

NON-TRADITIONAL SERVICES/PRODUCTS AT A GLANCE

Note that solutions listed below will not fit every situation.

Service/Product	What is the Problem?	Alternative Solutions
Check Cashing	<ul style="list-style-type: none"> • Often charge high fees. • Fees could be avoided or reduced by using lower cost alternatives. 	<ul style="list-style-type: none"> • Direct deposit for immediately available funds at no fee. • Shop around for lowest check cashing fees.
Payday Loans	<ul style="list-style-type: none"> • High loan fees with short re-payment period. • Most borrowers can not pay back in 2 weeks. • Often exceeds 500% APR. 	<ul style="list-style-type: none"> • Borrow from friends, family or charitable organizations. • Loan from local bank or credit union. • Low fee credit card advance. • Build savings for next short-term cash need.
Auto Title Loans	<ul style="list-style-type: none"> • High loan fees with short re-payment period. • Fees often equal 25% of loan principal each month, more than 300% APR. • Risk losing vehicle. 	<ul style="list-style-type: none"> • Loan from friends or family. • Loan from local bank or credit union. • Loan from charitable organizations. • Low fee credit card advance. • Build savings for future needs.
Pawn Shops	<ul style="list-style-type: none"> • If the loan is not repaid, the collateral becomes the property of the pawn shop. • Lose value in excess of loan. 	<ul style="list-style-type: none"> • Secure a part-time job for extra cash. • Pay advance from employer. • Loan from family or friends.
Rent-to-Own	<ul style="list-style-type: none"> • Items over-priced. • Extra fees. • Missed payment means losing item and money. 	<ul style="list-style-type: none"> • Save first, then purchase. • Layaway plans. • Garage sales, second-hand stores, and classified ads.
Subprime Car Financing	<ul style="list-style-type: none"> • High interest rates, upwards of 32% APR. • Over-valuation of vehicles. • Autos often repossessed after one missed payment. 	<ul style="list-style-type: none"> • Use public transportation and save for a vehicle. • Credit counseling to improve credit history and score and access prime rate loans.

Source: Understanding the Impact of Alternative Financial Services, United Way Capital Area/AEI, 2011.

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Service/Product	What is the Problem?	Alternative Solutions
Subprime Credit Cards	<ul style="list-style-type: none"> • High interest rates. • Excessive fees. • Lower credit limits. • No grace period. • Application and setup fees. 	<ul style="list-style-type: none"> • Secured credit card. • Improve credit through financial education and counseling.
Tax Return Prep and RAL	<ul style="list-style-type: none"> • High fees. • Refund Anticipation Loan (RAL) APRs 60% to 700%. 	<ul style="list-style-type: none"> • Community Tax Center or Voluntary Income Tax Assistance Programs provide free professional tax filing services.
Credit Counseling	<ul style="list-style-type: none"> • Some agencies may over promise or charge for services that do not assist customer. 	<ul style="list-style-type: none"> • Self-help. • Shop around for a reputable credit counseling agency.
Debt Management Plan	<ul style="list-style-type: none"> • Need sufficient income to meet the payment required. • May include high fees. 	<ul style="list-style-type: none"> • Self-help. • Negotiate directly with creditors. • Shop around for a reputable credit counseling agency.
Debt Consolidation	<ul style="list-style-type: none"> • Requires collateral (usually home equity). • Trading unsecured debt for secured debt. • High fees. 	<ul style="list-style-type: none"> • Contact creditors directly. • Develop a spending plan. • Locate a reputable credit counseling agency.
Credit Repair	<ul style="list-style-type: none"> • Paying a fee for a service you can do yourself. • Deceptive claims. 	<ul style="list-style-type: none"> • Locate a reputable credit counseling agency for a credit report review and to learn about options.
Debt Settlement/ Negotiation	<ul style="list-style-type: none"> • Substantial fees for this service with no guaranteed results. 	<ul style="list-style-type: none"> • Negotiate directly with creditors. • Contact reputable credit counseling agency.

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