



- [Top Issues](#)
- [Crime](#)
- [Consumer](#)

Top Ten Consumer Tips

[Automobiles](#)

[Charity](#)

Credit & Debt

- ▶ [Credit Cards](#)
- ▶ [Advance Fee Loans](#)
- ▶ **[Payday Loans](#)**
- ▶ [Credit Insurance](#)
- ▶ [Pension Advances](#)
- ▶ [Protect Yourself from ID Theft](#)
- ▶ [Freeze Your Credit](#)
- ▶ [Debt Collectors](#)
- ▶ [Getting Out of Debt](#)
- ▶ [Credit Repair Scams](#)
- ▶ [Dispute Your Credit Report](#)

[Disasters](#)

[Energy and Utilities](#)

[Health](#)

[Home Repair & Home Products](#)

[Internet, Mail & Cable TV](#)

[Investment, Work & Money Making Schemes](#)

[Mortgages & Home Loans](#)

[Purchases & Contracts](#)

[Sweepstakes & Prizes](#)

[Tax Time Tips](#)

[Telephone & Do Not Call](#)

Consumer | Credit & Debt | Payday Loans

PAYDAY LOANS

Payday loans (also called "cash advances") are small, short-term, cash loans. The loans are based on your personal check held for future deposit or electronic access to your bank account.

Payday Loans Are Extremely Expensive

While payday loans may seem like a quick solution to a cash crunch, they'll cost you a lot more in the long run. A payday loan of \$100 to \$500 can carry an annual interest rate of 390 to 780 percent.

Payday Loans Can Trap You In a Cycle of Debt

Payday loans are due in full on your next payday, typically in two weeks. If you aren't able to repay the loan that fast, as most borrowers aren't, you can get stuck on a debt treadmill.

This happens when borrowers, unable to repay the loan, take out new loans or rollover the old one. You pay the fees on your loans over and over again, without ever being able to pay off the loan.

Payday Lenders: Shut Down In NC, But Still Victimizing Borrowers Online

Attorney General Roy Cooper helped outlaw storefront payday lenders in North Carolina, but lenders are still using the Internet to offer these loans. Internet payday loans are not legally enforceable in our state, although some Internet lenders who are based overseas or on Indian reservations claim not to be subject to North Carolina law. We are currently [fighting online payday lenders](#) in court.

Internet payday loans can bring even more trouble. Consumers who apply for payday loans online may be targeted by crooks who attempt to collect on loans that weren't even made. The risk of collection harassment is high for online payday loans, and more difficult to deal with because the collectors may be unlicensed or



Get Help & Find Answers

- [Advance Fee Loans](#)
- [Credit Repair Scams](#)
- [Debt Collectors](#)

Take Action

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News and Events

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Travel

File a Complaint

News & Events

Protect Yourself

Help for Victims

About DOJ

located in foreign countries. And once a payday lender has your bank account information, you may find that the only way to keep them from taking your money is to close your account.

If You Have an Internet Payday Loan and You're Having Trouble Paying it Off:

- **Work with the lender.** You may wish to make payment arrangements with the lender, such as offering to repay the principal amount of the loan.
- **Cancel bank drafts.** You can notify your bank that you wish to cancel any electronic draft (known as an ACH) that lets the payday lender debit your bank account. Notify your bank within four days prior to the draft date and also notify the lender in writing or by email that you have revoked their authorization to withdraw funds from your bank account.
- **Close the account.** If the lender continues to try to draft funds from your account you may have to ask the bank for a permanent ("hard") closing of the account. (But be sure to open a new account at a different bank before you close the old account. You may find it more difficult to open a new account once your old one is closed, especially if the lender has hit the old account with multiple overdrafts.)
- **Stop debt collectors.** You can ask that efforts by the payday lender or a debt collector to collect on the loan stop. If the lender or collection agency harasses you, threatens to arrest you or garnish your wages, file a complaint with Attorney General Roy Cooper's office at 1-877-5-NO-SCAM toll free within NC.
- **Look elsewhere.** Alternatives to payday loans include small savings accounts or rainy day funds; salary advances from your employer; working out an extended payment plan with your creditor; loans from friends, relatives, your church or social service agencies. Also, many credit unions, including the North Carolina State Employees' Credit Union, offer low interest, short-term, small loans with quick approval that are a much better than payday loans. Other options that are more expensive than a credit union loan but better than a payday loan are a credit card advance or a loan from a local consumer finance company.

We Can Help

If you have a complaint about a payday lender, [contact us](#) for help or call toll free within North Carolina at 1-877-5-NO-SCAM.