Need a Quick Loan?

Beware and Compare

When a financial emergency strikes, you may need a quick, relatively small loan to get you through to the next paycheck. Here are some things to think about, plus a calculator to compare the costs of different flat-fee loans.

1 Before Taking a Loan

- **Get free financial counseling** for one-on-one, confidential assistance with budgeting, credit building, and debt management, including making a plan to pay back any loans.
- **Consider other strategies:**
  - Ask current creditors for a payment plan, hardship assistance, or negotiating debt
  - Take on more hours at work or a side job to earn extra money
  - Sell unneeded personal items through an online marketplace or a consignment shop

2 Where to Look for Short-Term Loans

- **Beware of "Payday Lending."** These apps and services charge much more than banks, often annual percentage rates more than 400%!
- **Your Bank.** If you have a checking or savings account, ask your bank or credit union if they offer short term, smaller dollar loans. Several banks and credit unions have recently introduced these loans.
- **Another Bank.** If your bank does not offer such a loan, there may be options through other banks, credit unions, apps, and lenders who work with people with less-than-perfect credit. For instance, some credit unions offer "payday alternative loans" even to non-members.
- **Community Options.** Consider options offered by trusted community-based organizations, such as lending circles or tandas, where a small group of people contributes money every month and takes turns lending money to one another at no interest.
- **Credit Card or Payday Advance App.** Consider these options, if available and more affordable than the alternatives, and if you'll be able to repay them. **Note:** *these options come with their own terms and conditions. A financial counselor can be helpful in understanding any confusing or harmful terms.*

3 How to Compare Loans

For any loan you find, look at:

- **Annual percentage rate (APR):** APR is the interest charged per year of the loan. An APR over 36% is considered "high cost."
- **Fees:** Some loans come with a flat fee of $5 or $10. Others may charge a fee like $6 per $100 borrowed. These $5 to $10 fees may seem reasonable, but consider them in the context of the amount you're borrowing and how long you have to pay it back.
- **Loan term:** The loan term is how long you have to repay the loan.

4 Example: Let's Compare Two Types of Loans

Imagine you need to borrow $200 to get through the month.
How do you decide between these options?

	OPTION 1: Online Payday Loan	OPTION 2: Quick Loan From Your Bank
How does the loan work?	• Flat fee of $35.30 on a $200 loan • 30 days to pay it back • Available to anyone online	• Flat fee of $6 per $100 borrowed • 90 days to pay it back • Only for existing bank customers
How much do you pay at the end of the loan term?	$235.30	$212.00
Equivalent APR	214.7%	24.3%

- If you're unable to pay back Option 1 (the payday loan) in their 30-day loan period, **the costs go up even more.**
- Even though Option 1 looks appealing because it's quick and they post their fees clearly, **the cost ends up much higher than a similarly quick loan through a bank.**

5 Try the Loan Cost Calculator

If you're trying to decide on a loan that has a flat fee, use this tool to calculate the equivalent APR (interest charged per year of the loan) and compare different loan options: **sfgov.org/ofe/loancomparison**

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