

How do I get out of the payday loan debt trap?

Have you been caught in the debt trap of payday loans? Find yourself rolling over loans every two weeks or borrowing from another lender to pay your original loan back? Do you spend hours trying to figure out a way to pay them all off?

Take the following steps to climb out of the debt trap

1. **STOP GETTING PAYDAY LOANS:** If you can't repay the loan when it is due, contact the lender and try to make arrangements to pay it back in installments. ***Do not get talked into getting another loan.*** It might be better to get a credit counselor (find a trustworthy one at: www.debtadvice.org) or someone else to call on your behalf.

2. **SAFEGUARD YOUR BANK ACCOUNT:**

- ***You cannot go to jail for writing a check to the payday lender that bounces.*** In fact, it is illegal under Virginia law to even threaten to prosecute someone for bouncing a check to a payday lender. **It is also OK under Virginia law to close your bank account in order to stop the payday lender from cashing your check and causing your account to be overdrawn.*** *Contact your local legal aid at 1-888-534-5243 or Jay Speer at the Virginia Poverty Law Center if any payday lender threatens criminal prosecution: jay@vplc.org or 804-782-9430 x12.*
- **Contact your bank quickly** before a payday loan causes your account to be overdrawn. It often makes sense to ***close your account and open a new one*** to prevent the payday lender from cashing your check. If the 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 banker can advise when it makes sense 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 payday lender.
- **Payday lenders and banks both charge bounced check fees.** Each time the check is returned unpaid by your bank, the bank charges you another NSF fee, ranging from \$20 to \$35 each time. The payday lender will charge an additional fee if the check is returned unpaid. **YOU GET HIT TWICE!**

3. **What will happen after you stop getting new loans and close your bank account?**

- You may get harassing phone calls from the payday lender and “visits” at your home and place of employment.
- You should advise the payday lender in writing (keep a copy) that you:

1. refuse to get any new loans,
 2. you do not want them to call or visit you, and
 3. you will pay them when you are able.
 4. You might also suggest a reasonable repayment plan that you are able to afford, or
 5. try to get a one-time loan from another source to repay the loan. For example: your credit union, a friend, family member, your employer, or your church.
4. **TAKE OR AVOID LEGAL ACTION:** The payday lender may sue you if you don't repay the loan. Get legal advice about what happens when you are sued or find out if your case may warrant legal action on your part. Go to www.valegalaid.org for information. You may qualify for free legal assistance from legal aid **1-866-LEGL-AID**. *You may be able to file suit against the payday lender(s) if they made repeated back-to-back loans to you.*
5. **GET INVOLVED: You are not alone.** The payday lenders made over 3.5 million payday loans to Virginians in 2006, and over 85% of those loans were made to borrowers getting more than one loan. Individuals and organizations have joined together to form the Virginia Partnership to Encourage Responsible Lending (VaPERL). We are working to free Virginians from the terrible burden of predatory lending. To get more information or request to join our listserv, check out our website at www.VirginiaFairLoans.org, or contact Dana Wiggins at the Virginia Poverty Law Center: dana@vplc.org or 804.782.9430 x21.



* Va. Code §6.1-459(9) states: “A licensee [payday lender] shall not threaten, or cause to be instigated, criminal proceedings against a borrower if a check given as security for a loan is dishonored.