PHOENIX – (June 9, 2010) – Hotly debated payday loans are coming to an end in Arizona, and now thousands of consumers who became entrenched in the lending cycle must learn to live without them.

On June 30, 10-year-old legislation that enabled Arizona’s payday lending industry to thrive will expire. It provided payday loan companies with a special exemption from the 36-percent interest cap, allowing a $17.85 fee for each $100 borrowed during a two-week period.

Payday loans, or payday advances, are typically two-week loans between $100 and $500. A consumer provides a payday lender with a post-dated check and receives cash for the check amount instantly, minus a 15 to 30 percent finance charge. When expressed as an APR, this rate can exceed 400 percent.

Many consumers can’t afford to pay off these loans within two weeks. They either roll over the loan or take out another payday loan to pay off the first one, says Mike Sullivan, director of education for Take Charge America, a national non-profit credit counseling agency based in Phoenix.

“If you know someone who is a regular user of payday loans, be aware that they are designed to be habit forming and quitting is much like quitting smoking. These folks have come to depend on that $100 or $200 every pay period, and they do not have the cash to just pay them off.”

Starting July 1, it will be illegal in Arizona to provide unsecured loans with an APR greater than 36 percent, plus a 5 percent administrative fee.

Arizonans who relied on steep payday loans to fund daily living expenses must adapt to a new lifestyle. Sullivan offers six alternatives:

- **Consult Family and Friends** – Ask loved ones if they are willing and able to help out in a tough situation with a short-term loan. Always put these types of loans in writing, specify the time period in which the loan will be repaid and offer to pay interest. This will help ensure trust and reliability.

- **Apply for Credit Union Loans** – Most credit unions offer short-term loans like Personal Assistance Loans (PALs) or Quick Loans. These are typically unsecured, fixed-rate loans up to $500. Interest rates vary from 12 to 20 percent. Payment terms vary from a couple weeks to three months. Financial education or savings incentive plans are often included. Loans are available to credit union members only. They may require application fees.

- **Sell Personal Items of Value** – Consumers can sell items of value to a pawn shop or host a yard sale. Personal items can also be sold online through eBay or craigslist. When selling online, be sure to thoroughly review security guidelines.

- **Seek Social Service or Government Assistance** – Check out GovBenefits.gov. It offers information on more than 1,000 benefit and assistance programs. Visitors can complete a free, confidential questionnaire to find out which local benefits they are eligible to receive. Consumers in need can also find free assistance at food banks, churches and charitable social service organizations.
• **Consult a Banker** – Many banks will often assist consumers who inform them of a pending overdraft. They may be able to work out a short term solution on an individual basis with reduced fees.

• **Get a Second Job** – An additional part-time or temporary job may be necessary to cover extra expenses. Consumers with substantial debt may need more funding than a short-term loan can provide. Enlist the help of family and friends to cover childcare costs and chores at home.

For more information about financial education and Take Charge America’s services, visit [www.takechargeamerica.org](http://www.takechargeamerica.org).

**About Take Charge America, Inc.**

Take Charge America, Inc., a non-profit financial education, credit counseling and debt management agency, is dedicated to helping consumers nationwide improve their financial futures. It partners with creditors, credit unions, employers, government groups and educational institutions to reach different segments of the population experiencing a variety of financial challenges. Since its founding in 1987, the company has grown from three to nearly 400 employees. It has helped more than 1.5 million consumers nationwide manage their personal finances and debts. For more information on Take Charge America, visit [www.takechargeamerica.org](http://www.takechargeamerica.org) or call (888) 822-9193.

# # #