance on the loan?
7. Is there "balloon payment," meaning at the end of the loan term, is there a large lump sum that you will be required to pay or finance?
8. How much are you paying out of the loan proceeds in fees such as loan origination, discount, underwriting fees to the lender and mortgage broker fees?
9. Is there a yield spread premium, a commission sometimes based on your interest rate, paid by the lender directly to the mortgage broker?
10. How much interest will you pay over the life of the loan?
11. Is there a prepayment penalty if you refinance the loan within a certain time period of getting the loan? If so, how much and when is it triggered?

12. Does your contract require mandatory arbitration rather than being able to go to court if there is a dispute?

Refinancing Shopping Guide

In addition to asking the questions above, ask the following when refinancing a home loan.

Refinancing involves great potential for hidden costs, fees, security interests and other unfair loan terms. Whenever possible, ask a qualified professional to review the refinancing paperwork before you sign.

1. Is the new interest rate lower or higher than the current interest rate on your mortgage?

2. How much money are you getting out of the refinance in cash and in the payment on your mortgage and other bills?

3. If the loan is consolidating debt, or paying off unsecured debt such as credit cards bills or medical debt, do you want to use the equity in your home to pay these bills or is it a requirement of the lender?

4. Ask yourself: Am I refinancing just because of pressure from debt collectors? There may be other options than using the hard-earned equity in your home.

Shopping Guide: Credit Cards

The following are the important aspects of a credit card to keep in mind when shopping around. These questions are only a start and should not be considered legal advice. It is best to seek the assistance of experts and shop around.

1. Annual Percentage Rate (APR).

The APR is the measure of the cost of credit, expressed as an annual figure. It tells the interest you will pay on your loan. The lower the APR, the better. You should ask these questions about APR on your credit cards:

What is the APR on purchases?

What is the APR on cash advances?

Is the APR a “variable” or “fixed” rate?

If it is fixed, can it ever be changed? Most lenders reserve the right to change the interest rate even if it is advertised as a “fixed” rate.

If it is variable, what is the highest rate possible for the card? You need to understand when and how it may change. Variable interest rates can be very confusing. Is the rate advertised a “teaser” or introductory rate? When will the real (higher) rate go into effect? When the rate changes, will you pay off old dates at the old low rate, or the new high one? (Note: for most cards, you’ll pay the higher rate.)

What is the penalty rate on the card? What activities trigger the penalty rate to go into effect? If late payments trigger the penalty rate, you should ask what counts as “late.” For some companies, your payment must

arrive by a certain time of day on the due date, or it is considered late.

2. Fees.

Is there an annual fee? If so, how much? Is it worth the rewards?

What is the fee for late payment?

What is the over limit fee?

What other fees are associated with the card? Some examples might be cash advance fees, balance transfer fees, even fees for buying lottery tickets with a card.

3. Credit Limit.

What is your credit limit? Is it high enough for your needs?

4. Grace Period.

The Grace Period is the amount of time during which you can pay off purchases without incurring finance charges (cash advances usually don’t have a grace period). Without a grace period, finance charges begin accruing immediately, so make sure any card you use has a Grace Period, and know how long it is so you can pay off as much as your balance as possible before the finance charges kick in.

5. Notification of Payment Due Date.

How far in advance will your lender notify you that a payment is due? Some lenders shorten this timeframe so you have less time to prepare your

payment, and thus, trigger late fees and higher interest rates.

6. Universal Default.

Is here a Universal Default clause? Some lenders increase the rate even if you are never late on their credit card, but are late with a payment to any other creditor or if your credit score drops.

7. Binding Mandatory Arbitration.

Is there a Binding Mandatory Arbitration Clause (“BMA”)? BMA’s are present in almost every credit card contract, but it’s worthwhile to ask a lender to leave it out anyway. BMA clauses state that in case of a dispute with the lender, you must resolve your complaint through an arbiter appointed by the lender. This denies you your right to go to court if there is a problem, and denies you your right to a fair trial.

8. Interest on Balance Computation.

How is the interest calculated? There are several ways a creditor can calculate the interest on your balance such as Average Daily Balance, Adjusted Balance, Previous Balance and Two-Cycle or Double Billing Cycle Balances. These methods are described below. If you do not understand how your bill is calculated, ask your lender. An explanation should appear on your billing statement.

Average Daily Balance (most common).
Credits account from day payment is received. Creditor totals the beginning

balance for each day in the billing period and subtracts any credits made to your account that day. New purchases are not usually added to the balance, though cash advances may be included. The resulting daily balances are added for the billing cycle. The total is then divided by the number of days in the billing period to get the “average daily balance.”

Adjusted Balance. Payments or credits sent during the current billing period are subtracted from the balance. Purchases made during the billing period are not included in the interest computation during that cycle. Some cards may exclude prior, unpaid finance charges from the previous balance.

Previous Balance. Interest is calculated on the amount you owed at the end of the previous billing period. Payments, credits and new purchases during the current billing period are not included. Some lenders exclude unpaid finance charges.

Two-cycle Balances. Calculation is based on the last two month’s account activity. This computation is very confusing and can be the most costly for consumers. Understand the specific terms of this kind of computation.

9. Other Features.

How widely accepted is the card?
Do they have good customer service?
Are there other features or services?

Shopping Guide: Car Financing

Ask these basic questions when you shop for financing for a car. These questions are only a start and should not be considered legal advice. It is best to seek the assistance of experts and always advisable to shop around.

Note! Financing a car with a loan from a bank or credit union, rather than financing through the dealer, may save you money. Be sure to shop around for a loan from a bank or credit union before shopping for your car.

1. What kind of loan can you get from a bank, credit union or by contacting a lender directly? Is it better than the loan you can get from the dealer?
2. What is the total amount of the loan?
3. What is the annual percentage rate (APR)?
4. What is the loan term (how long is the loan for)?
5. What is the monthly payment? Is it low because the loan term is long, meaning you'll pay more in interest over the life of the loan?
6. How much in interest will you pay over the life of the loan?
7. What is the source of the financing? Is the dealer who sold the car providing the financing? Is it coming from a financing company?
8. When you are about to close the deal, ask if the financing has already been approved, or if approval is still pending. If it's still pending, wait until it's approved before you sign. (This will prevent you from falling into the "Yo-Yo" sale trap, where you think you have bought the car, only to be called by the dealer a few days later, who will claim that the financing has fallen through. You will then be asked to buy the car under new, much worse terms.)
9. What fees are attached to the sale? There should be no more than a small document preparation fee, if anything.
10. Sometimes unwanted products are included in the sale to generate fees. Does the sale include any of the following?
 - Credit life insurance
 - Auto club memberships
 - GAP Insurance
 - A service contract that doesn't provide good coverage
11. Don't drive the car off the lot unless you have a signed contract for financing if you financed through the dealer.

Shopping Guide: Small Loans

Ask these basic questions when you shop for a small loan. These questions are only a start and should not be considered legal advice. It is best to seek the assistance of experts and it is always advisable to shop around.

Small loans include payday loans, car title loans, refund anticipation loans (“RALs”), and rent-to-own loans. These loans are often **very** costly. Instead, you should consider less expensive loans through your bank or credit union.

Ask these basic questions when you shop for a small loan:

What is the total amount of the loan?

What is the interest rate? What is the annual percentage rate?

How much are the fees for getting the loan or product?

What is the loan term (how long will it take to repay)?

For rent-to-own deals, how much will you pay in fees, interest and other services over four or six months? Compare that total cost of renting to the price of buying the item from a store.

What are the penalties if the loan is not repaid in the time period? Does the interest rate increase? Are there additional fees?

Are you paying for other services or options that you don't need?

Do you really need the money or product that badly, right now? Small loans are expensive and can trap you in a cycle of debt.

Can you get a less expensive small loan from another source such as a bank or credit union?

Get Active!

Cut out this sample letter and send it to your Congressperson. Be sure to write your address at the top of the letter, and fill in the date, your Congressperson's name, and sign the letter. To find out who your Congressperson is and their address, visit www.affil.org or leave us a message tollfree at 866.45.AFFIL.

Dear Congressperson _____,

I have recently become aware of the serious problems in America's lending industry. I am outraged that consumers no longer enjoy basic protections against unsafe, abusive loans. Predatory lending practices are draining assets from hard-working American families and communities. **These predatory lending practices must be stopped.**

Loans and other financial products are complex. They are potentially helpful and also potentially extremely destructive. Accordingly, loan products and contracts should be regulated by the government. **Only regulation can protect Americans and our communities from predatory lenders, and save the American dream.**

Please work to establish a fair marketplace for financial products, where lenders act responsibly and treat consumers justly. Please ensure that all consumers are treated equally and fairly in the financial marketplace, regardless of their race, socioeconomic status, or any other factor. Please ensure that all lenders are held liable for breaking the law. And please promise me that if I am abused by a lender, my complaint will be justly and fully heard and dealt with in the American justice system.

Thank you for your attention to this important matter. **I trust you will do all you can to stop predatory lending and save the American dream.**

Sincerely,