# Payday Loans and Cash Advance:
## Pros and Cons - Mistakes and Traps to Avoid

By James Stuart

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## 1. The Single Most Critical Factor in Obtaining a Good Payday Loan Deal

In order to gain maximum benefit from this guide it is important that you obtain a real Payday loan offer and read it in parallel to reading this book. This way the information presented here will make much more sense to you and you will end up being better equipped to make your Payday loan decisions.

The single most critical factor in obtaining a good payday loan is locating a reputable and reliable payday lender. Now, the problem is that shopping around can be a tedious and time consuming task - well, not anymore, now it can be much easier for you.

We've recently reviewed several reputable Payday lenders' offers and have come to the conclusion that the best one is offered by: Get Cash USA (www.liraz.com/netcash). Their loan offer also makes a great learning experience. I strongly encourage you to go to their website right now, obtain a loan offer that fits your specific personal situation and then study its structure and components. By reading this book close to observing an actual loan offer you will gain maximum benefit from this guide and be better equipped to make your payday loan decisions.

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## 2. A Revealing Look at The Pros and Cons of Payday Loans

A payday loan or a cash advance loan is a loan for a short time. You pay a fee to borrow the money, even if it is for a week or two.

The main disadvantage of payday loans is that they can be expensive. The high service fees, combined with a short repayment period, may cause customers to fall into a payday loan debt trap. Instead of short-term financial relief, the customer experiences perpetual indebtedness.

So before you go the payday loan rout you should consider other ways to borrow. for example you might be able to borrow money from family or friends, a bank or credit union or your credit card. A payday loan should be your last alternative to get cash after you run out of all other options.

**Here's how payday loan or cash advance loan work?**

* First, you give the lender a check for the amount of money you want to borrow – plus a fee.

* The lender then keeps your check and gives you cash – less the fee they charge.

* On your next payday, you have to pay the lender in cash. You owe the amount you borrowed plus the fee.

**So how much do these loans cost?**

A payday loan or cash advance loan can cost a lot. Even if you only borrow money for a week or two until you get your paycheck.

Let's look at an actual loan example:

You borrow $500. The fee is $75. You give the lender a check for $575. The lender keeps your check and gives you $500 in cash. After two weeks, you give the lender $575 in cash and you get your check back. The bottom line: You paid $75 to borrow $500 for two weeks.

**Now here's how to compare the costs of several loan offers to see which is more cost effective:**

Most loans have an annual percentage rate. The annual percentage rate is also called APR. The APR is how much it costs you to borrow money for one year. The APR on payday loans and cash advances is very high.

When you get a payday loan or cash advance loan, the lender must tell you the APR and the cost of the loan **in dollars**.

**What is an APR?**

The annual percentage rate, or APR, is based on:

* the amount of money you borrow

* the monthly finance charge or interest rate

* how much you pay in fees

* how long you borrow the money

**Here's an example:**

You need to borrow $500. You will repay the money in one year.

You compare the costs of borrowing that money:

The bank or credit union has a loan with an APR of 7.5% - You will pay $21 in interest

A credit card has an APR of 20% - you will pay $56 in interest

A payday lender has an APR of 390% - You will pay $1,518 in interest (if you borrow for a full year)

Now what happens if I can't pay the lender the money you owe him?

If you cannot pay the lender the money you owe, you borrow the money for two more weeks. This is called a "rollover," or "rolling over" the loan. To roll over the loan, you pay another fee. If you roll over the loan a few times, you will pay a lot to borrow the money. It becomes harder to get back to where you started.

Let's look at an example:

* You borrow $500. You pay a $75 fee to get the money. But in two weeks you cannot repay the loan.

* You pay another $75 to roll over the loan. But in two more weeks, you still cannot repay the loan.

* Every two weeks, you pay another $75 fee. You might pay the lender more in fees than you first borrowed. But you would still owe the original $500.

**How to choose among the offers that you got from several lenders?**

Compare the APR and the finance charge, which includes loan fees, interest and other credit costs. You are looking for the lowest APR. For each choice, find out:

* what is the APR?

* what are the fees?

* how soon must I repay the money?

* what happens if I cannot repay?

Write the answers to these questions. Decide which choice is best for you.

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## 3. Checklist - Before Taking Out A Payday Loan

Although a payday loan may be a convenient short-term solution, it is inappropriate for long-term cash needs.

*** Consider Alternative Solutions** - Ask about delaying or making payment arrangements on your non-interest bills like telephone and utility bills. Talk to a friend or family member about borrowing money. Ask your employer for an advance on your paycheck.

*** Comparison Shop -** Comparison shop for the lowest fees and penalties.

*** Borrow Only What You Can Afford To Pay Back -** Borrow only as much as you can afford to repay with your next paycheck.

*** Avoid Borrowing From More Than One Lender at a time.**

*** Know When Your Payment Is Due -** Know when your payment is due and be sure to repay the loan on time and in full.

***  Set Up A Budget -** Plan for the future by making a realistic budget to help avoid the need to borrow for emergencies and unforeseen expenses.

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# 4. Payday Loans Frequently Asked Questions

### 1. What does it mean to renew or roll over a payday loan?

Generally, it means you pay a fee to delay paying back the loan. This fee does not reduce the amount you owe. If you roll over the loan multiple times, it's possible to pay several hundred dollars in fees and still owe the amount you borrowed. For example, if you roll over a $300 loan with a $45 fee three times before fully repaying the loan, you will pay four $45 fees, or $180, and you will still owe the $300. So, in that example, you would pay back a total of $480.

Some payday lenders give borrowers the option to roll over their loans if they cannot afford to make the payment when it's due.

### 2. What costs and fees could I expect with a payday loan?

Payday loans generally charge a fixed fee on the amount you borrow. This fee may range from $10 to $30 for every $100 borrowed, depending on the lender and the maximum amount permitted in your state. A fee of $15 per $100 is typical, which equates to an annual percentage rate of almost 400% for a two-week loan. So, if you need to borrow $300 before your next payday, it would cost you $345 to pay it back, assuming a fee of $15 per $100.

If you renew or roll over your loan, you will be charged another fee and still owe the entire original balance. For example, if you pay a fee renewal or rollover fee of $45 you would still owe the original $300 loan and another $45 fee when the extension is over. That's a $90 charge for borrowing $300 for just a few weeks.

In addition, if you don't repay the loan on time, the lender might charge a late or returned check fee, depending on state law.

### 3. Is a payday lender required to offer me the lowest rate available?

No. Payday lenders are not required under federal law to offer a borrower the lowest available rate. Lenders generally offer payday loans at a fixed price. Many states cap the fees at a maximum amount, and some lenders may offer discounts in some cases. In general, payday loan prices vary from around $10 to $30 for every $100 borrowed. A fee of $15 per $100 is typical, which equates to an annual percentage rate (APR) of almost 400% for a two-week loan.

### 4. How do I repay a payday loan?

If you take out a payday loan from a storefront lender, you must either provide a personal check to the lender or an ACH authorization to electronically withdraw money from your checking account. You may be required to come back to the store to repay your loan. If you do not return, your lender might repay itself by presenting your check to your bank or credit union or withdrawing funds electronically from your account.

If you have taken out a loan online, you provide an ACH authorization for the lender to electronically access your checking account for repayment on the loan due date. So, while the way you repay a loan may depend on whether you took out a loan in a storefront or online, in general, you provide the lender a way to repay itself the full amount as part of the application process. This is done either by:

* Giving the lender permission to electronically take the money out of your checking account when the loan is due, through an ACH authorization

* Giving the lender a check for the repayment amount that they can deposit when the loan is due

**Tip: Know how your ACH payment is set up.** If you gave a payday lender permission to take money directly from your checking account, it is important to know exactly how much your lender will withdraw and when.

Some lenders might set up payments assuming you only want to pay a renewal fee on the loan's due date and require you to take action several days before your loan comes due to pay it in full. This could result in you paying several rounds of renewal fees while still owing the entire original loan amount.

Make sure you understand how your loan will be repaid and how much the loan could ultimately cost you before agreeing to use this form of credit.

**5. What do I need to qualify for a payday loan?**

Generally, lenders require you to:

* have an active checking account,

* provide proof of income from a job or another source,

* show valid identification, and

* be at least 18 years old.

Some lenders might employ additional criteria, such as a minimum time at your current job or a minimum amount of income to qualify for a certain loan amount.

**6. How will my payday loan be paid to me?**

Many lenders will offer one or more of the following options:

* Pay you in cash

* Electronically deposit the funds into your checking account

* Give you a check

* Wire funds to you

* Put the money on a prepaid debit card

However, some of these options might carry an additional cost. If you have a preference, shop around to find a lender that will provide the money the way you want it.

**TIP: Ask about added fees.** Make sure you ask about any additional fees that you might have to pay for each of these options.

**7. I was asked to sign an "ACH authorization" for my payday loan. What is that?**

An ACH authorization gives the lender permission to electronically take money from your checking or savings account when your payment is due.

**Tip: Know exactly how much will be deducted from your checking account and when.** Read your loan documents carefully before signing them. Make sure you understand:

* How much would be withdrawn from your account

* Whether it's the full amount you borrowed or a renewal fee

* When the withdrawal would occur

* How you can revoke, or cancel, your ACH authorization

If you don't have enough money in your account when the lender attempts a withdrawal, your bank or credit union might charge you an overdraft fee to cover the payment.

If your bank or credit union does not cover the payment and the lender can't deduct the full amount due, your loan will be delinquent. This might result in the lender charging you a late fee, and your bank or credit union charging you a "bounced check" or non-sufficient funds fee as well.

**8. Can I end my "ACH authorization?"**

Under the rules governing the ACH system for electronic withdrawals from consumer accounts, a valid "ACH authorization" must state clearly how it can be revoked (ended). All lenders using the ACH system agree to abide by these rules.

You should not sign an ACH authorization that does not say clearly how you can revoke it. If you have signed an authorization that does not contain instructions on how to revoke it, you may have a right to tell your bank or credit union to reverse any account debits that the lender made based on that authorization.

**9. What is the difference between a payday loan and a deposit advance?**

Payday loans and deposit advances are both short-term, high-cost loans. Some of the key differences are who makes the loans, how the loan is requested, and the mechanics of how they are repaid, which are discussed further below.

Payday lenders make payday loans online or to people who visit their storefront locations. In contrast, banks and credit unions that offer deposit advances generally do so only for their customers who have accounts with them and meet certain other eligibility requirements.

A payday loan is usually due to be repaid on the borrower's next payday, which is often two to four weeks from the date the loan was made. The specific due date is set in the payday loan agreement. The borrower can either return to the payday lender to repay the loan or allow the lender to withdraw funds from a checking account.

With deposit advance, banks and credit unions will usually pay themselves back automatically when the next electronic deposit to the customer's account is made, regardless of source, which could be much sooner than two to four weeks. If the amount of the incoming deposit is not enough to pay back the loan, the bank or credit union will repay itself out of subsequent deposits. Typically, if any loan balance remains after 35 days, the bank or credit union will automatically charge the customer's account for the remaining balance, even if that causes the account to become overdrawn.

Both payday loans and deposit advances charge fixed fees that are usually much more expensive than many other forms of credit. A typical two-week payday loan with a $15 fee for every $100 borrowed equates to an annual percentage rate (APR) of almost 400%.

**10. I need money now. Should I get a payday loan? What other options should I consider?**

Before choosing a payday loan, take a minute to think about the costs and all your other options.

First, if you take out a payday loan, you will likely be charged a fee of between $10 and $30 for every $100 borrowed. A $15 per $100 fee is typical. So, if you have an emergency and need $300 today, you would have to pay back $345 in a couple of weeks, assuming a fee of $15 per $100 borrowed. If your budget is already tight, that may be hard to do. The payday lender may encourage you to pay just the fee and extend the loan another few weeks. In that case, you would spend $45 and still owe $345 when the extension is over – that means you're spending $90 to borrow $300 for one month.

If you have an account at a bank or credit union, there may be less expensive alternatives available to you, especially if you have direct deposit or a stable credit history.

There may be even more alternative strategies available, including those that don't involve taking out a loan. Some employers, nonprofit organizations, and community groups offer advances or emergency credit. And don't forget about help from family or friends.

Another option might be to negotiate with the creditor or biller about the debt or bill you owe. A smaller repayment amount at the lowest interest rate will not only help make repayment easier, it may also allow you to start saving some money for the next emergency that will come along.

**11. Does everyone pay the same amount for a payday loan, or will the cost depend on things like how much money I make?**

Typically, a payday lender will charge every customer the same rate for a payday loan. Payday lenders generally charge a fixed price for every $100 borrowed. Many states cap the charges at specific maximums and lenders may occasionally offer discounts, but in general these fees range from around $10 to $30 per $100 borrowed.

While the cost to borrow may not vary, your income may determine how much you can borrow. Many states set limits on maximum loan amounts, but – depending on your income and other factors – a lender may not offer you the maximum amount.

**12. If I want to take out a payday loan, do I have to put up something in return like if I went to a pawn shop?**

No. Payday loans are considered a form of “unsecured” debt, which means you do not have to give the lender any collateral, or put anything up in return like if you went to a pawn shop.

Instead you will have to give the lender permission to electronically take money from your checking account, or provide a check for the repayment amount that the lender can deposit when the loan is due.

If you do not have enough money in your account when the lender tries to withdraw the payment, your bank or credit union will likely charge you fees for overdrawing your account.

**13. I am having trouble repaying my payday loan. What can I do?**

If you’re having trouble repaying your payday loan, one option may be to ask your lender if it will give you an extended payment plan.

An extended payment plan lets you repay the loan in smaller installments over a longer period of time. This option may be offered for free or might carry an additional fee.

Many states require lenders to offer extended payment plans under certain circumstances, and some lenders may also do so on a voluntary basis.

If you still have trouble making payments, or are not given the option of an extended payment plan, there are other resources that may be able to help you. For example, you may wish to speak with a credit counselor in your area or contact a legal aid attorney to discuss your options.

**14. Why did my payday lender charge me a late fee?**

When you took out your payday loan, you likely gave a check to the lender, or may have given it permission to take money from your checking account when the loan was due.

If you do not have enough money in your account when the lender attempts to repay itself, your bank or credit union may cover the payment and charge you an overdraft fee. If your bank or credit union does not cover the payment, the loan will not be successfully paid and you might be charged a “bounced check” or non-sufficient funds (NSF) fee by your bank or credit union and a late fee by the lender.

Many states specify the number of times a lender can charge these types of fees and the maximum fee amount.

### 15. How can I stop a payday lender from electronically taking money out of my bank or credit union account?

There are three things to consider when faced with this problem. First, do you think the transfer from your account is unauthorized (that is, you did not give permission or the lender is going beyond what you initially gave permission for)? Second, do you want to stop one or more payments out of a series you actually did authorize? Third, do you want to completely revoke (cancel) your authorization?

**Unauthorized transfers -** If you think that your payday lender is withdrawing more money from your checking account than you authorized, you should tell your bank or credit union that you are having trouble with “unauthorized transfers.” If anyone takes money out of your account without authorization, federal law requires the bank or credit union to take steps to stop that problem after you give them proper notice.

**Stopping a series of transfers -** You have some additional protections if your loan agreement calls for you to make regular electronic payments at repeated intervals, such as loans that are repaid through installments, and payday loans that are automatically set up to renew a certain number of times. You can stop one of a series of regularly scheduled payments by giving your bank or credit union oral or written notice at least three business days before the transfer is scheduled. The bank or credit union may require written confirmation of oral notice. They may charge fees for a stop payment.

**Cancelling authorization -** Under rules that all banks, credit unions and lenders agree will govern electronic transfers, you can also revoke any authorization that you gave a payday lender to take money out of your account. You should follow the instructions in the initial authorization that describe how to tell the payday lender to stop. If there are no instructions on how to tell the lender to stop, then the authorization may be completely invalid – but you should still tell the lender to stop taking money from your account. Specifically, you should say: “my authorization to debit my account is revoked." You must send these instructions to your lender in writing. You should also keep a copy to take to your bank or credit union. Then tell your bank or credit union that any further transfers are “unauthorized” and you want them treated that way – either stopped or immediately refunded.

### 16. Can a payday lender garnish my wages?

Your wages usually can be garnished only as the result of a court order.

If you don’t repay your loan, the payday lender or a debt collector generally can sue you to collect. If they win, or if you do not dispute the lawsuit or claim, the court will enter a judgment against you. The judgment states the amount of money you owe, and allows the lender or collector to get a garnishment order against you.

Wage garnishment happens when your employer holds back a portion of your wages for your debts. If a payday lender attempts to garnish your wages without going through the legal process described above, notify the payroll department at your employer of this. You may also contact a legal aid attorney for assistance.

**Tip: Don't hide from bad news.** Don’t ignore a lawsuit summons or other notices from a court or the lender, or the initial court proceedings against you. If you do, you could lose the opportunity to fight a wage garnishment or it could become much more difficult to do so.

### 17. I heard that taking out a payday loan can help rebuild my credit or improve my credit score. Is this true?

Payday loans generally are not reported to the three major national credit agencies, so it is unlikely to impact credit scores that take this data into account.

### 18. Will a payday lender pull my credit report before deciding whether to give me a payday loan?

Some payday lenders will pull a credit report or seek other information from major national credit agencies or specialty credit agencies before giving you a loan.

They may want to confirm your identity, or see if you have defaulted on other payday loans or recently declared bankruptcy.

### 19. I didn’t find out about my payday loan’s APR or when I would have to repay it until after I received the money. Shouldn’t someone tell me this ahead of time?

Your lender must disclose the annual percentage rate (APR) and other costs before you agree to the loan. If you were not given this information, your lender violated the law. The APR is information you need in order to fully understand what your loan costs and how you must repay it. It also helps you compare this option to others you may be considering.

### 20. I started to apply for a payday loan but changed my mind and did not finish the application. The lender deposited the money into my account anyway, without my permission. What can I do?

A lender should not deposit funds into your account without your permission. You typically give permission by signing a loan document or agreeing to the loan through a form on a website. Also talk to your bank or credit union to determine how to return the unwanted funds to the lender.

### 21. My payday lender told me I could be arrested if I failed to pay back my debt. Is this true?

No, you cannot be arrested for defaulting on a payday loan. Nevertheless, if a lender has obtained a judgment against you and you ignore an order to appear in court, a judge may issue a warrant for your arrest. You should never ignore a court order. If you get a court order to appear, you should go to court and provide any required information. You may want to consult with an attorney to help you with your court appearance.

**22. I've paid hundreds of dollars in fees, but the payday lender claims I still owe them money. How can this be?**

If your loan is renewed rather than repaid in full on its due date, you are only paying the fees associated with keeping the original loan amount outstanding (or unpaid). Renewing by paying just the fees does not reduce the principal amount you owe.

For example, let's say you took out a $300 loan with a $45 fee. When that loan comes due on your next payday, you will owe $345. If you are given the option to renew the loan, you'll pay a $45 renewal fee, but still owe the full $345 on your following payday. If you keep opting to pay just the $45 renewal fee, you could end up paying hundreds of dollars in fees while still owing the original $300 you borrowed many weeks ago.

**TIP: Consider repayment before taking out a payday loan.** Before taking out a payday loan, it's important to figure out whether you'll be able to repay the full amount with a single paycheck and still have money left over to pay your other expenses, like housing, transportation, and food costs.

**23. My payday lender told me my loan would only cost 15 percent to 17 percent but my loan documents say the APR is almost 400 percent. My lender says the APR doesn't matter. What is APR and how should I use it?**

The annual percentage rate (APR) is the standard way to compare how much loans cost. It lets you compare the cost of loan products with different fee structures on an "apples-to-apples" basis. It also takes into account the amount of time you have to repay the loan.

To calculate the APR, the interest rate and fees are compared to the amount you borrow and extended over a year. This standard amount of time is how you are able to compare the costs of a credit card to a six-month installment loan, or a two-week payday loan. It is also why APRs are often different from simple interest rates.

For example, if your payday lender is charging you a $15 fee for every $100 borrowed, that would be a simple interest rate of 15 percent. But if you have to repay the loan in two weeks, that 15 percent finance charge equates to an APR of almost 400 percent because of the very short term.

Here's why: Consider the daily interest cost, $1.07 (or $15 divided by 14 days), then multiply that out for a full year (365 days, so $390.55). So, borrowing $100 would cost you $390 if the term were extended to one year – that's 390 percent of the borrowed amount.

By comparison, the cost of borrowing the same $100 on a credit card with a 15 percent APR is $15 for one year, or about 57 cents for two weeks.

You don't need to worry about the math. Just keep in mind that the APR does matter because it provides a shorthand way for you to compare the cost of two or more loans. And, payday lenders must disclose the loan's APR and other costs before you sign the loan agreement.

**TIP: Focus on APRs.** If you want to compare the cost of 3 payday loans offers, focus on the APRs.

### 24. If I take out a payday loan, could it hurt my credit?

Payday loan activity generally does not show up on the credit reports you get from the three major national credit reporting agencies (Equifax, Experian, and Trans Union). However there are specialty credit reporting agencies that collect some of your payday loan history. It is possible that lenders may access this information when considering you for future loans.

In addition, if you don't pay your loan back and your lender sells your payday loan debt to a debt collector, it is possible the debt collector would report this debt to one of the major national credit bureaus. Debts in collection could impact your credit score.

Likewise, some payday lenders bring lawsuits to collect unpaid payday loans. If you lose a court case related to your payday loan, this fact could appear on your credit report and may affect your credit score.

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## 5. What to do If You’re Having Trouble Paying Off the Loan

**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. Contact your creditors or loan servicer as quickly as possible if you are having trouble making a payment, and ask for more time. Many may be willing to work with you if they believe you are acting in good faith. They may offer an extension on your bills: Find out what the charges are for that service. There could be a late charge, an additional finance charge, or a higher interest rate.

**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.)

**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, 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.

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**Special Bonus:**

## 6. Sixty One Ways to Save Money

Here is a list of tips and ideas that will help you save money in various areas of your life:

### Airline Fares

1.You may lower the price of a round trip air fare by as much as two-thirds by making certain your trip includes a Saturday evening stay over, and by purchasing the ticket in advance.

2.To make certain you have a cheap fare, even if you use a travel agent, contact all the airlines that fly where you want to go and ask what the lowest fare to your destination is.

3.Be flexible, if possible. Consider using low fare carriers or alternative airports and keep an eye out for fare wars.

### Car Rental

1.Since car rental rates can vary greatly, shop around for the best basic rates. Ask about any additional charges (extra driver, gas, drop-off fees) and special offers.

2.Rental car companies offer various insurance and waiver options. Check with your automobile insurance agent and credit card company in advance to avoid duplicating any coverage you may already have.

### New Cars

1.You can save thousands of dollars over the lifetime of a car by selecting a model that combines a low purchase price with low financing, insurance, gasoline, maintenance, and repair costs. Ask your local librarian for new car guides that contain this information.

2.Having selected a model, you can save hundreds of dollars by comparison shopping. Call at least five dealers for price quotes and let each know that you are calling others.

3.Remember there is no "cooling off" period on new car sales. Once you have signed a contract, you are obligated to buy the car.

### Used Cars

1.Before buying any used car:

- Compare the seller's asking price with the average retail price in a "bluebook" or other guide to car prices found at many libraries, banks, and credit unions.

- Have a mechanic you trust check the car, especially if the car is sold "as is."

2.Consider purchasing a used car from an individual you know and trust. They are more likely than other sellers to charge a lower price and point out any problems with the car.

### Auto Leasing

1.Don't decide to lease a car just because the payments are lower than on a traditional auto loan. The leasing payments may be lower because you don't own the car at the end of the lease.

2.Leasing a car is very complicated. When shopping, consider the price of the car (known as the capitalized cost), your trade-in allowance, any down payment, monthly payments, various fees (excess mileage, excess "wear and tear," end-of- lease), and the cost of buying the car at the end of the lease. Keys to Vehicle Leasing: A Consumer Guide, published by the Federal Reserve Board and Federal Trade Commission, is a valuable source of information about auto leasing.

**Gasoline**

1.You can save hundreds of dollars a year by comparing prices at different stations, pumping gas yourself, and using the lowest-octane called for in your owner's manual.

2.You can save up to $100 a year on gas by keeping your engine tuned and your tires inflated to their proper pressure.

**Car Repairs**

1.Consumers lose billions of dollars each year on unneeded or poorly done car repairs. The most important step that you can take to save money on these repairs is to find a skilled, honest mechanic. Before you need repairs, look for a mechanic who:

- is certified and well established;

- has done good work for someone you know; and

- communicates well about repair options and costs.

**Auto Insurance**

1.You can save several hundred dollars a year by purchasing auto insurance from a licensed, low-price insurer. Call your state insurance department for a publication showing typical prices charged by different companies. Then call at least four of the lowest-priced, licensed insurers to learn what they would charge you for the same coverage.

2.Talk to your agent or insurer about raising your deductibles on collision and comprehensive coverages to at least $500 or, if you have an old car, dropping these coverages altogether. Taking these steps can save you hundreds of dollars a year.

3.Make certain that your new policy is in effect before dropping your old one.

**Homeowner/Renter Insurance**

1.You can save several hundred dollars a year on homeowner insurance and up to $50 a year on renter insurance by purchasing insurance from a low-price, licensed insurer. Ask your state insurance department for a publication showing typical prices charged by different licensed companies. Then call at least four of the lowest priced insurers to learn what they would charge you. If such a publication is not available, it is even more important to call at least four insurers for price quotes.

2.Make certain you purchase enough coverage to replace the house and its contents. "Replacement" on the house means rebuilding to its current condition.

3.Make certain your new policy is in effect before dropping your old one.

**Life Insurance**

1.If you want insurance protection only, and not a savings and investment product, buy a term life insurance policy.

2.If you want to buy a whole life, universal life, or other cash value policy, plan to hold it for at least 15 years. Canceling these policies after only a few years can more than double your life insurance costs.

3.Check your public library for information about the financial soundness of insurance companies and the prices they charge. The July 1998 issue of Consumer Reports is a valuable source of information about a number of insurers.

**Checking**

1.You can save more than $100 a year in fees by selecting a checking account with a low (or no) minimum balance requirement that you can, and do, meet. Request a list of these and other fees that are charged on these accounts.

2.Banking institutions often will drop or lower checking fees if paychecks are directly deposited by your employer. Direct deposit offers the additional advantages of convenience, security, and immediate access to your money.

**Savings and Investment Products**

1.Before opening a savings or investment account with a bank or other financial institution, find out whether the account is insured by the federal government (FDIC or NCUA). An increasing number of products offered by these institutions, including mutual stock funds and annuities, are not insured.

2.To earn the highest return on savings (annual percentage yield) with little or no risk, consider certificates of deposit (CDs) and treasury bills or notes.

3.Once you select a type of savings or investment product, compare rates and fees offered by different institutions. These rates can vary a lot and, over time, can significantly affect interest earnings.

**Credit Cards**

1.You can save as much as a thousand dollars or more each year in lower credit card interest charges by paying off your entire bill each month.

2.If you are unable to pay off a large balance, pay as much as you can and switch to a credit card with a low annual percentage rate (APR). For a modest fee, RAM Research Corp. (800-344-7714) will send you a list of low-rate cards. You can obtain a list of low-rate cards by accessing "www.ramresearch.com.cardtrack" on the Internet.

3.You can reduce credit card fees, which may add up to more than $100 a year, by getting rid of all but one or two cards, and by avoiding late payment and over-the-credit limit fees.

### Auto Loans

1.If you have significant savings earning a low interest rate, consider making a large down payment or even paying for the car in cash. This could save you as much as several thousand dollars in finance charges.

2.You can save as much as hundreds of dollars in finance charges by shopping for the cheapest loan. Contact several banks, your credit union, and the auto manufacturer's own finance company.

### First Mortgage Loans

1.Although your monthly payment may be higher, you can save tens of thousands of dollars in interest charges by shopping for the shortest-term mortgage you can afford. On a $100,000 fixed-rate loan at 8% annual percentage rate (APR), for example, you will pay $90,000 less in interest on a l 5-year mortgage than on a 30-year mortgage.

2.You can save thousands of dollars in interest charges by shopping for the lowest-rate mortgage with the fewest points. On a 15-year, $100,000 fixed-rate mortgage, just lowering the APR from 8.5% to 8.0% can save you more than $5,000 in interest charges. On this mortgage, paying two points instead of three would save you an additional $1,000.

3.If your local newspaper does not periodically run mortgage rate surveys, call at least six lenders for information about their rates (APRs), points, and fees. Then ask an accountant to compute precisely how much each mortgage option will cost and its tax implications.

4.Be aware that the interest rate on most adjustable rate mortgage loans (ARMs) can vary a great deal over the lifetime of the mortgage. An increase of several percentage points might raise payments by hundreds of dollars per month.

### Mortgage Refinancing

1.Consider refinancing your mortgage if you can get a rate that is at least one percentage point lower than your existing mortgage rate and plan to keep the new mortgage for several years or more. Ask an accountant to calculate precisely how much your new mortgage (including up-front fees) will cost and whether, in the long run, it will cost less than your current mortgage.

### Home Equity Loans

1.Be cautious in taking out home equity loans. These loans reduce the equity that you have built up in your home. If you are unable to make payments, you could lose your home.

2.Compare home equity loans offered by at least four banking institutions. In comparing these loans, consider not only the annual percentage rate (APR) but also points, closing costs, other fees, and the index for any variable rate changes.

**Home Purchase**

1.You can often negotiate a lower sale price by employing a buyer broker who works for you not the seller. If the buyer broker or the broker's firm also lists properties, there may be a conflict of interest, so ask them to tell you if they are showing you a property that they have listed.

2.Do not purchase any house until it has been examined by a home inspector that you selected.

**Renting a Place to Live**

1.Do not limit your rental housing search to classified ads or referrals from friends and acquaintances. Select buildings where you would like to live and contact their building manager or owner to see if anything is available.

2.Remember that signing a lease probably obligates you to make all monthly payments for the term of the agreement.

**Home Improvement**

1.Home repairs often cost thousands of dollars and are the subject of frequent complaints. Select from among several well established, licensed contractors who have submitted written, fixed-price bids for the work.

2.Do not sign any contract that requires full payment before satisfactory completion of the work.

**Major Appliances**

1.Consult Consumer Reports, available in most public libraries, for information about specific brands and how to evaluate them, including energy use. There are often great price and quality differences among brands.

2.Once you've selected a brand, check the phone book to learn what stores carry this brand, then call at least four of these stores for the prices of specific models. After each store has given you a quote, ask if that's the lowest price they can offer you. This comparison shopping can save you as much as $100 or more.

**Electricity**

1.To save as much as hundreds of dollars a year on electricity, make certain that any new appliances you purchase, especially air conditioners and furnaces, are energyefficient. Information on the energy efficiency of major appliances is found on Energy Guide Labels required by federal law.

2.Enrolling in load management programs and off-hour rate programs offered by your electric utility may save you up to $100 a year in electricity costs. Call your electric utility for information about these cost-saving programs.

**Home Heating**

1.A home energy audit can identify ways to save up to hundreds of dollars a year on home heating (and air conditioning). Ask your electric or gas utility if they can do this audit for free or for a reasonable charge. If they cannot, ask them to refer you to a qualified professional.

**Local Telephone Service**

1.Check with your phone company to see whether a flat rate or measured service plan will save you the most money.

2.You will usually save money by buying your phones instead of leasing them.

3.Check your local phone bill to see if you have optional services that you don't really need or use. Each option you drop could save you $40 or more each year.

**Long Distance Telephone Service**

1.Long distance calls made during evenings, at night, or on weekends can cost significantly less than weekday calls.

2.If you make more than a few long distance calls each month, consider subscribing to a calling plan. Call several long distance companies to see which one has the least expensive plan for the calls you make.

3.Whenever possible, dial your long distance calls directly. Using the operator to complete a call can cost you an extra $6.

**Food Purchased at Markets**

1.You can save hundreds of dollars a year by shopping at the lower-priced food stores. Convenience stores often charge the highest prices.

2.You will spend less on food if you shop with a list.

3.You can save hundreds of dollars a year by comparing price-per-ounce or other unit prices on shelf labels. Stock up on those items with low per-unit costs.

**Prescription Drugs**

1.Since brand name drugs are usually much more expensive than their generic equivalents, ask your physician and pharmacist for generic drugs whenever appropriate.

2.Since pharmacies may charge widely different prices for the same medicine, call several. When taking a drug for a long time, also consider calling mail-order pharmacies, which often charge lower prices.

**Funeral Arrangements**

1.Make your wishes known about your funeral, memorial, or burial arrangements in writing. Be cautious about prepaying because there may be risks involved.

2.For information about the least costly options, which could save you several thousand dollars, contact a local memorial society, which is usually listed in the Yellow Pages under funeral services.

3.Before selecting a funeral home, call several and ask for prices of specific goods and services, or visit them to obtain an itemized price list. You are entitled to this information by law and, by using it to comparison shop, you can save hundreds of dollars.

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