

Payday loans and other expensive traps

Easy · 15 min to read · Free

YOU'LL NEED

- ☐ The bill you're trying to cover, and its due date
- ☐ Your biller's or lender's phone number
- ☐ The loan's written cost disclosure, if you're comparing

WHAT TO KNOW

- 1 Know what you're looking at.** A payday loan is usually a short-term, high-cost loan of \$500 or less, due in one payment on your next payday, typically two to four weeks out. You give the lender a post-dated check or permission to pull the money from your account. Payday lenders generally don't check whether you can repay.
- 2 Do the math in dollars.** Fees usually run \$10 to \$30 per \$100 borrowed. Borrow \$500 at \$15 per \$100, and you owe \$575 in two weeks. That's an APR of 391%. Credit cards averaged just under 21% in early 2023.
- 3 See what a rollover really costs.** If you can't repay, many lenders let you pay just the fee and extend the loan, but you still owe the full amount. In the FTC's example, one rollover takes the cost of borrowing \$500 from \$75 to \$150. Several rollovers can mean hundreds in fees.
- 4 Call the biller first.** Ask whoever you owe for more time or a payment plan. Ask whether they'd charge a late fee, extra interest or a higher rate for the extension.
- 5 Try a credit union or bank.** Some federal credit unions offer payday alternative loans (PALs), which are much cheaper than payday or title loans. Community banks and some large banks offer small loans, up to about \$1,000, to customers with low or no credit scores.
- 6 Look for free help.** Nonprofit credit counselors in every state offer free or low-cost help. So do some employers, credit unions and housing authorities. Local charities and places of worship may also help in a rough spot.
- 7 If you still borrow, compare the APR.** Lenders must tell you the finance charge (in dollars) and the APR (as a percent) in writing before you sign. Use the APR to compare lenders, and look for late, returned-check and rollover fees in the agreement. Borrow only what you need, and know exactly where the repayment money will come from.

Watch out If you don't repay on time, the lender can cash your check or pull the money from your account. That can set off overdraft fees from your bank on top of the loan fees. Know your due date and have the money in the account.

DAD NOTE *If a loan is easy to get, ask why. Easy money is the most expensive kind.*

Full lesson: aptkeys.com/money/debt/payday-loans-and-other-expensive-traps/

Checked October 2, 2026. Sources: Federal Trade Commission; Consumer Financial Protection Bureau.