

# INSTALLMENT LOANS

## WILL STATES PROTECT BORROWERS FROM A NEW WAVE OF PREDATORY LENDING?

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### TAKING OUT AN INSTALLMENT LOAN? FIVE TIPS FOR CONSUMERS

1. **Look at the APR—if it's above 36%, don't take the loan.** The APR captures the full cost of credit, including junk fees—not just the interest rate. The higher the APR, the more you will pay for the loan. For a loan of more than a few hundred dollars, look for an APR considerably less than 36%.
2. **Say “NO” to credit insurance and other add-ons.** Some lenders try to increase their profits by slipping in insurance, auto club memberships, and other add-ons that provide few benefits to consumers. Look carefully at your loan papers and say no to any of these add-ons, even if that means that loan papers have to be rewritten. If the lender says the add-on is required, decline the loan, as this is a strong signal that the lender is trying to take advantage of you.
3. **Be VERY careful about whether to allow the lender to deduct your payments directly from your bank account.** If you choose this method of payment, the lender will deduct the payment from your bank account even if you have more important bills to pay (such as rent or food) and even if it means that other checks will bounce. These automatic payments can also be difficult to cancel. If you wish to pay automatically, it is better to set up automatic payments through your bank's online bill-pay feature than by giving the lender authority to debit your account.
4. **You have the right to cancel automatic payments.** If you authorized the lender to deduct your payments directly from your bank account, you have the right to cancel this at any time. Tell the lender in writing that you revoke authorization and keep a copy. If the lender debits your account after you have revoked authorization, show your bank the revocation and dispute the debit as unauthorized with your bank. You can also stop payments with your bank but you may pay a stop payment fee. The bank should be able to stop all recurring debits with a single order.
5. **Tell the CFPB if the lender treats you unfairly or deceptively.** The Consumer Financial Protection Bureau (CFPB) tries to resolve complaints, and often is able to help. It also uses information from consumers to identify bad practices. Tell them about your problem at <http://www.consumerfinance.gov/complaint/>.