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

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.
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.

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?

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

- 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.

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

San Francisco Office of Financial Empowerment is part of the Office of the Treasurer & Tax Collector.