

NON-TRADITIONAL SERVICES/PRODUCTS AT A GLANCE

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 repayment 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 repayment 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.