

CAAB's newsletter is designed to ensure that our IDA/MDA Savers are fully informed about relevant money management topics, effective savings strategies, financial education opportunities in the DC area, and upcoming CAAB events. Every month, we will feature a different article focusing on strategies or products that can help you plan for and achieve your savings goals.

Putting Payday Loans Behind You

by Colleen Dailey

If you've been a one-time or regular customer at any of the 48 payday loan stores registered in the District of Columbia, don't be surprised if you find these prolific neighborhood establishments – with their flashy neon signs and appealing messages (Fast Cash NOW!) – suddenly disappearing. On September 18, the D.C. Council passed legislation that would require payday loan stores to charge the same annual percentage rate (APR) as banks and credit unions: a limit of 24 percent that the payday lending industry says will put them out of business in the city. When the Payday Loan Consumer Protection Act goes into effect, the District will join 13 states as territories where fast cash loans have either been banned or regulated out of existence.

Critics of this new law – most of whom represent the payday loan industry – have argued that payday loan shops filled a need in the community, and therefore, some residents who need emergency loans will now have nowhere to go for help. The truth is, several local credit unions have been offering payday loans at annual interest rates of 16.5 percent or less for two or three years; but without the marketing power of their for-profit competitors, the

existence of these lower cost payday loans has been somewhat a secret.

Clearly, a 15-day loan with a 16.5 percent APR is better than a 15-day loan with an APR of 300-700 percent, but regardless of the interest rate, the use of payday loans is more often than not an



unwise move and the result of poor financial management. If you find yourself unable to make ends meet from one paycheck to the next, taking out a loan that must be repaid in two weeks or less is probably not a solution... rather, it's a temporary fix that is likely to mire you in more debt each time your paycheck arrives.

So what are the best alternatives to payday loans?

The US Federal Trade Commission and other consumer protection groups recommend these strategies to avoid payday

lenders:

- Request a pay advance from your employer.
 - Consider a loan from family or friends and get the terms of the loan in writing.
 - Explore small loan options at local credit unions; they often have much longer repayment periods and better interest rates than payday loans. (For a list of local credit unions that are open to all District residents, contact the Maryland & DC Credit Union Association toll free at 1-800-492-4206 ext. 113, or get the list at www.dcsaves.org/resources/creditunions.asp)
 - Use a credit card advance (but be sure you understand the interest rate and repayment terms first.)
 - Request additional time to pay the bill from your creditors instead of taking a payday loan.
 - Look into overdraft protection on your bank account so if you don't have enough funds to cover a check you write, the bank will pay the check and you'll avoid insufficient fund fees and returned check fees.
- In addition to exploring the alternatives above, if you have a significant amount of debt, you should seek help from a reputable credit counselor (visit www.caab.org for a list of local agencies.) You

CONGRATULATIONS!

The following savers made asset purchases in the month of October:

Home

Gisela Hurtado
Jose Rivera
Adela Villalobos

Education

Chalonda Arrington
Hershell Hager
Kimberly Jackson
Claudio Machado
Amanuel Mekonnen
Samantha Palmer
Antorinette Payden
Cynthia Simon
Addis Woldeamay
Long Yang

Small Business

Hilary Belfon
Tefera Birru
Bernardo Figueroa

would also be wise to start an emergency savings account and plan ahead to prevent future financial emergencies. Try direct depositing \$10-\$25 each month to a savings account, and gradually increase that amount if you can afford to. For a list of financial institutions that offer savings accounts with no monthly or minimum-balance fees for at least the first 12 months, and opening and/or monthly minimum deposit requirements of less than \$25, visit <http://www.dcsaves.org/enroll/Products.asp> or call DC Saves at 202-419-1442.

By exercising all of these options and strategies, you can save hundreds – even thousands – of dollars in interest and increase your long-term financial security. Don't you owe that to yourself?

UPCOMING EVENTS & ANNOUNCEMENTS

Free Quicken Application Training and Software at CAAB

at 1801 K St NW, Suite M100 (Farragut West & Farragut North metro stops)

Saturday, December 1, 10:00 a.m.-12:00 p.m.: This class will teach participants how to use Quicken Personal Finance Software Basic 2006, a computer program which helps individuals and small businesses create and manage a budget. In addition to the training, participants will be given a free copy of the Quicken software for their personal use. Seating is limited. In order to attend, you must RSVP by calling Linda Stroman at 202-419-1440.

Small Business Legal Clinic: Meet 1-on-1 with a Lawyer for Free

at Anacostia Economic Development Corporation, 2041 Martin Luther King Avenue SE (Anacostia metro)

Thursday, November 15, 5:00 -7:30 p.m.: This clinic is for aspiring or existing small business owners. Get information on business formation contracts, leases, taxes, or any other questions related to small businesses. Bring any documents relevant to the issue that you will bring up with the attorney. These are walk-in clinics, and language translation services are available upon request. Pre-register by calling 202-942-9757.

Southeastern University Entrepreneurship Week Programs

at Southeastern University, 501 I Street SW (Waterfront SEU metro)

How to Get a Small Business Administration (SBA) Loan (Free)
Tuesday, November 13, 6:30 - 9:00 p.m.

SBA Business Development Programs (Free) Wednesday,
November 14, 6:30 -9:00 p.m.

Biz Talks! Surprise Guest Speaker (Free) Thursday, November
15, 6:30 -10:00 p.m.

Housing Counseling Services, Inc. (HCS)

at HCS Training Center, 2410 17th Street NW, Suite 100 (Adams Alley) (Columbia Heights metro)

Housing Pre-Purchase Orientation (Free) Every Thursday, 11:00
a.m.-1:00 p.m. & every 1st Wednesday of the month, 6:00 p.m.-8:00 p.m.

Highlights of Classes: Home Purchase Process, Preparing for a Loan Application, Making Your Purchase Affordable, Tax Incentives, District Loan Programs (HPAP/EAHP).

Low-Income Utility Assistance

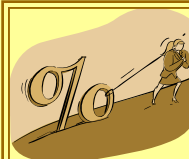


DC residents whose electric service has been cut off or is at risk of being disconnected can apply for emergency aid through the DC Department of the Environment's Energy Division. Low-income residents can apply in person, without an appointment, for service assistance and discounted rates on electric, gas, telephone, and water bills. To receive assistance, applicants must meet income requirements. Applicants should bring a disconnection notice, proof of income, most recent utility bills, and a photo ID to the department office, 2000 - 14th Street NW, #300E, from 8:30 am - 4:30 pm weekdays. For details, call the DC Energy Hotline at (202) 673-6750.

Free Online Toolkit for Small Business Owners

On the Web at: <http://us.smetoolkit.org/us/en>

The SME Toolkit is a free program that enables entrepreneurs and small businesses to learn how to implement the sustainable business management practices needed for growth in areas such as finance, accounting, international business, marketing, human resources, or legal. Key audiences are women, Black, Hispanic, Native American, and Asian entrepreneurs who need the kind of highly developed business information, tools and training services provided in the SME Toolkit.



Savers Terminology

In this month's article about Payday Loan Stores, a cap on the **Annual Percentage Rate (APR)** is discussed. What exactly is APR? APR is basically the money you pay for taking out a loan. For example, if you take out a \$100 loan with an APR of 10%, that means that after a year, you will owe the \$100 you borrowed, plus an extra \$10 (10% of \$100) in the interest that has built up on that loan. APRs tells you the full cost of loans including many lender's fees and provide a way of comparing loans from different lenders.

FYI: Loans like mortgages, car loans, etc. have one APR figure. Credit cards can have multiple APRs for things such as purchases, cash advances, and balance transfers.

CAAB CORNER

CAAB would like to welcome its newest employee, Meg Newman, who began in October as the new coordinator of the DC Earned Income Tax Credit (DC EITC) Campaign. Meg is responsible for overseeing and managing all aspects of this citywide campaign. Meg comes to CAAB from National Student Partnerships (NSP) where she served as the site coordinator of the Cambridge, MA office before moving to NSP's national headquarters in DC to oversee five local offices, develop national volunteer training curriculum, and organize NSP's national tax assistance work. She is also a founding member and coordinator of the Homeless Children's Playtime Project (HCPP), a nonprofit that provides educational play activities to homeless children in DC. Volunteer with the DC EITC campaign or find out more about free tax preparation services at www.dceitc.org.

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