

Payday Loans – Easy cash, Hard truth

While conventional creditors wish to look your credit history before they approve a loan for you, payday loan companies do not. Your credit score is not important here. All that the lenders need are proof of your employment, your bank statement and one post dated check that is to be cashed on your coming payday- that's all. Once you submit these documents, cash reaches to you immediately. The advantages of Payday loans-Borrowers get the cash ready when needed.No credit check is performed.Short term loan that matures on the next payday andRenewal is possible in case of financial hardship.If borrower wishes, he can renew the loan for another pay period; in that case a fee is charged as the renewal cost. The story has been flowing nicely so far. But it won't. People with poor credit prefer payday loans mostly and here lies the tragedy. Borrowers apply for payday loans even when he is not sure whether he can repay it on his next payday. If he can pay it back then it is well and good. But if he cannot – he enters a never-ending loop. Interest and renewal charges continue to be added on the principle thus increasing the loan amount. Payday lenders set a higher limit of cash to be lent, generally \$500 and charge \$25 per \$100. We should not forget that this charge is for only 7 to 20 days. Now if you calculate the APR, it will be somewhere near to 650%. Just think of the situation - you need some cash ready and your credit is not so good. So you went for a payday loan. Now you have to pay \$125 on your next payday if you had borrowed \$100. Say, you cannot afford the amount at that time and decide to renew it. Then you are signing another loan of \$125 and have to return around \$155 on your next payday. So you are paying \$55 interest for \$100 loan in one month! Now just multiply \$55 with 12, isn't it near about \$650? Can you imagine how much you are paying for \$100 payday loan? When one realizes that he or she is paying too much towards the loan and decides to close the checking account, lender adds the NSF charges. Moreover the renewal charge is piled up whenever he missed payments. Payday loan companies which did not exist 10 years back are more than 20,000 in number at present. They usually lure people to borrow from them. If they are repaid on the first payday, they are fine. Otherwise they appear as loan sharks and run to grasp you like a demon! But you must think whether you can afford it with your next paycheck or not. If the answer is 'yes', go for it, otherwise do not go for it, because ready cash is not cheap!

About the Author

[Debt consolidation](#) is a good option to pay back your debts. But a few a few too few consolidators are ready to work with payday loans. Debt consolidation care community has recognized this problem and started to propose practical tips to the payday loan borrowers on how to get rid of them. People looking for [payday loan consolidation](#) have joined the [community](#) and started helping each other.

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